

The E-Myth Revisited Summary

By Michael Gerber

Every year, in the United States, over a million people embark on a business venture. This means that each year, millions are abuzz with the spirit of entrepreneurship. But what happens to this excitement when businesses exit the entrepreneurial honeymoon phase?

The E-Myth Revisited examines why so many small business ventures fail. It explains faulty beliefs and common-sense views around starting businesses, and gives practical and tested advice on growing these businesses. Businesses have a higher survival rate if we debunk the entrepreneurial myth, and adopt the "turn-key" approach.

Michael Gerber is a renowned business consultant and has worked with thousands of small business owners for over two decades. According to Gerber, 'At least 40 % of them will be out of business. If they made it past their first year, within five years, more than 80 % of them – that's 800,000 businesses – will have failed. If you own a small business that has managed to survive past year five, don't breathe a sigh of relief. More than 80 % of the small businesses that survive the first five years fail in the second five.'

Why do most small businesses fail? Despite all the current information available on how to run a successful business, what aren't we learning? Gerber argues that it's all about the "turn-key approach."

The turn-key approach shows us how to apply franchising lessons to any business, whether or not it is a franchise. So, If you want to beat the odds

and start a small business that lasts beyond its infancy and adolescence, and hopefully matures into its adult prime, then this book is just what you need.

We'll briefly explain the "E-myth," and why we need to embrace more than just one personality in the world of business. And why, from the very start, we need to think of our business as a franchise. If there's one takeaway from this book, it's how to learn to work *on* your business, not *in* it.

Uncovering the E-Myth

Picture the typical entrepreneur. What image comes to mind? It's likely a herculean figure, standing alone, bravely defying insurmountable odds, and realizing their dream of starting their own business. Such people exist, but they're rare. Of the more than a thousand people Gerber met and worked with over two decades, few, according to him, were *real* entrepreneurs – especially when they started out. Instead, most were technicians, and most were exhausted, not exhilarated, by the task of starting and running a business. Their vision dimmed, and their zest for the heady climb turned into a fear of heights.

According to our author, 'The E-myth is the mistaken belief that most businesses are started by people with tangible business skills, when in fact most businesses are started by technicians – who know little about running a business. Hence most fail.' In Gerber's experience, 'Too many businesses are started by technicians, who haven't acquired the basic business skills or knowledge, and assume that business acumen is a minor part of the business equation.'

To understand the E-myth and the core misunderstanding, let's take a closer look at the person who goes into business.

Let's Meet Sarah

Sarah is a world-class barista and decides to open a coffee shop. However, one year in, her initial excitement is replaced with exhaustion. She's no longer just the barista, doing the technical work of coffee making. She's the CEO, CFO, CMO, and a bunch of other C's and O's. She single-handedly has to figure out how to get customers, track and manage finances, create advertising material, answer customer requests and complaints, set up a strategy – the list is endless. Not all of us start out as savvy business entrepreneurs like Steve Jobs. Rather, we start as technicians, masters at just *one* job. And if all we know is that one job, like how to make a good cup of coffee, our business is in for trouble.

If you own a business now, where were you before you started your business? And if you're thinking about going into business, where are you now? If you're like most people, you were working for somebody else. What were you doing? You were probably doing technical work.

Perhaps you were a baker, a hairdresser, a mechanic, a bookkeeper, a computer programmer, a doctor, or a writer. You were a "something." Whatever you were doing, it was technical work, and you were probably really good at it. But you were doing it for somebody else. Then one day, for no apparent reason, something happened. You had what Gerber calls the "entrepreneurial seizure": you were struck by a brainwave to be your own boss, and your life was never the same again.

What triggered this fleeting synaptic leap of faith to start a business? It

could have been anything. It might have been the less-than-hoped-for paycheck you received at the end of the month, or a sideways glance from your boss that just didn't sit right with you. The reasons don't matter. Nonetheless, one day you were suddenly struck with the notion of starting your own business. Your inside chatter went something like this, 'What am I doing this for? Why am I working for this guy? I know just as much as he does about this business, and if it weren't for me, he wouldn't have a business. Any dummy can run a business, and I'm working for one.'

Then, in the throes of your entrepreneurial seizure, you fell victim to the most disastrous assumption anyone can make going into business. It's the assumption made by all technicians who go into business for themselves. Gerber says, 'it's an assumption that charts the course of a business from the grand opening, to liquidation the moments it's made.'

The fatal assumption is this: if you understand the technical work of a business, then you understand the business that performs that technical work. The reason this assumption is fatal, is that it just isn't true. Having a great technical skill doesn't mean we know how to run a business. And often, technicians who start businesses fail to see this.

So Sarah opens a coffee shop. The baker opens a bakery. The hairdresser starts a beauty salon. The barber opens a barbershop. The doctor opens a private practice. All of these people believe that by understanding the "technical work" of the business, they're eminently qualified to run a business that does that kind of work. When technicians assume this, tragedy strikes, because suddenly their expertise at performing their job, becomes just *one single* job they know how to do. To be successful, we need to gain expertise in *dozens* of other skills.

Just because we have the technical know-how doesn't mean we'll automatically succeed in business. But that doesn't mean we should throw in the towel. "Debunking the E-myth" can help us realize that while we don't all start out as *real* entrepreneurs, entrepreneurship is a skill we can learn. And we can start by getting to know ourselves, and our three business personalities.

"Know Thyself" ...and Thy Three Personalities

Meet and embrace your three business personalities: The entrepreneur, the manager, and the technician.

The entrepreneur, is the visionary in us who thinks ahead. The manager establishes order and workflow, and the technician is the doer, the one who gets the 'technical' work done. Each personality comes with it's pros and cons, and each one of us is more suited to one than the other.

Without the entrepreneur, there'd be no innovation. The entrepreneur lives in the future, never in the past. They're the dreamers. They have the imagination that sparks change. The entrepreneur is our creative personality; at its best, it considers all of the "what-if's and "if-when's." The downside is that our entrepreneurial self lives in a world of abstracts, and is the least pragmatic of personalities. The constant opportunity-chasing energy can create havoc and chaos.

The managerial personality is pragmatic. While the entrepreneur lives in the future, the manager lives in the past. Where the entrepreneur sees an opportunity, the manager invariably sees the problems. The entrepreneur creates the things, and the manager puts them in the rows. The manager brings planning, order, and predictability to the business. Without the

manager, the business simply wouldn't function.

The technician is the doer. 'If you want it done right, do-it-yourself, is the technician's credo.' While the entrepreneur lives in the future and the manager in the past, the technician lives in the present. As long as technicians are working, they're happy. However, there's a catch; they can only do one thing at a time. Things aren't supposed to be dreamed about; they're supposed to be done. As a result, they're often suspicious of the entrepreneur's lofty ideas. To the technician, thinking is unproductive unless the thinking is about the work that needs to be completed. For technicians, thinking isn't the work; it gets in the way of work. Without the technician, nothing would get done.

Because most of us starting a business are technicians turned business owners, we forget the various roles we have to play. To run a successful business, sometimes we have to give up our primary technical role, and take on the high-level thinking, as well as effectively managing the day-to-day operations.

Define Your Primary Aim

Before embarking on a new business, the initial questions to ask are: 'What kind of life do we want to live? How much money do we want, and how much do we want to work?' These questions can help clarify how we set up our business to attain our personal aims.

If part of the desire to start a business is to escape the 9-5 routine, then it's crucial to ensure the business works for us, rather than the other way around. Gerber reminds us that, 'If your business depends on you, you don't own a business – you have a job.' And if a job is what you want,

then great. But if it isn't, then we have to learn how to free ourselves from our business. 'We have to learn to work *on* our business, not *in* it.'

And to do this, we need to ensure our small business is built on systems and not on the work of a single individual. This is where the franchise model comes into play.

Join the Turn-Key Revolution

Turn-key business is the act of setting up your business so that you have systems and processes set up for consistent, effective, and orderly ways of doing business. This means that day in and day out, the business is *systems* dependent, rather than *people* dependent. This doesn't negate the importance of people, it just means that individuals aren't solely responsible for operations, and that there are operations in place that anyone can learn and become familiar with.

A turn-key operation aims to build a small business into a franchise, or at least adopt the "franchise model" to help the business flourish. With the turn-key approach, you're not working to sell a product; you're working to sell a business. Turn-key businesses are built so that owners, in principle, can give the key to their business to anyone, and that person will be able to immediately run the business successfully.

Not only does this free you from your business, but the franchise model works to ensure that your business has a higher chance of succeeding over the long run. Whereas 80% of small businesses fail in the first five years, 75% of business format franchises succeed.

Getting the Keys to Turn-Key Approach

The philosophy here is to design systems that will get work done and train people to operate those systems to produce consistent results.

Are you a McDonald's fan? If so, you'll know that a Big Mac tastes almost exactly the same worldwide. You can thank Ray Kroc for that. In 1952, Kroc started the turn-key revolution by starting the McDonald's franchise. Kroc was fanatical about systems. He created processes that anybody could follow. His goal was to create a hamburger stand that would produce a precisely replicable hamburger for each customer. He made every process so clear and exact, even down to the precise time each burger patty needed to be flipped. He didn't see McDonald's as a single store, but rather a franchise.

When creating a franchise, you need to have a beginning-to-end system set up for what to do *at every stage* of the business. You also need solutions to *all* of the problems that are likely to crop up. "The way we do it here" documents, and the resulting proprietary operating systems, ensure that tasks are always performed consistently, regardless of *who* carries them out. These measures ensure best practices are upheld, and create predictable experiences that customers can rely on - which in turn will help you grow and develop a true turn-key business that'll be attractive to investors.

If you're building your first franchise, start with just one store and ask yourself, 'What's my unique value for the customer?' If you're a baker, perhaps that means baking the best cakes in town. But because you're turn-key savvy, your goal isn't *just* to bake the best cakes in town; it's to

build systems and hire other people to bake the best cakes in town. So come up with an incredibly detailed manual for how to train employees to bake and replicate those delicious cakes.

Perhaps look to the next five years, and ask yourself, 'What size do I see my business going to within the next five years? And what roles do I need to fill inside that business?' List the roles and responsibilities that come with each, and what performance standards need to be upheld. Then think about how you can build systems and processes that will slowly replace you. After this you can analyze how you can assist others in performing these duties, reliably and to the same standard. In the end, you'll have a business that has fully functioning systems.

The goal here is to produce systems that enable ordinary people to produce extraordinary results. And, at any point in time, you can simply smile and hand over the keys.

In Conclusion

Not all small business owners start out as Steve Jobs, but rather as technicians – masters of just one job. There's a great deal involved in running a business, and often, because we're good technicians, we may not have a full understanding of what running a successful business entails. The reality is that business acumen is definitely not a minor part of the business equation. The sooner we work with this and adapt, the better.

In this classic book, Gerber teaches us how to guide our small business to survive past adolescence, and become the statistical anomaly that succeeds. We can start by clarifying our personal aim, and build our

business in a way that satisfies this aim. We can embrace our different business personalities, and provide our small businesses with a path to success.

So, can your business run without you? And if not, how can you set up your business in such a way that it does?