

E-Myth Revisited by Michael Gerber

Books have been the wind beneath my wings and have delivered so much good in my life. This book with its horrible title is THE book that helped “flip” the switch for me in building a real estate sales business. **A business that works so I don't have to.** A business that runs with or without me. A business that serves me and not the other way around.

In the Good Life there are three stages: Sacrifice - Leverage - Freedom. You must travel through sacrifice and leverage in order to reach freedom as a real estate agent.

This book represents that fundamental mindset required in the Leverage stage.

Here are my notes. Substitute real estate agent for entrepreneur, small business owner, etc used throughout the book.

When you become an entrepreneur, there are many predictable frustrations you'll run into:

- Not having enough profit
- Not enough personal income

- Not enough customers
- Can't find good people
- Don't have enough time
- The business depends too much on you

And the list goes on. Finding your way out of those predictable problems is difficult, if not impossible, without a **system** that predictably produces the opposite of those issues.

That's where The E-Myth and the Entrepreneurial Model it promotes comes in. According to Michael Gerber, the solution involves thinking about your business like a franchise - which is a proprietary way of doing business that successfully differentiates every extraordinary business from their competitors.

This is the classic "work on your business rather than in it" advice you'll hear repeated by business gurus. The difference is that Gerber has created step-by-step instructions on how you should get there.

Through this book and summary, you'll find the answer to the following questions:

1. How can I get my business to work without me?
2. How can I get my people to work but without my constant involvement?
3. How can I systematize my business in such a way that it could be replicated 5000 times, so the 5000th unit would run as smoothly as the first?
4. **How can I own my business and still be free of it?**
5. How can I spend my time doing the work I love to do rather than the work I have to do?

Understanding the Rules

Here are the rules you'll need to follow in order to get your business running like a franchise that produces predictable results:

1. The model will provide consistent value to your customers, employees, suppliers, and lenders, beyond what they expect.
2. The model will be operated by people with the lowest possible level of skill.
3. The model will stand out as a place of impeccable order.
4. All work in the model will be documented in Operations Manuals.

5. The model will provide a uniformly predictable service to the customer.
6. The model will utilize a uniform color, dress, and facilities code.

There are 7 distinct steps to get there, which we'll cover in turn.

1. Your Primary Aim

Every entrepreneur starts a business for themselves. But we often get so tied up in the business that we forget that the ultimate aim of the business is to serve ourselves.

Here are the questions you need to answer with 100% clarity if you want your business to serve you, and not the other way around.

1. What do I wish my life to look like?
2. How do I wish my life to be on a day-to-day basis?
3. What would I like to be able to say I truly know in my life, about my life?
4. How would I like to be with other people in my life – my family, friends, business associates, customers, employees, and community?
5. How would I like people to think about me?

6. What would I like to be doing two years from now? Ten years? Twenty years? When my life comes to a close?
7. What specifically would I like to learn during my life – spiritually, physically, financially, technically, intellectually? About relationships?
8. How much money will I need to do the things I wish to do? By when will I need it?

2. Your Strategic Objective

Your Strategic Objective is a clear statement of what your business ultimately has to do in order to achieve your Primary Aim.

It's a list of standards you can use to measure your progress towards your ultimate goal. (or Mission)

There are many standards you could include, but Gerber suggests that the first two on the list should be as follows.

First, you need to be **clear** on how much money your company will make when it is ultimately "done." Will it be a \$1 million a year company? A \$500 million a year company? Something else? How much after-tax profit will it make? That's the money you are going to use to build the life that you want through your Primary Aim.

Second, you need to build a business that can fulfill the financial standards you've set with the first standards. It tells you what kind of business you are creating and defines who your customer will be.

From there, there are no specific number of standards that need to be created. But it will help if you answer some of the following questions:

- When is the ultimate version of your company (Gerber calls this the prototype) going to be finished?
- Where are you going to be in business? Locally? Regionally? Internationally?
- What type of business are you going to be? Retail? Wholesale? Something else? (Obviously real estate)

The standards that you create for your business will ultimately become the business you strive to create. Many entrepreneurs skip this step when they start, and never climb their way out of day-to-day operations of their business.

3. Your Organizational Strategy

Gerber reminds us that *most companies organize themselves around personalities rather than around functions*. And the result, he suggests, is almost always chaos.

The next logical step in building your business prototype is to determine the exact organizational structure you'll need in order to execute on your strategic objective.

Here's how you'll do it.

1. Build an organizational chart for what your business will ultimately look like. For instance, you might need a CEO (which may or may not be you), a COO, a VP of Sales, account managers, and so on.
2. Put your name in all of the positions that you currently fill. When you are starting out, this will likely be all of them.
3. Create very detailed descriptions of each one of the positions, which Gerber calls Position Contracts. This is a summary of the results that need to be achieved by each position in the company, the work the person is responsible for, a list of standards that the results are to be evaluated against, and a line for the signature of the person who agrees to fulfil those responsibilities.

4. Sign your name to each of the contracts you currently fill.

The insight here is that you should create the system inside your business based on the standards you want to set, rather than letting other people do it for you.

In order to free yourself up to work on the strategic parts of the business, you need to rest easy knowing that the tactical parts of the business are being taken care of. (*This is huge)

For instance, you don't place an ad for a salesperson until you've created the Sales Operations Manual for the company.

Once you've created the position contracts for each of the roles in the company, you'll know exactly which standards you need to be hiring against.

4. Your Management Strategy

Now that you have your organizational strategy created, you can move on to your management strategy.

Gerber suggests that our management strategy is the system we create for the business. It shouldn't and can't rely on expensive

and talented people. The more automatic and specific your system is, the more effective it will be.

At its core, it is a series of checklists for everything that needs to be done inside the business.

For example, a hotel would have a series of checklists for the people who clean the rooms. And another series of checklists for the people responsible for checking guests in. And so on.

In real estate sales, for instance, you must create a checklist for information necessary for listing a home for sale. A checklist for inputting that listing into the MLS. A checklist for closing procedures (what exactly happens once an offer is accepted - step by step from there until closing - and then what are the step by step procedures for after closing... which then creates automated consistent communication over time with the newsletter, seasonal cards, etc).

Finally, you should have a mechanism built into your system for following up on making sure that the work in the checklists is done properly.

For instance, you could have your people sign a checklist at the end of each job letting the company know that the work had been completed based on the steps required. And then make it a fireable offence for signing off on work that hadn't been completed.

The benefits of a system like this are clear. You'll be able to hire and train new people so that they'll quickly be performing the tasks and producing identical results to people who have been doing them for a long time.

5. Your People Strategy

At the heart of your people strategy is creating an environment where "doing it" is more important to them than not doing it.

One of the key parts to making this happen is to ensure that the people you hire understand the reason behind the work they are being asked to do.

As Gerber points out, 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.

In short, a game. The key, of course, is to make sure you are creating a game worth playing.

Gerber describes the "game" a hotel owner had created where his hotel became a world in which the sensory experiences of his customer were greeted by a profound dedication to cleanliness, beauty and order.

This went beyond the commercial justification and extended into the worldview the owner of the hotel had. It was then communicated to his employees in both words and actions.

He communicated his idea through the systems they documented for running the business, and through his warm, caring manner.

Importantly, he set the tone for this game at the beginning of his relationship with his employees - before they were hired.

There were 5 distinct components to the hiring process:

1. A scripted presentation communicating the Boss's idea in a group meeting to all the applicants at the same time. It described his idea, but also the history of the business and

their success in implementing the idea, and what would be required for the successful candidate for the position.

2. Then he met with each applicant individually to discuss their reactions to his idea, and ask them why they thought they would be a good fit to implement the idea.
3. He notified the successful candidate by phone with a scripted presentation.
4. He notified the unsuccessful applicants, thanking them for their interest.
5. On the first day of training, the boss did the following:
 - Reviewed the boss' idea;
 - Summarized the system through which the entire business brings that idea to reality;
 - Took the new employee on a tour of the facility, highlighting the people and systems that bring the idea to life;
 - Answered the employee's questions clearly and fully;
 - Reviewed the Operations Manual with the employee, including the Strategic Objective, the Organization Strategy, and the Position Contract for the employee's position.
 - Completed the employment papers.

This is how you bring the core values of your business to life.

6. Your Marketing Strategy

Your marketing strategy lives and dies with what your customer wants, and how you deliver it to them.

And understanding what your customer wants depends on you understanding the two pillars of a successful marketing strategy - the demographics and psychographics of your customers.

When you first start your business, you'll already have defined the demographics of your customers. Your next job is to figure out as much of the psychographics for that segment of the market as possible.

What other brands do they buy? How are those companies - who are already successfully selling to those people - sell to them?

What colors do they use? What messages are they sending?

What values do they seem to be promoting?

Then, you'll take all of that information and figure out what your business must be in the mind of those customers in order for them to choose you over everybody else.

Finally, you'll make a promise your customer wants to hear, and then align your entire organization around delivering on that promise better than anyone else on the block.

Of course, as your company continues to grow, you'll continue to learn about the demographics and psychographics of your customers, and continue to iterate on your marketing strategy over time.

7. Systems Strategy

The last piece of the puzzle in building your business is your systems strategy. There are 3 kinds of systems.

Hard systems are inanimate, unliving things. Soft systems are either living things, or ideas. The core of the book and summary so far have been a combination of those two systems.

The third system is the information system, which provides us with information about the interaction between the other two.

As an example, if you have a sales system that tracks the sales steps from beginning to end (you should), you would be tracking some or all of the following items:

- How many calls were made?
- How many prospects were reached?
- How many appointments were scheduled?
- How many appointments were confirmed?
- How many appointments were held?
- How many Listing Presentations were scheduled?
- How many Listing Appointments were confirmed?
- How many Listings were taken?
- How many Buyer Presentations were scheduled?
- How many Buyer Presentations were confirmed?
- How many Buyer Agreements were completed?
- How many homes were sold?
- What was the average dollar value?
- What the average commission per transaction
- Etc, etc, etc.

In short, the information system should tell you everything you need to know about how your people are performing, so that you can meet your strategic objectives, so that you can meet your primary aim.

Overall this book will provide you the proper Mindset required to build a lovable business. Remember, real estate sales in the

greatest small business opportunity in the world. AND, the “job” of real estate agent kinda sucks. Therefore, in my honest and accurate opinion - the only path to a lovable business ONLY reaches lovable when you’re no longer “doing” the business.