

How to succeed together across multiple generations.



Scalability Chapters

A MANAGEMENT SYSTEM  
FOR FAMILY BUSINESSES

Bradley G. Fisher

# FAMILY BUSINESS ABUNDANCE

HOW TO SCALE YOUR COMPANY  
AND SUCCEED TOGETHER ACROSS  
MULTIPLE GENERATIONS

Bradley G. Fisher

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ISBN-10: insert number  
ISBN-13: insert number  
Library of Congress Control Number: insert number

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## CHAPTER 12

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# The Principles of Scalability

**O**kay, now we've come to the fun stuff. This is where the mindsets and building blocks all come together. It's time to focus upon your Growth Engine, to begin scaling your business to new heights.

What do you think would be required to double the size of your business? How *long* would it take? How much would it *cost*? What steps are required to get you there? Do you even want to *try*?

What if we tripled it? This is not theoretical; people accomplish this all the time. *You can too.*

We will begin our discussion of *scalability* with a strong assertion:

*The natural condition of a well-tuned, properly structured company is to grow.*

We presented logic behind this in an earlier summary, but it bears repeating:

If your business provides genuine value to a well-defined set of customers,  
if your leadership and culture are effective and positive,  
if your business model holds water and can generate sustainable cash flow,  
if you have a capable and well-aligned team of people,  
if your people are backed by solid facilities, equipment, and technology, and  
if they execute measurable, repeatable, and productive work processes...  
... then your company will *grow*. That is the essence of *scalability*.

Genuine value, positive culture, profitable economics, capable people, solid infrastructure, and effective processes. *How can you argue with that?*

If you keep those six key elements dialed into your business, the only things that can hold you back will be change, competition, and capital. These are by no means trivial, but they *are* surmountable. The only other necessary ingredient is transformation. If you build that in too, then the sky is the limit.

In the next chapter, we will dig into specific implementation details. But first, let's look at some of the fundamental principles you need to embrace in order to make scalability happen.

## Natural Growth Systems

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Many examples of scalability exist in the natural world. We call them natural growth systems, and it helps to internalize the idea before you think about growing your business. Here are a few examples:

**Trees.** Consider the humble acorn, the pit of your next avocado, or one of those propeller-looking pods that spin down from maple trees. If you take those seeds, plant them in proper soil, or in the case of the avocado, suspend it in a glass of water from a few toothpicks, the seeds will sprout. Then, if you provide the proper temperature, a few sprinkles of water, appropriate sunlight, and perhaps a bit of fertilizer, they will grow. They will transform from little woody bits, to fragile seedlings, to hearty saplings, and finally to mature, seed-bearing forty-footers.

Unless you physically chop them down, or remove one or more of the proper conditions, you cannot stop this process. Their natural state is to grow.

**Babies.** If you feed her, give her plenty of hugs, keep her clean and safe, let her sleep when she wants, and change her diaper occasionally, she will grow. You cannot stop her, and if you're like me, it will seem that she grows way too fast.

**Airplanes.** This is a slightly different example, but we love it, because it reflects one of the first companies in our entrepreneurial portfolio. It was an ultralight airplane factory called SR-1 Aviation, way back in 1984. A properly trimmed airplane will fly. That is its natural state. Take a plane like that to the end of the runway, set its flaps into proper position, turn it into the wind, and open the throttle; you won't be able to hold it on the ground. It will go up, just like your sales and profits will increase if you design scalability into your company.

We apologize if this feels pedantic. The point may seem obvious on the surface, but it's worth emphasizing, because if you look at your company through the lens of natural growth, you will begin to see it in a different light.

You will instinctively understand that the challenge is not to force growth, but to *unlock* it.

## Your Money Machine

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Hillary Hahn is a *music* machine. She makes it seem so easy, and she makes us cry with her phrasing and her tone. When Hillary plays her violin, you know she's working. You can see the intensity, almost feel the strength humming from her arms into her bow and the fingerboard of her instrument, which was produced by Jean-Baptiste Vuillaume in 1864. Of course, she's working hard, but her motions are so fluid and graceful, and the resulting sounds are so effortless, she seems to float above the earthly bounds of our mortal world.

You could say the same for Serena Williams' serve, Tiger Woods' swing, and Steph Curry's jump shot. Tremendous power, precision, nuance, and strength. But they make it flow so easily somehow, don't they? So natural and full of grace.

Well, as we're sure you know, that effortlessness is an illusion. Imagine the thousands, perhaps tens or hundreds of thousands of hours serious artists spend learning the basics, absorbing advice, practicing the fundamentals, achieving speed and endurance through exercise and repetition.

Hyper commitment, and attention to detail, core values, and high standards, enables them to achieve *unconscious competency*, which

in turn, allows them to focus their higher faculties upon the subtle nuances that lead to sublime beauty and winning.

These people also enjoy the benefits of proper structure. Their practice routines are consistent and carefully orchestrated. Their synapses fire faster than ours do. They are the perfect height, with shoulders just wide enough, and quicker fast-twitch muscles, whatever *that* means.

The metaphor extends directly to companies. As with musicians and athletes, if you incorporate proper structure, identify and hammer on the basics, and then work the system, harder and smarter than other companies in your space, you will succeed, and your company will grow.

Do that, and you will have a successful money machine. Customers go in at the top, and money comes out of the bottom.

Perhaps we shouldn't have used superstars as examples, because we may have given you the wrong impression. You don't have to be a once-in-a-century phenomenon to have a successful money machine. You don't have to be Apple, or Google, or Ferrari to succeed across multiple generations. You simply must provide consistent, solid value to a clearly defined group of customers, repeatedly, learning as you go, gaining momentum and strength as time goes on.

When it comes to scalability, structure counts, so do high standards and practice, constant adaptation and fine tuning. You can do this. *You can build a scalable money machine.*

## **10x Your Business By Thinking Inside the Box**

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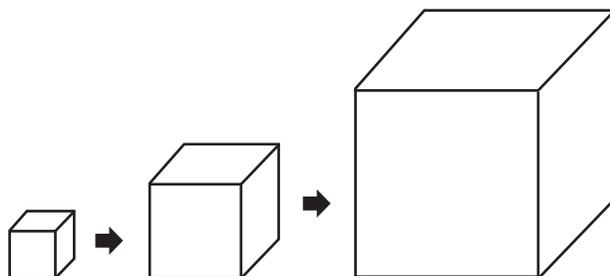
As a business owner or CEO, arguably your most important job is to develop your company's capacity to grow. And then, of course, you and your team need to execute.

As we discussed above, a blind push to sell more probably won't work. Forced growth is undependable, expensive, and risky in multiple ways. We all know companies that have imploded during periods of hyper expansion, and history is full of businesses that petered out due to lack of forward motion.

The best way to avoid these traps is to pursue scalability, to purposefully cultivate *controlled expansion* that can sustain consistent positive outcomes. Scalability is strategic and deliberate, proactive and process driven. It is safer than forced growth. Over the long term, scaling is manageable, and it enhances the value of your business.

It also helps to have a simple organizing principle, and for us it's all about the box.

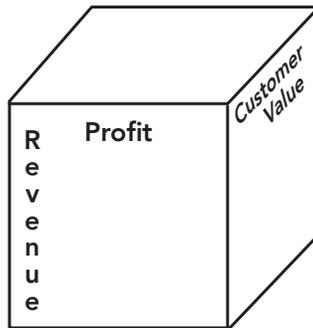
Companies normally don't grow in linear fashion like an inflating balloon. Rather, they progress in steps, from one box to another, bigger boxes each time, filling them in turn, with similar but ever-evolving constraints within each.



We have a name for this; we call it 10x. It's not what you might think at first. We're not talking about making your company 10 times bigger, although eventually, you probably will. Rather, 10x is a methodology for evolving from one set of constraints to the next, while enhancing the profitability of your company at each stage. Here's how it works.

A box has three dimensions: height, width, and depth. When you multiply the lengths of the three dimensions together, you calculate the volume of the box.

It is helpful to think about your company's box in similar terms: Height corresponds to *revenue*. Width corresponds to *profit*. Depth corresponds to *customer value*. We call the volume of your company's box its *stakeholder impact*.



When you double the sides of a box, you cube its volume.  $2 \times 2 \times 2 = 8$ .

In similar fashion, when you double your company's revenue, profit, and customer value, you will achieve 8x growth in your *stakeholder impact*.

If you enhance the profitability and quality of your offerings, just a little bit, along the way, you can drive your improvement from 8x to 10x. That's the logic behind 10x.

Your job, as a leader in your company, is to be working on the next box while your company is expanding to the edges of its current box.

This is important. You need to stay ahead of the game, because if you wait until your company bumps up against the edges of its current box without having the next one ready, it will impede your progress, and it will cost you far more to transition to the next box than it would have if you had laid proper groundwork ahead of time.

Michael Gerber, in his wonderful book, *The EMyth Revisited*, coined a phase we use every day:

“Work *on* your company, not just *in* your company.”

We mentioned a client company called Dakota Teen Triumph in the last chapter. Let’s look at that excellent operation. They are building scalability into their organization as we speak, and it is transforming the business.

### **Scalability At Dakota Teen Triumph**

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DTT is owned by four siblings, two sisters and two brothers. They started it together a few years ago, and all four of them work in the business; some are fulltime, and some contribute on a part-time basis.

The company emerged from tragic circumstances, sparked by the death of a wonderful young woman, the daughter of one of the founders. At that point, all the siblings knew for sure is that they wanted to help other teens and their families thrive, protect themselves from trauma, and help them cope when life becomes too difficult to endure on their own.

The founders are all caring and intelligent, with high integrity and individual expertise. Some of them have graduate degrees, and all of them came to the challenge backed by plenty of real-world experience. However, until they launched the company, none of the

siblings had ever worked in the behavioral health industry. This was brand new territory; none of the sisters or brothers were therapists or formally trained to treat troubled teens, but that didn't stop them for a minute.

Somehow, they just knew they could find a better way. They jumped in with all eight feet, investing their money, their time, and their passion. Three years later, when we got involved, they had already built out a beautiful facility, recruited a solid team of twenty-five people, and transformed the lives of hundreds of clients.

Dakota Teen Triumph originally retained us to help clarify and structure the family side of their ownership challenge. They weren't experiencing severe difficulty, but they could see that as time goes on, especially when second-generation cousins become involved in the business, they are going to need additional structure and clear ground rules in order to stay in harmony and on track.

We started with a weekend retreat, where we worked hard to articulate the mission and core values of the organization. Then we turned our attention to corporate governance, creating a plan to upgrade and formalize the board of directors. All four of the siblings are on the board, so structure and formality are essential in order to prevent board meetings from devolving into casual family reunions.

Speaking of family, the siblings also created an owner's council, which enables them to meet periodically and focus directly upon family dynamics and communication.

Once the basic governance elements were in place, we turned our attention to the business itself. We started by transforming the leadership team from a group of committed and highly engaged individual players, who primarily supported the CEO, into a tightly integrated group of leaders who consistently drive results through their departmental teams. We accomplished this through training

and stretching, not replacement. Most of the senior leaders are still with the company.

In addition to training, we introduced and developed T-Goals, D-Goals, and performance metrics that the leadership team uses to guide its priorities and efforts. These goals are clear, and everyone in the organization knows what they are. This keeps all the stakeholders on the same page, enabling everyone to understand where we are today and where we intend to be tomorrow.

An important early part of this process involved upgrading the accounting, finance, and budgeting infrastructure, with clarity and scalability as our top objectives. We transitioned from cash to accrual accounting, built a small and effective initial team, formalized financial controls, implemented clear, consistent reporting, and created a new forecasting model, with departmental budgets, that would enable the board and the leadership team to understand their status and manage their forward progress.

Each of the operating groups—clinical, program, admissions, billing, and outreach—executed a similar process. We developed a scalable organizational structure, unpacked specific individuals who were stressed from trying to do too many things, and crystalized each of the underlying departmental teams, placing heavy emphasis upon empathy, accountability, and trust.

Teen Triumph is still a work in progress. It will always be so, but it is now far more scalable, and the owners are turning their attention to expanding the reach of the organization, through increasing the capacity of their initial facility and by opening additional centers, throughout the local region and beyond.

This isn't rocket science, but it is highly satisfying work, especially since the underlying mission contributes so many priceless gifts to the world. We are grateful to have the opportunity to collaborate with

the owners of Dakota Teen Triumph, and we are serious about our commitment to the behavioral health industry. This is truly good work, and we feel exceedingly fortunate.

### **A Personal Note: *Pushing the Rope Uphill***

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When I was a kid, my father introduced me to the concept of pushing the rope uphill. He used that phrase frequently, and I've found it to be a useful metaphor, in so many ways, ever since.

It's easy to pull a rope, but it's pretty darn hard to *push* one. Pushing a rope, especially uphill, goes against the natural order of things; the rope bunches up, and leaves you sitting there stuck.

So many sales managers and business books espouse a rope-pushing approach. They come across as aggressive, forceful, sometimes even manipulative, and they always leave me cold. They encourage us to attack our challenges by shoving on that poor old rope, pushing the darn thing up the hill, when instead, they should be showing us how to unlock natural growth and progress.

I used to approach sales that way. I used to think the key was to *sell harder*, to make more cold calls, memorize closing techniques, radiate confidence, deliver more donuts, get my courage up, and then stress out because I couldn't think of what else I needed to do.

Now I know that it's about *attraction*, not force. Gently reeling in the rope, never pushing it. Earning that attraction through value, high quality, and attention to detail, by humbly solving problems and satisfying genuine needs, serving people who trust your company because it delivers the goods, every time at a fair price.

That's how you achieve scalability. Build a money machine and incorporate the elements we described above. Then work on that machine, constantly tinkering, striving for improvement, recognizing and even anticipating the needs and desires of your tribe

of customers and other stakeholders. That way, you will stay on top of your game and ahead of your competition. That is how you unlock natural growth and keep it flowing over time.

My father, Gerald K. Fisher, died three years ago. He taught me so many things. I miss him every day.

### FOOD FOR THOUGHT EXERCISE—*THE RULE OF SEVENTY-TWO*

This isn't a scalability factor, but it's a fun and useful tool, a mathematical rule of thumb you can use to plan and measure your progress.

It's simple: *Divide seventy-two by an annual sales growth rate, and the result will tell you approximately how many years it will take to double the size of your company.*

Here are some examples:

5 percent annual growth      $72 \div 5 = 14.4$  years to double  
your company

10 percent annual growth      $72 \div 10 = 7.2$  years to double  
your company

13 percent annual growth      $72 \div 13 = 5.5$  years to double  
your company

Of course, since this is simple math, it's easy to switch things around and answer a different question:

Roughly, what annual growth rate would we need to achieve in order to double the size of our company in X number of years?

Double in eight years	$72 \div 8 = 9$	9 percent annual growth rate to double in eight years
Double in six years	$72 \div 6 = 12$	12 percent annual growth rate to double in six years
Double in four years	$72 \div 4 = 18$	18 percent annual growth rate to double in four years

Play around with this a bit. Get a feeling for the underlying relationships. Compare them to your experience, then decide how soon you want to double the size of your business.

We *know* you can make it happen, and we are here to help you.



## CHAPTER 13

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# Implementing Scalability

**B**usiness owners and leadership teams often turn their attention to *scalability* when they are worried about one of two existential problems:

**They feel stuck.** They know they could be growing faster. They want to understand what's holding them back, and they want to strengthen the engagement of their family and accelerate the growth of their business.

**They want their growth to be safer and more sustainable.** They worry that uncontrolled growth might lead to quality problems and reduced profitability, so they want to reduce risk, make their operations more predictable, and streamline day-to-day management.

In order to address these challenges, we created the *Family Business Management System*. All the elements we have explored in this book culminate here, so you can safely build scalability into your company. There is no guarantee that you will succeed, but *scalability* will increase your chances, and it will enhance your peace of mind by orders of magnitude.

As mentioned before, the management system organizes the elements of your company into *six scalabilities*, six areas of focus, which underpin your organization. Dial these in, pay attention to each one, track and adapt them as time goes on, and you will unlock healthy and manageable natural growth.

Here are the six scalabilities:

1. *Leadership and Culture*
2. *Market Focus and Fit*
3. *Business Model and Finance*
4. *Team Alignment and Capacity*
5. *Infrastructure and Technology*
6. *Work Processes*

The appendix presents a list of food-for-thought questions related to each one.

The next book in our *Family Business Abundance Series* will address scalability in greater detail.

We look forward to working from that larger canvas, and we feel slightly frustrated that the overview nature of *this* book forces us to address the Scalabilities from a high altitude, but please, *do* give it a go. The scalabilities will change your life, if you invite them in.

### **Scalability #1: Leadership And Culture**

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It all starts here. Your first job is to ensure that you have the culture, leadership, decision-making, and governance required to stabilize your business, and to enable your team to follow the path to fruition.

## **Bedrock Elements of Culture:**

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**Mission.** A strong, compelling mission, that explains the *purpose* of your company, *why* it exists.

**Core Values.** Decisive core values, incontrovertible and non-negotiable, describing what you *stand* for.

**Vision.** Clearly defined vision, specific, big, and compelling enough to *bind* your people together.

**Priorities.** Transparent priorities expressed as company goals that roll down into each department.

These elements will fuel a cohesive culture, accountable and resilient enough to respond to external threats and adapt to changing market conditions.

You need to be explicit about these elements. Create them together with your family and your team; don't impose them after dreaming them up on your own. That way, people will be more likely to buy in and commit.

Be consistent. Communicate the elements clearly and often, every chance you get, across any media that comes your way. Live up to your culture every day. Make sure everyone understands, remembers, and buys into each piece.

## **Leadership Team**

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You don't want a bunch of yes-men and yes-women jumping at your every whim. That might feel good for some people, but you cannot scale your company that way. You must cultivate a team of professionals who can ensure that the work gets done, while helping you understand where you are all at all times, a team of professionals who can truly *lead* their departments, while supporting one another,

constantly tracking progress, and driving ongoing improvement into every area of your business.

Consider the words leadership and team. Stop for a moment and think about what those words mean; they say it all. These are not *yes-people*, and they are not just individual players. They truly are, and must be, the team that will lead your company forward. After the bedrock cultural elements, developing and supporting this team should be your single, most important priority.

The last thing we will emphasize about this infinitely important issue of the leadership team, is how crucial it is to foster trust and healthy conflict. That means you need to cultivate unconditional support for one another, and the free exchange of ideas and opinions. Please beware. It is easy to convince yourself that just because you are meeting with your department heads and bringing them into the discussion, that you are creating a truly functional leadership team. It will take the members a while to believe you. At first, they are likely to nod their heads, express agreement with your pronouncements, and keep right on letting that monkey cling to *your* back.

Leadership team development is often the top priority during the initial stages of our engagements with client families and companies. Get help or do it yourself, but no matter what, please take the time and effort to build a *truly* functional leadership team. Then support and nurture them while they *run* the company for you.

## **Decision Making**

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Most people crave structure and predictability. In order to focus upon their work, these folks need to be comfortable, which means they need to understand the consequences of their actions and how decisions get made within the organization.

Think about your style and how it impacts decision-making across your departments. There is no right answer here, but clarity and consistency are essential. Are you inclined toward command-and-control? Consensus? Enlightened dictatorship?

What is the chain of command? How stable is it, and how transparent?

We advocate a style that involves leadership team consensus, governed by a CEO who makes firm calls in the rare event that the group is divided. Most of the time, your leadership team will know what the right decision is. If you have buy-in, supported by the free exchange of ideas and opinions, your decisions will be more likely to be right, they will be more likely to stick, and people will execute them with a higher degree of confidence.

### **Strategic Governance**

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You need a board of directors, and it must be functional (as opposed to *dysfunctional*), which means that it needs to be well-informed, apolitical, somewhat independent, and willing to put the best interests of the company and its mission above all else.

In most companies, especially family businesses, this means that you should include one or more independent board members who are not owners or part of the family. The job of the board is to hire, evaluate, and fire the CEO, and to guide the management team on strategic issues. With very rare exception, the board should *not* be involved in day-to-day operations or operational decisions.

### **Scalability #2: Market Focus And Fit**

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This is an area where the concept of pushing a rope uphill really comes into play, and it's a trap we must avoid at all costs. We must be clear and thoughtful about what we are selling, and to whom we are selling. We must make sure we have well-defined, attractive markets,

with clear opportunities to deliver value to addressable customers, a strong strategic foundation, and plenty of room to grow.

## Foundation

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We begin with the most fundamental questions:

**Mission.** What is the mission of our company? What changes do we aim to make in the world?

**Core Values.** What are the core values that guide our efforts and our decisions?

**Core Competencies.** What are we truly good at, the core competencies that will differentiate us?

**Core Customers.** Who are our core customers, the people and organizations we choose to serve?

**Core Offerings.** Based upon these elements, what are our core offerings, the products and services we will focus upon most intensely?

The foundation elements come first because they provide the bedrock upon which we build our company. These will evolve over time, but carefully, with deliberate intention, and supported by data.

## Markets And Tribe

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Once we are clear about why we are in business, what we stand for, what we are best at, who we aim to serve, and how we intend to serve them, we proceed to the next level.

We develop a deep understanding of what motivates our customers and the referral sources who help us spread the word. This is our tribe, and we must know what makes them tick. Here are a few questions that can help you get there:

1. What do our customers and referral sources really want from us?
2. What jobs are they hiring us to do?
3. What are their pain points, and how intense is that pain?
4. How urgent are each of their needs? (*When are we selling aspirin, and when are we selling vitamins?*)
5. Do we have a robust product/market fit here, or is this a temporary anomaly?
6. Is our relationship with our customer meaningful?
7. Are we delivering enough true value to enable us to grow and sustain profitable operations going forward?

We need to be especially clear about our primary markets, and our key customer segments. We build them from the ground up, and we must understand how fast they are growing. It's much easier to expand from within a tide that raises all boats, rather than fighting the currents of declining markets. The metaphor of a melting ice cube presents a depressing image, but it is a helpful one when it comes to avoiding difficult markets and customer segments.

We also need to know which other companies and substitutes are competing for our customers and our markets. That means today *and* tomorrow. We need to know how strong they are, how they position themselves, and how easy it will be to differentiate ourselves and grab market share from their clutches.

### **Customer Experience**

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It's necessary, but not enough, to know who our customers are and what provides their motivation. We must also walk many miles in

their moccasins. We must understand, at a deep level, what our tribe members experience when they engage with us.

Then we must constantly fine-tune that experience along many dimensions, so they remain delighted by our interactions, so it's easy to work with us, and so the benefits that come from our offerings exceed their expectations in memorable ways.

This is how we begin to unlock natural growth. It's a huge undertaking, but it is essential, and well worth the effort. Here are some questions you should ask yourself at this stage:

1. What do people want to feel when they interact with our brand? Are they looking for smart? For sporty? For high-fashion, or bawdy humor?
2. What colors will best reflect our customers' desires? How should that affect our design sensibilities, and how should we modulate the tone of our *'voice'*?
3. What can we do to ensure that our web site, ads, and other communications consistently reflect the experience our Tribe is looking for?
4. Do each of the underlying processes that comprise our customer experience—attraction, information gathering, exploration, initial decision, purchase, delivery, customer support, and repeat engagement—seamlessly lead from one to the next, satisfying people every step of the way?
5. What can we do to make it easier, safer, more pleasant, and more rewarding to work with us, and to refer us to other customers?

## **Brand Elements**

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Once we understand the fundamental requirements of our customer experience, we generate our brand elements, the names, colors, logos, templates, and communication guidelines that will most likely evoke the feelings and value that our tribe members seek.

The levels of this pyramid are sequential, to some degree. You need to do your best to optimize each level before proceeding to the next. But this is also an iterative process, and it is never-ending. Over time, you should move back and forth, up and down the pyramid, to make sure that you remain vital and dialed in as your Tribe and your markets evolve.

## **Lead Generation And Outreach**

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If you've laid proper groundwork at prior levels, it will be much easier, less expensive, and less mysterious to identify and attract people who are interested in what you have to offer. Lead generation is not free, but it is a natural process that will almost drive itself if you have the proper foundation, targeting, experience, and brand elements in place.

Once you have nailed the fundamentals, you can implement plans and processes that enable you to reach out to the people who want what you have. Yes, this is *selling*, online, in the field, and on the ground.

You can plan your activities and your spending, and you can measure the outcomes of this work, constantly comparing results across campaigns and promotions, tweaking your approach and testing new ideas, all the while, ensuring that you deliver on your promise to your customers with consistent care and attention.

Here is a diagram of the marketing topic pyramid we just reviewed.



### Scalability #3: Business Model And Finance

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This is the bottom line, of course. At least, this is what most people mean when they evoke the phrase “bottom line”. But we wonder why, if it’s so important, do so few business owners and executives invest enough time and resources to truly understand the financial aspects of their operations?

#### Financial Drivers

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Every money machine has a set of knobs that can track and help influence the performance of the machine. We need to know these knobs, inside and out. Each person on the leadership team, including and especially you, needs to be comfortable and fluent in the language of your company’s financial drivers.

We need to uncover, analyze, and optimize the mechanics of the company’s cash flow, how it *makes money*. We need to understand both the big picture and the low-level unit economics of each one of our key transactions.

This will enable us to estimate the sustainability of our business model, along with the primary threats that could derail it. To do that, we need to be clear about the key costs and variables that determine the profitability of our transactions and other activities. For example, on average:

**Acquisition Cost.** What does it cost for us to acquire each customer?

**Lifetime Value.** How much will each customer spend on our offerings over time?

**Gross Margin.** How much does it cost for us to make and/or deliver our products and services, before marketing and overhead expenses?

**Price Elasticity.** How does customer demand for our offerings change as our prices go up and down?

**Breakeven.** How many units do we need to sell in order to begin making money?

**Cost Containment.** Where are the opportunities for us to reduce our costs without compromising quality?

The list goes on, and the details are important. If you and your Leadership Team approach it right, this can become a fun process, a big game with satisfaction and money in the end for everyone.

## **Status and Performance Reporting**

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In addition to the financial drivers of our business, we need to understand exactly where we are today, no rose-colored glasses. As best we can, we also need to understand where we *want* to go, and where we're headed now. We need to understand what resources we have at our disposal, and we need to have contingency plans to protect us when we make unexpected mistakes, or our predictions of the future are too far off base.

Once you understand your drivers, you will be able to create metrics, a simple reflection of your drivers, that you can incorporate into your reporting and track over time. Good metrics are the key to success. If you can't measure it, you can't manage it, and if you can't manage it, well, you're in trouble...

To make all this work, we need consistent, regular, simple, and accurate reporting. It needs to arrive on time, some of it weekly, some of it monthly. We need to digest these reports in our leadership team meetings. We need to understand them, poke them full of holes, and leverage them to improve our performance.

If you put solid reporting in place and take the time to really use it, your blood pressure will drop, and your dreams will be sweeter.

### **Financial Controls, Capital Base, And Strategy**

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If we had more space, we would dig deeply into each of these areas. They are all vital to the wellbeing of your financial operation, however, so we encourage you to review and consider the questions in the appendix, and please be sure to reach out or visit our website if you would like additional materials or guidance.

### **Scalability #4: Team Alignment And Capacity**

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Once we're clear about our culture, our markets, and our money, we need to direct our attention to our *people*. We need to understand how cohesive the team is, how tightly each person aligns with our mission, core values, vision, and priorities. We need to be clear about how our departments are organized, and how effective the structures are, relative to our mission and our plans. Long term, alignment is priceless and crucial. It will help keep us strong, resilient, and well positioned to adapt over time.

Once we're clear about alignment, we need to evaluate the capacity of each underlying team, leader, and individual contributor. If it's

properly designed, our organizational chart will help us immeasurably.

It is difficult to achieve true objectivity in this area, but we must do our best. It helps to lean on our mission, core values, and standards. They provide a useful gauge you can use to estimate and measure the motivation, capacities, and needs of every team member. We must develop our team so we can be proud of each person. Everyone should have their place, and every individual and department should be fully accountable.

If you establish and manage your leadership team in proper fashion, these ongoing tasks will become much easier. Organizational growth will become more natural as the leadership team extends its influence into your departmental teams. It will be obvious when someone doesn't fit in, and it will be much easier, and better for everyone, to disengage from the people who aren't actively bailing water out of your lifeboat.

### **Scalability #5: Infrastructure And Technology**

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Remember when we discussed thinking inside the box in the last chapter? Well, the box is the star of the show here.

In addition to the market, financial, and HR dynamics discussed above, we need to understand the other constraints we're operating under, including physical, technical, compliance, legal and other aspects. If our current box is too restrictive, we need to construct a bigger one before we can scale. And as soon as we get that one in place, of course, we need to begin thinking about the next one.

Infrastructure is such an interesting word. Infrastructure can be defined as this:

*The basic physical and organizational structures and facilities (e.g. buildings, roads, power supplies) needed for the operation of a society or enterprise.*

Physical facilities are obvious. They include your office space, furniture, factory floors, vehicles, production machinery, computers and other hardware, etc. Our treatment of physical infrastructure will be brief, but there are two points worth emphasizing:

**Plan your moves well in advance and act early.** If you wait until you actually need the extra space or equipment, you're too late, because transitions always take longer than you think, opportunity costs are high when you're constrained by physical realities, and perhaps most important, you lose much of your negotiating leverage if you wait until you're desperate.

**Carefully analyze and consider the long-term implications of your physical infrastructure.** Lease terms are obvious examples of this, and of course, you need to carefully account for them. You also need to be keenly aware of production-related capacity constraints, future expense commitments, load balancing dynamics, maintenance costs, return on capital, and other dynamics related to your hard assets.

What about the organizational structures? Well, we find it helpful to lay out three categories of non-physical infrastructure:

1. Legal and compliance
2. Finance
3. Technology and data management

## **Legal And Compliance**

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An important aspect of your legal infrastructure involves your corporate documents, including LLC agreements or articles of incorporation, shareholder agreements, bylaws, capitalization tables, and various other documents that define your business, lay out the ground rules, and specify who owns what. You need to have these in place, and we recommend that you understand them personally.

Find good legal counsel that can help you with this. If you wait until you are in trouble or have a dispute, you will regret it.

The next layer of legal infrastructure involves compliance, which includes state licensing, required record keeping, industry-specific inspections and accreditation, and tax matters, among other things. Again, we recommend that you lean on strong legal counsel whom you can trust. These issues can seriously come back to bite you if you're not careful.

The third level of legal infrastructure involves contracts and agreements, and the fourth, raising its ugly head, involves litigation and dispute resolution. Depending upon the size and complexity of your operation, you may want to develop a combination of in-house and external counsel that can keep you on a safe and easy track. We recommend that you take all commitments, agreements, and requirements seriously, and be sure to keep your leadership team members informed and at least somewhat involved in all important deliberations and negotiations.

## **Finance**

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Finance has its own scalability, of course, and we already discussed various elements of it. However, we find it useful to consider the structural elements of your finance operations in the infrastructure camp as well. It helps in the long run if you consciously construct your financial controls, reporting packages, transaction procedures, and other elements as if they are physically manifested. Make them strong, as bulletproof as you can. You will be glad you did.

## **Technology And Data Management**

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This infrastructure type rhymes with the finance category. Your hardware is part of your physical infrastructure, computers, servers, mobile devices, phone systems, video screens, cameras, etc. But the

way you *manage* your technology equipment, the way you research, acquire, deploy, track, protect, and repair it, represents an important infrastructure category.

In today's world, data is arguably one of the most valuable assets your company owns, and the more you manage it, the more valuable it becomes. Data is not physical, but you need to treat it as if it is. This deserves your attention, along with significant investments in money, time, creativity, security, and communication.

As usual, space doesn't permit a full treatment of each infrastructure area, but they are all crucial, and if improperly addressed, any one of them can impose deal-killer constraints that impede your progress from one box to the next.

### **Scalability #6: Operational Processes**

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Finally, once you have addressed the other dimensions of your business, it is time to focus upon the operational processes that make everything happen. Until you understand the other scalabilities, it doesn't make sense to spend too much time in this area, but once you get here, few factors are more important to the well-being and performance of your organization.

Work processes permeate every aspect of your company. There are tons of overlap here between this scalability and the other five. Each scalability and infrastructure item depends upon well-crafted and managed work processes for its survival.

If your company is a money machine, then your work processes are the pistons, gears, fuel lines, and transmission that will determine your scalability and generate forward motion.

One of the most difficult, and fun, aspects of business building involves designing, monitoring, and optimizing the work processes required to produce your offerings and distribute them to your

clients. And the processes are by no means only product related. Think about the finance processes we described above, and what about HR, legal, compliance, technology, and data management? The list goes on and on, and each process that appears on that list represents an opportunity to delight your customer just a bit more, make a little more money, strengthen alignment with your team members, sharpen your focus, and make better decisions.

Your company is a money machine, and you are the lead engineer. We repeat: Work *on* your business, not just *in* your business.

### **A Personal Note: *From Friend, To Boss, To Leader***

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If you want to build scalability into your company, the first thing you must transform is *you*.

It doesn't matter what generation you're in or which role you occupy; you need to build scalability into *yourself*. You must change... increase your knowledge, hone your skills, and expand your perspective. Evolve as a *leader*.

I like to think that *I'm* a great leader. In my imagination, that's certainly the case. I also happen to be six-feet tall in my mind's eye. In the real world, *not so much*. (5 feet, 7 inches) But one thing I can say for sure: *I am a better leader than I used to be*.

I have worked hard on leadership over the years. I've read books, taken classes, attended speeches, endured 360 evaluations, paid for coaching, and tried my best to manage hundreds of people across more than three decades. It's a never-ending process, but I'm glad I'm in the game.

Before you read on, stop to consider the following outline. See if it makes sense; I'll explain below. The outline highlights key insights I gained as I tried to evolve from a naïve, young entrepreneur into what I hope is a more effective leader.

- a. Friend → Boss
- b. Boss → Leader
- c. Answers → Questions
- d. Reactive → Proactive
- e. Instincts → Metrics
- f. “Calls” and Decisions → Vision, Principles, Plans, and Process
- g. Hero → Facilitator and Teacher
- h. Order Giver → Credit Giver and Blame Taker
- i. Visionary CEO → Nurturing Guide
- j. Personal Gain → Mission
- k. Manage Everybody → Empower the Executive Team

At the beginning, I wanted to be everyone’s friend. But after much frustration and lackluster performance (mostly on *my* part), I concluded that I needed to be the *boss*, to tell everyone what to *do*. So, I went through a control phase, but that just made everyone miserable, including me. Gradually, I learned that the role of the CEO, and this goes for owners too, is to *lead* the company, not ‘*run*’ it. That insight made a big difference for me.

After that, I learned about questions. I had previously assumed that as CEO, my job was to have all the answers. I’m the boss, right? I need to know what’s going on, call the shots. Well, after a few years of this ridiculousness, it finally dawned on me that my job was to ask the *questions*, not have the answers. And to ask the questions with genuine curiosity, with an open mindset that encourages people to think for themselves. Then to listen to the answers; really listen.

Here’s another lesson for which I am grateful: Stop being so *reactive* all the time. Strong instincts are priceless, but don’t allow them to

rule your life, like some gunslinger from the Old West. Factor your instincts in but find some distance and think things through, back your reactions up with data and metrics. As Ronald Reagan said: “Trust but verify.”

The leader’s job is not to make the calls and decisions, at least not often. The leader’s job is to help define the vision, reinforce key principles, identify objectives, formulate plans, and refine processes. Please notice that I used the word “*help*” in the last sentence. The leader doesn’t dictate. She provides guidance, helps the team conceptualize and then adhere to those crucial drivers.

I went through a phase when I thought my job was to *delegate*, to give *orders*. I was the hero of the movie. But after struggling for a few years, I concluded that I’m *not* the hero. My role is to be a guide, a coach, a developer of capable people.

I learned that rather than giving orders and calling shots, it is better to give credit to others for the good things, and to accept blame for the bad. This is hard, and it can hurt, but that’s what people need. It’s fine to be a visionary CEO, but in my book, it’s even better to nurture the talent, capacity, and vision of others. By the way, that doesn’t mean that you don’t establish boundaries, clear expectations, and accountability. Of course, you foster those disciplines. But you need to create systems and capacities that bring the disciplines to life, so you don’t have to run around yelling all the time.

It is clear to me now that the leadership challenge is not about personal gain or glory. It is about the *Mission*. Why are we doing this? Why are we here together? What is our *purpose*? Those are the questions you need to ask and help answer. You’re not there to manage everything; you are there to empower your people, especially your leadership team.

There is a reason that *Leadership and Culture* is the first Scalability in our Family Business Management System. When we work with

business owners, we *always* start there. That's how you drive the best and most lasting transformations. And the first thing you must transform is *you*.

### FOOD FOR THOUGHT EXERCISE – YOUR BUSINESS LIBRARY

Some of the greatest gifts I have received have come from the books I've read. They have, um, *literally* transformed my life, many times over. If you've gotten this far in the book, I'm guessing that you're a reader too. It's nice to share pages with a kindred spirit.

You probably have a collection of wonderful books in your past, just as I do. That's good, because if you are going to be scalable as a person, you must continue to cram your cranium full of new knowledge and ideas, along multiple dimensions.

I encourage you to put together your own collection. Find a quiet moment. Shut your eyes or grab a piece of paper, then force yourself to remember and acknowledge some of the key books you've read in recent years. What did you learn from each? Why did you like it so much? What changes did you make as a result? With whom did you share it?



## ABOUT THE AUTHOR

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**B**rad Fisher works with entrepreneurial families who want to thrive together across multiple generations, focusing upon transforming and scaling their companies. He is the co-founder and managing partner of Featherstone Holdings.

Brad has devoted most of his professional career to entrepreneurship and family business abundance. Most recently, he led the acquisition of Elevated Billing Solutions, LLC and Recovery Help, LLC in Salt Lake City. While serving as CEO of those companies, Brad developed a passion for the behavioral health sector.

Prior to Featherstone, Brad served as the CEO and chief investment officer of Springcreek Advisors LLC, a California-based multi-family office, and he previously served as a general partner and the Chief Operating Officer for Pemigewasset Capital, a Connecticut-based family office and hedge fund.

Brad built multiple ventures during his early career, including Aim 21, Incorporated, a software company that developed enterprise multimedia database systems for advertising agencies and their clients. After selling Aim 21 to Reuters in 1997, he founded Tailwind, Incorporated, an online resource center for entrepreneurs and small

business owners. The American Towns Network acquired Tailwind in 2001.

Brad Fisher received his MBA from Stanford University and a BS in Economics from the University of Minnesota. He is a member of the Board of Trustees of Saybrook University.

He lives in Salt Lake City, Utah with his wife Kim. Together, they have two sons, Tucker and Brooks.