The E-Myth Revisited
Why Most Small Business Don’t Work and What to Do About It

The Big Idea
Starting a business of your own is just like joining a marathon race. You dream big while you’re on the starting line but as the race progresses you see a lot of fellow racers fall behind. Many are not able to endure the test of stamina and agility of the race.

The same goes with small businesses worldwide. Only a few are really able to reach the big dream. Majority of them simply fail no matter how huge effort is put into the undertaking. Why is this so? Michael Gerber reveals the answers in this book. The discussions revolve around the philosophies that could make or unmake the future of small businesses. These philosophies are: entrepreneurial myth (e-myth), the turn-key revolution and the business development process.
Part I: The E-Myth and the American Small Business

What is the e-myth?
The e-myth, or the entrepreneurial myth, evolved from one very fatal assumption—an assumption that unfortunately up to now many aspiring entrepreneurs still believe in. The assumption is that the success of every business is simply achieved by summing up the following: an entrepreneur's desire to own a business plus the certain amount of capital he puts in plus the knowing the amount of targeted profit. This equation does not spell SUCCESS but DISASTER instead.

The fact is, however, the success of a business whether small scale or large scale is not ONLY dependent on that. It is clearly dependent on many factors that are all interrelated and reliant on each other. It is important then that all these intertwining factors are dissected and connected so that the entrepreneur gets a whole perspective before he even dares to venture on the thought of owning a business.

The Entrepreneurial Seizure
Before you start plotting your entrepreneurial future, you should also get a full grasp of the phenomenon called entrepreneurial seizure. An entrepreneur who goes through such experiences feels exhilaration, exhaustion, and despair. He subsequently develops a sense self-loss.

This occurrence is usually brought about by another fatal assumption made by aspiring businesspersons that by merely understanding and mastering the technical work of the business, they already have the full grasp of the nature of that business. Incidentally, however, he will be in a crossroad when concerns other than those involving technical work props up and he realizes he is not fully equipped to deal with it. He is now faced with limited choices. More often than not, the entrepreneur side of him will predictably back out and hide.

Focus on the Business: Who are the characters?
How does one avoid experiencing the entrepreneurial seizure? First, he simply needs to understand that a business proprietorship does not only entail him to be a technician. There are other roles to play. Basically, they consist of three namely: the technician, the manager and the entrepreneur. In the case of small-scale businesses, all these roles had to be played by an individual all at the same time. It may be complicated. But then, it all boils down to balance.
The Technician
He is the present. The technician is in charge of the physical aspect of the business. He is the doer, the builder, the laborer. He gets things done and makes things happen. For emerging businesses, the technician is usually the most visible character. This is one major flaw to watch out. Letting the technician take over the business will simply bring the business to its demise. Due to his overzealous nature, the technician will only exhaust the life out of the business.

The Manager
He represents past. The Manager is in charge of putting order to the business. He does the planning. He is more on the practical side. He always has problems in mind. He is always fussing over some things in the business. He abhors change and opts to stick to time-tested formula when solving business problems.

The Entrepreneur
He is the future. He is the visionary, the dreamer among the three. He likes to play “what-if” and “if-when” games. He is the creative department of the business and is always on the lookout for new, innovative things.

PHASES IN A BUSINESS’S LIFE

Infancy: The Technician’s Phase
The infancy stage is considered as the technician’s phase because it is the technician’s character that is most prominent on the owner at this stage. He’s main focus right now is simply to do what he wants with his business. He and his business are fused together, highly dependent on the former. You take out the owner and the business is gone.

In order to move on to the next cycle, the owner should realize that the business will not last if it is continuously run on this manner. He will have to realize that he has to change his approach or else his business ends there. When such realization comes, the business moves on to the adolescent stage.

Adolescence: Getting Some Help
When the owner starts to call for outside reinforcement, this signals that the business has moved on to the adolescent phase. Naturally, the first help he will need would have to be technical expertise from somebody who knows well his kind of business. When that somebody is found, this is where the roles of the technician, the manager and the entrepreneur are gradually introduced with each other. Then they start developing this safety area, which can be referred to as the comfort zone.
Beyond the Comfort Zone
There comes a point in the life of a business where limits are pushed and chaos rules over. The business owner is now dragged out of his comfort zone and is faced with the following choices: to get small again, to go for broke or to fully survive this adolescent phase and move on to the last phase.

Maturity and the Entrepreneurial Perspective
Although maturity is the last phase in a business’s life cycle, it is not the end of the development process. The enthusiasm for growth must still continue in order for the business to survive.

The entrepreneurial perspective and the entrepreneurial model for the business also reach their maturity at this phase. The former starts to assume a broader view of the business’s future while the latter, the model, becomes more balanced and could now provide the specific work assignments for all three – the technician, the manager and the entrepreneur.

Part II: The Turn-Key Revolution: A New View of Business

The Turn Key Revolution
As signified by the terminology, the turnkey revolution indeed brought about distinct transformations on the way businesses are managed and should be managed. It paved the way leading to the development of extraordinarily successful businesses.

The Franchise Phenomenon
One prominent example of a small franchise turned multi-billion earning is McDonalds. It’s tagline “the most successful small business in the world” speaks for itself. Earning $40-billion annually and with approximately 28,707 stores worldwide and still growing, it is the model of all existing franchises worldwide. It introduced the so-called business format franchise to the business world.

The Business Format Franchise
The business format franchise spun off from the earlier franchise format called “trade name “ franchise. From formerly selling purely marketing rights, the franchisor now entitles the franchisee to owning rights to his entire business system as well. It is anchored on the belief that the real product of a business is its sales technique rather than what it sells.
The Franchise Prototype
It was the franchise prototype that made the business format franchise a successful phenomenon. Such prototypes enabled the testing of the entire business system before it becomes fully operational. Therefore, franchisees are assured that the system indeed works once it is presented to them.

Standards for Franchise Prototypes
1. Build a model that will provide prospective clients, suppliers, creditors, and employees continuous value and even exceed expectations.
2. Build a model that is user-friendly, meaning a model can be functional even to people whose skill level is low.
3. Build a model that is free of defects.
4. Build a model that is equipped with Operations Manuals.
5. Offer your clients a model that is guaranteed to provide consistently predictable results.
6. Build a model that will make use of similar color, dress and facilities code.

Part III: Building a Small Business That Works!

The Business Development Process
The business development process is the response to the unending dynamism of the business world. It equips the entrepreneur with the necessary tools to preempt the continuous changes happening around. The process is comprised of three elemental stages: innovation, quantification and orchestration.

1. Innovation
   Although the term innovation is oftentimes associated with creativity, the two represent totally different ideas. Creativity is the act of thinking *how to do* things while innovation translates these thoughts into actions. The focus should be on innovation. It is innovation that will put a certain degree of distinction to your business. This will help you establish your individuality.

2. Quantification
   The process of quantification will deal with impact measurement and put value to your innovation. Using customer responses as gauge, you will be able to tell whether or not your innovation indeed made a difference. By quantifying the effect of your innovation, you are provided with a myriad of possibilities with regard to the business’s future.
3. Orchestration

After assessing the impact of your innovation, it is now time to narrow down your choices. You now decide which ideas to discard and which ones to keep. You now set your standards for the improvement of your business. Since you already know which approach works best with the customers, you now shift your focus to bringing quality to your business.

The Business Development Program

The business development program provides you with the systematic way of molding your existing business – or your prospective business for the matter – into a model for thousand others similar to it. It consists of seven specific questions, the answers to which would bring about the creation of your Franchise Prototype.

These are the questions:

1. What is your primary aim?
2. What are your strategic objectives?
3. What is your organizational strategy?
4. What is your management strategy?
5. What people strategy should you apply?
6. What is your marketing strategy?
7. What is your Systems Strategy?

Your Primary Aim

The owner’s primary aim should center on what he really wishes, needs and wants for his life. It will serve as the true ignition that would help start the realization of one’s entrepreneurial dream. It will bring to the owner a sense of purpose and some energy for the pursuit of his goals.

Your Strategic Objectives

The strategic objectives are essential towards the making of an extraordinary business because it contains standards that help the owner achieve his goals for his business. It is important to consider, though, that these objectives should always answer the question: what purpose will this serve my primary aim?

Here are some possible standards to include in your strategic objective:

First Standard: Money
Setting up your monetary objectives would bring you to asking yourself, how big do you wish your business to become in monetary terms?
Second Standard: An Opportunity Worth Pursuing
The question to ask here is, **will this undertaking satisfy the requirements set by the primary aim and the strategic objectives?** If the response is positive, then pursue the dream and if otherwise, drop it immediately and move on to searching for better alternatives.

Note, however, that the standards you would set have no definite number. It could be a longer list. The important thing is that you don’t miss out details that are instrumental towards the achievement of your primary aim.

**Your Organizational Strategy**
Business owners should learn how to appreciate the value of organizational structures. They have more profound impacts on the organization that what meets the eye.

**Organizing Around Personalities**
When lining up your business’s organizational structure, focus on the functional elements in order for you to develop a structure that is based on accountabilities or responsibilities and not around individuals.

**Organizing Your Company**
No matter how small the business, owners should always learn to separate their individual aims from the collective goal of the company as a whole. Before making the chart itself, identify all possible roles and task assignments that exist and might soon exist in the company. Once these are identified, drawing the organizational chart would be a breeze.

**Position Contract**
This is a tool that contains the list of results expected from the job position, the accountabilities/responsibilities attached to the said position, a list of standards as point of reference during evaluation, and space for signatories to document the agreement all parties involved.

**Your Management Strategy**
The management strategy is one of the most essential parts of the business development program because it is results-oriented. As the owner you should
recognize the truth that the successful implementation of a management strategy is not dependent on the people who could implement it but on the system instead.

**What is a Management System?**
A Management System is set of standards that you create in order for the business to produce the results you desire. These are standards that your present and future business managers will follow so they should be aligned properly with your business goals.

**Your People Strategy**
The people strategy refers to the approach you take towards your people and their work. To make people appreciate the work they do, you should make them understand the idea behind each of their task assignments. In a service-oriented business for instance, the employee should focus more on surpassing the quality of work or service that is delivered to the customer’s everyday.

As the owner, try to hire an employee who wants something more than just a job. More often than not, these are the people who are not afraid to change and to grow. The burden of making your people realize the value of their work lies on you.

**Work – A Game Worth Playing**
At this point, try to look at your business on a different perspective. Try to think that you are simply in search for a game worth playing. Try to engage yourself in that game. A game that has the following rules:

1. Never figure out what you want your people to do and then try to create a game out of it.
2. Never create a game for your people that you yourself are not willing to play.
3. Make sure that there are ways of winning the game without ending it.
4. Change the game tactics from time to time but not the strategy.
5. Never expect the game to be self-sustaining.
6. Play a game that makes sense.
7. The game needs to be fun from time to time.
8. If you can't think of a good game, steal one.

At the end of this game, you will realize that your business can do more than provide work for others. It can also become a place of community – that place where people find order, meaning and a sense of purpose towards their very own existence.
Your Marketing Strategy
Here is the stage where all attention suddenly shifts from OWNER to the CUSTOMER. When planning out ways to capture the market, it is now the customer’s needs and him alone that matters. You set aside your personal goals first.

*The Two Pillars of a Successful Marketing Strategy*
In order for you to be able to address your customer’s need appropriately, you should be able to know their demographic profile and psychographic profile. The *demographic profile* tells you who your customers are while the *psychographic profile* tell you why your customer buys. Knowing all these facts about your customer enables you to construct a Prototype that would not only satisfy his conscious needs but his unconscious needs as well.

Your Systems Strategy
There are three kinds of systems in a business: the hard systems, the soft systems and the information systems. The *hard systems* refer to all those in your business that are inanimate and has no life. The *soft systems* refer to all those that could be living or inanimate. The *information systems* are everything else in the business that provides you with data relating to how the two earlier systems interact.

The emphasis should be more on the soft systems because this includes the selling system that your business adopts. In the selling system, only two things are essential: *structure* and *substance*. Structure is what you do to sell and substance is how you do the selling.

It is important to note though the all three systems mentioned are not stand alone systems. They exist co-dependently with each other. The same goes for the whole Business Development Program. All strategies mentioned here are interdependent with each other and their integration is important in order for the program to be successful.

*Bringing the Dream Back to American Small Business*
This book is an attempt to answer the worldwide call to put order to chaos. Chaos that is brought about by an unending stream of changes within the environment that you currently live in. Boundaries are now lost and putting order to a world full of chaos and disorder is indeed a Herculean task. The book does not anymore wish to achieve such feat. In the first place, the root of the disorder is not really from “out there” but “in here”. “In here” meaning, within each individual in this world.
The book aims then to bridge that change-induced gap through helping revive small businesses worldwide. Small businesses are very much manageable and can definitely be effective and practical testing grounds for whatever innovations you hope to contribute to the world. Bear in mind that no matter how small a good task is, there will always a big possibility that they would create ripple effects and preempt changes for everyone’s betterment.