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CEO, Mesa Consulting

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**Book Summary/Review: The E-Myth Contractor**

This article is based on the following book:  
**The E-Myth**  
by Michael E. Gerber

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**Foreword**

People who succeed in business do so because of their insatiable need to know more. Most failing businesses don't know enough about finance, marketing, management, operations. They think they know enough. Successful people are passionate about getting it right, compulsive about detail, and are not satisfied with the mediocre. You need to know what to do!

**Introduction**

Every year in the US, more than 500,000 businesses are started. By the end of first year, more than 40% will be out of business. Within five years, more than 80% of them will fail. Eighty percent of those that survive the first five years fail in the second five. Therefore, after 10 years, only 4% are left! Ninety-six percent of Business Format Franchises succeed.

If your thinking is sloppy, your business will be sloppy. If you are greedy, your employees will be greedy. If you are disorganized, your business will be disorganized. If your employees will steal for you, they will steal from you.

**Chapter 1: The Entrepreneurial Myth**

For most business owners, the dream has faded (died?). You start working for someone else. Then, you decide you could do better. So, you set up on your own. But, you get caught up in the technical work and forget the dream. The Business Development Process can be applied to any business owner, step by step.

Fatal assumption: If you understand the technical work of a business, you understand a business that does the technical work. The technical work of a business and a business that does technical work are two totally different things. To the technician, the business is not a business but a place to go to work. The carpenter stays a carpenter.
Chapter 2: The Entrepreneur, the Manager, the Technician

We have a split personality. All three are in each of us. The technician dominates. The entrepreneur lives in the future (looks for control), the manager in the past (looks for order), and the technician the present. It's the technician who goes to work while the other two sort things out. We do the things we want to do, not the things we need to do.

<table>
<thead>
<tr>
<th>Entrepreneur</th>
<th>Manager</th>
<th>Technician</th>
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<tbody>
<tr>
<td>Visionary</td>
<td>Planner</td>
<td>Doer</td>
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<tr>
<td>Finder</td>
<td>Minder</td>
<td>Grinder</td>
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Chapter 3: Infancy - The Entrepreneurial Phase

Most businesses are operated according to what the owner wants, not what the business needs. **We do the things we like to do; not the things we need to do.**

Three phases of a business: Infancy, Adolescence, Maturity

Infancy: The technician works long hours to get established. You use your own name. You and the business are one and the same. You get too busy, you can't cope efficiently.

Chapter 4: Adolescence

You get some help. You delegate (abdicate?). They fall short (not trained properly), so you start doing their work as well. If you want anything done, do it yourself.

Chapter 5: Beyond the Comfort Zone

You get small again to stay in control. You now own a job, not a business. So, you might as well go back to working for someone else. Another option is "going for broke". This is high risk as there is uncontrolled momentum. Another option is "hanging in there": eventually the business doesn't explode, you do! Is there a better way?

Chapter 6: Maturity & the Entrepreneurial Perspective

The people who started these successful businesses started out with the vision of what it would be like.

<table>
<thead>
<tr>
<th>Entrepreneur</th>
<th>Technician</th>
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<tbody>
<tr>
<td>How must the business work?</td>
<td>What work has to be done?</td>
</tr>
<tr>
<td>Outside results customer/profit</td>
<td>Inside income</td>
</tr>
<tr>
<td>Well defined future</td>
<td>Present/uncertain future</td>
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<tr>
<td>Entirety</td>
<td>Business in parts</td>
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<tr>
<td>Integrated vision of the world</td>
<td>Fragmented vision of the world</td>
</tr>
<tr>
<td>Customer is opportunity</td>
<td>Customer is a problem</td>
</tr>
<tr>
<td>How will my business stand out from the rest?</td>
<td>How will my business look to the consumer?</td>
</tr>
</tbody>
</table>
Chapter 7: The Turn-Key Revolution

Franchise - Trade name franchises are decreasing, business format franchises are growing. The true product of the business is the business itself. It's not the hamburger, it's the McDonald's system. Go to work on your business, not in it.

Chapter 8: The Franchise Prototype

Where 80% of all businesses fail in first 5 years, 96% of all Business Format Franchises succeed. The prototype suits the technician because all the entrepreneurial and management factors are established by someone else.

Chapter 9: Working on your business not in it

Your business is not your life.

The Prototype

Pretend that your business will be the prototype for 5,000 more exactly like it. The true product of the business is the business itself - sell the business, not the product. Discipline, standardization and order are the keys. Eliminate discretion.

The rules are:

- The model will be operated by people with the lowest possible level of skill. You can't replicate highly skilled people. When you can, they are too expensive and you can't maintain consistency.
- The model will stand out as a place of impeccable order. Operate in an orderly fashion.
- All work in the model will be documented in Operations Manuals. This is how we do it here!
- The model will provide a uniformly predictable service to the consumer. The customer needs a consistent experience.
- The model will utilize a uniform colour, dress and facilities code. This includes stationery; logos; office colours etc.

If this can all happen, then I can spend my time doing what I want to do.

Part 111: Building a Business that Works


Building the prototype is a continuous process.

Innovation: Creativity thinks up new things; innovation does them! It is not the commodity that needs innovation (re-engineering) but the process. When the business is the product, how the business interacts with the consumer is more important than what the business sells.

Retail Sales: Can I help you? No! just browsing. End of story. Sales person has done his bit.

Hi! Have you been in here before Yes (No). Yes! Great, we have this new program for people who have shopped here before, let me tell you about it.
No! Great, we have this new program for people who have not shopped here before, let me tell you about it.

Sales should increase 10% to 16%.

Clothing: Blue suits outsell brown, no matter who wears them.

Touch. Touch people softly on the arm for improved response.

Quantification: If there's no agreement about how I did today; how will I know if I have done better tomorrow? How many selling opportunities do you have in a day?

Orchestration: This is eliminating discretion or choice from the operating level of the business. Discretion is the enemy of order, standardization, and quality. (Levitt) This is exactly what the franchise does. Orchestration links you to your customer.

Chapter 11: Your Business Development Program

This is the process through which you create your Franchise Prototype.

Seven Steps:

1. Your Primary Aim Chapter 12

The first order of business is not the business, it is YOU. The primary aim is to answer the following questions:

- What do I value most?
- What lifestyle do I want?
- What do I want my life to look like, to feel like?
- What would your obituary say?

Once you have stated these things, now you must make them happen. Simple yes; Easy no. If you don't know where you're going, how do you get there? Be proactive.

2. Your Strategic Objective Chapter 13

How is the business going to help you realize your life purpose? This is the strategic plan. Your business is a means to an end. Your strategic objective is a list of standards that will enable you to achieve your objectives.

- Money: How much sales will you do? How much will I make?
- Opportunity: Is this an opportunity worth pursuing?
- Commodity is what the customer actually takes; the product is what he feels. People buy feelings.
- When, where, how, what

3. Organizational Strategy Chapter 14
To get organized you should have an organization chart

- Organize around functions not people
- Define the functions; document how they work; delegate them
- Replace yourself with a system: Develop a business that works. Manage the system.
- How do I give the customer what he wants and maximize profits?

4. Management Strategy Chapter 15

A good system will eliminate discretionary decision making and will downgrade the level of people you need. Ordinary people can operate a good system. A good system doesn't let you down. For example, an operations manual might be nothing more than a complete check list.

5. People Strategy Chapter 16

How do I get people to do what I want? By getting them to do it, because they want to. Create a game with rules (see page 124 for details). Give people purpose, order and meaning.

6. Marketing Strategy Chapter 17

Starts, ends, lives and dies with your customer. Think only of the customer. If the customer doesn't know what he wants, how can you provide it. Look at the subconscious as well as the conscious process.

7. Systems Strategy Chapter 18

Everything is a system. Business has three types:

- Hard: The computer and other equipment
- Soft: People and ideas. Systems for selling and doing
- Information: Interactions between the other two. Recording how things are going. Bench marks.

Epilogue

More changes have occurred in the last 20 years than the last 2,000. Don't bring your chaos with you!

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