

Book Summary: **The E Myth Revisited: Why Most Small Businesses Don't Work and What to Do About It** by Michael E. Gerber

Before starting a business, it's important to decide the kind of life you want to live. That means deciding how much money you want and how much work you're willing to put in. It's crucial that these decisions are made before beginning your business so that it can be structured in a way that helps you achieve those goals. Most small businesses fail in their first five years. However, some succeed and become very successful. What is the difference between them? In this article, you'll find out why most businesses fail and what to do about it. You'll also learn how McDonald's has been successful for so long, as well as the importance of letting go of your business when necessary.

Big Idea #1: It's a myth that entrepreneurs with great ideas and technical know-how succeed in business quickly.

Did you know that 800,000 new businesses fail every year in America? Most of these failures are due to the E-Myth. The E-Myth is a misunderstanding that most business owners have about starting their own business. It's the notion that skillful technical work and a good idea form a sufficient basis for business success. People often start their own businesses merely because they excel at work in a certain field, such as machinists or barbers.

Some people are not satisfied with their jobs and want to start their own business. That's a great idea, but if they're not careful, it can be very risky. They may have the wrong attitude about starting a new business because they think that since they've had success in their field, it will translate over into other fields as well. However, this is often not true at all. If you open your own cafe because you know how to roast coffee beans or make lattes, then you're probably going to fail unless there's something else motivating your decision besides just technical expertise and ideas.

You've made a common, but serious mistake. You assumed that your technical skills would be enough to run a business. However, running a business is different from doing the actual work of your company. For example, someone who's good at making coffee may open their own cafe and realize they need to hire employees and organize tasks in order for it to succeed. This is why many small businesses fail. It's because they don't know how to...

Big Idea #2: Most businesses don't last long.

Businesses go through stages of development just like people do. Businesses that survive their adolescent stage are very successful, but most businesses don't make it to the mature phase.

Starting a business can be difficult. Businesses go through several stages, including infancy, adolescence and adulthood. In the first stage, infancy, the owner and the business are one and the same. At first this is great because it means you're working on everything yourself. For example, if you own a coffee shop then you get to roast your own beans. But as time goes by it becomes more difficult to handle everything yourself so eventually you hire help or outsource some tasks (like cleaning). That's when your business enters its adolescent phase where things start getting messy again because no one is taking responsibility for anything anymore!

During the adolescent stage, a business owner must be pushed past her comfort zone. If she doesn't grow beyond that point, the business will fail. After the new employees work at the cafe, customers complain about their lattes. What can the former barista do? She could go back to being a barista, but that would be too easy. Instead, she could get smaller and fire her employees or stay small and work harder. Alternatively,

she could grow until it got out of control and hire more people. Finally, she can accept that the business has to grow and plan for it from day one.

Big Idea #3: To grow your business, you need to plan ahead.

Even if you're ready to do things outside of your comfort zone, relinquish some control and grow your business, where do you start? You have to start from the very beginning.

Some businesses are able to grow into maturity, while others don't. This is because successful businesses have planned for the future and know how to handle growth. In order to launch a business that will make it past adolescence, you need entrepreneurial perspective. Entrepreneurial perspective involves planning your business so that it can work without depending on you always being there.

Instead of asking what the business needs to do, ask how it will work. For example, a barista knows the technical aspects of her job and that she'll roast Guatemalan beans and serve lattes. However, there's more to running a business than just roasting beans and making drinks. The owner must think about how he wants his cafe to be different from others in town. He might decide that he wants customers who are environmentally conscious or who enjoy latte art (the designs made on top of some lattes). To figure out how to get those types of customers, you need an entrepreneurial approach as well as an entrepreneurial model for your business. An entrepreneurial model is a plan for your business that satisfies people's needs in an innovative way.

The entrepreneurial model of a business will include market opportunities, an idea of the ideal customer and how the product is to be delivered.

To save her business, the barista might have to close the cafe for a few days so that she can think about how she's going to run it in order to attract students who are concerned with sustainability. She could decide that her target customers will be eco-conscious students and then provide locally sourced milk and reading cubicles.

Big Idea #4: Everyone has multiple personalities.

Most people think they have just one personality, but that's not true. People are made up of three different personalities: the entrepreneur, the manager and the technician. One moment you're an entrepreneur coming up with a new idea for your business; then suddenly you're a technician who is frustrated by your newly created idea.

There are two kinds of people in the world: entrepreneurs and non-entrepreneurs. Entrepreneurs have a vision for what's possible, and they're not afraid to take risks to make their dreams come true. They see opportunities where others don't, and they know how to work hard toward making those opportunities real. Sometimes, a person can be so busy and active that it creates havoc in their life. They try to pull everyone along with them, but get frustrated when things slow down or lag behind.

Entrepreneurs are the ones who drive innovation. They see problems and find solutions. On the other hand, managers are more pragmatic and focus on fixing problems. Entrepreneurs love to come up with new ideas, while managers like things organized in rows. Without entrepreneurs creating new products or services, there wouldn't be anything for managers to do! Lastly, technicians are those who get things done; they control the work flow and make sure that everything is running smoothly. It's important for them to have a balance between what the entrepreneur wants and what the manager needs.

The business world is made up of three personalities: the entrepreneur, manager and technician. These three personality types can seem very different from each other but they must work together to run a successful business. A small business owner usually has one of these traits as his or her dominant trait, with the rest being less prominent traits. For example, an entrepreneur might be 20 percent manager and 70 percent technician while a manager might be 10 percent entrepreneur and 90 percent technician. It's important to know that starting your own company is really difficult because there are 800,000 businesses that fail every year in America alone. However, many people who have succeeded at running their own companies say there's a revolution going on right now in small businesses which gives insight into why some businesses succeed more than others do.

Big Idea #5: There's a revolution of small businesses that are succeeding and becoming more prevalent.

Companies are changing in today's times. They're becoming more innovative and efficient than ever before.

The turn-key revolution is a phenomenon in which businesses are built so that they can be run by anyone. The owner could give the key to someone else and that person would know how to operate it successfully. This business creates a model, provides a product with every purchase, and replicates itself without the owner being present.

A franchise is a business that has the same format in every location. For example, McDonald's and Subway are franchises. A franchisee owns one of these businesses, but they follow the same format as any other McDonald's or Subway. In order to have a turn-key business, you need to make your business into a franchise with processes and systems for each location.

The success rate of franchises is amazing when compared with the failure rates of other businesses. The turn-key revolution is so successful because it focuses on building businesses that anyone would want to buy. For example, if someone wanted to buy your business, their first question would probably be, "Does it work?" If your business's systems are designed in a way that works the best for everyone who runs the company and makes it easy to use by everyone involved with running the company, then any other person could easily run the company without much training or experience.

In today's business world, we're not just selling products to customers. We're also working to sell the whole business, including processes and systems, to franchisees.

Ray Kroc revolutionized the fast food industry by creating a process to produce a precisely replicable hamburger. He reengineered everything, making sure that each burger was flipped at exactly the same time. This made it possible for anyone to run his restaurants because he saw them as customers in themselves. Kroc then sold the system of McDonald's franchises.

Big Idea #6: Imagine that one day your small business will be a national chain. Now, you can build the very first store for it.

First, you have to build a prototype of your business. That's the original model that will be replicated and used as a template for further expansion.

Your franchise business model has to be valuable to customers. It also needs to be simple enough that anyone can operate it. The value of your business is whatever the customer perceives it to be, which could include reasonable prices or amazing customer service.

For example, the barista's value is in her lattes and cookies. Next, the way to deliver that value has to be designed so it can come from any employee who knows how to make these things.

This means that you should design your systems so they're simple enough to be run by anyone. For example, the barista could make a training program for her employees that ensures they can make perfect lattes without needing any help from her or other experts.

In addition, the franchise manual should document everything in a franchise operations manual. If you don't write down how your business works, it will be hard for someone to run it without you. Therefore, every process should be documented as part of your company's "how-to" guide. For example, the barista training manual should include not only instructions on how to make a latte but also on how to train new baristas. The franchise prototype should provide predictable service 100% of the time and have manuals that cover everything from making lattes to training staff members.

If customers aren't clear on what they're going to get, they won't be regular customers. For example, people who visit a barista's cafe shouldn't get delicious lattes one day and rancid ones the next or they'll never come back again. Also, franchisees don't want to run businesses that have unpredictable results.

Big Idea #7: If you want to start a business, do it in order to fulfill your personal goals.

The most important step in starting a business is knowing what kind of life you want to live. You have to figure out your primary aim and then build a business around it. The first thing you should ask yourself is, "What do I care about the most?" Then, consider questions such as, "How do I want to live?" and "How much money do I want?" Finally, determine how much traveling you'll be doing.

Once you know your primary goal, you need to make a strategic plan. This is a list of goals that will help your business fulfill the primary objective.

A strategic objective is also a way to measure progress and implement plans. It's a list of standards that anyone should be able to understand.

Business plans should include a financial forecast, which details how much you expect to make. It also helps if the plan defines why the opportunity is so great and will generate enough money.

And it should define what kind of business you're in. Your strategic objective should explain how your three cafes will each make \$167,000 a year and how you can close them for one month to travel.

Big Idea #8: Organizational charts are crucial for your business's growth. They establish accountability and help you grow.

Most people don't like making organizational charts, but they're necessary for any business to succeed. You need a strategy for how your company will be organized and who will do what work. Even if you're still a one-person business, you have to plan out the organization of your business so that it can grow in the future. To start off, decide how many employees you'll need and what each employee's job responsibilities will be. Then write up an individual contract explaining who reports to whom, what work has to be done by when standards must be met, etc., etc., etc...

As the business grows, she'll have to hire more people. She'll need baristas and advertising specialists. By giving each employee a contract, you can clearly lay out the work for that position. The barista will use this information to complete her job and make sure she is doing it correctly. In addition, by having clear standards for each position, anyone who fills that role will be able to do so without any problems. This makes your business more efficient and allows it to fulfill its strategic objective of providing great coffee drinks in an inviting atmosphere while making money.

Big Idea #9: Instead of trying to find the right people for your organization, focus on building a great management system.

Most people think that the secret to a successful management strategy is hiring talented people. However, this isn't true. The most important thing for a manager is implementing an effective management system that uses marketing techniques with employees and customers alike. For example, if you want your baker to be enthusiastic about his job, you could tell him he has to bake certain amounts of cookies and cakes every day or put him on display in the shop so customers can see him baking those products. Both options would probably result in better-quality baked goods because your baker would enjoy his work more.

A good management system includes a people strategy that ensures your employees understand the idea behind their work. If employees understand the meaning of the work they're doing, they'll be more motivated to help meet your goals. It's also important that you set standards for each position and then test employees against them.

Let's say that a barista wants to prioritize creativity. She hires a baker who is expected to be creative in his work. She tells him that she values creativity and he needs to design the cake schedule every week so it doesn't look like the same one from last week. By implementing this new policy, the baker will be pushed to improve his or her skill while customers will have more choices.

Big Idea #10: So, if you want to be successful, forget everything else and focus on your customer.

How do you approach your marketing strategy? You should focus on the customer and forget about everything else. To get started, think about your customers' demographics (age, location) and psychographics (what they like to do in their free time). Then find out why these people would buy from you rather than another company. For example, a barista could ask her customers for demographic information such as age or address, and psychographic information such as what leisure-time activities they enjoy. She could then use this data to learn more about them so she can better tailor future advertising campaigns to meet their needs.

Once you know your customers' preferences, you can market to them more effectively. For example, IBM discovered that a particular shade of blue was associated with dependability in the eyes of its customers. The company then used that color in all its products so they would appeal to those customers. You have to do the same for your franchise prototype if you want it to be predictable and appealing to potential franchisees. Because your customers are changing, you must change your marketing approach. For example, if it's not working to advertise in newspapers anymore, then consider advertising online to reach younger customers.

Big Idea #11: In the end, you'll have a business with fully functional systems.

After you've created a prototype of your entire business, how will it look? It will be easy to run because all the systems and processes that make up the business are interdependent. The various elements interact with each other and change based on those interactions. Generally, there are two categories: hard systems (inanimate objects) and soft systems (ideas).

The barista will have information systems to track her business, including data on customer purchases. She'll also want hard systems like the espresso machine and soft systems such as employee attitudes that work together to help her succeed.

The barista might want to exchange the espresso machine for a newer model. To make that decision, she'll have to consider how her employees and customers will react. If they love the current machine, then it's important to monitor their reactions when using the new one. If the systems don't work together, then the business doesn't stand a chance.

Big Idea #12: Businesses should never stop planning and implementing.

If you want to make sure your business is successful, you have to keep working on it. You can't rest and assume that the hard work was done. You should constantly be tweaking the prototype, making changes to its systems and making sure everything works well together. That's called a development process for businesses.

The first step in the business development process is to come up with an idea. Innovation is doing something that hasn't been done before. The key to successful business innovation isn't so much about innovating your product, but innovating the way you do business.

Ask yourself what's the best way to do this? For example, Ray Kroc didn't innovate hamburgers. He innovated how they were made and sold. The second step in business development is quantification. You need to measure everything, such as sales or customer satisfaction. If you don't know if your ideas are working or not then you won't be able to improve them later on.

The final step of the business development process is orchestration. Orchestration means putting innovation into practice. It's taking your idea and having it play out between employees and customers, then watching what happens. Innovation, quantification, and orchestration are not necessarily chronological steps but rather happen all together at the same time in a constant cycle.

A business development process never ends because your company will constantly be creating new innovations and measuring the results. It's a process that will drive your small business to success.

Full Summary of The E-Myth Revisited

Many small business owners are cheating themselves by performing the wrong type of work. They're spinning their wheels, and they're earning much less than they should be. It's clear that many people start businesses each year in the United States, but most fail within a year or two because they don't know what they're doing. Most entrepreneurs govern themselves based on four concepts:

The myth of the entrepreneur is that they're driven by a desire to invest and make profits, but this isn't true. People start businesses for many reasons, but entrepreneurship doesn't have much impact on their success. The turn-key revolution helped franchise companies grow globally.

Businesses are being run differently. It's important to have innovative strategies, processes, and systems that help businesses function. Entrepreneurs who don't understand the importance of these things will fail because their business is based on luck rather than a system. People who use the process properly can thrive in their business by making it work well for them.

The principles of a turn-key business are transferable to any industry. When someone buys into the concept, they get an entire system of doing business and the benefit is that their name appears on the marquee. In other words, "the true product of the business is the business itself."

Entrepreneurs and Fiction

Most businesses are started by people who aren't entrepreneurs but want to work for themselves. They're tired of working for others and have the entrepreneurial spirit, though they don't always know what that

means. When something in their lives changes or they have a bad day at work, it hits them that maybe they should start their own business.

But a deadly assumption is that people who are good at their craft will be good business owners. These people think that if they're great designers or artists, then they'll be successful in the business world. But it's not true because there's more to running a company than having specific skills. So when these people discover how difficult it is to run a company, they fail and end up with nothing.

Three Hats – One Head

Small business owners face a tough situation, in which they have to wear three hats. These are the entrepreneur's hat (visionary), manager's hat and techie's cap. They compete for your time and energy. Imagine trying to follow the worst diet you ever tried with a personal trainer, a dietician and a binge-eater all residing in your head.

Role of Entrepreneur

"The Entrepreneur" – This is your inner dreamer. The entrepreneur is constantly pushing the envelope and thinking of new ways to develop a company, but hates dealing with the little details. Your inner entrepreneur gives you that creative spark for business development.

The manager is your practical side. You know how much envelopes cost and what you did last year to get them, so you can buy them again this year. The technician does the work that produces the product or service, like licking all of the envelopes in an office. Without a manager, there would be no structure in a company; but without a technician, there wouldn't be anything to sell or any services offered by that company.

Baby Steps: The Technician's Domain

A technician needs to have freedom from change and oversight. This is because a company's survival depends on growth, which requires the ability to navigate through three stages of corporate life—a toddler stage, an adolescent stage, and adulthood. A company owner should understand each phase and develop a strategy for managing growth.

When a business is new, the owner works long hours and spends most of his or her time on the job. This stage resembles a playground for techies, who are preoccupied with their work. The owner juggles several tasks at once, but eventually becomes exhausted by all of it. A crisis occurs when he or she can't handle all of the work alone anymore.

Corporate Teen Years: Reaching Out for Help

The beginning of a company's life is like being in the womb. The entrepreneur feels comfortable and safe, but eventually has to face reality. Growth can be stressful for an owner who must delegate responsibilities and control. This situation often leads to a crisis that forces the owner to hire his or her first employee, which usually occurs during the adolescent stage of a company's growth. A technician must develop management skills and entrepreneurial vision at this point because he or she will have complaints from workers about how much work they're getting done, as well as problems with the way things are being handled by others on their team.

Maturation: Finding a Balance

Federal Express, Disney and McDonald's are examples of companies that have reached the third stage of development. A company goes through three stages: infancy, adolescence and adulthood. During these stages a business owner must develop an entrepreneurial perspective to be successful. That is having a balanced view of corporate strategy as well as focusing on what work needs to be done. The entrepreneur

creates an ideal model for their future while staying in tune with current operations. On the other hand, someone who focuses only on technology does not understand how systems should work or why they're needed for success in today's world; they simply focus on product development.

The Franchise Model of Success and Systems

The development of McDonald's represents a milestone in corporate history. It was started by Ray Kroc, who convinced the founders to franchise their restaurant using his name and the system they had developed for selling burgers and fries. The brothers used efficiency and speed to produce inexpensive food, which allowed them to grow into one of the largest chains in the world. This shows how well-executed systems can be successful on a large scale.

Your Business and Your Life

Many small business owners mix their personal lives with their work life. This can create a hostile takeover of your personal life. Use these points to regain control:

How can I make myself employable in the workplace?

The author has a business that is expanding quickly. He wants to delegate his responsibilities so he can focus on the things he enjoys, such as managing people and creating new products. However, delegating duties presents some challenges because of the rapid growth of the company. The author suggests following six rules to make sure everything runs smoothly: 1) Create a business model based on your central values; 2) Build systems that anyone with basic skills can use; 3) Make your system flawless and orderly; 4) Document all procedures in employee manuals; 5) Provide uniform services for customers; 6) Establish a dress code and standard design for stores and offices.

Procedures for Developing Business

Building a business is dependent on three functions: innovation, quantification and orchestration. Innovation yields new ways to deliver service and products. Successful business owners seek different ways to provide clients with excellence in their services or products. A new way of greeting customers could be an example of this kind of innovative thinking. Quantification is the process that allows you to measure results and processes with numbers so that you can improve them over time as well as compare your performance against others in your industry or niche market. Finally, "orchestration" means executing your systems and procedures; it's a blueprint for running your operation effectively.

How to Create Your Own Prototype

Your assignment: Review your business as if you were designing a manual for other franchise owners in the company. To build a program, you need to decide what your primary goal is. Your long-term and short-term goals are important as well, but it's vital to know the purpose of your program.

The aim of this essay is to state the author's strategic aims. The standards he wants to achieve, his definition of what his business does and who their customers are.

Organizational strategy is a complex issue. It involves many different components, each of which must be addressed in order to succeed. It's important to understand how all the parts fit together and what they do individually as well as collectively.

Discuss the ways in which you train your managers and clarify how they can best meet your marketing and customer service goals. How do you keep track of what's happening with your employees? Do you have a system for rewarding and punishing staff members? What kind of training program do you offer to help them improve their skills? In order to be successful in business, you need to have a system. Examine your sales plan and how it reflects your personality and goals. Do the same for all of your other systems as well.