



Play With the Gloves Off: An Honest Discussion about Taking On Investors

Transcript

Ryan [00:00:00]

Hello my friends. Welcome back to the show. This is Capitalism.com and I am Ryan Daniel Moran. What's going on? How've you been? I've been having a ton of fun with work and my career lately. I've really started to dial in where I fit in the context of our clients and customers right now. I'm having the most fun right now at the Capitalism Fund because basically what I get to do is show up as mentor to the entrepreneur and I get to show up and be the superhero to the entrepreneur, and I have this tool belt of all these different resources that we can help use to make the business grow.

Ryan [00:00:42]

What we intend to do is go into the business, see where we can provide value very quickly, get the business to grow, and then invest money, bring in relationships. And the results have been that businesses are starting to grow really quickly. It's been fun. I've got one partner where we invested some capital into the business so that it could buy more inventory, and since that business can buy more inventory now, it's getting better cost of goods and it's way ahead of its lead times and that alone has helped the business grow 40% in about 6 months because it's not as reactive and we don't need to do discounts to get the algorithm to play nice with us anymore and it's really fun.

Ryan [00:01:33]

And I'm going to be documenting more of these businesses' growth over the coming weeks and months and I'll have more about that here in the next couple of shows, but it's been really fun to be able to make such a quick impact in these businesses with my advice and my relationships and with the capital that we brought to the table. So, I wanted to have a podcast with you, I wanted to have a discussion with you to talk about the benefits and the drawbacks to raising money or to working with an investor because as I have spoken with some of the businesses that would really benefit from working with me and my team, or even not me, just going out and raising money, there's a lot of confusion about what it means to bring on an investor and what it looks like to create a partnership with somebody who can help you grow.

Ryan [00:02:30]

And I know for me, when I started my last few businesses, I was really resistant to taking on other people's money. I didn't want the burden of someone else's money. I mean, what if this



business doesn't work out? I don't want to have to be beholden to that person too. I don't want to feel bad about losing that person's money if my business goes under. That would make me feel terrible. And also, I didn't want to give up control. This is my business. This is my baby. You can't tell me what to do.

Ryan [00:03:02]

And then the 3rd thing was, is your money even going to help me? If you invest in my business, can I actually do anything with it? Does that liberate me to do anything that I can't do on my own? And these were things that I thought before I had an exit, before I became an investor, and before I started the Capitalism.com Fund. And now that I've done those 3 things, I have a different perspective on it than I used to because I now see that if I had had an investor at the beginning of my businesses, I would have been able to grow much, much faster.

Ryan [00:03:43]

I say in my book *12 Months to \$1 Million* that one of my biggest regrets is that I didn't go harder at the beginning, that I didn't see how big my business could get until I sold it. I didn't see how many people it would impact, how many customers I would have, how big the pie could get, and so I bootstrapped it. I bootstrapped my business and I famously say that I turned \$600 dollars into \$16 million, and my biggest regret is that it was only \$600. It makes for a really great story, but if I had had \$100,000 dollars at the beginning of my business, I would have ordered so much more inventory. I would have launched product so much faster. I would have been ahead of all of the people who were trying to compete with me.

Ryan [00:04:32]

But because I was playing in a bootstrap world and my business partner and I were being pretty conservative about the risks that we took because we both went full time into the business, we both went all in on the business, we both had children at the same time, we were a little bit risk averse, we were always hedging just a little bit. And we still won, we still had a great exit, we did awesome, but we could have gone so much bigger and faster if we had de-risked the play, if we weren't worried about that money in the bank being our money.

Ryan [00:05:06]

If we had been able to take some more strategic risks that were in alignment with what we were trying to accomplish, we would have been able to move way faster than we did. Now, we had the benefit of being early so we did move fast into a specific niche market but we could have really won had we made the decision to just create as big a pie as possible. And so, my advice to entrepreneurs is always to do whatever it takes to allow you to play with the gloves



off. Sometimes that means not raising capital because if you bring on outside money, you'll be playing even more scared because you're afraid of losing that person's money.

Ryan [00:05:49]

But if raising money or even taking \$100,000 dollars from friends and family allows you to play more aggressively, then do it because you will win this game by creating the biggest pie possible, not by trying to control the entire pie. I have a client that I was working with recently who was resistant to bringing on capital even though it would have really helped her business and it would have helped her launch products faster, it would have helped her order more inventory, do more advertising, and she had a great little business. But it was a little business.

Ryan [00:06:27]

And when we spoke about the possibility of raising money for her, she said, "Well, I just don't want to give up a piece of my baby." And I so get that. I so get that understanding. When you have created something that you're proud of, you don't want that to go into the wrong hands. But what I helped her understand was that her baby was still a baby and it was going to be a baby for a really long time if she did not help it grow into a toddler and then a young adult and an adult that could go out on its own.

Ryan [00:07:05]

When it's being managed like a baby, it's going to stay a baby but a baby can't be raised by just one person. It has to be raised by multiple people with multiple influences. Teachers and mentors and friends and aunts and uncles and cousins and parents and all of that. Well, that is your business. Your business in its infancy stages takes a lot of your time and attention, and most people try to raise the child all by themselves without ever asking for help. So, they don't build teams, they don't bring on investors, they don't run it by advisors, they don't build a board.

Ryan [00:07:43]

Now, you don't have to do any one of those things but you do need help in raising your baby and when you bring on an investor that is a true partner, that is one of the people who can help raise your baby into becoming a young adult and then going out on its own. So, capital, money can be one of the things that is a tool for you to be able to help grow that baby.

Ryan [00:08:06]

One thing that I have noticed is that when an entrepreneur has a clear vision, mission, or purpose behind their business, bringing on capital is a much smarter thing to do than the person who is just trying to make as much money as possible because when someone is just



trying to make as much money as possible, then they're tempted to go in a variety of different directions. They look at this idea and that idea and they say, "This looks like it could make money, and that looks like it could be an opportunity for growth."

Ryan [00:08:40]

But when someone has a clearly defined purpose, a clear "who" they are serving and a clear product line to serve that person, then capital becomes a much easier, more effortless thing for them to consider within their business. The reason for that is because they can choose the investors that also want to support that purpose or that mission. They can choose the employees or the teams that match that purpose or that vision. And so, capital can play a role in making it possible for you to execute on that vision that you have.

Ryan [00:09:14]

For example, if you just go as simple as the steps in my book where you've got a clearly defined person, you define your who, and you know the 4 products that you're going to launch to that person and you know that the role that your business plays in your person's life, that's a good enough mission for you to be able to get the capital or the resources that you need in order to go build your million dollar business. Of course, you can bootstrap. I'm not opposed to bootstrapping, but if you've got a prototype and a clear roadmap and vision behind how your business is going to help this person on their path to victory, it's very easy to say that to an investor who believes in what you are trying to do.

Ryan [00:09:59]

This is why inside of the Capitalism Incubator we spend the first 3 ... 2 to 3 months helping the entrepreneur get clear on that piece, because if you're clear on that, what your vision and your mission is, then your route to profitability is very, very clear. It's much clearer than choosing what product you sell or even what business you want to be in. When you know what the mission and the vision of the business is, money shows up to fund that and you have all the resources that you need to be able to execute upon that vision.

Ryan [00:10:31]

Now, I want to share with you a couple of stories of what we've been doing inside of the Fund and I think it will help you see where bringing on other partners or bringing on capital could help you execute on the vision that you have. There's one project that we've invested in inside the Fund that I'm really excited about. I won't share his name because he hasn't given me permission to share anything, but I hope to have him on the show at some point.

Ryan [00:10:56]



He runs this great business that he built all on his own by bootstrapping the entire thing. So, he built it to a million dollar business profitably. He went full time. He followed the playbook exactly. He did a great job. But he was running himself into the ground trying to wear a bunch of different hats, and he was really tired of doing everything on his own. And he did not need our capital as much as he needed help and support and advice.

Ryan [00:11:29]

And so, what we did was we negotiated a term that was ... It worked for all of us and that was that I would come on as an advisor for 5% of the company and I would treat it just like all of the other deals that we were involved in. So, we took a few small points in the company and then started deploying resources, like, "Hey, if you need money, we've got money. If you need relationships, we have relationships." And we started introducing different people or resources into the business to help that business grow.

Ryan [00:12:05]

And what happened was the entrepreneur started to feel freed up again, started to get a clearer sense of, "Oh, this is why I started this business." Started to get things off his plate and he started to think much bigger. Now he's starting to think about casting bigger visions and more long term plans and he is able to think much more clearly because he's not working 90 hours a day. He's focused on bringing in the right pieces.

Ryan [00:12:34]

And he knows that he doesn't need to worry about, how much is he going to spend on these people? What am I going to pay my team? Because we have his back on that. If he needs capital, we've got it. And so, we've come on as partners to help free up this entrepreneur to think much bigger, and as a result he's launching products really quickly. He is able to communicate with his customers much better. He's able to be more strategic about the decisions that he makes, and that business is starting to grow.

Ryan [00:13:07]

And we only took a 5% stake in that business, but we also have the option to invest more into the business as it grows. So, we get to come on as the capital partner and the advisor while he gets to get freed up from his business, and the result is that we'll go from a 7 figure business to what I expect to be an 8-figure business over the next several years. And he couldn't do that without being freed up from what was keeping him stuck and I couldn't do that on my own because I already have my own businesses. So, together we get to come together and create something that was much bigger than if he tried to do it on his own.



Ryan [00:13:46]

I already told you the example of another business that has already grown 40% simply because we're able to help that founder stay ahead of inventory orders and solidify their sales channels, and that consistency has allowed that person to grow from a low 7 figure business to now a on its way to being a mid 7 figure business. Should be that over the next 2 years or so. So, I have so enjoyed helping entrepreneurs go into the owner's seat where they're freed up from doing every little detail of the business to being in that owner's chair.

Ryan [00:14:26]

We've gone so far as to say, what we're going to do is we're going to say, "Here are the three Amazon agencies that we like. Pick your favorite and we'll pay for it. Here are the three Facebook ad agencies that we like. Pick your favorite one and we'll pay for it. Here are our three favorite 3PL providers. Pick your favorite and we'll pay for it." And very quickly we're able to bring in the resources that allow that business to grow beyond the bottleneck of the founder and be able to start having real vision and long term growth worked into the company.

Ryan [00:14:59]

Now, if you're a new entrepreneur, if you're just coming up with your idea, if you're just taking your initial sales, now is probably not the time to take on outside capital. You can fund the initial operations of a business when you just do a prelaunch or you do a Kickstarter or you sell to your list or you just take a small \$5,000 order and send it to Amazon. You probably shouldn't take on a bunch of outside capital when you're still in that phase.

Ryan [00:15:30]

You can have a partner at the very beginning who puts up the initial \$50K for you to do those inventory orders. That's fine. But you probably aren't in the position to go out and get a lot of help before you have some sort of consistent sales track record. That is the best time to go revisit, okay, do I need outside help to be able to grow this thing? And when you know what the vision or the target is, you can pick investors or pick partners that share in that long term vision.

Ryan [00:16:06]

So, if you know that your goal is to have a \$10 million dollar exit, you can say that in the interactions that you have with investors or advisors and you can simply ask the question, "Can you help me get there?" That's an important point that I want people to realize. Some people think that money is control, that when you go out and you raise money you're giving up control. Or when you go out and you partner with somebody, you're surrendering all control of the business to the people who are investing in it. And that is so not the case.



Ryan [00:16:39]

Money doesn't control anyone. Agreements control everyone. What you establish as the agreement determines who controls what. And I can tell you as an investor, I want as little control as possible because then I'm not an investor. If I control the business, then I have handcuffed the founder, handcuffed the entrepreneur from doing what she or he does best. As an investor, what I'm looking for is the entrepreneur with someone who already has the vision, is already in motion toward that vision, who needs help and support executing on that vision, who has very clear bottlenecks that I can come in and help clear with capital, advice, and relationships.

Ryan [00:17:22]

I want the entrepreneur to be as liberated, as free as possible to pursue their goals, to pursue their targets with the gloves off. And if I can get that person to operate with the gloves off, we both win. They'll be a good steward of my capital and they will be good to their customers and the business will grow. We all win in that scenario. I told one person that we invested in inside the Fund that the last thing I want to be is your board. I do not want to be the person that tells you, "Yes, do this. No, do this. Yes, do this. No, do ..." I do not want to hold your hand. I want to liberate you to go execute on what you are already good at and our job is here to support you on that journey.

Ryan [00:18:08]

And so many entrepreneurs feel like they cannot execute on that vision because they don't have enough money, because they are held back by the fear of losing money. Well, what if you could completely take that off the table? What if you could completely eliminate the voice in your brain that says, "But I have to make money in order to keep the machine going." What if you had a partner who that was their job? Their job was to make sure that the finances of the business were healthy so that you could execute on why the business exists. And the reason your business exists is to serve a specific type of customer along their journey.

Ryan [00:18:48]

If you focus on that while somebody else is worried about making sure that the company is financially supported, then you've got firepower to be able to build something that can be scaled and/or sold. That's when you are really powerful to be able to build a business that matters. As of right now, I have gone back and forth on this but I am even considering raising capital for Capitalism.com and the reason for that is because I feel so clear on my mission. I feel so clear on where I am best in what the context of how I serve my customers and my team



members is that if I can take on a partner or partners who help fund the pieces that I am just not ready to fund yet personally, that's kind of interesting to me. That's really exciting to me.

Ryan [00:19:43]

I'm going to get there one way or the other. I am committed to getting to where we're going to go. I am compelled by where we're going to go. But if I have a partner whose job it is to work with me to make sure that the company finances are always where they need to be, then I don't have to play with a hedge. I don't have to drain my investments. I don't have to worry about, "Is this business going to make money in the short term?" I can play the long term game confidently.

Ryan [00:20:13]

And the funny thing about that is when you play that long term game confidently, you tend to get the short term profit along the way. So, that's some of the benefit of working with somebody who matches your purpose and your vision and doing it as soon as you are ready for the ability to play with the gloves off. For me, that tends to be when a business is doing at least \$500,000 to \$1.1 million dollars a year in sales. Sometimes more, occasionally less.

Ryan [00:20:45]

But whenever the founders are saying, "Okay, we've hit a little bit of a ceiling here and now we're stuck because we can't afford really good help and we are a little bit behind on inventory compared to where we'd like to be, and we're sort of stuck in that low 7 figures and we need some help getting over this hump." That's where capital can play a role in helping freeing you up to cast that bigger long term vision, and that's where I like to come in as an investor and say, "Okay, if we bring in money, we can bring in this firm to handle Amazon and we can do these sponsorships with these influencers and we might be able to create that partnership with that person that you want to do business with."

Ryan [00:21:24]

And I get to play advisor and we have resources to be able to make that business grow from \$1 million to \$10 million dollars. In fact, that growth from \$1 million to \$10 million can happen really quickly when you have enough capital to hit the go button. You can be more aggressive with inventory, you can go hire the people that you need to hire, you can go launch that next product faster because you're not dependent on the short term cash flows.

Ryan [00:21:47]

You are now married to the growth that is the execution of that vision. It's not the right time before you have that consistent sales track record or before you have a clearly defined vision or



mission. That's when you can get into the trouble of someone else having control over you. That's when you can get into the trap of spending money that isn't smart money. That's when you can get into the trap of being reactive rather than proactive about the decisions you are making in your business.

Ryan [00:22:19]

So, what we do inside of the Fund is we look at businesses that have that clearly defined mission or vision. They have a vision of rolling out a certain number of products to a specific type of person and they want to grow to at least \$10 million dollars, and when they are on their way, they're inevitably going to run into certain bottlenecks. They're going to hit \$1 million dollars and feel like all of their money is tied up in inventory. They're going to feel like they're wearing way too many hats but they can't yet afford good help. They're going to run into the challenge of trying to do too many things for too many people and losing sight of their vision.

Ryan [00:22:59]

My job as an investor is to help free up that person so that they can be head first going toward the vision and the mission and bring in the right people who can support them because that's what I've seen be the thing that takes them from \$1 million dollars to \$10 million dollars. I have realized that I need to talk more publicly about the success that we are having inside of the Fund because every business that we've gotten involved with is seeing positive growth. Our investors are going to be really happy when they see the growth that's happening in these businesses and the entrepreneurs are already feeling more freed up, more on vision, and freer to pursue the vision that they've always wanted to create.

Ryan [00:23:44]

After all, what you wanted when you signed up for this game of entrepreneurship was the freedom to pursue what excited you, and sometimes that means creating strategic partnerships with people who can help free you up to do that because doing it all on your own, working 90 hours a day doing something that you do not like is not freedom. Freedom is being able to relentlessly pursue what excites you, serve the people you want to serve, do the projects that you want to do.

Ryan [00:24:16]

And when you're scared about money and you're operating alone, you are not doing either of those things. You are doing those things when you are part of a community that supports you. And my job as the investor and the head deal flow manager of the Capitalism Fund is to ensure that the entrepreneur is supported. Sometimes I know that the people we invest in just need somebody to check in on them and make sure that they're okay physically, mentally, and



financially. And using our resources to help them stay in the good place to go lead the company.

Ryan [00:24:47]

So, I'm going to be talking more about what we do inside of the Fund because I've realized that there is a lot of skepticism about working with an investor. There are questions about, "Is my business good enough? Am I good enough as an entrepreneur to be able to work with somebody who wants to invest in me?" And I can tell you, if you're excited about your vision, if you are excited about your business, and you're more excited about the business than you are about the results that you're getting, you're qualified. You're good enough.

Ryan [00:25:20]

I've got one business that we invest in, I love the founder Nick. He built a great business called Keto Brownie that wasn't getting the results that he wanted, but he loves the business so much that I wanted to invest in him because he's doing such a great job creating amazing products. He cares less about the financial rewards about the business than he does about creating a great business. And I know that when a founder is in that zone, it's inevitable that they're going to get the financial results if they have the right partnerships.

Ryan [00:25:53]

And he was spending all his time doing sales and marketing and things that he didn't want to do that he was getting out of practice launching more great products. And so, that's what we focused on together. How do we free up Nick to be able to lead the vision of this company so that he can launch more products? And we came in with a pretty substantial amount of capital to be able to free him up out of that, and I love working with Nick and I want to work with more Nicks.

Ryan [00:26:19]

So, if you've got an exciting business or you know somebody who is really committed to the vision they have for their business, please send them to talk to me. I can be reached directly at Capitalism.com/fund. There's an intake form on there that allows the entrepreneur to submit some details about their business. What are your sales so far? What are your expectations in working with us? How much capital do you think that you'll need? What do you think that you're going to use the money for? What is the ultimate vision for what you want to play as a player in this game, as the entrepreneur, the leader of this business?

Ryan [00:26:55]



And if we think that we can help, then we'll open up the conversation to see where capital and advice can play a role in helping you build an 8 figure business that you're really excited about. Emphasis on the exciting part because we can make money a bunch of different ways. We want to work with people who are excited about the vision and the business that they are building. So far, we've completed three deals and we have three in due diligence and we'd love to work with a few more businesses who have at least some sort of consistent sales track record, and by the way, we've also had conversations with people who are just doing \$20,000 to \$50,000 dollars a month but they really believe in what they're doing and they're growing quickly.

Ryan [00:27:34]

Those are conversations that we will welcome, because after all I know that my advice and my network is going to be more valuable than the money that we put in, and so we have other resources if you don't want to take out money. There's other places that you can work with money and we'll just help with the advice and the mentoring part. So, if you've got a business that you're really excited about, please come talk to me at Capitalism.com/fund. I would love to consider investing in you and mentoring you on your path to 8 figures.

Ryan [00:28:01]

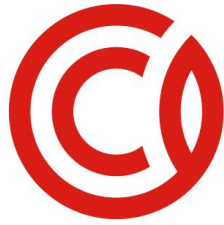
Thanks for listening to this. I'm going to be featuring some of the people that we've invested in and mentored over the kind of next chapter of this podcast, and we have some exciting format changes to the podcast that I'll be announcing to you soon. Until then, stay tuned. I appreciate you guys and I'll see you on the next episode. Take care.

Ryan [00:28:20]

It's a true stat that 99% of business owners never clear a million dollars and that is why I started a mentoring group called The One Percent. I have helped hundreds of entrepreneurs cross 7 figures. There's a reason why that's the case and it's because we have a formula that works really well. And this year in 2021, we've introduced mastermind groups at each level of the process. That's the grind, the growth, and the gold. So, when you come join us inside The One Percent, you'll be partnered with other entrepreneurs who are at your level to help you get through that level and accelerate onto the next step in your journey.

Ryan [00:29:02]

You'll be following the same roadmap that I teach in my book 12 Months to \$1 Million. That's why we have such a high success rate getting people to where they want to be. So, go to Capitalism.com/1. Scroll to the bottom, hit the join button, and for less than you spent on



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