

Hello. This is Wayne Rivers at The Family Business Institute. Thanks for tuning in.

This week, I want to talk about Tom Brady and creative destruction. So Super Bowl 55, just a couple of weeks ago is in the books now. And I read a terrific article on February 9th from Jon Miltimore from the Foundation for Economic Education. And he talked about Brady's career in a business context. So just a quick fun fact, companies this year paid \$5.5 million for 30 seconds of advertising time on the Super Bowl, which is pretty remarkable. So, what does all this football and advertising and rates have to do with you? What's important about this? And the point that Jon Miltimore made was Tom Brady's first Super Bowl was in 2002. Now, here are eight of the businesses that advertised in 2002. You're not going to believe this. AOL, Blockbuster, Circuit City, Sears, Gateway Computers, VoiceStream Wireless. No recollection. Radio Shack and Yahoo.

Some of those companies are still around. Yahoo and AOL are still around, but basically valueless in terms of business enterprises. Blockbuster was huge, if you remember. Before my wife and I were married, we spent lots of time at the weekends at Blockbusters stores selecting movies. They had 9,000 plus stores and 84,000 plus employees at one time, if you can believe that. Now, they have one store. One store left. Circuit City was featured in the Jim Collins book Built to Last as one of the great companies that innovated and would be around forever. Circuit City's gone. They declared bankruptcy and they're gone now. Sears once had a store in every town, large and small in America. They're down to 60 stores now.

The point that Miltimore makes and that I want to amplify is that it's really difficult to stay on top. These businesses were on top in 2002. In 2021, 19 short years later, shells of their former selves. So, what does it take to stay on top? How can you keep your company on top? How can you keep your people motivated and happy and growing and be a sustainable business enterprise? Joseph Schumpeter was an economist and he developed a term called creative destruction. Creative destruction describes what goes on in the marketplace. It's what happened to Sears. What happened to Blockbuster? Well, the person who started Netflix was a member Blockbuster and he hated the late fees. Late fees were actually a big part of their business model. He couldn't stand the late fees and he started Netflix as a response to the late fees charged by Blockbuster. And, basically, they out-competed Blockbuster and look at the relative two companies now.

That's good for the marketplace. Creative destruction is good for the marketplace, because innovators out-compete people who don't innovate and don't change. So, it's bad for us and our individual businesses, because we don't want to be outcompeted. We don't want to be outinnovated. So, six tips when it comes to your company. How do you avoid being a victim of creative destruction? And, how can you stay relevant in your business? And, how can you compete?

All right. The first one is, how do you differentiate yourself? I know Dennis talked about this in a blog a few weeks ago. How do you differentiate? If you can't differentiate your company, you're always going to have to compete on price and you're just a commodity. So, you've got to find a way to differentiate in the marketplace. There was a great book on the subject 20 years ago, called Blue Ocean Strategy. It's a good book. If you haven't read it.

All right, second thing. Are you humble and willing to listen? One of the problems successful people, successful contractors, successful consulting firms ... One of the problems we have, is we've been successful for a long time, and we can say, "Why do I need to change? Why do I need to listen? Why do I need to innovate? Look at how successful we've been. All this stuff here is a result of the stuff that we built. Why do we need to change?" It's like reading your own press clippings. You think Tom Brady read his own press clippings after 2002 and decided he didn't need to improve his skills. Heck, no! The reason he's still relevant today is he has done radical things with his fitness and his diet to stay relevant and stay competitive at his age, in the NFL.

The third thing. What scalable processes or talents or capabilities do you have in your business? What parts of your business are really capable of scaling and growing? And which parts of your business do you maybe need to de-emphasize, because they're not as scalable and not as capable? Not as robust in terms of growth potential.

The fourth thing. You know your customer behaviors now. What are your customer behaviors going to be five years from now, 10 years from now? This really requires that you go back to Number Two. Are you humble and willing to listen? You've really got to dive deep with your customers. Some are going to give you a minute of their time and it's going to be superficial stuff you can't use. But, some of your customers are going to be ready, willing, and able to probe and do a deep dive and really spend an evening or a dinner with you and talk about how they see their businesses changing and growing and adapting, because they too want to stay relevant. Don't they? They want to be sustainable as well.

The fifth thing. This is one of my favorites. What do you need to stop doing? What are you doing now that was important to you in 2002, Tom Brady's first Super Bowl, that maybe is not so important to you now? What things did you do in 2015 that you don't need to do now? When you stop doing things, you free up time, energy, mental energy, and capacity to do new and innovative things. So, what things can you stop doing?

And then, finally, this is another one of my favorites. Can you forecast? Every single person watching this video gets a monthly P&L and a monthly balance sheet. And that tells you what you've done in the past. Did I have a good month last month? Did I have a good year last year? Can you accurately forecast where you're going to be in 2022, 2023, 24, et cetera? Are you really good at that? Are you close to your customers in Number Four? Are you keeping up with their changing behaviors, so you know how to change your behaviors to deliver an innovative solution in the marketplace?

So, there's my six tips. The article ended in a great way. It said everything has a shelf life, including Tom Brady. And that's true. And that's a very mercenary way almost to look at our businesses. We all have shelf lives. We all have useful lives. Now, how can you innovate and change now, so that you extend the useful life of your business and make it sustainable for the next generation and the generation beyond?

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