The E-myth revisited

'why most small businesses don't work and what to do about it' - Michael E. Gerber.

ISBN 0-88730-728-0

Everyone becoming an 'entrepreneur' experiences the same thing: 1st exhilaration; 2nd terror; 3rd exhaustion and, finally, despair.

Everybody who goes into business is 3-people-in-one: Entrepreneur, Manager and Technician. Each wants to be boss, none to have a boss.

The Manager runs after the Entrepreneur to clean up the mess. Without the Entrepreneur there would be no mess to clean up.

The Entrepreneur personality lives in the future. The Manager in the past. The Technician in the present. We have them all inside us.
The entrepreneurial worldview: a world made up of both an overabundance of opportunities and dragging feet.

People who are exceptionally good in business aren't so because of what they know but because of their insatiable need to know more.

The work of a business and a business that does that work are two totally different things!

It's easy to spot a business in the Infancy phase - the owner and the business are one and the same thing. Your business is the boss.

If your business depends on you, you don't own a business-you have a job. And it's the worst job because you're working for a lunatic!
If all you want from a business is to do what you did before, get paid more and more freedom, your greed will eventually consume you.

The moment you chose to start a small business you unwittingly chose to play a significantly larger game than any game you ever played.

The Adolescence phase begins at the point of life in your business when you decide to get some help.

When you hire your 1st employee your newfound freedom takes a common form. It's management by abdication rather than by delegation.

In a Adolescent phase business, with personnel, you will find the owner of the business still 'doing it'.
Every Adolescent business reaches a point where it pushes beyond it's owner's Comfort Zone - the boundary of control.

One of the most consistent and predictable reactions to Adolescent phase chaos is to "get small" again. Return to Infancy phase.

Back to Infancy phase, the customer becomes a problem rather than opportunity. Your standards begin to deteriorate. And you don't care.

2nd respons is "going for broke": just keep growing faster until you self-destruct. A sign of our time, a high-tech phenomenon.

... justified as an inevitable consequence of doing business on a "fast track" where "luck and speed and brilliant tech are necessary."
... or you are incredibly strong-willed and continue Adolescence, being there every day, until your business doesn't explode - you do!

The question is not how small or large your business should be. The question is: how big can your business naturally become.

...To ask this question requires entrepreneurial intention at the outset of the business and a willingness for personal transformation.

Businesses that 'get small again' die. They literally implode upon themselves. Not right away but over time. Atrophy: unnatural limits.

Simply put, you have to prepare yourself and your business for growth. So that the foundation and structure can carry the weight.
Even while you are guessing, the key is to plan, envision and articulate what you see in the future, both for you and your employees.

A Mature company is started different from the rest. The sign of a Mature company: founded on a broader, entrepreneurial perspective.

Building a Mature company is about building a business, from the start, that works not because of you but without you.

The person launching a Mature company must also go through Infancy and Adolescence, but with an entirely different perspective.

“I realized that for IBM to become a great company, it would have to act like a great company long before it ever became one” - Tom Watson
The Entrepreneurial Perspective asks the question: "How must the business work?", not "What work has to be done?"

The Entrepreneurial Perspective sees a business as a system for producing outside results for profits, not a place to work for 'income'.

The Entrepreneurial Perspective starts with a picture of a well-defined future, changing the present to match the vision.

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.

Create a systems-dependent business, not a people-dependent business. As entrepreneur you need to work on your business, not in it.
You can be critical of the example of MacDonald's:
You might say that people shouldn't eat meat. You might dislike their products...

... but what you could never say is that McDonald's doesn't keep its promise. Because it does. Better than about any business anywhere.

A Business Format Franchise provides the franchisee with an entire system of doing business. This is much more than a trade-name.

Business Format Franchises reported a success rate of 95% in contrast to 50%+ failure rate of new independently owned businesses.

The Franchise Prototype is the working model of the dream: a place where all assumptions are put to the test to see how well they work.
At Ray Kroc's McD, every possible detail of the business was first tested in the Prototype, and then controlled to a very high degree.

Unlike a trade name franchise, Ray Kroc's system left the franchisee with as little operating discretion as possible, e.g. by training.

Franchise Prototype: to the Entrepreneur, the medium through which his vision takes form in the real world.

Franchise Prototype: to the Manager, it provides the order, the predictability, the system so important to his life.

A Business Format Franchise is a proprietary way of doing business that successfully differentiates every extraordinary business.
The purpose of life is not to serve your business, but the primary purpose of your business is to serve your life.

Pretend that your business is prototype for 10,000 more, just like it. Then 6 rules apply for the Franchise Prototype to win:

Rule #1: The Prototype should provide consistent value to your customers, employees, suppliers, and lenders, beyond what they expect.

Rule #2: The Prototype should be operated by people with the lowest possible level of skill.

Rule #3: The Prototype should stand out as a place of impeccable order.

Rule #4: The Prototype should have all work documented in an operations manual.
Rule #5: The Prototype should provide a uniformly predictable service to the customer.

Rule #6: The Prototype should utilize a uniform color, dress and facilities code.

Great businesses are not build by extraordinary people, but by ordinary people doing extraordinary things.

It is literally impossible to produce a consistent result in a business that depends on extraordinary people.

Hire ordinary people and you will be forced to build a business that works and to do the work of Business Development.
A business that looks orderly says to your customer that he can trust in the result delivered.

Think of your business as anything but a job! Go to work on your business rather than in it. Separate yourself from it.

Business Development is a continuous cycle of innovation, quantification and orchestration.

It is not the commodity that demands innovation but the process by which it is sold.

The entire process by which the business does business is a marketing tool, a mechanism for finding and keeping customers.

Since the business is the product, how the business interacts with the customer is more important than what it sells.
Quantification is measuring all the numbers related to the impact each innovation makes. Not doing this costs a fortune.

Few small business owners do quantify because few believe that apparently insignificant innovations are really that important.

Ex. 1 Instead of asking 'Hi, may I help you?' try 'Hi, have you been here before?', and have a program for both a yes and a no answer.

Ex. 2 Blue suits outsell brown suits. And it doesn't matter who is in them. The results are dramatic: more than 10%.

You should be able to read your business's health chart by the flow of numbers.
Orchestration, after innovation and quantification, is the elimination of discretion, or choice at the operating level.

If you haven't orchestrated your business, you don't own it! Orchestration brings consistency, absent from every other human experience.
Personal growth

Unlike the apprentice stage, the craftperson's stage is long and relatively serene until the day when the jewel does appear.

For the master there is only one way and that is to teach another. The master is connected to the apprentice as though to her past.

In the face of the apprentice, the master sees herself anew. In the face of the craftsperson, the master renews the pilgrimage.

In the face of the work, the master discovers anew why she is so enraptured and, in so doing, brings her rapture to the apprentice.
Business development becomes a desultory process if it doesn't address the hearts and minds and souls of people.

Quality is just a word, and an empty word at that, if it doesn't include harmony, balance, passion, intention and attention.

A business is like a martial arts practice hall, a dojo, a place you go to practice being the best you can be.

The true combat is not between people but between the people in ourselves.
Organization structure

"An organization is a structured institution. If it is not structured it is a mob" - Theodore Levitt

Most companies organize around personalities rather than around functions. The result is almost always chaos.

Without an organization chart, everything hinges on luck and good feelings, on the personalities of people and the goodwill they share.

By creating a picture of the business as it will look when it is finally done you start the growth process and the prototyping process.

Do not be interested in working in your business. Focus on developing a business that works.
Only when you have an operations manual for a function you can run an ad for that function. Choose a novice, a beginner, an apprentice!

Your organization chart flows down from your strategic objective, which in turn flows down from your primary (life) aim.

You think you need competent managers, with degrees from management schools. You don't. In fact, they will bone your existence.

You need a management system, that will become your solution to the problems that beset you because of the unpredictability of people.

A management system is one of the systems of your business prototype, to produce a marketing result, It's a marketing tool!
An effective business prototype is a business that finds and keeps customers - profitably - better than any other.

Rule 1: the customer is not always right, but whether he is or not, it is our job to make him feel that way.

Rule 2: Everyone is expected to work forward being the best he can possibly be at the task he's accountable for.

Rule 3: Business is a place where everything we know how to do is tested by what we don't know how to do. The conflict creates meaning.

Do not look for employees, but for players in your game. For people who want something more than a job.
The very best businesses represent to the founders a game to be played, in which the rules symbolize the idea you have for the world.

The degree to which people "do what you want" is the degree to which they buy into your game. And your idea.

The (business) game is a measure of you. How you act in the game establishes how you will be regarded by the other players (employees).
Marketing System

Marketing answers the question: what must our business be in the mind of our customer in order for them to choose us over someone else?

Small business is far more fragile than a big business. So if anything, you must take marketing more seriously than a big business does.

Reality only exists in someone's perceptions, attitudes, beliefs, conclusions - whatever position of the mind - and nowhere else.

The famous dictum that says, "find a need and fill it" is inaccurate. It should say "find a perceived need and fill it.”
You have to understand that your customer is far less rational in his convictions and expectations than you had ever imagined.

Most small business owners suffering as they do from willful disinformation, simply decide without any information at all.

Demographics defines know who your customer is. Psychographics defines why (s)he buys.

Marketing is the key process of any business. It starts with the promise you make and ends with the delivery of that promise.

It's one hell of a lot less expensive to sell to customers you've got than to the customer you don't have yet.
Your business should make a promise that your customer wants to hear, and deliver on that promise better than anyone else in the block.

The marketing system should be committed to deliver the promise no competitor in your industry would dare to make.
Closing

The entrepreneurial myth, the e-myth, is that most people who start small businesses are entrepreneurs.

Unfortunately most small businesses fail. The "dream" was never realized. And the reasons are obvious. We bring our own chaos with us.

A small business is a place that is practical, not idealistic. But a place where idealism must be present for the practical to serve.

Meaning in a business is the product of caring, not vice versa. What we care about, and for, we value.

The entrepreneurial path winds around corners that amaze and shock you. It's anything but certain, but that's why it is so exciting.
Freedom is the capacity, to use Nietzsche's phrase, 'to become who we truly are'.

As entrepreneur you should always 'keep the curtain up'. This is your comfort zone; the tight little planet on which you have lived.

Be aware of your comfort zone because you know how much you want to be comfortable. The ultimate price you will pay is your life.

We can't change the world "out there". And fortunately we don't have to. We begin much closer to home. If fact we must begin "in here".

The world is not the problem; you and I are. The world is not in chaos; we are. It's a reflection of our own inner turmoil.
We want to fix the world so that we can remain the same. And for an "out there" society, coming "inside" is very hard.

Your small business can become a bridge between you and the world. And it can draw them together to make both more human.

When you hear something you will forget it. See something and you will remember it. But until you do something, will you understand it.

Your business is nothing more than a distinct reflection of who you are.