The E-Myth Revisited – Michael E. Gerber
Book Summary

Summary Introduction

This document summarizes The E-Myth Revisited by Michael Gerber. The intent is to distill the major concepts from the book in note form for efficient perusal. Because only the main points of the book have been summarized here, reading the book in its entirety is highly recommended to get the full impact of the message Gerber conveys, as well as the dialogue in the book with one of his clients, Sarah, which provides additional insight on the concepts presented in the book.

The ideas and text presented here are copyrighted works by Michael E. Gerber. Some of the text has been summarized for clarity and brevity.

The E-Myth Revisited

People who are exceptionally good in business aren't so because of what they know but because of their insatiable need to know more. Businesses fail when their owners spend their time and energy defending what they think they know.

A business doesn't miss the mark by failing to achieve greatness in some lofty, principled way, but in the stuff that goes on in the multitude of seemingly insignificant, unimportant, and boring things that make up every business (and life as well).

The greatest business people have a genuine fascination for the truly astonishing impact little things done exactly right can have on the world.

The book is about four profound ideas that can mean the difference between the success and failure of a small business:

1. There is a myth in this country (the E-Myth) that says that small businesses are started by entrepreneurs risking capital to make a profit. This is not true.
2. The Turn-Key Revolution is changing small business around the world, in the way we do business, who goes into business, how they do it, and the likelihood of their survival.
3. At the heart of the Turn-Key Revolution is a dynamic process called the Business Development Process. This process, when systematized and applied, has the power to transform any small business into an incredible effective organization. When the process is incorporated into every activity, the company stays young and thrives. When ignored, the company commits itself ultimately to failure.
4. The Business Development Process can be systematically applied in any small business in a way that incorporates the lessons of the Turn-Key Revolution into the operation of that business. This process then becomes a predictable way to produce results and vitality in any small business whose owner is willing to give it the time and attention it requires to flourish.

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The book is about producing results, not simply "how to do it." Books like that don't work. People do. And what makes people work is an idea worth working for, and a clear understanding of what needs to be done. Only when such an idea becomes firmly integrated into the way you think and operate your business that "how to do it" becomes meaningful.

The idea the book is based upon is that your business is simply a distinct reflection of who you are. If your thinking is sloppy or disorganized, your business will be sloppy or disorganized, etc. So if your business is to change, you must change first.

The Entrepreneurial Seizure

Most people start out working for someone else doing technical work – be it a mechanic, doctor, salesman, hairdresser, what have you. Then for whatever reason these technicians get hit with an Entrepreneurial Seizure, and suddenly have to go into business for themselves.

The **Fatal Assumption** they just made is that *if you understand the technical work of a business, you understand a business that does that technical work.* **This is not true**. The technical work of a business and a business that does that technical work are *two totally different things!*

Every technician suffering from an Entrepreneurial Seizure goes through the same process of exhilaration, terror, exhaustion, and despair as the work that they were so good at becomes the thing they despise the most as their businesses move from the Infancy stage through Adolescence, described later.

Everybody that goes into business has three distinct personalities:

- **The Entrepreneur** – This is our creative personality; the visionary, dreamer and innovator. It lives in the future, pondering "what if" scenarios and is the catalyst for change.
- **The Manager** – This is our pragmatic personality; the part of us that craves order, planning and consistency. It lives in the past, clinging to the status quo, and abhors change.
- **The Technician** – This is the doer, the worker, in all of us. It lives in the present and only sees the work that needs to be done at the moment.

Each personality has its advantages and disadvantages. The problem is that each personality wants to be the one in charge of the business. For a business to thrive, all three personalities should ideally be balanced in an individual. This is rare, however. Most people are 10 percent Entrepreneur, 20 percent Manager, and 70 percent Technician. Typically, most businesses are run by a Technician. Unfortunately, most Technician-run businesses fail.

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There are three distinct phases in a business's development:

- **Infancy** – This is the initial phase of the business. The owner and the business are one and the same. The problem is that most businesses are run according to what the owner wants instead of what the business needs. The Technician wants a place to go to work, to be free from the constraints of working for The Boss, not realizing that the business becomes The Boss as it grows. Infancy ends when the owner realizes that the business cannot continue to run the way it has been; in order for it to survive, it will have to change. Once this reality occurs, most of The Technicians walk away. The rest go on to Adolescence.
- **Adolescence** – This is the point in the life of your business when you decide to get some help, precipitated by a crisis in the Infancy stage. Every Technician then goes out and gets experienced technical help for the work that isn't getting done. Unfortunately, at that point the owner then falls into Management by Abdication rather than Delegation as he relies on the experienced employee to handle things for him. Once this happens, the business begins to deteriorate quickly; the work is ultimately never done to the owner's satisfaction, who ends up taking back ownership of all the jobs from the employees and once again does them himself. The adolescent business has just reached the limits of its owner's Comfort Zone.

  The **Comfort Zone** is the boundary within which the owner feels secure in his ability to control his environment, and outside of which he begins to lost that control. The Technician's boundary is determined by how much he can do himself. The Manager's is defined by how many Technicians or subordinate managers he can organize. The Entrepreneur's is how many managers he can engage in pursuit of his vision.

  Once the business grows beyond the owner's Comfort Zone, one of three things will happen:

  Getting Small Again – The owner will revert the business back to Infancy, when things were simpler, where they did everything. The drudgery of routine sets in as the owner realizes that they own a job. Despair and cynicism sets in. The business ultimately implodes.

  Going for Broke – The business continues to grow at an increasing rate until it self destructs from its own momentum. The results are typically catastrophic.

  Adolescent Survival – The owner is strong willed and stubborn, and works constantly, doing whatever it takes to survive. The owner ultimately ends up consumed by the business.

  These endings don't have to happen. The job of the owner is to prepare himself and his business for growth; to dictate you business's rate of growth as best you can by understanding the key processes to be performed, the key objectives to be

achieved, and the key position you are aiming your business to hold in the marketplace. The key is to envision, plan and articulate what you see in the future for yourself and your employees.

- **Maturity** – The third stage of a company's growth. Maturity is not an inevitable result of the first two phases, as shown above. A mature business does go through Infancy and Adolescence, but it does so in an entirely different way. Mature businesses began as mature businesses – *they began with the end in mind*. They started out with the Entrepreneurial Perspective.

The Entrepreneurial Perspective versus The Technician Perspective

The Entrepreneur	The Technician
• Asks "How must the business work?"	• Asks "What work has to be done?"
• The business is a system for producing outside results – for the customer – resulting in profits	• The business is a place in which people work to produce inside results – for The Technician – producing income
• Starts with a clearly defined vision of the future, then changes the present to match the vision. The present day world is modeled after his vision	• Starts with the present and looks forward to an uncertain future with the hope of keeping it like the present. The future is modeled after the present day world.
• Envisions the business in its entirety, from which is derived its parts	• Envisions the business in parts, from which is constructed the whole
• An integrated vision of the world	• A fragmented vision of the world

The **Entrepreneurial Model** looks at a business as if it were a product, sitting on a shelf and competing for the customer's attention against a whole shelf of competing products (businesses). It has less to do with what's done in a business and more to do with how it's done. The commodity isn't what's important – the way it's delivered is.

The Entrepreneur Model starts by finding the opportunity, then creates a solution – the business – for a specific group of customers that looks and acts the way the customer needs it to, not The Entrepreneur. It starts with not a picture of the business to be created but of the customer for whom the business is to be created. Without a clear picture of that customer, no business can succeed.

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However, for the model to work, it must engage all three of the business owner's personalities in equal measure. Such a model can be found in examining the Turn-Key Revolution.

McDonald's calls itself "the most successful small business in the world." Its founder, Ray Kroc, revolutionized American business with the advent of the Business Format Franchise.

The **Business Format Franchise**, unlike its predecessor, the Trade Name Franchise, in which the franchisor licenses the right to small companies to market its nationally known brand name product locally, not only lends its name to the smaller enterprise but also provides the franchisee with an entire system of doing business.

The Business Format Franchise is built on the belief that the true product of a business is the business itself and not the product it sells. The true customer of the Business Format Franchise is the franchisee – the person interested in buying the business itself. Thus, the business has to produce predictable results that can be replicated each time. To accomplish this requires a systems-dependent business rather than a people-dependent business. A business system that will work no matter who buys it.

The only way to ensure that the business system works is to build it out of predictable components and test the system in a Franchise Prototype. This is where you can find the appropriate model for your business.

Where 80 percent of all businesses fail in the first five years, 75 percent of Business Format Franchises succeed. The reason is the Franchise Prototype.

The **Franchise Prototype** is the place to conceive and perfect the business system. Where the business model is built. Where ideas can be tested before being integrated into the operational model.

The system is not something you bring to the business. It is derived from the process of building the business. The system integrates all the elements required to make a business work. It transforms the business into an organism, driven by the integrity and orchestration of its parts.

The system runs the business. The people run the system. All that's left is for the franchisee to learn to manage the system. If the franchisor has designed the business well, every problem has been thought through.

The Franchise Prototype is the balanced model that satisfies The Entrepreneur, The Manager, and The Technician all at once. It will allow you to develop your own Business Format Franchise.

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All that a Business Format Franchise really is *is a proprietary way of doing business that successfully and preferentially differentiates every extraordinary business from every one of its competitors*. You can find this concept at the heart of every extraordinary business, franchised or not.

Working *On* your Business, not *In* It

The most important thing to remember is that your business is not your life. They are completely separate entities that have different purposes and functions. The purpose of your life is not to serve your business, while the purpose of your business is to serve your life. When you realize this, you can detach yourself from your business and begin working *on* it rather than *in* it, and build a business that will work without you. This is where we put the Franchise Prototype model to use.

To accomplish this, pretend that your business will be or is the prototype for 5000 business just like it – completely replicated. Pretend that you are going to franchise your business (or, if that is your intent, don't pretend.)

The franchise game has a set of rules that must be followed to win:

1. **The model will provide consistent value to your customers, employees, suppliers, and lenders, beyond what they expect.** Value is what people perceive it to be, and nothing more. It is in the understanding of value, as it impacts every person whom your company comes into contact, that every extraordinary business lives.
2. **The model will be operated by people with the lowest necessary level of skill.** If the model relies upon highly skilled people, it will be impossible to replicate. The goal is to create a business that is systems dependent rather than people dependent. The system becomes the tools that the people use to get the job done the way it needs to get done. It's the business's job to develop the tools and teach the people to use them. It's the people's job to use the tools and suggest improvements based on their experience with them. The system leverages ordinary people to perform extraordinary results consistently.
3. **The model will stand out as a place of impeccable order.** In a world of chaos, most people crave order. The business should provide a set of relatively fixed points of reference to the people that interact with it in an otherwise unstructured world.
4. **All work in the model will be documented in Operations Manuals.** Documentation provides the clarity structure needs if it is to be meaningful to your people. Without documentation, all routinized work turns into exceptions. The Operations Manual can be described as a company's How-To-Do-It-Guide. It designates the purpose of the work, specifies the steps needed to be taken while doing that work, and summarizes the standards associated with both the process and the result.

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5. **The model will provide a uniformly predictable service to the customer.** In addition to looking orderly, the business must act orderly. It must provide a consistent experience to the customer each and every time.

6. **The model will utilize a uniform color, dress and facilities code.** Marketing studies state that all consumers are moved to act by the colors and shapes they find in the marketplace. Different consumer groups respond differently to specific colors and shapes. Your Prototype must be packaged as carefully as any box of cereal. The colors you show your customer must be scientifically determined and used throughout the model –from the facilities to your clothes to your sign to your business card. The model must be thought of as a package for your one and only product – your business.

When you go to work on your business rather than in it, ask yourself the following questions:

- How can I get my business to work, but without me?
- How can I get my people to work, but without my constant interference?
- How can I systematize my business in such a way that it could be replicated 5,000 times so the 5,000th unit would run as smoothly as the first?
- How can I own my business and still be free of it?
- How can I spend my time doing the work I love to do rather than the work I have to do?

The **Business Development Process** is a continuous process through which your business can pursue its natural evolution. It is a dynamic process that continually reinvents your business, allowing it to adapt to the ever changing world. It is a cycle of three distinct activities:

- **Innovation** – The difference between innovation and creativity is that creativity thinks up new things, while innovation does new things. When the business is the product, how the business interacts with the consumer is more important than what it sells. Therefore, it is not the commodity that requires innovation but the process by which it is sold. To the franchisor, the entire process by which the business does business is a marketing tool – a mechanism for finding and keeping customers. Each and every component of the business system is a means through which the franchisor can differentiate his business from all other businesses in the mind of his consumer. Innovation continually poses the question, "what is the best way to do this?" Innovation always takes the customer's point of view. It should also simplify your business operation in the process.

- **Quantification** – To be effective, all innovations must be quantified – its impact measured against a predetermined baseline. Otherwise, an innovation's effects will never truly be known. *Everything* related to the business operation *must* be quantified at the start. Once you see all the numbers, you'll be able to tell how well the business is doing by the flow of the numbers. You'll know which numbers are critical and which are not.

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- **Orchestration** – Orchestration is the elimination of discretion, or choice, at the operating level of your business. Without orchestration, nothing could be planned, anticipated, or relied upon. If you haven't orchestrated it, you don't own it – and can't depend on it. Orchestration is supported by documentation in Operations Manuals – the "This is How We Do It Here" guides.

The **Business Development Program** is the vehicle through which you can create your Franchise Prototype. It is composed of seven steps:

- **Primary Aim** – Your business begins with you. Your Primary Aim is the vision of how you want your life to be, your purpose, your mission. Your Primary Aim becomes the key to create the life you want intentionally. It's the difference between living by accident and living intentionally. In turn, your Primary Aim becomes the vision necessary to bring your business to life and your life to your business. It's essential if your business is to have any meaning beyond work.

  Ask yourself the following questions:

  - What do I wish my life to look like?
  - How do I wish my life to be on a day-to-day basis?
  - What would I like to be able to say I truly know in my life, about my life?
  - How would I like to be with other people in my life – my family, my friends, my business associates, my customers, my employees, my community?
  - How would I like people to think about me?
  - What would I like to be doing two years from now? Ten years from now? Twenty years from now? When my life comes to a close?
  - What specifically would I like to learn during my life – spiritually, physically, financially, technically, intellectually? About relationships?
  - How much money will I need to do the things I wish to do? By when will I need it?

- **Strategic Objective** – Your Strategic Objective is a very clear statement of what your business has to do to achieve your Primary Aim. It is a vision of the finished product that is and will be your business. It is a list of simple and clearly stated standards that serve as the measuring tool for your business's progress towards specific ends. Standards create the energy by which the best companies, and the most effective people, produce results.

  While there is no set number of standards, two specific standards must be covered:

  Money – How big will your company be when it's done? Not just gross revenues, but gross profits, net revenue, etc.

  An Opportunity Worth Pursuing – This standard answers two questions:

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- o <u>What business am I in</u> – This is not about the commodity you are selling, but about the true product – what your customer feels as he walks out of your business, about your business, not the commodity. People don't buy commodities; they buy feelings.
- o <u>Who is my customer</u> – This describes your Central Demographic Model – in other words, your typical customer. It also describes those customers' Central Psychographic Model – or, why the customer buys. These determine how many selling opportunities you have and how successfully you can satisfy the emotional or perceived needs there.

In addition to the above standards, there are specific questions that must be answered in creating additional standards for your Strategic Objective:

- o When is your Prototype going to be completed? In two years? Three? Ten?
- o Where are you going to be in business? Locally? Nationally? Internationally?
- o How are you going to be in business? Retail? Wholesale? A combination of the two?
- o What standards are you going to insist upon regarding reporting, cleanliness, clothing, management, hiring, firing, training, and so forth?

Every standard created in your Strategic Objective should serve your Primary Aim. The standards you create will shape both your business and the experience you and others have in your business.

- **Organizational Strategy** – This is the process through which you think through your business as best you're able and then structure the way it is to work. That structure is the Organization Chart. Its purpose is to describe all the work that's going to be done in the business when its full potential is realized, as well as the work that needs to be done right away. It also allows you to separate yourself from the roles in your business, becoming independent of them rather than the roles becoming dependent on you.

  Most companies are organized around personalities rather than around functions – that is, around people rather than accountabilities or responsibilities. For example, consider a partnership where the partners share the work equally. If everybody's doing everything, then who's accountable for anything? The Organization Chart provides that accountability while creating the blueprint for the Franchise Prototype.

  The book takes the stance that the owners should use the corporation structure for the business. Outside of the business, the owner's role should be that of a Shareholder. Inside the business, however, the owner should think of himself as an Employee.

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As with the Strategic Objective, the Organization Chart depicts the business in its completed form. The work required to accomplish the Strategic Objective, and the positions accountable for that work are determined.

Once these positions have been established, *Position Contracts* are created, detailing the work and results for which the occupant is accountable and the standards by which the results are measured for each position. This is much more than a job description; the contract provides each person in the organization with a sense of commitment and accountability.

Prototyping the Position: Replacing Yourself with a System
Once a clear picture of the finished business is completed, the prototyping process can be started. The process is started from the *bottom* of the organization, not at the top. Prototyping starts where you start working in the business – as a Salesperson, Production Person, or Accounts Receivable Clerk. *Not* as the owner or shareholder or President. The first work to be prototyped is the **Tactical Work** – the work that technicians do. The key is to find other people to do the Tactical Work, freeing the owner/employee to perform the **Strategic Work** – the work that managers do. The Organization Chart is the means through which that transition is made.

When you prototype your business, you are no longer interested in working *in the business*, but on *developing a business that works*. That means that as you go to work *in* each Tactical position, you begin working *on* that position by implementing the Business Development Process of Innovation, Quantification, and Orchestration. For each position, ask "What would best serve our customer here? How could I most easily give the customer what he wants while also maximizing profits for the company? And at the same time, how could I give the person responsible for that work the best possible experience?"

As the impact of each innovation is quantified, the most productive of them are documented in the Operations Manual for that Position. Only after the Operation Manual is complete for that position do you look for another person to fill that position. Not a Master Technician, but a novice willing to learn how to do it right – the way you've spent so much time discovering.

Once the right person is found, then you give them the Operation Manual, have them sign the Position Contract, learn the systems, and then go to work. At that point, the owner/employee is freed from that position and then can go to work in and on the position of Sales Manager, or Operations Manager, or Finance Manager. The Business Development Process is started all over again, and repeated for every position in the business.

What has just happened is that the owner has begun to free himself from the Tactical Work in the business. He has replaced himself with a *system* that works

in the hands of a person who wants to work it. The owner's job now is managing the system – Strategic Work.

- **Management Strategy** – The successful implementation of a management strategy does not rely on finding amazingly competent managers – such people aren't needed. If the owner doesn't know how to manage, then there will be no way to properly select and manage such a manager. The key is delegation, not abdication of responsibility. An experienced manager will manage by the standards they were taught in someone else's business – not in yours.

  What's needed instead is a **Management System** that will be the standard through which all managers, and all those who would become managers, are expected to produce results. The management system is a system designed into your Prototype to produce a marketing result. Its purpose is to orchestrate the process by which management decisions are made while eliminating the need for such decisions wherever and whenever possible. The more automatic the system is, the more effective your Franchise Prototype will be.

  Management Development – the process through which you create your Management System, and teach your up-and-coming managers to use it – isn't a management tool, but rather a marketing tool. Its purpose is not just to create an efficient Prototype but an effective one. An effective Prototype is a business that finds and keeps customers – profitably – better than everyone else.

  Your management strategy is one of the most important set of standards you will create, and should be established around your Primary Aim and your Strategic Objective. With such a system, you don't need professional managers to manage to your standards. What you need are people who wish to learn to manage to them. People that are as personally committed to those standards as you are.

  The rules you create for your game in your People Strategy (see below) become the foundation of your Management System. Once you've created these rules, this game, you need to invent the way to manage it. Your managers don't simply manage people. They manage the System by which your business achieves its objectives. The System produces the results; your people manage the system.

- **People Strategy** – Your People Strategy is the way you communicate to your people your Idea Worth Pursuing – the idea that you, the owner, has about the world. The idea behind the work that is more important than the work itself. Your people must understand the idea behind the work they're being asked to do.

  Hiring, developing, and keeping people requires a strategy built on an understanding of people completely foreign to most businesses. You can't get your people to do anything. If you want something done you're going to have to create an environment in which 'doing it' is more important than not doing it – where 'doing it' becomes a way of life for them.

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People do not simply want to work for exciting people. They want to work for people who have created a clearly defined structure for acting in the world - a structure through which they can test themselves and be tested. Such a structure is called a game. And there is nothing more exciting than a well-conceived game. This is what the very best businesses represent to the people who create them: a game to be played in which the rules symbolize your Idea Worth Pursuing.

In this context, the degree to which your people "do what you want" is the degree to which they buy into your game. And the degree to which they buy into your game doesn't depend on them but on how well you communicate the game to them – at the outset of your relationship, not after it's begun.

Your People Strategy starts with your Primary Aim and your Strategic Objective, continues through your Organizational Strategy, and in the Operations Manuals that define the work your people do.

It is communicated in every aspect of your Prototype. The medium of communication is just as important as the idea being communicated. The strategy can't just be documented; it must be experienced. It is – first, last and always – *about how you act*. The game must be genuine – you have to mean it. How you act in the game establishes how you will be regarded by the other players.

Here are some of the rules to playing the "people game". The rest have to be figured our by playing your own game.

1. **Never figure out what you want your people to do and then try to create a game out of it.** If it's to be seen as serious, the game has to come first; what your people do, second.
2. **Never create a game for your people you're unwilling to play yourself.** They'll find you out and never let you forget it.
3. **Make sure there are specific ways of winning the game without ending it.** The game can never end because the end will take the life right out of your business. However, without victories your people will grow weary. Victories keep people in the game and make the game appealing.
4. **Change the game from time to time – the tactics, not the strategy.** The strategy is the underpinning of your game's logic. It must remain sacrosanct because it is the foundation of you and your people's commitment to each other. But change is necessary – even the most exhilarating game can become ordinary given time. To know when it's time to change, watch your people – their results will tell you when the game is all but over. The trick is to anticipate the end before anyone else does and change it by executive action. You'll know if you pulled it off by watching how everyone responds to the change. Not at first, but be persistent. Your persistence will move them through their resistance into your new and more enlivening game.

5. **Never expect the game to be self-sustaining. People need to be reminded of it constantly.** The game doesn't exist by itself. It is alive to the degree that people make it so. People forget everything they start and get distracted by trivia. You can't remind your people of the game they're playing with you too often.

6. **The game has to make sense.** An illogical game will abort before it ever gets going. The best games are built on universally verifiable truths. Remember though that the game has to have a strong emotional commitment. All the logic does is give your people the rational armament to support their emotional commitment.

7. **The game needs to be fun from time to time.** No game needs to be fun all the time. In fact, a game is often no fun at all. That's part of the thrill of playing a game well: learning how to deal with the "no fun" part so as to retain your dignity while falling on your face.

8. **If you can't think of a good game, steal one.** Anyone's ideas are as good as your own. But once you steal somebody else's game, learn it by heart. There's nothing worse than pretending to play a game.

- **Marketing Strategy** – Marketing is known as Lead Generation, Lead Conversion, and Client Fulfillment, or Marketing, Sales, and Operations, or any number of other terms. Whatever it's coined as, it is critical to the growth of your business. The process starts, ends, lives and dies with your customer. When developing your strategy, it is imperative to forget about everything but your customer – it's what your customer wants that matters.

  Your customer's Conscious Mind gathers all the information about its surroundings – every impression, from the colors of your store to your appearance and posture – and sends that information to his Unconscious Mind, which makes the buying decision. The customer's Unconscious Mind is where all the expectations – formed from the experiences of his life – reside; the sum of all his expectations make up his personality.

  The decision to buy is made in moments. Studies show that in a tv commercial the sale is made or lost in the first three to four seconds; in print ads, 75 percent of the buying decisions are made at the headline alone; a sales presentation, the sale is made or lost in the first three minutes.

  After the Unconscious Mind makes the buying decision, the Conscious Mind then goes back into the world to gather the rational armament it needs to support the emotional commitment already made.

  The two pillars of a successful marketing strategy are knowing your customers' demographics (who they are) and psychographics (why they buy). Once you know that information, you can begin to construct a Prototype that satisfies your customers' unconscious needs, scientifically instead of arbitrarily.

Demographics is the science is marketplace reality. It tells you who buys. Psychographics is the science of *perceived* marketplace reality. It tells you why certain demographics buy.

Reality only exists in someone's perceptions, attitudes, beliefs, conclusions, and nowhere else. So the dictum that says "Find a need and fill it," is inaccurate. What it should say is, "Find a perceived need and fill it," because if your customer doesn't perceive he needs something, he doesn't, even if he actually does. Such perceptions are at the heart of your customer's decision-making process. Each demographic model has a specific set of perceptions that are identifiable in advance.

It's critical for a small business to understand the complexity of marketing and give it the attention it demands, to have your Prototype's efforts be anything more than a crap shoot. If mature businesses like IBM, McDonald's, FedEx, and such take it seriously, a small business simply cannot afford to – they are much more fragile than big businesses. While a small business certainly can't spend the money big businesses do on the subject, they can afford to spend the time, thought and attention on the same questions they ask.

This is why it's so important that the small business owner focuses on doing the strategic work rather than the tactical work. When seen from the appropriate perspective, the entire business process by which your company does what it does is a marketing process – starting with attracting your customers to you, making the sale when they get there, and delivering the goods at the end. It's the key process that runs through every business. And how well-integrated that process is will determine how successful you are at getting your customers to come back for more. And getting your customers to come back for more is the Primary Aim of every business – the customer you've got is much less expensive to sell to than the customer you don't have yet.

One Method of Determining Your Customer's Demographics and Psychographics

- o Ask your customers about themselves. Have them fill out a questionnaire in return for free product. Find out what colors they prefer, what shapes, what words. Ask about the brands of perfume they buy, clothes, vehicles, food, etc.
- o Match the brands your customers indicated to the ads and commercials that sell them. By becoming interested in what messages are being sent to your customers by other companies – who are successfully selling to them – you discover what messages you might send to those customers that fit in your central demographic model to get them to come to your door.

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- o Determine your first-pass Trading Zone – the geographic perimeter within which your current customers mainly live. Take the addresses from your questionnaire, plot them on a map, and draw a line around them.
  - o Buy a list of demographically correct people living in that area. You now have a list of people that match your customer base.
- **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. Everything is a system.

  There are three kinds of systems in your business:

  - o **Hard Systems** are inanimate, nonliving things like computers, color schemes, inventory, etc.
  - o **Soft Systems** are either animate (living) or ideas, such as people or documentation.
  - o **Information Systems** are those that provide us with information about the interaction between the other two system types. Inventory control, cash flow forecasting, and sales activity summary reports are all Information Systems.

  The Innovation, Quantification, Orchestration and Integration of these three systems in your business is what your Business Development Program is all about.

  If your Systems Strategy is the glue that holds your Franchise Prototype together, then Information is the glue that holds your Systems Strategy together. It tells you when and why you need to change.

  Every business has a hierarchy of systems, made up of four distinct components:

  - o How We Do It Here
  - o How We Recruit, Hire and Train People To Do It Here
  - o How We Manage It Here
  - o How We Change It Here

  The 'It' of your business is the stated purpose of your business. It's what you express in every detail of your business.

  All of these systems come together in your business to form an integrated whole. It is impossible to approach any part of your business as though it were separate from the rest, because everything in your business affects everything else. All of these systems, including all the steps in the Business Development Process, come together and are totally interdependent. The success of your program depends on your appreciation of that integration. Your Prototype is that integration.

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The most important thing to remember, more important than all the points made in the book, is to keep the curtain up. That curtain is your Comfort Zone. That Comfort Zone is that space of familiarity we all remain in when our Spirit takes us to the unknown. Comfort makes cowards of us all.

This book is not simply a prescription for success, but a call to arms – a call to learning how to feel, think and act differently and more productively, more humanly than our existing skills and understanding allow. Today's world is a difficult place, full of chaos and disorder.

The trouble with the world didn't start "out there" in the world. It started within us. The world's apparent chaos is only a reflection of our own inner turmoil. If we are to change the world, we must start with changing ourselves. We must first change our lives.

Unfortunately, we haven't been taught to think that way. Our society is accustomed to thinking in terms of them against us. We want to fix the world so that we can remain the same. And for an "out there" society, coming "inside" is a problem. But we must learn to change now. Unless we do, the chaos will remain.

This book is really about bridging the gap between the "outside" and the "inside." Between the world "out there" and the world "in here." Your small business can become that bridge between you and the world.

A small business is a place that responds instantly to any action we take. A place where we can practice implementing ideas in a way that changes lives. A place where we can begin to test all of the assumptions that we have about ourselves. A place that is practical, not idealistic, but where idealism must be present for the practical to serve. It is a place where the world is reduced to manageable size. Small enough to be responsive, but big enough to test everything we have. A world of our own.

The Entrepreneurial Revolution, where millions of people are going into business for themselves, is nothing more than a flight from the world of chaos "out there" into a world of our own. It's a yearning for structure, for form, for control. It's a yearning for relationship with ourselves and the world in a way impossible to experience in a job.

The reason why most small businesses fail is because we bring our chaos with us. We don't change – we try to change "out there." We try to change the world by starting a small business, but we stay the same. And so the small business that was started to give us a new world instead becomes the worst job in the world.

The lesson is that we can't change our lives by starting "out there." All we can produce in the process is more chaos. We can only change out lives and create a world of our own if we first understand how such a world is constructed, how it works, and the rules of the game. That means we have to study the world and how we are in it. A small business is just such a world, and the Business Development Program is a means to study it most

effectively. Our Franchise Prototype can provide our study with the discipline it needs to succeed.

The very process of Business Development creates instantaneous change in the people who engage in it – and that is the key to its success. Those who engage in the process must remember their aim in order to continue it. In the process of remembering, their aim becomes tethered to something real in the world – their business, a place where aims can be tested in a concrete, practical way. The business becomes a symbol for the life they wish to live, a visible manifestation of who they are and what they believe.

Don't think about it anymore. It's time to act. Because until you do, you won't understand it. And when you do, there will be nothing left to think about – you'll be well on your way.

> *When you hear something, you forget it.*
> *When you see something, you remember it.*
> *But not until you do something will you understand it.*

Summary Conclusion

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