

The E-Myth Revisited by Michael E. Gerber

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OVERVIEW

A successful business owner has to be prepared to facilitate growth in a balanced, healthy, proactive way. The owner dictates the business's rate of growth by understanding the key processes that need to be performed, the key objectives that need to be achieved, the key position he/she is aiming the business to hold in the marketplace. That requires intention at the outset of the business, entrepreneurial intention, as well as a willingness to personally transform by accessing new skills, new understanding, new knowledge, new emotional depth, new wisdom.

BIG THOUGHT

You should be building a business that works not because of you but without you.

INSPIRING QUOTES

The purpose of your life is not to serve your business, but the primary purpose of your business is to serve your life.

The question you need to keep asking yourself is: How can I give my customer the results he wants systematically rather than personally?

How could I most easily give the customer what he wants while also maximizing profits for the company?

Think about your business as one complete thing that looks, acts, and feels in a clearly definable way, apart and independent from you. Think of it as a product. You have to design, engineer, and manufacture your business until it works perfectly without you having to be there all the time.

The definition of a franchise is simply your unique way of doing business.

Unless your unique way of doing business can be replicated every single time, you don't own it. You have lost it. And once you've lost it, you're out of business!

The difference between creativity and Innovation is the difference between thinking about getting things done in the world and getting things done.

Innovation is the result of a scientifically generated and quantifiably verified profile of your customer's perceived needs and unconscious expectations.

Constantly ask, "What is the best way to do this?" knowing, even as the question is asked, that we will never discover the best way, but by asking we will assuredly discover a way that's better than the one we know now.

Unless your customer gets everything he wants every single time, he'll go someplace else to get it!

The Business Development Process is not static. It's not something you do and then are done with.

I believe it's true that the difference between great people and everyone else is that great people create their lives actively, while everyone else is created by their lives, passively waiting to see where life takes them next.

The first question you must always ask when creating standards for your Strategic Objective is: What will serve my Primary Aim?

Understanding the difference between a commodity and a product is what creating a great business is all about. The commodity is the thing your customer actually walks out with in his hand. The product is what your customer feels about your business as he walks out of your business.

The truth is, nobody's interested in the commodity. People buy feelings. How your business anticipates those feelings and satisfies them is your product.

There's no difference between the Widget Makers of today and the Widget Makers of tomorrow; the work is the same; only the faces will change.

The whole thing was put together in a way the owner believed would make a positive impression on our guests.

If you want it done, you're going to have to create an environment in which 'doing it' is more important to your people than not doing it. Where 'doing it' well becomes a way of life for them.

How we do our work becomes a mirror of how we are inside.

There was an idea behind the work that was more important than the work itself.

The medium of communication became as important as the idea it was designed to communicate.

The System produces the results; your people manage the system.

Your Marketing Strategy starts, ends, lives, and dies with your customer. And what your customer wants is probably significantly different from what you think he wants.

If your customer doesn't perceive he needs something, he doesn't, even if he actually does.

THE CONCEPTS

The E-Myth is that small businesses are started by entrepreneurs, when, in fact, most are not. The problem is that everybody who goes into business is actually three- people- in- one: The Entrepreneur, The Manager, and The Technician.

The work of an Entrepreneur is to wonder. To imagine and to dream. “How could I do this differently,” this is adverse to the Technician, who doesn't want change.

The three phases of a business's growth:

1. Infancy,
2. Adolescence, and
3. Maturity.

In **Infancy**, the Technician works long hours, and is happy to do it. But the work includes tasks the Technician doesn't like or know how to do. Then it becomes too much work, and the Technician is making mistakes.

Infancy ends when the owner realizes that the business cannot continue to run the way it has been; that, in order for it to survive, it will have to change. When that happens— when the reality sinks in— most business failures occur.

Technicians believe that a business is nothing more than an aggregate of the various types of work done in it, so they don't know how to transition into Adolescence. It's the strategic work, the entrepreneurial work, that will lead a business forward. The problem is the Technician shrinks from the entrepreneurial role and from the managerial role so critical to the operational balance or grounding of a small business on a day- to- day basis.

Adolescence begins at the point in the life of your business when you decide to get some technical help. The Technician abdicates responsibilities, including management responsibilities. Over time the Technician is unsatisfied with the work of others, and starts to do the work of others while they stop doing the work. It's that the Technician simply doesn't know how to do it any other way. For you to behave differently you would need to awaken the personalities who have been asleep within you for a long time— The Entrepreneur and The Manager— and then help them to develop the skills only they can add to your business. But The Technician in you won't stop long enough for that to happen.

And as the business grows beyond the owner's Comfort Zone— as the tailspin accelerates— there are only three courses of action to be taken, only three ways the business can turn. It can return to Infancy. It can go for broke. Or it can hang on for dear life. Returning to infancy and going for broke are not recipes for success.

Hanging on for dear life is not a success recipe either. The owner tries to do it all in order to survive, and eventually, the owner breaks.

Grow the business by asking the right questions, such as:

- Where do I wish to be?
- When do I wish to be there?
- How much capital will that take?
- How many people, doing what work, and how?
- What technology will be required?
- How large a space will be needed, at Benchmark One, at Benchmark Two, at Benchmark Three?

A **Mature** business knows how it got to be where it is, and what it must do to get where it wants to go.

A Mature business has Entrepreneurial Perspective:

- Asks “How must the business work?”
- Sees the business as a system for producing outside results— for the customer— resulting in profits.
- Has a picture of a well- defined future, and then comes back to the present with the intention of changing it to match the vision.
- Envisions the business in its entirety, from which is derived its parts.
- Has an integrated vision of the world.
- The present- day world is modeled after the vision.

The Entrepreneurial Model: It’s a model of a business that fulfills the perceived needs of a specific segment of customers in an innovative way.

For a Mature business model to work, it must be balanced and inclusive so that The Entrepreneur, The Manager, and The Technician all find their natural place within it, so that they all find the right work to do. To find such a model, let us examine the Turn- Key Revolution.

The Turn- Key Revolution: A New View of Business

The Business Format Franchise is built on the belief that the true product of a business is not what it sells but how it sells it. The true product of a business is the business itself. A systems- dependent business, not a people- dependent business.

The system runs the business. The people run the system.

The Business Format Franchise idea helps you build a business that works predictably, effortlessly, and profitably each and every day **without you.**

Working on your business, not in it

Pretend your building your business to be a franchise and know the rules for doing that.

Building your business prototype is a continuous process. The foundation is three distinct yet thoroughly integrated activities. They are Innovation, Quantification, and Orchestration.

Innovation

You can differentiate your business from all other businesses in the mind of your consumer by having an innovative process, not an innovative commodity. How the business interacts with the consumer doesn't have to be expensive.

For the Innovation to be meaningful it must always take the customer's point of view. It should also make things easier for you and your people in the operation of your business; otherwise it's not Innovation but complication.

Quantification

By Quantification, I'm talking about the numbers related to the impact an Innovation makes. Begin by quantifying everything related to how you do business. I mean everything.

Orchestration

After you innovate and quantify something, it's time to orchestrate. Orchestration is the elimination of discretion, or choice, at the operating level of your business.

The system must provide the vehicle to facilitate predictability. The Innovation, Quantification, Orchestration, and integration of the three kinds of systems in your business is what your Business Development Program is all about.

The Program

Your Business Development Program is the vehicle through which you can create your Franchise Prototype. The Program is composed of seven distinct steps:

1. Your Primary Aim
2. Your Strategic Objective
3. Your Organizational Strategy
4. Your Management Strategy
5. Your People Strategy
6. Your Marketing Strategy
7. Your Systems Strategy

Your Primary Aim is to determine what you want and what role your business plays in your life. You must ask yourself these questions:

- What do I value most?

- What kind of life do I want?
- What do I want my life to look like, to feel like?
- Who do I wish to be?

Your Strategic Objective is a very clear statement of what your business has to ultimately do for you to achieve your Primary Aim. It is a set of simple and clearly stated standards, which include:

- Money: How big will your company be in gross revenues when it's finally done? You also have to know what your gross profits are going to be, your pretax profits, your after-tax profits. The first question about money becomes: How much money do I need to live the way I wish? Not in income but in assets. The author here focuses on that the purpose of creating a business is to sell it.
- An Opportunity Worth Pursuing is a business that can fulfill the financial standards you've created for your Primary Aim and your Strategic Objective. If it can't do that, walk away.

Your Organizational Strategy

Your Organization Chart flows down from your Strategic Objective, which in turn flows down from your Primary Aim.

The most important step in freeing yourself from the Tactical Work of your business is to replace yourself with a system that works in the hands of a person who wants to work it.

A system is a set of things, actions, ideas, and information that interact with each other, and in so doing, alter other systems .

Your Management Strategy

A management system is your management strategy, the means through which your Franchise Prototype produces the results you want. Your management strategy is not dependent on immediately hiring the best managers. The System will transform your people problems into an opportunity by orchestrating the process by which management decisions are made while eliminating the need for such decisions wherever and whenever possible. And the more automatic that System is, the more effective your Franchise Prototype will be.

The goal is to have a Prototype that is efficiently managed AND finds and keeps customers—profitably—better than any other.

At the core is an operations manual that contains a series of checklists for each employment position within the business. Different sections of the manual can be color coded. The manual is put together in a way that would make a positive impression on the clients.

There is a Hierarchy of Systems with four distinct components:

1. How We Do Our Purpose Here.
2. How We Recruit, Hire, and Train People to Do Our Purpose Here.
3. How We Manage Our Purpose Here.
4. How We Change Our Purpose Here.

Your People Strategy

You have to create an environment in which your employees want to follow the checklists in the operations manual. Employees want to work for people who have created a clearly defined structure for acting in the world. A structure through which they can test themselves and be tested.

In this context, the degree to which your people “do what you want” is the degree to which they buy into your structure. And the degree to which they buy into your structure doesn’t depend on them but on how well you communicate the structure to them—at the outset of your relationship, not after it’s begun.

But the structure can’t simply be captured on the written page. It must be seen if it is to work. It must be experienced. It must be authentic to the owner.

The idea of a winning structure communicated is in three parts:

1. The first says that the customer is not always right, but whether he is or not, it is our job to make him feel that way.
2. The second says that everyone who works here is expected to work toward being the best he can possibly be at the tasks he’s accountable for. When he can’t do that, he should act like he is until he gets around to it. And if he’s unwilling to act like it, he should leave.
3. The third says that the business is a place where everything we know how to do is tested by what we don’t know how to do, and that the conflict between the two is what creates growth, what creates meaning. (Rockefeller Habits fits in here)

Your Marketing Strategy

Demographics and psychographics are the two essential pillars supporting a successful marketing program. If you know who your customer is—demographics—you can then determine why he buys psychographics.

You get the demographic information by asking the clients. You also get the psychographic information by asking what colors they prefer, what shapes, what words. You find out the brands of perfume they buy, automobiles, clothes, jewelry, food. THEN you match those brands to the ads and commercials that sell them, and you discover by becoming interested in what messages are being sent to your customers by other companies who are successfully selling to them.

Also look at the geographic perimeter within which your current customers mainly live. You take their addresses from your questionnaire, identify them on a map, draw a line around them, and that's your first-pass Trading Zone.

Then figure out how to communicate to those who fit your Central Demographic Model and are in your geographic zone.

Your Systems Strategy

There are three kinds of systems in your business: Hard Systems, Soft Systems, and Information Systems. Hard Systems are inanimate, unliving things. Soft Systems are either animate—living—or ideas. Information Systems are those that provide us with information about the interaction between the other two.

Your Primary Aim and your Strategic Objective and your Organizational Strategy and your Management Strategy and your People Strategy and your Marketing Strategy and your Systems Strategy—all of them are totally interdependent, rather than independent of one another. The success of your Business Development Program totally depends on your appreciation of that integration. And your Prototype is that integration.

KEITH'S FINAL NOTE

Create systems to maximize your business output without being dependent on you and easy for your employees to implement. Do this as part of the creation process. If you're an existing business, work with your staff to figure out what is working best.

Please connect with me at www.KeithShares.com for more great ideas and tips for managing conflict, building consensus, and negotiating.

Make it a great day!

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