

Hi this is Wayne Rivers at the Family Business Institute. Thanks for tuning in. A couple of quick housekeeping details. First thing is we want to know your comments. We would like to see your comments, what you're thinking, whether you think our blogs are good, bad, indifferent, suggestions for future blogs in particular. What would you like to see? And we've got one of those coming up here in the next couple of weeks.

Today I want to talk about one of my pet peeves in family businesses, and there's a little bit of a story behind it. So, two years ago, I got to go and MC a big family business introduction for Glenfiddich Scotch, which was really cool. We did the speaking first and the scotch tasting afterwards. So, they had the right sequence. But one of the other speakers was a really terrific woman named Carrie Lawrence. Carrie was one of the first female F-14 Carrier fighter pilots, and just a terrific speaker. If you ever get to go and see Carrie's presentation, by all means do it.

But part of her presentation was a video, and she showed videos of F-14 fighters landing on carrier decks at night, and coupled with that the excitement of the deck, the plane coming and catching the wire and screeching to a halt. But partnered with that, she showed a separate screen, a split screen, of the people's faces who were inside, the technicians who were inside watching the landing. And you could see, I mean, they were like us. They had big eyes and clenched fists and white knuckles and everything else. And so, you see the plane coming in and you see simultaneously the expressions on the people's faces. Now these are professionals, and they're watching it and their horrified because it's such a traumatic event. Anyway, it was amazing and even the audience was all white knuckled.

So, I'm talking to a guy, who was also a pilot. He was an A-6 Intruder pilot in the navy, and he's just a really terrific guy. He's an airline pilot now. Real calm and collected and all that stuff. And he was telling me some of the stories about night landings in the North Sea and all that kind of stuff. Well they film every single landing on an aircraft carrier. And the pilots then have to watch and evaluate every single landing. And I said, "Golly, Jack, you had 60 night landings or something like that. Why would you need to review every single landing?" And he had a one-word answer. He said "Complacency." To avoid complacency. And in that instance, complacency can kill you quickly. Okay. A fireball kills you quickly.

One of my pet peeves about family business, especially successful ones, is they get complacent over time, and I can't tell you how many times we see this. You know, in a company, people work really hard for 10 or 20 or 30 years, and they finally achieve lift off, and they grow from being a marginal, barely profitable, sort of subsistence family business, at say five million in sales, and they jump up to 25 million in sales. Or they go from 25 to 100, or something like that, and they go phew. Golly, that was hard. But now we've made it. We don't need to make any changes anymore, and we're so smart and gifted that, golly, look at how successful we are. Why would we need to change anything?

And I just want to tell you one of the interesting things that I read recently. It's about growth, but it hits on complacency. There was a guy, gosh, I've forgotten his name now. He kind of was a sort of one of these outlier

type thinkers, but he had been in business and had built up several companies, and he said that he believed in the three-and-ten rule. If you grow three times, if you go from three million to nine million or nine million to 27 million, 3x is a big indicator. At 3x, you need to blow up everything, blow up all your systems, your sales systems, your HR systems, your operations systems, you need to blow it up and start all over again and reinvent it. And he also said in multiples of 10, so 10, 100, etc., whether it's number of people you have from 10 employees to 100 employees.

So, the three rule and the ten rule. And at that point, you need to kind of just plan on blowing up all your systems, because they're not gonna work anymore. And that's the problem with family businesses that have gotten complacent. They cling to those old systems and they say, "Look. This is why we're successful. Why would give up anything that helped us get where we are?" And what I'm gonna tell you is this: At some point, you do need to abandon those old systems. You can never, ever be complacent in a family business. You're not gonna die in a fireball on a carrier deck, but your family business can wither and die over a period of a few short years.

And so, complacency is the battle. If you find yourself getting complacent, if you see people around you getting complacent and going through the motions, you really have to take a hard look and see if you've come up on that 3x or that multiple of ten. And if you have, you really have to start thinking about how am I gonna make changes around here that avoid complacency, and allow us to assimilate the growth and the prosperity that we've had, so we can continue it for another generation or two in our family company.

Thank you very much. This is Wayne Rivers at the Family Business Institute.