

Hello. This is Wayne Rivers at The Family Business Institute. Thanks for tuning in. Please let us have your comments below, and if you have any ideas for future blogs, things you'd like to see or talk about, by all means let us know and we'll get them done.

This week I want to talk about ... My topic is “The seeds of a company's destruction are sown in good times,” and we're having good times right now. Irrespective of industry, just about across every industry, just about across the entire nation and Canada too, things are pretty darn good right now. There are pockets where the economy hasn't fully recovered, and certainly there are industries and individual companies that haven't fully recovered from the great recession. But for the most part, things are pretty darn good.

I'm reading this book, *The Breakthrough Company* by Keith McFarland. It's good. It didn't make it to my top 20 business books of the year or anything like that, but it's a good book. But it struck me, some of the things that they talk about in here, I just thought were wonderful. And that brought me back to this article that I wrote 10 or 15 years ago, *The Seeds of a Company's Destruction Are Sown in Good Times*. I didn't come up with that. That came from *Harvard Business Review* 25 or 30 years ago. But I believe it. I think that the things that happen to us today in this time of prosperity cause little chinks to appear in our armor. And eventually, we get into some bad habits. And then when the bad times return, we're vulnerable. And who wants to be vulnerable?

So, I want to talk about eight specific steps that you can and should be taking right now in boom times so that you don't make yourself vulnerable and weaker than necessary when the recession or the soft periods come back. One of the things they talk about in the book is that, one of the case studies they look at, the CEO said, "You need to be very apprehensive when times are too good." Now I don't know if times are too good right now, but they're pretty darn good for most companies. You need to be apprehensive. I thought that was a good sentiment. So my first tip for surviving into the next soft period is be vigilant. Don't be paranoid. If somebody goes out and has a \$100 dinner instead of a \$50 dinner, don't freak out. Don't be paranoid. But be vigilant. Keep an eye on things. Keep your ear to the ground. Talk to your people.

Somebody asked me the other day about the open door. I mentioned in a blog that the idea of having an open door policy in your office is stupid. And there are times when you have to close your door. And you should close your door and put your head down and get your work done. And he said, "Well, what is a good alternative to that? Because I do need to close my door sometimes." And I said, "You know what, management by walking around." MBWA. I think that's right. Management by walking around. Go out and talk to your people and visit with them, and see what's on their minds and where they're experiencing problems. And you'll get a theme and a pattern based on doing that, so spend some time talking to your folks and finding out where their concerns are. And once you accumulate some of those responses from your people, you'll start to see places in your business where you need a little more vigilance, or you need a little more fire power, or IT, or people. Or who knows what you need?

But those things will be apparent to you, so number one is be vigilant. Number two, benchmark your costs regularly. This is something that we do in our peer group, my peer group of peer group providers that I

participate in. We also do it with our peer group members. We do rigorous, I mean detailed, practically anal benchmarking once a year for every single person. And then compare them, not only to each other, but to the peer group program and to the construction universe in general. And we know that if we see those G&A costs creeping up, that's not a good thing.

I remember calling on a contractor years ago. And I pulled up into the parking lot. And man, there's a Mercedes and a Lexus and a Jaguar and a Volvo and a BMW. These were their company cars, and I thought, "Oh my goodness. This must be the most successful construction company on earth." Guess what, they're out of business. They've been out of business for 20 years now. They just didn't benchmark their costs. They really had no idea what they were spending. Number one, they weren't vigilant. And number two, they weren't benchmarking their costs. And they were spending outrageously on G&A, and that's not sustainable in the long run. So don't be a penny pincher, don't be a skinflint, but be vigilant and benchmark your costs.

The third thing is look at new opportunities deliberately. It's easy right now when things are really good and you're going at about 85% or 90% of capacity to take on that next new opportunity that puts you at 110% capacity. And then you get into delivery times change, quality changes, you overstress your people because you can't hire quality people fast enough. You really need to be deliberate when you're looking at that next new opportunity. I'm not advocating just reflexively saying no. Maybe you can take a new opportunity on if you get rid of an old line of business that you're doing that's not as fun, or profitable, or challenging as it used to be. But go into these things with your eyes open. Don't just take new business because, by God, we've got to get all the new business we can because that's how we do it around here.

The fourth thing is the 80/20 rule. 80% of your revenue comes from 20% of your clients, or 80% of the value in what you do comes from how you invest 20% of your time. Focus on that 20. Focus on your top 20 customers. Focus on your top employees. Focus on the things, the activities, the 20% of the activities that you do that really add value in your company and in your life. And if you really, really, really want to take it to an extreme, you've got the 80/20 rule. So 20% of your activities produce 80% of your results. What if you multiplied it again times 20, 20% that is? So 20% times 20% is 4%. What if you could figure out a way to focus on that 4% of your time that really, really adds value, the most value? Think about how much time that would free up for family, for learning how to go fly an airplane, which is one of my long-term aspirations, for fitness, for travel with the family, for whatever it is. As you're trying to figure out how you're going to have that beautiful, wonderful life, focusing on how you spend your time is the number one payoff there.

The fifth one is take more time to coach and teach and drive decision making downward in your organization. If you're still the person that has to make every little decision about every little decision, you're trapped. You'll never be able to leave your company. You'll never be able to advance to a higher place in the organization. You'll never be able to turn it over to a son, or a daughter, or any other successor for that matter. You've got to begin to coach. Stop doing so much and start teaching other people. Yeah, they're going to make mistakes. They're going to skin their knees. But Golly Moses, if you don't do that, you don't educate your people on how to do the

things that you currently do, or do the things that your 80 year old CFO does, then where does that put you five years down the road?

Corollary to that, point number six, train your people. Get your people the training they need and they want to be really good in their jobs. I heard a story about a company, a manufacturing company. They bought this newfangled software. This is 25 years ago. It's \$50,000, which was a lot of money back then. And the training would've cost an additional \$10,000. Well, heck no. They'd already spent \$50,000. They weren't going to blow another \$10,000 and make it \$60,000. Well, that was the dumbest thing I ever heard. I mean, how are you going to get the most out of your software if you're not willing to invest in the training of the people that use the software? Get your people the training they need and the training they want, and especially your next generation leaders. Get them leadership training, accounting and finance. Well, not accounting because we've had that discussion before. Accounting looks backward. Finance looks forward. Get them finance training in the business so they can know how to look forward in the business and how to do forecasting and budgeting and all those kinds of things that will actually help you take the business to another level.

Number seven, love on your customers. If you as the senior execs are not loving on your customers enough, carve out some time and make that happen. You'd be surprised in today's world how far you get from just writing a handwritten thank you note to somebody. It is an impactful thing in today's world. The other thing that I've been really shocked about is how people appreciate other little things, like we've been giving away golf shirts. And I mean to tell you, I've been giving my books away and sending other stuff to people for years, and we barely even get a ripple. Send a few golf shirts out to people and they go nuts. Almost all of us have corporate logo wear that we use. Why not share it with our customers and vendors and suppliers? You'd really be shocked about how much people appreciate a good quality item like that. So love on your customers. And finally, maybe the most important thing. Love on your employees too. You've got some people that really make it happen. And without them, you'd be in a pickle.

By gosh, make sure you're giving them all the TLC they want and deserve. Some of it is money, but a lot more of it is just recognition, participating in the high level decisions of the business and those kinds of things. Put your arms around them and just make sure that you're giving them all that they need and want. It's the platinum rule. Everybody's heard of the golden rule. The platinum rule is do unto others as they wish to be done unto. If you can find a way to make the platinum rule an important piece of your business life, then you'll be able to love on your customers and employees, and things will be great.

Let me close real quickly. I'm not wearing eyeglasses here, so I hope I can see this. One of the things that is in this book that I thought was interesting is they said, "There's no such thing as corporate culture." I disagree with that a 100%. But the way they say it really made me think. "There's no such thing as corporate culture. There is only how we treat each other." And they don't use the word culture. They use the word character. That's what it's all about. If you build the right character in your business now while times are good, and you remain vigilant, when those bad times return, you will not have sown the seeds of your own destruction. You will be a survivable

and a sustainable company. Thank you. This is Wayne Rivers at The Family Business Institute. We welcome your comments.