



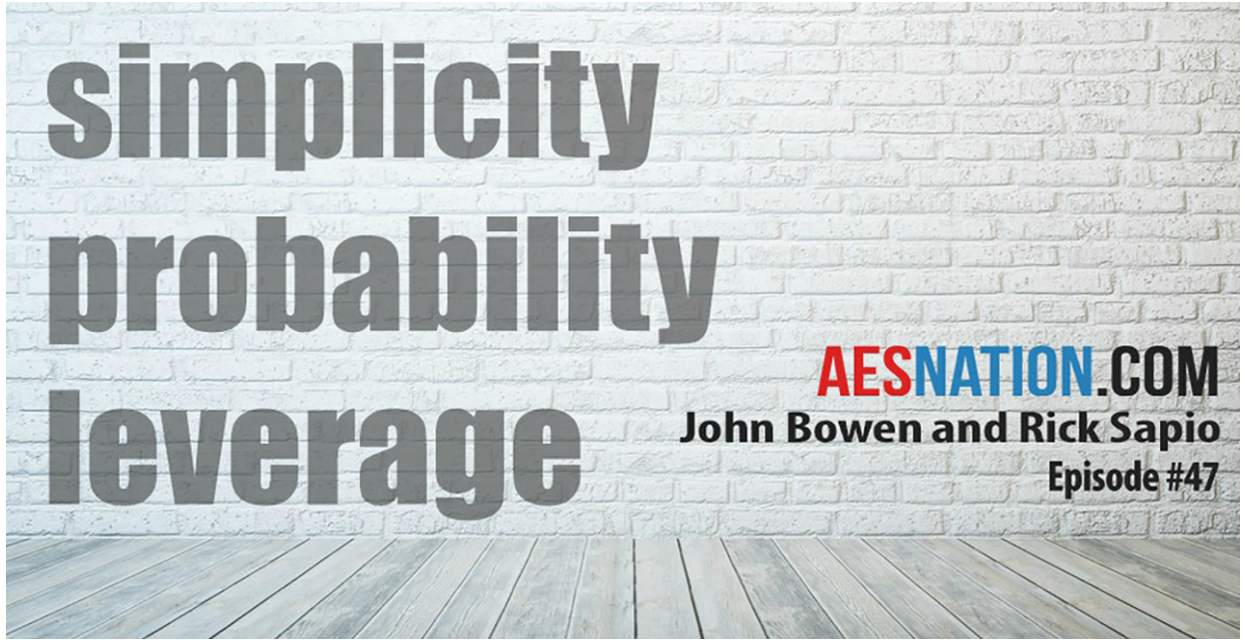
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ACCELERATING ENTREPRENEURIAL SUCCESS PODCAST

EPISODE
47

Rick Sapiro

Show Notes at: <http://www.aesnation.com/47>



simplicity
probability
leverage

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John Bowen and Rick Sapiro

Episode #47

Dear Fellow Entrepreneur,

We are thrilled that you have joined us here at AES Nation, where we're dedicated to accelerating entrepreneurial success—your success.

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Thanks for being part of the AES Nation community. We'll see you online.

Best of success,



John Bowen
Co-founder, AES Nation

John Bowen: As entrepreneurs, all of us have a lot of challenges to overcome. Today's guest is going to show you how to overcome challenges.

He's got a lot of personal experience. He grew up in a family of nine kids outside New York. I want you to imagine that at the age of 11, your father coming home after a successful career owning a dealership, a car dealer, and telling you that he has six weeks to live and then dies. How would that change your life?

Those early entrepreneurial experiences, Rick Sapio, our next guest, made all the difference in the world. Not only for all of those nine children doing well, thriving and surviving in today's world, but his four kids. He's on a mission to help all his fellow entrepreneurs as well as every household in the world have at least one entrepreneur, over a billion.

Please join me. I'm John Bowen and we're here at aesnation.com and you don't want to miss this.

Rick Sapio, thank you for joining me today. I'm really excited to have you here. You and I have known each other both through mutual friends. We finally connected a little while ago. You're out there making a difference, so thank you, first of all, for joining us.

Rick Sapio: Hey, thanks for having me. Great to be here.

John: Tell me, Rick. You're out there and I want to get a little bit of background how you became what you are today. You shared with me just before we turned on the cameras just an amazing story of growing up in a large household, which is enough of a challenge. I mentioned your dad passing away and then your mom too. Outside of New York, all the things that could've happened. Tell me how you got to where you are today and then really, the big single lesson that helped you get through all this.

Rick: I think first of all that the greatest gift that any parent could give any child is the gift of independence through entrepreneurship. At a very early age, my dad took me to the office with him. He had me come to meetings with him. He owned a car dealership, so you can imagine in a dealership environment, there is a lot happening. You got finance. You got parts. You have automobiles being repaired and cleaned. You got real estate.

Always negotiating with somebody. He was always talking. I learned to pick up a lot of cues. I saw thousands of repetitions as a kid because I loved, more than school ... I like school. I was one of those weirdos. But I liked being at his shop more than anything else in the world.

When I was 9 or 10 and I was in important meetings, I felt like a businessman. That's how I felt. So when he came home with the news when I was 11, he announced it to the family because he wasn't feeling well. He went to the doctor. They said you've got terminal cancer. After he passed away, it was never a moment of I feel sorry for myself. He had taught us to be independent and entrepreneurial.

The only reason I'm pointing that out is because today, most parents, at least what I can see and read, observe for myself, is that parents don't want their kids to scrape their knees at all. They won't anything in the way. They'll put pillows around them just in case they fall down, which is the absolute opposite of what happened to me and all my siblings.

If I fast forward today, 38 years later after he died, all of us are successful. All of us are married. Zero divorces. There's varying degrees of success. But there's no drug addiction. There's no jail time. There's no chaos. I attribute all of that to our parents teaching us independence.

Just one very quick story. I'm in first grade. It's this first day of school. I'm all excited I'm in first grade. My mother takes me down in the basement and she goes, tomorrow's your first day of school. I go, great. She goes, there's a lot of kids in the house and I'm not ever going to do your wash ever again. Let me teach you how to do wash. That is just one of 100 stories I can give you about what our parents taught us.

Then I go to college 12 years later and my roommate would drive 200 miles home so his mommy and daddy could wipe his butt and do his laundry. That's what parents are doing to kids today. They are ruining them.

John: It is. We are certainly influenced by our early years and childhood and families. Some of the most successful entrepreneurs do come from entrepreneurial families because they have a leg up. Even though it was at a young age that you lost your dad, who was an entrepreneur and brought all those lessons home, you took those. What would you say the number one lesson that you got from your dad that has just really helped you in all the businesses that you've done, Rick?

Rick: The thing I remember most about my dad is he got up at 5:30 every morning. He put on a suit and he left for work. He always got an early start and he would always say to me, "Early to bed, early to rise" and "The early bird gets the biggest worm" and things like that. Even if I don't work a full week, sometimes I have a shortened week because I have a big family and whatnot, I always go to work early. I think starting early and getting things done before people are in the office for me has been the most important lesson that he taught me, which I execute on daily.

John: One of the things a good friend of mine, a former research director, Russ Alan Prince ... Actually, head of marketing when I first kicked this off, Louis Schiff, wrote a book on the influence of affluence. They did this huge study of all these affluent individuals. They found after doing all this regression analysis or cluster analysis that the number one factor was hard work. You got to show up. You got to actually do it. We wish there was a lot of secrets, but that's one that as entrepreneurs, as we get frustrated sometime, it's not happening, just going out and making it happen is being there.

Rick, you've had and have a number of companies and so on. Tell me about a significant challenge that you personally had in your business that really shaped you into what you are today.

Rick: A negative challenge is what you're talking about, right?

John: It can be a positive one, but mostly it's negative ones that do all the shaping for us here.

Rick: Inside Business Finishing School, we've trademarked this thing called values-based decision-making. We've come up with a way to describe it called the doorman principle. The doorman principle is about coming up with a set of values to guide all decisions in your life.

If you can imagine that your life is a room, and every single person that you let into your life comes into the room through one door, there's no way out. If you knew that every person that you're going to do business with was going to stay in the room of your life forever, would you be more careful with who you let in? The doorman principle was about taking the list of values that you want to make decisions from, handing that to an imaginary doorman, and saying don't let anybody into the room of my life unless they align with my values.

I will tell you, I started thinking about the doorman principle and values-based decision-making as a kid because I was seven and I watched all the mistakes that my older siblings make. I will tell you that every single solitary mistake I have ever made in my life, and I made some big ones, which I'm about to tell you about, all were caused when I let someone into my life that didn't align with my values.

The mistake happens when we choose opportunity, i.e, the amount of money we're going to make, over values. We'll say things to ourselves like, yeah, she's a really good salesman, though. I know she doesn't align with our values, but she's going to be great. Then that person wreaks havoc on your organization. Or I really love her family. I don't really love her so much, but I'll marry her because her family has wealth. You know where that's going. How many people get married when there's a values misalignment?

I go to Warren Buffet's meeting every year, Berkshire Hathaway. He has a phrase. He says, don't make big investment mistakes. That's rule number one. Rule number two is always remember rule number one.

We've changed it to our version of it, is don't make big values mistakes. That's rule number one. Rule number two is always remember rule number one.

About 20 years ago, I hired a CEO to run one of our companies. I have a holding company. An absolutely phenomenal on paper. Unbelievable on paper. After interviewing him a bunch of times, my gut was telling me he's not going to work out. I decided to override the executive team. We're going to bring this person on. The executive team fought me and fought me and fought me, but I had the ultimate decision. I said, you know what? What harm could this guy do?

This particular guy got our company into a lawsuit pretty quickly that ended up costing the company \$20 million. That's a big deal when you're me because at the time, I owned 70% of the business. All of that was caused because I allowed someone to come into my firm that didn't align with my values.

You could use values-based decision-making for any scenario. For partners, for vendors, for employees, for business deals of all kinds, for anything.

John: As you were saying, I know all my fellow entrepreneurs, whether on video or on the audio side, they're listening to this and they're going, okay, have I ever left my values? That doorman, he didn't have the values. He wasn't checking with people who came in. I have a few images. I'm not going to share with you the stories today here because it's a lot. I want you to share your experiences. But these people are dancing through my head that have cost me millions of dollars too.

It's so easy as entrepreneurs that we're out there in the marketplace. The more success you have, the more you attract people. It's amazing how good people can dress up to ... particularly if they don't have the values. It's a lot easier to con people when you have no values or very low values.

This is something that's so important, I'd encourage everyone to really think about. Today's world, nobody accomplishes great things with one person. We have to have a team, both internal and oftentimes we're changing partners, joint venture partners and so on. Boy, having the right people align, magic can happen. But as Rick and I can tell you, and I'm sure most of the partners here have already had that experience.

Rick: I do on that.

John: Go ahead.

Rick: In my belief, all of us have to lock ourselves in our room somewhere for whether it's an hour or a week and come up with that set of values that you're going to make decisions from. I've taught this to thousands and thousands of people. Only a handful have actually stopped what they're doing and came up with that list. Until you have that list, there's nothing to hand to your imaginary doorman. There's nothing from which to make decisions from.

I've had people say, well, yeah, I understand that, but it's not a big deal. Me and my wife divorced years ago. You divorced years ago, but how do you feel about it? I hate her guts. You're still carrying around those decisions that you made when you violated your values. You carry it around with you forever.

I would assert that if we can stop and draw a line in the sand right now, that from this day forward I'm only making business decisions and personal decisions consistent with my

values, I promise you that the compounding effect of that is so massive, it makes Albert Einstein's rule of compounding interest and money small relative to the compounding interest of aligned decisions around your values. How much money will that put in your pocket long-term?

John: It's so easy to get caught. I had a conversation yesterday with a very famous entrepreneur that we all know. He was telling me a story where he had entrusted someone, I won't share because he didn't say it was public. It really didn't have your doorman. He should've hired you for the doorman, Rick, alone because it was over \$100 million. Man, I'm listening to it and it's just so painful. Fortunately, the guy is a very successful, so he can weather the storm. But boy, it didn't have to be. It was as short-term opportunity he did. There, all of a sudden, he didn't have that frame and he didn't have the valued conversation ahead of time or the structure, and then certainly didn't have that doorman.

Let's go on. You've started a number of different companies. I want to get some of your best advice for entrepreneurs. What are some of the key drivers? Successful entrepreneurs are watching and listening to us today. They've already got businesses. They're having success. Sometimes they hit that ceiling of complexity that strategic coach, talks about. You get a lot of things going on and your life becomes a little bit crazy. I'm thinking you must be used to crazy with all the kids that you grew up with, large families and so on.

You've started a number of successful businesses. What would be some of the advice how to not only go to the next level of success, but really skip some levels?

Rick: Let me put it all in perspective for you. I have four kids and they're ages six, four, two, an eight months today.

John: You look pretty relaxed for all that.

Rick: In my holding company, we own all of or part of 35 companies. That's a holding company that I started that I'm still majority owner 21 and a half years later. There's a lot of potential complexity.

However, what I like to do, and I've been this way since I was young, is I look at my list of values. I've created for entrepreneurs and for myself, obviously ... I call it the business lens. I put every decision I make through the business lens. The business lens is just three words

and anybody can use this. In fact, I go to friends' offices and they have the three words on their computer screen. Simplicity, probability, and leverage.

The question I ask myself when I put something through the business lens. Number one, is this decision going to add simplicity to my life? When I look at our private equity fund, we make an investment in 1 out of 400 companies that we look. That's 1 out of 400. Yet, most entrepreneurs say yes to everything. We're addicted to yes.

But if you put things through this lens, your nose will radically increase. I love the Steve Jobs quote when he said, "I am so much more proud of the thousands of things we said no to than the handful of things we said yes to." This decision-making lens of simplicity, probability, and leverage will help you tremendously. Number one, will this decision add simplicity to my life? If the answer is no, then don't do it.

Number two, probability. Will this decision increase the probability that my company will grow in a predictable way? Oftentimes we make decisions because we heard a speaker or we're chasing some blinky, shiny object, where it's the next greatest thing. Nonsense. Simplicity, probability, and leverage.

The last one is leverage. You're exhibiting it right now on this call. Leverage is about using other people or other companies to get your message out. When you use simplicity, probability, and leverage, and the decisions that you make are increasing in those three areas somehow, I believe it's a good decision.

But I think we make decisions in a vacuum. We use gut, we use relationships, way too much. The question in addition to that that you have to ask yourself is am I chasing opportunity or am I chasing values. Once you've established that, you then go through the lens. Simplicity, probability, and leverage.

I have to tell you, John, it has served me well. I have had people. This has happened to me now three times. They've said, I want follow you around. I want to see what it's like to shadow you. I'm like, I live a really boring life. I get up at 5:30. I have dinner with my family every night. That's a fact. In between it's pretty boring because my schedule's pretty well laid out because everything's on weekly and calls.

Sure enough, they're like, I just want to follow you around. They were bored out of their minds because I like to make decisions that add simplicity, probability, and leverage.

You have to decide for you what is your number one value. Mine, as you can probably already tell, my number one primary value for all decisions that I make in my life is simplicity. I want to keep things simple. I live very close to my office. My wife and I, although we have young kids, the school is very close to us. We don't do a lot of activities with them. We like to have family dinner. We like to play in the yard. That's how we like to do it. We like to keep things simple.

Yours may be something else. But I promise you, it's not chaos, which is where most entrepreneurs reside. That chaos is killing you. It's killing your marriage. It's killing your relationships with your kids. It's killing your opportunities to get things done.

I think that this message can serve anyone, especially in this crazy.

John: No, I really like that a lot, Rick. I have heard you say it that way. You and I are totally aligned on this. I think of the concept, I'm not sure who said it first, but to be on the right side of complexity. As entrepreneurs, when we first start out, we measure our success by activity because we don't have money coming in. We're out there doing all kinds of things and how many things can we get going. Then all of a sudden, that complexity hits. For many, it's overwhelming. If somehow you work through it, the only way you really work through it and have big success is to get on the right side of complexity. That simple again.

Our fellow entrepreneurs listening to this, they know. There isn't a day ... I just got yesterday a great opportunity to acquire a company. I'm thinking, this would be phenomenal. Then I went ahead and I immediately, I went to quality of life, which I think you and I are the same on simplicity. How would it affect my quality of life? It would totally screw mine up. I'd have to go hop on a plane and I'd show up for months on end in this place that I don't want to be.

It's those type of things. Whatever framework, your business lens, simplicity, probability, and leverage, is a great one. Other people might have different. But boy, you got to have that because you can set yourself up to so much failure.

Rick: I want to just share an analogy that will work for people that I hope that they think about from this perspective.

Ronald Reagan was a famous president, as we all know. But what a lot of people don't know is he realized that regulators and lawmakers add laws upon laws upon laws upon laws, and it becomes this crazy mountain of nonsense that no one could really sift through.

When he became president, a lot of people don't know this, but he eliminated thousands of federal laws. He was the first president to literally just eliminate them to add some simplicity. It actually oiled the economy.

Using that analogy, I think that people don't realize that the complexities into their personal and business life, whether it's technology of Facebook. When I first got in business, I didn't worry about anything but my phone. But then I had a fax to worry about. Then I had a computer to worry about. Then I had email to worry about. Then texting. Then voicemails. Then Facebook. Then this and that. It's complexity upon complexity.

We've decided in my firm to eradicate all that. This is going to come as a surprise to everyone listening. I have yet to buy a smartphone. That adds too much complexity to my life. The reason I've done that is I've realized that it doesn't fit my simplicity, probability, and leverage lens at all. Has it made me more effective? Absolutely. If I got up in the morning and had to look at that damn phone, is that going to add simplicity, probability, and leverage to my marriage? No.

Everybody has to find what works for them, but I think what's missing for most people is they're not adding consciousness to their actions. That's why I wanted to share that analogy.

John: I'm a big believer in this being successful on purpose. This is taking the time to think through what you've thought through, Rick, and just creating that framework. Once you have the framework, then it's really easy to make decisions. It's really easy to take action. It's really, you can have a great life.

So often we get caught up and we start thinking we're in business to have more business. We want to be more successful. We're going to have more money and all this. I know when you're struggling, having some money is very important. But for most everybody that's on this, you've already got the basics taken care of. We're in business to support the quality of life that we want so that your family, your community, the things that you care about, all the stakeholders. Obviously your clients and customers, your teammates.

But be successful on purpose. Really take the time to think this through.

Rick: Take a stand for something. For example, I'm learning about you on this call too. You and I are similar on this. But I would never trade complexity for money ever. You show me a business deal that adds complexity to my life and it's an immediate no. Yet, 99 out of 100 entrepreneurs would say yes because they're not thinking along the lines of values-based decision-making.

John: I can tell you there was a time when I did 120 due diligence trips, flying all over the country doing deals that I had missed that point. I was never more miserable in my life making more money than I've ever dreamed that I could make. I ended up getting out of that.

Both Rick and I are saying is let's little simple assessment. What are your values? How are you designing your business to support that? In every decision, do you have a framework to really make some decisions so that they're on track?

Rick, let me do this one. I'd like to have you share with us the book of the day. You're a reader. You're out there, a lifelong learner. What would be the book that you would recommend to your fellow entrepreneurs?

Rick: To stay consistent with the theme, and I've been accused of being a simple guy, I ask my employees, my executive team, every month we read a new book. I would encourage all of you to do that. We all read a book together. At the end of the month, we discuss the book and we see how we can implement that into our cultures. That's 12 books a year.

That's interesting because my executives before they worked here, they never read two books a year. In general, most people don't read in today's culture because we're so busy.

But the book of the month for the month that we're doing this interview is The Speed of Trust by Stephen Covey's son. The Speed of Trust talks about companies that have a lot of trust inside their culture. When you look at their stock market performance, and there was a study done that the book references, they're 300% more successful as determined by their stock price than companies that have low trust.

What that means is when there's a lot of trust on your team, and a lot of trust in your marriage, and a lot of trust with your friends and family, things just happen that normally wouldn't happen in a positive way. The corollary's also true. When there's a lot of distrust, things don't happen.

I want you to think right now about a relationship with somebody business-wise where there's no trust. Think about how hard it is to get things done. Now think about a relationship where there's a lot of trust and how easy it is. You don't have to check your I's and T's and all that crap. You have the opportunity to only deal with people where there's a lot of trust. That's where you're going to get simplicity, probability, and leverage. So I highly recommend the book.

John: No, it's a great book. I read it. It's been out, I don't know for how long, but a fair amount of time. I love the analogy. All of us have done business deal. Many of us have done business deals that we regret with people that didn't share our values and who we hadn't yet built up trust.

On the other hand, I recently did something in a media side with people who I hadn't talked with probably in six or seven years, but we've known each other for 25 years. We've done a number of deals together. It was just a quick phone call. We agreed in a letter of understanding instead of all the documents and so on that you would do.

It's fun. They returned the phone call. We talked. We have a good time. We're making some big success. A problem came up. A quick conversation, we figure out how to deal with it instead of all the other things with the people who don't share the values who you haven't developed the trust relationship with.

You've got a lot going on, Rick. I want to point out some of the ... Let me get the next segment.

What resources do you have with all the different companies that you could help your fellow entrepreneurs?

Rick: I appreciate the opportunity to share this, John, so thank you for the forum.

About five years ago, I decided that I wanted to share all the things that I had learned my whole life with the entrepreneurial community. I have made a lot of mistakes. One thing that I've learned is people don't normally make the same mistake twice. They make it 15 or 20 times. But what I wanted to do is share those mistakes so that you don't have to make them 15 or 20 times.

I've got over 40 years of business experience. I've invested in over 80 companies. I've started over 20. We currently own 35. What I did was I created a 48-module program to teach you the foundational principles of business as I see them. It's called Business Finishing School.

I'd love it if you would join that program, share it. It's phenomenal. It's been going for four years. We've had 1,000 people through it. Basically we're teaching very simple things that you could put on the ground tomorrow. Nothing about anything I teach is difficult.

But it's interesting, John. Nothing is difficult about losing weight. All you have to do is eat less and exercise more. What's harder though, is the accountability. People miss that piece. So we've actually built into Business Finishing School an accountability component so you won't miss it. It's a community of learners, basically, that are learning foundational principles of business.

John: I just pulled up on the screen, Rick, your charity, abillionentrepreneurs.com. I'll tell you, I didn't know this about you. We've known each other, you didn't bring this up to me. I'm pretty excited about this for you, the impact that you're making. Tell us a little bit about it.

Rick: Very simply, I wanted to give a gift to the world that my parents gave to me, and that's the gift of entrepreneurship. So we've created a charity. Most charities give things away. This is a charity to teach people how to be entrepreneurs by first finding their purpose and then using that purpose to create a business that exchanges value with people.

A Billion Entrepreneurs has a 20-year vision to have an entrepreneur in every home. We've guesstimated that there's about a billion homes, so that's why we named it a A Billion Entrepreneurs.

I know it's bold, but you got to start somewhere. We're looking for positive people to help us spread this massive message.

John: Just think of how the world would change if we had that many entrepreneurs going or when we have that many.

Let me go ahead and summarize what we've talked about here.

These are the key takeaways. From each of these at aesnation.com, I want you to walk your fellow entrepreneurs to walk away with some really good insights. I'll tell you, I got some great entrepreneurial insights from Rick.

Number one, I love the doorman values. Imagine you've got a doorman wherever you live that is making sure your business and personal life, they're not coming in unless they're aligned with your values. What are your values? Commit, as Rick asked you, to put those in writing so you know clearly.

Second, love the business lens. This is really powerful. You have to have some type of value-based decision metrics that you're going to evaluate all the opportunities that are coming to you. What Rick uses, number one, simplicity. How is it going to affect his life? Two, probability of advancing and achieving those values and goals that you have for your business in a predictable way. Three, leverage. Can you scale up?

Then lastly, the power of no. This is amazing.

Rick, I want to thank you for taking the time today out of your busy schedule to join us and really share some amazing insights.

Rick: Thanks for having me, John. I've appreciated getting to know you here and the alignment that we both have. I look forward to doing business with you. John...

John: ..everyone out there, your clients and your future clients are counting on you. Make sure you execute this.

If you want any additional information, go over to aesnation.com. We have all the show notes. Let's go out and make a difference.

A Second Opinion on Your Finances

A Complimentary Service from Financial Advisor Select for the Members of AES Nation

Dear Fellow Entrepreneur,

Like many members of AESNation, I'm a serial entrepreneur. In addition to co-founding AESNation, I'm the founder and CEO of Financial Advisor Select, a firm dedicated to helping successful people make informed financial decisions by introducing them to top financial advisors.

If you're like many successful entrepreneurs, you and your family already have a relationship with a financial advisor. You may even work with several financial advisors. If you are completely satisfied with these relationships and confident that your finances are on track toward helping you achieve all that is most important to you, we congratulate you.

However, you may not be entirely satisfied. You may be wondering if there's a financial advisor who is better-suited to address your family's very specific financial challenges. If so, you are not alone. In today's uncertain economic climate, many successful entrepreneurs are wondering if they have the right financial advisor.

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Best of success,



John Bowen
Founder and CEO
Financial Advisor Select