

Hello everyone, this is Wayne Rivers at The Family Business Institute. Thanks for tuning in as always. We would like the benefit of your comments and as always, click on our social media icons and sign up for YouTube and the other delivery systems that you have available there.

So, this week I want to talk about six trends, sort of big trends sweeping family businesses in 2019. So, as we roll into this new year, there are six things that stand out to us as we talk to our clients around the country and I've talked to all of our consultants and we've kind of consolidated what we see as six big trends, and we'll bring them to you.

First, aging leaders. I will say that this is very different from when I started 30 years ago. Back then, family business leaders always wanted to die with their boots on so to speak, and when they thought about succession, they thought about how am I going to leave this business to my family after I die? They had no intention of retiring or slowing down or traveling or doing anything else. Work was their life.

Today it's really different. It seems like their successors, the generation two and three and even four family members in some cases, are very interested in slowing down and beginning to retire, although they don't really mean retire, at a much younger age when they're able to travel and they have their health and they can enjoy life. So, succession has become a lot more proactive and sometime between the ages of 55 and 65 is when we see today's family business leaders reaching out for assistance on how to best go about management and ownership succession planning.

The second trend, and this will be no surprise, is technology and training. Every industry is sort of roiled by the pace of change. I always thought that when I started in business in the '80s, the pace of change was accelerating, and I thought it would taper off at some point. And the opposite's true. The pace of change has just continued to accelerate, and that's true in technology as us old people can testify. Changes in technology are increasingly hard to keep up with, and in the industries that we serve at least, there doesn't seem to be any industry standard technologies. Company A has this technology, company B has a little bit of that, company C has something else, and so it makes for a very fragmented discussion when family business leaders get together and talk about technology.

Now, the training part is where most family businesses drop the ball. If you're going to go out and invest in technology and equipment, then you've got to invest in the training for your people that allow them to take advantage of the technology and help you in the biggest way possible. I've seen people go out and spend lots of money on technology and then not be willing to spend very much at all on getting their people trained up. They just think somehow one day they're going to wake up and know it.

The third big trend is the aging out of the millennials and the aging in of generation Z. So, you've heard lots and lots of stuff about the millennials and frankly how difficult they are to employ, and generation Z, depending on who you talk to, you're talking about people born somewhere between 1995 and 2010, so the oldest generation Z people are somewhere around 23 or 24 years old now, which means that they're coming into the workplace. Now, generation Z growing up experienced soft economies following in 2000 and then following 9/11 and then again in 2008, and of course the great recession lasted for quite a while. So, they were affected by that. Certainly, they saw their parents and older siblings affected by that.

The other thing that has them a little bit spooked is they see their older siblings and some of their older friends carrying enormous loads of college debt, and for my reading, that has negatively affected generation Z. I won't say "negatively affected." It's made them more risk averse when it comes to debt, which is not such a bad thing.

Generation Z, unlike their predecessor, the millennials, are ready to work. They value on the job training, they value earn to learn type of opportunities, and they're very much willing to pay their own way when necessary. So, getting some of these generation Z people into your organization now could pay real benefits because if you think about it, these young people grew up with technology the way we grew up with bicycles, so, golly, what a great opportunity to have some young people to come in and bring fresh ideas and fresh technology to your organization.

The fourth big trend that we see has to do with leadership and culture. When I was young, the image of the top kind of a leader was Vince Lombardi, a strong, stoic, just sort of a kick you in the you-know-what when you need a charge and if you do a good job, he doesn't say anything because, by gosh, he expected you to do a good job, and that's kind of the leader. If I look back 30 years in family business, that's the kind of leader that we dealt with. Well, today's leaders are much different. The good leaders today share empathy, they listen to their people, they collaborate with their people, they build teams, they work on the vision for their company, they work to multiply the capabilities and the efforts of the team, and they almost play a support role. In other words, not what can you do for me? But what can I do for you? How can I help you do your job more effectively?

One of the things that struck me was our newest employee has been here a little bit, just ever so slightly less than a year, talked about how she, even in her short term, can almost instantly differentiate those who are willing to share ideas, incorporate new technology, as it fits into their company model and appreciate the diversity of their employees versus those leaders who are less willing to accept change and assist with cooperative learning. So, I think the new leaders stand out to even someone who doesn't have 30 years of experience in family businesses. It's kind of an obvious difference, and every company as we know has a culture. Some companies have a culture by default. Its whatever culture developed over the course of the years, and it is what it is. Other companies, the companies that are run by enlightened leaders specifically choose a culture. They develop a culture. They engineer their culture. So, it gets the most out of them and it gets the most out of the people that work there. That's what today's young people are looking for, and I think you can see how some of these trends go together.

The fifth big trend, and this is going to be a big one potentially, is the coming downturn. Now, we're not saying it's going to happen tomorrow, don't worry, but the tea leaves indicate that we have a downturn in our not so distant future. We're going to have a lot to say about this year. We're going to really get into this in a big way this year when we think the timing is a little more appropriate, but we want to really encourage our family business leaders now in the good times to really focus on what they need to do in anticipation of and preparation for the next economic downturn.

Where are your functional weaknesses? Where are your strengths and advantages in the marketplace? Where are your top people? Who are your A, B, and C players? In a real pinch, if the economy goes south, what people, this is the hard thing that leaders have to talk about, what people could I live without and what people are absolutely, 100% essential to the future success of my organization? What opportunities will there be in the next recession to acquire new talent? To potentially acquire new companies as other people struggle in the marketplace. So, recessions are

fraught with problems but they're also fraught with opportunities and that's a trend that we see, that family businesses are already thinking about, and they should be.

Then finally, strategic planning. Number six is strategic planning. You wouldn't believe the number of phone calls we got in the second half of 2018 asking for tips and advice and books to read and things like that about strategic planning. More and more family businesses understand that whether you're talking about acquiring new talent and hiring people or whether you're talking about coping with an oncoming recession or whether you're talking about millennials and gen Z and all that, getting the team together, getting the best brains in your organization together to talk about strategy and where we're going next and where we're going to be in five years is a valuable thing.

So, strategic planning allows you to take advantage of opportunities, anticipate downturns and basically pre-decide on the actions that you're going to take in the present and in the near future. The other thing that strategic planning does, it's a glorious byproduct, is that it strengthens the culture of your organization, and one of the things that I wanted to mention was that one of our facilitators worked for a wonderful company called McDevitt Street down in Charlotte many years ago. It's a long story and I'd like to do a blog on McDevitt Street sometime, but they happen to be in the construction business, but I'm going to tell you their mission statement. Their mission statement was, "We attract, hire and recruit the best people."

That was it. It was a one-line mission statement. "We recruit, hire and retain the best people." Now, that mission statement is the most beautiful, elegant thing I've ever heard in discussing mission statements for over 20 years and it could apply to your business whether you're in construction or auto dealers or anything else. It really doesn't matter. They focused on people and I think that's maybe the mega trend, as we talk about the six big trends for 2019. Focusing on your people, because you'll only go as far in your family business as your people will carry you.

So, I'd love to have your comments. If you're seeing trends, let us know what they are. This is Wayne Rivers at The Family Business Institute. Thank you.