Hello, this is Wayne Rivers at The Family Business Institute. Thanks for tuning in. I want to mention again, Bootcamp is coming up in 2020. February 19th will be our third bootcamp class. April 15th will be our fourth boot camp class. The first two have surpassed expectations. If you want more information about bootcamp for your high potential next generation leaders who want to learn the business of construction, not the technical aspects, but the business of construction. See below, Charlotte's email will be there, and you can click on that link and ask Charlotte for more information and she will send it right away. Thank you.

This week in the blog I want to talk about survivorship bias. What is it and what business lessons can you learn from this? So, I saw an amazing article talking about World War II aircraft and the military leaders would see these aircraft come back from missions all shot up. In fact, there's a diagram here. They plotted on the planes where the holes were, where they had actually been shot, and they looked at the planes and they said, "Golly, we're going to have to armor our planes better. Look at all these holes. Look at all this damage." And a mathematician named Abraham Wald, sort of a statistician, mathematician looked at the planes, he was a consultant to the Army Air Corps and he said, "Hold on a minute fellas, you're looking at the wrong thing. These are the planes that made it back. We need to be thinking about the planes that couldn't make the flight back. The planes that were destroyed. These planes survived."

This is survivorship bias and that's what we see. What we think we see isn't always the entire picture and that's what the blog is about today. He said, "Guess what? The ones that didn't come back had damage elsewhere, primarily the engines." And he turned out to be right and that's where they decided to put additional armor in the engines because that was the most vulnerable part of the aircraft. Pretty interesting? I thought so. I hope you think so too. So, what's important about this? I mean, what can you really learn from this? We talked about in the blog of October 1st this year, that we can learn from our successes. Well, it's important as well to learn from your failures and survivorship bias causes us to extract wrong conclusions from our failures sometimes.

For example, all of you have heard the term, "Boy they just don't build them like that anymore," with respect to cars, equipment, machinery, whatever. They just don't build them like that anymore. So, if you see a 1969 GMC pickup rolling by, you say, "Golly Moses, they just don't build them like that anymore." What you're not seeing is all of the 1969 GMC pickups that rusted through, or wrecked in accidents, or people just happily traded in for a newer model. I bet there's not a single one of you right now watching this blog that would happily trade your 2019 pickup for a 1969 pickup. Oh yeah, we have nostalgia, and this was the pickup that I learned to drive in and all that kind of stuff, but the trucks today are so much better. They're safer, they're more powerful, they can tow more, just their performance is better, their handling, everything. Oh, they're much more comfortable and they have a lot more storage than those old pickups.

Not a single one of you would trade your modern pickup truck for one from 40 or 50 years ago. It's just a fact. So, this survivorship bias causes us to think they just don't make them like that anymore. Okay. So, where's another good example of survivorship bias? So according to MarketWatch in August of 2017 they looked at the three bestselling business books that all of us have probably read. In Search of Excellence, Tom Peters, and then the Jim Collins books, Built to Last and Good to Great. They studied 50 total companies. So MarketWatch looked back over the last 20 years from 2017 backwards and they looked at these 50 companies that were featured in these three bestselling business books and they found out that their performance over the 20 years from 2017 back was average. It was about the same as the S&P 500. Worse if you took out Walmart, Intel and Philip Morris, their performance was worse than the S&P 500. It's an example of survivorship bias. They look backwards to see which companies performed the best, but they ignored the companies that disappeared altogether.

Even some of the books in Good to Great have disappeared like Circuit City famously. So, in family businesses we look at our competitors or we think about our own businesses when we have a little trouble and we say, "Golly, if we could just run it the way granddad did it, he was so successful back in the day." Or we look at our competition and we say, "Their dad or granddad or great granddad put them on the path to success and they've been on cruise control for success for the last 40 years." Don't kid yourself. What you're not seeing is all the mistakes that they made and all of their times they reinvented that company because I guarantee any successful generation two, three, or four company that's out there right now has re-engineered itself and reinvented itself many times over since dad or granddad ran the company.

Now the values that those senior generations instill, the mission, vision, values part of it may not have changed, but I guarantee you they've changed everything about the way they manage people, IT, customer relationships and everything else. You just can't let survivorship bias cloud your thinking.

Now, if you think that you're a victim of survivorship bias, I have three tips, four tips, actually, for what you should do. The first thing is you probably can't solve this on your own individually because of one key ingredient that you're probably missing, and that of course is objectivity. So that's the first tip.

The second tip is get a coach. Get an outsider to come in and take a look. Just see what's standing out to him or her as an objective third party adviser.

Third tip potentially, join a peer group. I can tell you from my own experience, it is transformational. It has changed my life. It's changed my business life and of course we have a few hundred contractors, some of whom say the same thing.

The fourth thing is I know that some of you are not going to get a coach. You're not going to join a peer group. You're not going to do these things. You're going to do it yourself because I mean you always have done it yourself and look at how successful you've been. So, I'm not disagreeing with that but if you are going to look at your survivorship bias characteristics and things that might be holding you back, the first question you need to ask, a self-diagnostic question is what do we need to stop doing? That's the place to start. What do we need to stop doing? What are we doing that's not important anymore? Maybe it was 10 years ago, but it's not today and you can use that as the first tool in your self-diagnosis.

So, I think it's a fascinating story about the World War II aircraft. I think survivorship bias is a real thing in our organizations. In the comment section below, I'd like to hear what you think and examples of how you've been able to either self-diagnose or get outside help to help you remove the blinders and see things as they really are.

This is Wayne Rivers at The Family Business Institute. Thank you.