



Episode 50

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## Nick Sarillo



Nick Sarillo is the founder, CEO and “primary keeper” of the Purpose and Operational Values of Nick’s Pizza & Pub – the sixth busiest independent pizza company in per-store sales in the United States. Founded with the purpose of providing the community with an unforgettable place where families could relax and have fun, Nick’s Pizza & Pub has margins nearly twice that of the average pizza restaurant and boasts an 80 percent employee retention rate in an industry in which the average annual turnover is nearly 150 percent.

Credits his company’s success to his purpose-driven culture, which is the focus of his new book, *A Slice of the Pie: How to Build a Big Little Business*. Nick is a regular speaker at entrepreneurship, leadership, and HR conferences. His insights have been featured in *The New York Times*, *The Economist*, *Inc.*, *Fast Company* and *Investor’s Business Daily*.

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**Voiceover** This is Business Reimagined. Every week we talk with thought leaders and revolutionaries who are bringing innovation to their industries liked its guest, Nick Sarillo.



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Nick            The root of the word "policy," if you think about that, right, the root of the word "policy" is "police." We do not want a policing environment. We want to be coaches.

**Voiceover**   This is Business Reimagined with Danny Iny.

Danny            If you have ever been to the Chicago area, you might have heard of Nick's Pizza & Pub. Nick Sarillo, the founder and CEO, built his restaurants to be among the top ten busiest independent pizza companies in the U.S., and he's done with it a record-breaking company culture that sees 125 percent less turnover than the industry standard.

Nick is a remarkable person with an amazing story, one that started as son of a restaurateur. Surprisingly, after high school, Nick wanted to stay away from the restaurant business and became a union carpenter, but despite his success, Nick just could not stay away from the kitchen, especially when the entrepreneur in him saw a big gap in the market.

Nick            I just continued to have a bad experience taking my kids out to eat. You know, you take them out to eat with the family, and either we could take them to a place like Chuck E. Cheese or something where you get really bad food but it's kid-friendly, or you could take them to a place where it's really good food and the servers are like put off that you brought your kids in, right?



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Danny      Nick set out to create a business that would be a haven for parents and children alike, but despite his good intentions, Nick was not in it for all the right reasons.

Nick      The money part of success, of achievement, was actually the first seven ... I mean, that was all I had in the beginning, and that's where I found an empty feeling in my gut and decided about seven years into it to actually do something different, to make something more about my company versus just making money.

Danny      With this change of heart, Nick decided to grow not just the business, but also himself and his employees. At this point, you are probably expecting to hear an awesome success story, and for a while, it was, but it did not last. When Nick began his third restaurant in the chain, he overextended himself to open it. What he did not see coming was a one-two punch that put him on the edge of bankruptcy. First, the crash in 2008, and second, the new restaurant's revenue was slashed in half by road construction. That was the beginning of the end.

Nick      "Holy shit. This is it." I thought everything I had built in the last 18 years was going to be gone, and I did not ... I could not understand. I did not want to just lock the doors on people. Have you ever done that, you know, been to a restaurant or some business, all of a sudden you go there and the doors locked? The team does not even know anything, they did not tell anybody, the community



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doesn't know? It is just not a good way to treat people, especially the people that have been supporting you for the last ten years.

Danny

Nick did the best thing he could think of. He wrote an open and honest letter to his frequent diners explaining how Nick's Pizza & Pub was about to close, but more importantly, that it was his fault for overextending. That is right. He admitted his mistakes in a heartfelt plea for last-minute help. When he showed it to his staff, they were behind him 100 percent, but his professional colleagues and bank loan manager had the opposite reaction. Nick went back and had a conversation with his team.

Nick

Yeah, I told them. I says, "You know, the experts, the smart people in the room, tell us that we shouldn't be doing this, that we shouldn't be so honest and transparent, to tell people this and you need to figure something else out," and my team again said, "You know what, one of our values is open and honest communication. This is who we are. We really need to let our guests know what's going on."

That afternoon I went against the conventional wisdom, even though I was really concerned. I did think it was a bad idea, but I felt it was the right thing to do. About 3:00 that afternoon, I had that ... you know, that slow motion, hit the Send button kind of experience, where everything was like, "Oh, my God, this is it. Everything I have built is gone. I am going to lose my business. I am about to be called ... I am about to get lambasted. People are going to hate me. I'm probably going to end up washing dishes."



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You can imagine what that feeling was like, and at the same time, it was like a huge weight off my shoulders. I was like, "You know what?" I had sold my car, I had sold my house, I had moved in with my dad, I had done all this stuff. I was like, "You know what, I did everything I can do. The rest is up to the universe. There's nothing left, and this is it," so I hit that Send button. It was just an emotional time.

Danny I know where this story's going and I know you're going to share it, but I want to ask what did you do right after you hit Send?

Nick After I wiped the tears off of my sleeve, I was just walking through the restaurant kind of head down and somber, and about ... honestly it was like 15 minutes, a very short time ... I'm walking past the door. We are just about to open, and I am walking through and this guy comes in the back door, the bar door, and he says, "Nick, I'm here." He goes, "I got your email." I thought to myself, "What the heck? Was the guy sitting in the parking lot? How did he get it so fast?" He goes, "I'm here to support you. I got your email. I'm going to buy a pizza and a beer and I'm sitting at the bar." I was like, "Wow, that's phenomenal. Thank you so much."

I didn't really have time to think much, and I sulked for a few minutes, but the next thing I know, I walked in the heart of the house ... the kitchen, we call our kitchen the heart of the house ... and I walk into the heart of the house and my special events lady comes up to me and she goes, "Nick, are we going to be open in about a week?" I go, "Well, yeah, we'll be open in about a week. We've



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got about four weeks of cash." She said, "Well, the football coach from the local high school called and he wants to book a party next week. He wants to bring in the whole football team." I'm like, "Oh, yeah. For sure, tell him yes. Yeah, we can do that."

Then it was one thing after another. The phones are ringing and ringing, guests started coming in the door. Unbelievable what happened, how busy we got right off the bat. I mean, within a half hour, Danny, people were ... you know, we didn't share it on Facebook, but our guests shared it on Facebook. We had 400, 500 shares within a half hour. We had a "Save Nick's" page on Facebook; we had a "Pizzapalooza" page. You know, crazy stuff was happening, unreal. We had team members that did not work for us anymore calling up and asking if they could work free on the weekends, because they wanted to come help Nick's. All this amazing support from the community.

I had a message ... actually, a funny thing. I had a message on my phone that night. Obviously, I did not answer my phone. At like 5:30, the bank president called and left me a message. I did not answer it, so I check it later that night. In this message he says, "Nick," he goes, "I guess you went ahead and sent that email I told you not to send, because the customers at the bank are asking what are we going to do to help Nick's, and our employees are asking us what are we going to do to help Nick's. I've already gotten phone calls from the board of directors of the bank, and they asked what are we going to do to help Nick's, so I guess we're going to have to figure out something to help you out." Amazing how fast that was even happening.

The vendor, he said ... so the local produce vendor, the guy from Chicago, who probably does not have a lot of money either, he, delivered a whole week's worth of produce for us and said it is on the house, for each restaurant. All kinds of things like that. We were getting all the newspapers,



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all the TV stations in the area were calling and we are on the news. The next four or five weeks, Danny, we increased sales 110 percent over the next four or five weeks. Pretty amazing.

Danny That is fantastic. Obviously, it is this miraculous turnaround story and the restaurants went on to do very well, and you have gone on to teach many things you have learned through this experience, so I want to dig into that. When you honestly and vulnerably reach out and say, "I need help," it touches the human side of people, and people want to lean back and help. They want to like lean in. They want to be there to support you.

That is just a natural human reflex, but that does not create a long-term, sustained actual turnaround. That would be like the pity show-up, where people show up for two days, but you had this long, sustained thing, and it is because you had built something that is valuable and important to people on a deep level. Earlier in this conversation, you just ... you brushed by and you said that turnover in your organization is 25 percent.

Nick Yes.

Danny Which sounds like a lot until people are like, "Wait a minute, we're talking about food service." What's typical in your industry?

Nick It is 150 percent in full-service. It is about 100 to 150 percent turnover for full-service casual restaurants like ours.



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Danny A tiny fraction of what the industry is doing. In other words, that is a clue that you built something very different from what is out there, and that is what people responded to well to. Tell our listeners about what went on, what goes on, behind the scenes ... and maybe publicly, in front of the scenes ... at Nick's to make it an institution that your market, your audience, your customers, cared enough about to want to save.

Nick Yeah. You know, that is really, what I want to share when I share with other entrepreneurs out there, especially these small businesses and they start-hiring people, because we create great places. I know there are great intentions to have a great workplace, but really how to solve the problem of having the team really engaged in the company and have low turnover. People just happy at work leads to happy people in life, you know?

The big thing that really you said that I built, and the big thing that I learned from this is that it was not I, it was we. The stories, what happened over those four or five weeks really brought that to life. I cannot tell you how many times I had ... I had servers and bartenders coming up to me in tears, Danny, during those weeks, and I go and I am like, "What's wrong? Why are you crying?" My first reaction is somebody got hurt.

They were in tears because of the stories that the guests were sharing. A little ten-year-old boy and a little six-year-old girl and their mom and their dad about how important they were to their Friday night routine, every Friday night, pizza night. You know their routine every Saturday night, how important Moira was to them, how important Mary was to them. They asked for those servers.



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You know, these are things that had happened that had gone above and beyond my expectations, above and beyond me telling anybody what to do. Those were results of having a real clear and explicit purpose in our organization that we all were rallied behind. A "something bigger than ourselves" purpose, why we did what we did, and the same thing with our values. It was not a policing environment in our companies, and this is the opportunity all of the business owners out there, the entrepreneurs, have.

We do not need rules, we do not need policies. When we have a clear, present-tense set of values that we all learn to recognize behavior's to and coach to ... right, these are the values that we make decisions around ... now everybody makes decisions the same way, not just the owner. That is the opportunity in building an intentional, positive culture in our organizations. Does that answer your question pretty good?

Danny

It answers my question great and it raises a whole bunch of new questions, which is what good answers do. I remember when we first met; we had a conversation about this. You were sharing some of this, and my response was, "I love it in concept, and what do you mean you don't have policies?" I will give our listeners a little peek into what is going on at Mirasee.

We are actually putting together a policy book, because ... like I am the last person who wanted it. Everyone on the team was like, "I really want to know what the policy is on vacation time, or on ..." you know, all these different things. Not to over-police or over-regiment things, but some clarity on how some basic things just work. How do you not have any policies?



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Nick

Yeah, that is definitely the entrepreneur's challenge or the HR person's challenge, is to get past ... really I want to challenge you as well ... to get past answering everybody's question for them. That is the key. As great leaders, we have to develop our team so they can make decisions on their own and not come to Daddy. That is what I had to work past. The root of the word "policy," you think about that, right. The root of the word "policy" is "police." We do not want a policing environment. We want to be coaches.

Actually, technically speaking, it is not like we have no policy. You know, we have the HR manual about sexual harassment and those kinds of things for sure. That is the law. You know, we have the law, but believe me, it is as thin as possible and we have as little of that as possible. We just do the basic minimum to meet our law requirements, but other than that, we are not going to tell you ... at Nick's, we are not going to tell you what kind of uniform, what kind of belt to wear, right? We're not going to give you those.

When someone comes to us and says, "Well, how do I do this," or if somebody ... here is a good one, right? "Somebody just locked me in the cooler and turned the light off on me. What do I do?" Its like, "I'm not going to tell you how to answer that, actually. What values, right? Here is a place ... let us walk. Maybe you do not have the values memorized yet, Danny, but let us walk over to the wall where we have the values listed. How are going to solve that with that person using the values?"

By the way, it is not just one value, it is all the values. Yes, that takes an extra ten minutes and those conversations in the beginning with a new team member, but once people are with you for a while, right, this is an investment. Once people are with you for a few months, they get the hang



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of this issue ... what I call issue-purpose-value solution method, and now they stop coming to you or me for answers and they start answering things themselves.

Of course, we give them a feedback model as well, how to give feedback, so they give each other feedback along the way as well. We have this really flat organization where we do not need as many managers. That is the opportunity, and it is not that it is an easy one, but it is very possible

Danny

I agree with that. I think you hit the nail on the head. It is possible, but it is not easy. What would you say to the entrepreneur who hears this and says, "Nick, that sounds great, but I have 147 things I have to do today, and I'm doing it between all these meetings and all these calls, and I'm super-busy. When I go to the kitchen to get a cup of coffee between my meetings and somebody stops me and says, 'What do I do about the guy who put me in the cooler,' I don't have time to take ten minutes and walk him through the values and what do I do. I have to be like ... look, I have to deal with it and I have to get back to the office, because I have a call that is waiting to start. How do I ... practically, how do I do this when I have things I need to do?"

Nick

Yep. I guess it is that "what's important and what's urgent" thing, right? Yeah, for sure. You could keep doing what you're doing and you'll keep getting what you've always gotten, or it's time to say, "Okay, I'm going to make an investment in my people, in my team, and make an investment in this process, because I know in the long run this is going to ... this is actually going to save me time. It might take me a month or two months or three months from now, but boy, it's going to be beautiful when my company is running on its own like this and the team is running."



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That is the choice. That is the beauty of it, is I am an entrepreneur. I know what it is like. I am not a consultant, telling people the way things should be and never done it. I actually went through that situation myself. Yeah, there was long hours and there was a little bit of hard work, but it forced me to collaborate with my team and give more power to my team, to let them create these systems together and just have me as ... my voice is in there, but I'm not really creating the systems. The team is actually putting the system together.

That is actually how I use mission. We do not have a mission. We have mission teams, where we take a slicing of the company. It is like two or three A-plus team members, and we have them create the training for bartending. We have them create the training for accounting. We have them do this stuff, and my voice is part of it, but they actually start the work, because they know the work better than I do in many respects.

Danny

I have a different question now. Let us say somebody is listening to this and they are bought in. They are like, "You know what, that sounds awesome, I'm totally on board," but they're like, "I don't know how I make this real in my business. What do I do? I cannot just show up at work one day and tell everyone, 'Guys, from now on, no more policies, but instead figure it out from our values.' They are just going to think I am nuts. Frankly, that is also a lot to put on people all at once. How do I stat transitioning my business from what it is to what it could be?"

Nick

Yes. A great question, Danny, a great question. I know what worked for me honestly was to actually go to my team and actually say everything you just said to them. I said, "I don't have the



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answers. Here is my intention. I would like us all to have this great company, and I have some ideas of how we can get there. Who wants to join me in creating, and let's start doing this differently together?"

That is where we started to do this together. We had to start with actually co-creating the values as well, because it was not just me. I wanted to get the passion and creativity from those people that I really respected as well, the A-plus team members on my team, and have them get alignment with who we are as well. That really made the difference, and it is a collaborative process. It has to be. Just being transparent about me does not have all the answers, together.

It is amazing, Danny, what happens, how people actually step up. I guarantee you they will surprise you, or they will surprise the entrepreneurs that listen to this and try it. They will be surprised; the stuff people are excited about. They will be staying late after work to actually help out.

Danny I have one last question. I mean, I loved this. You and I know each other. I am completely bought into this, and the culture at Mirasee is very similar to what you are describing. I think it is a powerful illustration for you to show people, that this is not just for Google and tech companies that have fat margins. The food service business is probably the last place people would think this would be possible...

Nick Exactly ...

Danny ... and here you are showing people that it is. The question I have is ... and to a certain extent, it is answered by the example ... but is this possible everywhere? By everywhere, I do not mean in



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every industry, but I mean ... like I can see a scenario where the culture is pretty good, and they come in and they do all this and it becomes amazing. What if someone is listening to this or running a business and the culture sucks? There is infighting and backstabbing, nobody is helping each other, and there is tons of politics. Can you introduce something like this into an environment that is already kind of toxic?

Nick

Yes. Yeah, for sure. You know, it is funny because the word "culture" itself is getting a lot of press lately, which is great. You know, I love that there is becoming more of a movement. The thing is, to your point, culture ... first let us start with what culture is. Culture is the behaviors of the people in a group or in an organization or in a state or in the country, right? The culture is what the culture is when you ... at any given moment.

A lot of times, you are right. I mean, I go into companies and there are all these high performers in the culture, right? The culture is good on its own. The culture ends up being the loudest voice in the room, really, and most companies just let the culture be what it is, which works when the loudest voice in the room is high performers. Then when those high performers leave and all of a sudden, there are some negative nannies, so to speak, some negativity, then the culture becomes negativity, because those are the loudest voices in the room. By being intentional around our purpose and our values, that is really how we are explicit to create the culture we want to be a part of, versus just letting the culture happen.

Now you have the opportunity to make that change. It is going to be different for, you know, your scenario of I have a bunch of negative people. Well, there's got to be some people in the company that have that passion that started it, or care, and the first place to start to me is, "What



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difference are we making in the world? How are we having an impact on people's lives? If we could start with actually defining that and understanding how we're actually having an impact," now you get people intrinsically motivated, right? People start saying, "Oh, really? We do that? This is what we do?"

Now, that is where I think you start. Then you start saying, "Okay, now what do we believe in? Where do we have synergy along our beliefs? Whether it has, we believe in developing, constant improvement, all those kind of things, that is where we start. We start getting the collaboration together and co-creating."

Now, what we did is actually, once we made that change with our purpose, we actually rolled that out to the rest of the company. We put it on a big foam board that was two foot wide by three foot wide, put it up on an easel. When we rolled it out to the company, we asked everybody to stand up and physically get behind our purpose, because we want to create a culture of choice. If you did not feel like you could get behind that purpose that is okay. We are not going to judge you; there is nothing wrong with that, it just means that this is not the company you want to be a part of.

### ***Audra***

That was Nick Sarillo, challenging you to change the way you manage your team. Maybe you are afraid to shred your policy book, but remember what Nick said. The root of the word "policy" is "police." When you have a lot of policies, you have to police your employees to enforce them, and before long it becomes a full-time job, taking you away from being the leader your team needs. Communicate your values and purpose clearly, and give people the power to make correct decisions.



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You can learn more about Nick and his restaurants in his book, "A Slice of the Pie: How to Build a Big Little Business." Or if you want, help implementing what you heard today, go to [Nicksuniversity.com](http://Nicksuniversity.com). If you are ever in Chicago, bring the family to Nick's Pizza & Pub.

**Voiceover** This has been Business Reimagined with Danny Iny. Join us next time as we talk with David Berkus.

David I think we are moving into an area in business where that old mentality that everybody is a competitor is kind of going away. A lot of people are collaborators. If we are willing to expose ourselves a bit more, they are willing to expose themselves a bit more, and we can both benefit from that trade, then that is a hugely beneficial thing.

That speaks more to the culture of the organization than it does the specific legal documents you ask people to sign, but the legal documents you ask people to sign on day one say something. I mean, to use the marital thing, if I sign a marriage license and a prenup in the same day, I have a little bit different experience about my wedding than I do if I just sign the marriage license.

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