BUSINESS & STRATEGY

# The E-Myth Revisited

by Michael E. Gerber

*Most small businesses fail because owners work in the business instead of building it to run without them.*

## BEST POINTS FROM THE BOOK

01 **Most businesses are born in an 'entrepreneurial seizure' - a technician who can do the work quits to start a company, and makes the Fatal Assumption: knowing the work means knowing the business.**

Doing the work and building a company that does the work are two completely different skills. The first never teaches you the second.

02 **Every owner is three people in one: the Entrepreneur dreams, the Manager organizes, the Technician does - and in most owners the split runs about 70% Technician, 20% Manager, 10% Entrepreneur.**

With the Technician driving, you end up with a job instead of a business. All three are needed; the imbalance is the disease.

03 **A business grows through Infancy (you do everything), Adolescence (you get help), and Maturity - and every growth spurt shoves you beyond your comfort zone.**

Push through and the business grows. Flinch, and it 'gets small again', shrinking to fit what you can personally control.

04 **Hiring help fails when you manage by abdication instead of delegation - handing off the work, walking away, then blaming the hire when it goes wrong.**

Real delegation keeps the standards, the system, and the results in your hands. Abdication is how owners create chaos and call it help.

05 **Your real product is not what you sell - it is the business itself, the machine that produces what you sell.**

Ray Kroc's insight: the hamburger was not his product, McDonald's was. Working ON the machine, not just in it, is the owner's actual job.

06 **Build your business as the Franchise Prototype: the model for 5,000 identical copies, even if you never open a second one.**

The test forces every job into an operations manual, runnable by people with the lowest skill the work honestly allows - so results stop depending on you.

07 **The system runs the business, and people run the system.**

A consistent result is impossible in a business that depends on extraordinary people. Great businesses are ordinary people producing extraordinary results through systems.

08 **Improve the business in a permanent loop: Innovate a better way, Quantify whether it actually worked, then Orchestrate it into the standard way everyone does it.**

Skip the numbers and you are guessing. Skip orchestration and the improvement walks out the door with whoever invented it. 'If you haven't orchestrated it, you don't own it.'

09 **Start with your Primary Aim - the life you want to live - then set the Strategic Objective: exactly what the business must become, in hard numbers, to fund that life.**

The order is the whole point. Define the life first, or the business will happily consume it.

10 **Draw the org chart of the finished company and write a Position Contract for every box - the results expected, the standards, a signature line - starting with every hat you wear yourself.**

Companies organized around personalities get chaos, because nobody is accountable for anything. Organize around functions and every job has an owner.

11 **You cannot make people do what you want. You can only build a 'game' worth playing - an idea behind the work that is bigger than the work itself.**

Communicate the game before people start, play by its rules yourself, and build in wins that never end the game. That is the People Strategy.

12 **Your customer does not really buy your commodity - the pie, the haircut, the report. They buy the feeling they walk away with.**

So marketing starts with who your most probable customer is and what they truly want - not with what you happen to sell.

## THE BOOK, IN SHORT

The big idea: most small businesses do not work, but the people who own them work very hard. Gerber calls the reason the E-Myth - the Entrepreneurial Myth. Businesses are rarely started by

entrepreneurs. They are started by technicians - a baker, a plumber, a designer - who suffer an 'entrepreneurial seizure', quit their job, and make the Fatal Assumption: that understanding the technical work means understanding how to build a business that does that work.

Inside every owner, three personalities fight for control: the Entrepreneur, who dreams about the future; the Manager, who craves order; and the Technician, who just wants to do the work. In the typical owner the Technician holds about 70 percent of the vote, so the business stays in Infancy - the owner doing everything - until growth forces Adolescence, hired help, and a painful collision with the edge of the owner's comfort zone. Mature companies look different because they start from the Entrepreneurial Perspective: a clear picture of the finished business, acted out from day one.

The fix comes from franchising - what Gerber calls the Turn-Key Revolution. Ray Kroc understood that the hamburger was not his product; McDonald's was. So build your business as a Franchise Prototype, the model for 5,000 more just like it: systems-dependent rather than people-dependent, every job documented in an operations manual, designed so ordinary people can produce consistent, extraordinary results. The system runs the business; people run the system.

Building the prototype is a program with an order to it. The engine is the Business Development Process - Innovate, Quantify, Orchestrate, on repeat. The plan starts with your Primary Aim (the life you want), then your Strategic Objective (what the business must become to deliver it), then your Organizational, Management, People, Marketing, and Systems strategies. Done right, the business stops being a job you can never quit and becomes a machine that serves your life instead of eating it.

## DO THIS WEEK

This week, pick one task you repeat - answering inquiries, quoting jobs, onboarding - and write the step-by-step checklist for doing it your way. Then hand it to someone else (or your future self) to follow word for word.

*By Michael E. Gerber, first published 1995 (a rework of The E-Myth, 1985). Read it if you own a business that owns you.*