

## **Idea #1 The E-Myth and American Small Business**

### Ch. 1 The E-Myth: the myth of the entrepreneur

Those who go into business:

were doing technical work, good at it  
working for someone else, desire to be independent

fatal assumption: if you understand the technical work of the business, you understand the business that does that work...just not true, you keep doing the work of a technician, plus the work of the business (which you don't know how to do)

### Ch. 2 Entrepreneur, Manager, Technician

Entrepreneur: creates, designs, imagines, creates havoc in the present to change towards the past, lives in future

to be more E: try something completely new, ask yourself what would be the unique idea, wonder about what else

Manager: planning, order, organizes, clings to status quo, lives in past

Technician: gets thing done, steadily works, wants to control work flow, lives in present, mistrusts those he works for, because they want him to do more work than his flow

typical: 10% E, 20% M, 70% T, the technician is in charge, therefore the wrong person is at the head of the company

### Ch. 3 Infancy: The Technician's Phase

Work: the work that you do is a lot, but you don't feel it, because you are excited to be your own boss, doing the work you know how to do, plus the work you don't know how to do, you start getting too much work to do, you start dropping the ball, then you work harder to catch up, and feel it most business failures occur here: you realize business must change, it cannot go on the way it has been your focus is upside down: you're not doing the entrepreneurial work, you're only doing the technician's work

if your business depends on you, you don't own a business, you own a job

purpose of going into business = get free of a job, create jobs for other people, free your own existence

### Ch. 4 Adolescence: Getting Some Help

Get technicians with experience, to do the work you don't know how to do, or don't want to do

Don't just hand the books over and run, people will start doing things wrong, and you'll have tons of work to fix it, and you'll do everything yourself again, you drop the ball faster than you ever did before you had employees

Awaken the E and the M, make the T go to sleep

### Ch. 5 Beyond the Comfort Zone

T boundary: what you can do yourself

M boundary: how many technicians/subordinate managers you can supervise effectively

E boundary: how many managers can be engaged in the pursuit of the vision

Three courses of action:

return to infancy: you just get sick of it, you can't get rid of your business, it goes slowly downhill and dies

go for broke: keeps growing faster and faster and self destructs, demand quickly exceeds ability to supply, it's not just luck and speed and technological daring that are enough for a business and you die

survival, hang on for dear life: vengeance and fully committed to make it survive in the jungle out there, you're consumed by it, face the fact that you can't do it all, your job becomes different

How big can your business naturally become? Anything smaller is your lack (personal resistance to change) and will cause you problems. Facilitate growth with intention, personally transforming.

Main job as business owner: Anticipate what your growth will be from the beginning. Help yourself and your business to grow and expand.

Create milestone goals. Create contingency plans. Your plans become reality.

Write down your plans for the future to articulate them, so you can teach them to your employees. Build a business that works not because of you, but without you.

If the business gets small again, it will atrophy and implode on itself and die

#### Ch. 6 Maturity and the Entrepreneurial Perspective

mature companies don't grow out of adolescent ones and just become that way, they are started that way, must still go through infancy and adolescence, but in an entirely differently way

IBM: how end product company looks, how it acts, act that way from the beginning

Entrepreneurial model: looks at a business as if it were a product, has less to do with what's done in a business, more with how it's done, not the commodity or the work that is important, it is the business itself, where's the opportunity?, how does the customer need the business to look and act?, what are the wants of the customer?, how will they change?, give the undeveloped entrepreneur in each of us what he needs to grow and break free of the technician's bonds, the manager and the technician in us must have their own model

### Idea #2 The Turn-Key Revolution: A New View of Business

#### Ch. 7 The Turn-Key Revolution

McDonald's: franchise phenomenon, started out as hamburger stand, milkshake salesman saw it as a money-making machine, model was created of franchises, genius of McDonald's is the business format franchise, < 5% fail, > 80% independently owned businesses fail, it can give the same exact product each and every time, keeps its promises

Business format franchise: success of business lies in the value of the brand name, not in the product, built on belief that the true product of the business is not what it sells, but how it sells it, the franchisee has to be willing to buy the business, it had to compete with every other business opportunity, created a business that would work once it was sold, no matter who bought it, build the business out of completely predictable parts, create a franchise prototype

#### Ch. 8 The Franchise Prototype

all assumptions are put to the test here, to see how they really work, once the prototype is complete, the system runs the business, the people run the system, then you can sell the franchise to the franchisee, control the business with such precision, leave the franchisee with as little operating discretion as possible, teach them how to do it, franchisee is licensed the right to use the system is taught how and loves it, because every problem has been thought through, every great business in the world is a franchise, build a business/system that works without you

#### Ch. 9 Working on Your Business, Not in It

Your business is not your life, they are totally separate, business is an organism, pretend that the business you own is the prototype for 5000 more just like it, pretend you want to franchise it, you don't actually have to

Rules:

1. Model will provide consistent value to your customers, employees, suppliers and lenders, beyond what they expect.

value is what the customer perceives it to be

a "thank you," an unexpected free gift from the company, good prices/service

2. The model will be operated by people with the lowest possible level of skill necessary.

if model depends on highly skilled people, it will be impossible to duplicate

create the system through which people with good skills can be leveraged to produce exquisite results

How can I give my customer the results he wants systematically not personally?

system dependent, not people dependent

peoples job to use your rules, and make suggestions to better them from having worked with them

3. The model will stand out as a place of impeccable order.  
     in a world of chaos, people crave order  
     says that you know what you're doing, customer/employer can trust in you  
     the look of order says the system is in place
  4. All work in the model will be documented in operations manuals.  
     provides people with structure they need, and written account of how to get the job done  
     clear structure, structure reduced to simplified means, how to do it guide
  5. The model will provide a uniformly predictable service to the customer.  
     act orderly, do things in a predictable, uniform way  
     must be consistency with each experience, regardless of the quality of the final product  
     what you do in your model is not nearly as important as doing what you do the same way each  
     and every time
  6. The model will utilize a uniform color, dress and facilities code.  
     prototype must be packaged exquisitely  
     color and shapes can make or break your model  
     must be scientifically determined and used throughout the model  
     typestyle, logo, business card, sign shape all matter
- The problem is not your business and never has been, the problem is you. Begin to think about your business in a new way. You need to learn about your business.  
 Business as a product must attract customers and employees who want to work for you.

### **Idea #3 Building a Small Business that Works**

#### Ch. 10 The Business Development Process

##### 1. Innovation

process by which product is sold needs innovation  
 how business interacts with its consumer  
 change of a few words, a color, how you look, act, etc.  
 touch each customer on the elbow, shoulder, etc. during sales process  
 simplifies business to its essentials, makes things easier, otherwise it's just complication  
 What is the best way to do this?

##### 2. Quantification

numbers related to the impact the innovation makes

- a. Determine how many people came in the door before the innovation was in place.
- b. How many people bought products and what was dollar value of products and what you said to produce those sales, before innovation was in place.
- c. Count number of people who came in door after changed
- d. Determine number of people who purchased something.
- e. Determine average unit value of a sale.
- f. Determine what the improvement was as a result of your innovation.

see book for good list of other numbers to look for

##### 3. Orchestration

elimination of discretion or choice at the operating level of your business, discretion is the enemy of order, standardization and quality  
 proprietary way of doing business that separates you from all other ways of doing business  
 business must be the vehicle to facilitate predictability  
 doing what you do, saying what you say, being how and who you are, for as long as it works,  
 for as long as it produces the results you want, when it doesn't work any more, change it

Continue this process to keep your business dynamic.

#### Ch. 11 Your Business Development Program

Process of converting your existing business into the model for 5000 more  
 Seven step process described in the following chapters

Ch. 12 Step 1. Your primary aim

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 want to be? – That is your primary aim.

Your business will make a major contribution to your primary aim.

Go to work on your life, not just in your lives. Great people create their lives, ordinary people are created by their lives.

How much money will I need to do what I want to do? When will I need it?

Ch. 13 Step 2. Your strategic objective

Very clear statement of what your business has to ultimately do for you to reach your primary aim.

Business strategy and plan are to communicate where your business is going and how it is going to get there, reduce it to a clear set of standards

Designed for implementation, not rationalization

Standards: any standards are better than no standards

1. Money: how big will your company be when it's finally done, what will gross/ pre tax/ after tax profits going to be? How much money do I need to live the way I wish (not in income, but in assets?) Only reason to create a business of your own is to sell it. When are you going to sell it? How much you want to get for it?

2. Opportunity Worth Pursuing: business that can fulfill the financial standards you set, if it can't, it is not worth it, Commodity is what the customer walks out with, Product is how he feels about the experience, what is your product? People buy feelings, nobody really cares about the commodity. Who is my customer? What is your central demographic model? Why do they buy?

> 3. When is prototype going to be completed? Where are you going to be in business? How (retail, wholesale, etc.)? What standards of cleanliness, hiring, firing, clothing?

Standards create the energy by which the best companies produce results.

Ch. 14 Step 3. Your organizational strategy

Organization chart: organize around functions, not personalities

Differentiate the work that needs to get done, even in the beginning. Who's accountable for what?

Think about the business as a corporation, not as a partnership. You are each share holders. Each take a blank paper, print your own name, write down each one's primary aim. Spend time talking about what you write. Draw line across blank piece of paper, write shareholder, this is their role outside the business. Inside the business they are employees. Create strategic objective together. Begin organizational development, creation of organization chart.

Positions needed, to whom do they report (president, vice president marketing, vice president operations, vice president financing, sales manager, advertising/research manager, production/service/facilities managers, accounts receivable/accounts payable manager). Your names fill all the boxes. Have described the work that has to be done right away.

Position contract on each position: summary of results to be achieved by each position in the company, what you are accountable for, list of standards by which results are to be evaluated, line for signature of person in that position, and for company representative. Not just a job description. Naming the people to put in the boxes, who gets to be president, etc.

All this is done before ANY work is actually done in the company. This is a blueprint for your franchise.

Now, replace yourself with a system, from the bottom up. Start systematizing the lowest technical work, not strategic work. Go to work in the business position, AND go to work ON the position. Only when the manuals for a position are complete is that person hired, but not an experienced person, a novice, someone eager to learn how to do it right. Show candidates the position manual and the business' strategic objective, tell them the story of the company, show them the organization chart, talks to them about their (the candidate's) primary aim.

Begin again, with systemizing with the next lowest position.

You as an employee must obey all the rules of your position, or else, no one else will follow them.

Ch.15 Step 4. Your management strategy

You don't need, cannot afford managerial experts. Your system will be what orchestrates the process by which management decisions are made, while eliminating those decisions whenever and wherever possible. The more automatic that system is, the more effective your franchise prototype will be. Not a managing tool, but a marketing tool. Checklists that must be done for each person to do their job.

Ch. 16 Step 5. Your people strategy

You can't get your people to do anything. If you want it done, you have to create an environment in which doing it is more important to them than not doing it. Doing it well becomes a way of life for them. Treat your employees seriously. Take the operation of the business seriously. The business is an expression of what you believe in. Employees respect for the business is their respect for the owner. Communicate your idea of the business and what that means to you. Make sure they understand the idea for which they are working, at the outset of your relationship, not after you have begun.

Rules of the people game:

1. Never figure out what you want your people to do and then create a game out of it.
2. Never create a game for your people that you are unwilling to play yourself.
3. Make sure there are specific ways of winning the game without ending it. The game can never end or it will take the life out of your business.
4. Change the game from time to time. The tactics, not the strategy. Strategy is your game's ethic, the moral underpinning of your game's logic. To know when change is called for, watch your people. Anticipate the end before anyone else does, and make the change by executive action. Will see resistance at first, then acceptance.
5. Never expect the game to be self-sustaining. Make special weekly meetings to discuss the game. Remind them time and again about the game.
6. The game has to make sense and be logical. Based on universally verifiable truths. Must be an emotional commitment to the game.
7. The game needs to be fun from time to time. Fun needs to be defined by your people. Maybe once every six months.
8. If you can't think of a good game, steal one. But you've got to learn it by heart.

Good information on conveying your business' idea to potential and new employees upon hiring.

To lead the company where you want it to go, you must set the standards. Avoid professional managers, because they will not follow your model. Managers manage the system of your business. How we do it here. How we recruit, hire, and train here. How we manage here. How we change it here. The "it" is your product (the feeling).

Ch. 17 Step 6. Your marketing strategy

Forget about your interests, dreams, visions, etc. Forget about everything except the customer. The irrational decision maker. Conscious mind gathers all sensory data, but is unaware of most of them. Unconscious mind decides whether to buy or not. Sale is made or lost in first few seconds or minutes. Two pillars of successful marketing strategy:

1. Demographics: who your customer is, marketplace reality
2. Psychographics: why he buys, perceived marketplace reality

Find a perceived need and fill it. Navy suit vs. Orange suit.

You must take these things very seriously.

Have customers complete a questionnaire in return for something.

Find out colors, shapes they like, what words, ask them what brand of perfume they use, what automobiles, clothes, jewelry, food. Match those brands with the ads that they are using to sell to your customers to see what marketing tools work for them. Use what you learn.

Use addresses to establish your trading zone (the geographic perimeter in which your customers live).

Buy a list of demographically correct people in that area. Getting them to come back for more. The customer you've got is a lot less expensive to sell to than the customer you haven't got yet.

Ch. 18 Step 7. Your systems strategy

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

Three kinds of systems.

1. Hard: inanimate unliving things
2. Soft: animate, living , ideas
3. Information: provide us with information about the interaction of the other two

Purpose of a system is to free you to do the things you would rather do.

Selling Process (Power point selling system):

1. Identification of benchmarks (consumer selling points) in your selling process.
2. The literal scripting of the words that will get you to each one successfully.
3. Creation of various materials to be used with each script.
4. The memorization of each benchmark's script.
5. The delivery by each salesperson in an identical manner.
6. Leading your people to communicate more effectively, by articulating, watching, listening, hearing, acknowledging, understanding, and engaging each and every prospect as fully as he needs to be.

Structure (what you do) predetermined elements, what you say/wear, materials used when you say it.

Substance (how you do it) what you, the salesperson, bring to the process. How you say it, how you use it when you say it, how you are when you say it.

Power point selling process: series of scripts defining the entire interaction with the customer

1. The appointment presentation: purpose of this is to make an appointment, not to qualify the customer and ascertain if he is a viable prospect. Series of words that engage the prospects unconscious, speaking primarily about the product you have to sell, not the commodity. Opens up prospect to a deeper experience of his frustration, and what your company can do about it.
2. The needs analysis presentation:
  - a. First thing is to repeat what you said in the appointment presentation to reestablish the emotional connection
  - b. Say how you would like to proceed to fulfill your promise to the prospect
  - c. Establish your credibility in your prospect's mind by communicating your company's expertise in such matters ("a positioning statement") and your personal willingness to do whatever is necessary to utilize that expertise on the prospect's behalf.
  - d. Describe what your company does in its system, not what it does, but the impact it will have on the prospect.
  - e. Complete any materials to be used (e.g. questionnaire)
  - f. Provide the promised information.
  - g. Make an appointment with the prospect to return, reminding him what was promised him.
3. Solutions presentation: if the job has been done right up to this point, the sale is already made. This presentation provides the rational armament for the emotional commitment. Bring the prospect up to date, by reviewing everything said and did in needs analysis presentation. review with extreme patience and detail about the material promised him. Make him feel that it is his and was done for him. Then asks, "Of the options we've suggested here Mr. \_\_\_\_\_ which do you feel would best serve you right now?" Then waits. The next person who speaks is going to make a purchase (if it's your employee he will buy a no sale).

Go through this process the same way every time. You will have a selling system (soft system), not a selling person.

Information system: How many....? of each thing

Ch. 19 A Letter to Sara (note: Sara was a character used throughout the book to give an example of a business) Yearning for values.

Your spirit is waiting for you in the future, not for rediscovering in the past.

Step out onto that one path on which your spirit waits. There is where meaning lies.

Keep the curtain up. The curtain is your comfort zone that you put up over your face.