

Hi, this is Wayne Rivers at The Family Business Institute. Thanks for tuning in to our blog. Please click on our social media icons, and as always, we'd like to have your comments.

This week I want to talk about two companies that have recently gotten on our radar screen, no names obviously, I don't want to embarrass anyone, and they're super successful, but our observation after talking to them at length is they're not sustainable. That's why they contacted us in the first place right. Why is this important? I mean why should you care about these two companies? Well, because it's a crucial distinction for family businesses. Successful is one thing, sustainable is quite another. It's a really important distinction.

These two companies, they're really similar, almost eerily similar in some ways. They have amazing market share. They're both in really capital intensive businesses. They've carved out in one case international market share. So, they're big players in their respective industries. They are printing money. Holy moly, they are really profitable and really just hitting on all cylinders right now. If you think about the four stages of the Family Business lifecycle we kind of refer to as wonder, thunder, plunder, blunder. I mean I know it's cynical, but we're consultants what can I say. They're really in the thunder and plunder stage right now. They're heavy weights in their markets, making lots of money, just really reaping the benefits of having a successful family business.

So, why am I kibitzing about these people? I mean what's the problem? Why are they not sustainable? There are five specific reasons why we don't think they're sustainable. The first thing is both of these companies are led by super high energy, super charismatic generation two leaders. So, dad founded the company some time ago and then this super capable, super entrepreneurial son came along and really has taken the company to stratospheric heights. Well you're not, irrespective of your family, you're not blessed with a super capable entrepreneurial being born into every generation, so that's reason number one.

Number two, next generation is limited from our observation. They're intellectually limited. They are entrepreneurially limited. They're not their dad. And they're educationally limited. Not so much in terms of formal education, but they don't know what they don't know. One other issue that I'll get to a minute, but they're a little bit arrogant about ... They're sort of sniffing this rare air of success right now and they have big, big blind spots.

The third reason is they don't have any talent much outside the family. They've got some capable managers. They've got guys that are good equipment operators and leaders of small parts of the organization, but they don't have any leaders beyond this super charismatic G2 person.

The fourth reason, they have no long term plans. They think that because they're riding the crest of this wave that they'll stay at that crest forever and ever to come. We know, we've talked about in our blogs for ages, that it's really super hard to sustain success over long periods of time, and they just don't have a plan for how they're going to do that.

Finally, they're complacent. Sniffing the rare air that I talked about before, the bit of arrogance, the blind spots. They're just complacent. They assume because they're incredibly successful in 2019 that they're going to be successful 10 and 20 years from now. We know that is just not the case.

Those are five crystal clear reasons to us why they're not sustainable in spite of the fact that they're very very successful at this time. Now, ask yourself this question. Looking at your own business, are we sustainable as we are now, or are we

just enjoying success right now? Which is it? Success is wonderful and congratulations if you're successful. Sustainability is a very different thing. This is Wayne Rivers. We'd love to have your comments. Thank you.