1-Page Book Summary of The E-Myth Revisited

Many people dream of quitting a job or leaving a boss they dislike and becoming their own boss by starting a business. Each year, a million new businesses are started. However, 40 percent fail within the first year and 80 percent fail within five years. Of those that last five years, more than 80 percent fail in the next five.

Underlying the high failure rate are persistent romantic notions about how businesses are born and what it takes to succeed. In The E-Myth Revisited: Why Most Small Businesses Don’t Work and What to Do About it, Michael E. Gerber argues that new business owners typically fail because they focus on technical expertise rather than on developing business knowledge. They mistakenly think that knowing how to do a specific thing, such as baking pies, is all it takes to make a business work. But there’s much more to it. The important thing isn’t the commodity — what is produced — but how it’s produced. The business itself is the product.

The “E-Myth” of the book’s title refers to what Gerber calls the Entrepreneurial Myth that small businesses are founded by entrepreneurs with a great idea, capital to invest, and the business acumen to pull it off. The truth is that most small businesses are started by ill-equipped technicians.

Three Roles

A small business owner needs to cultivate and balance three roles or mindsets, all of which are necessary for running a
The first is the technician mindset, which is where most small business owners begin and end. But this mindset by itself is insufficient. The other necessary roles are entrepreneur and manager. Here's how they work:

- The entrepreneur role provides the vision, creativity, and energy that drive the business.
- The manager is a pragmatist who translates the vision into reality through planning and systems.
- The technician is an individualist and a doer who produces the product or service.

### Three Phases

A typical small business develops in three phases — infancy, adolescence, and maturity — although many fail before reaching maturity.

In the **infancy phase, the owner wears the technician hat**. The business is driven not by business needs but by what the owner wants, which is to produce something he enjoys making. The volume of work soon exceeds his capacity to get it all done. **At this point, many businesses fail — the exhausted owner/technician gives up.**

If the owner doesn't give up in the infancy stage due to overwork, she moves into the adolescent phase in which she hires another technician and quickly off-loads responsibilities to that person while providing little oversight. Problems soon develop, so the owner jumps in again to do things herself. Soon the business reaches a crisis point where the owner feels she's losing control.

Businesses can grow from infancy and adolescence to maturity as their owner learns and grows. But the most successful companies start out differently, as mature businesses already knowing where they're going and how they'll get there. The founders have business knowledge and an entrepreneur's mindset.

Developing business knowledge is the crucial missing piece for most small business owners. If they don't move out of their technician's comfort zone to learn new skills and roles at the adolescence crisis point, business owners typically go one of three directions: they shrink the business (return to the infancy stage), go all out until they crash, or go into survival mode and barely hang on.

### The Franchise Movement

However, there's a more effective and less painful route. The franchise movement, which started in the 1950s, has provided a "turn-key" model for successful business development that independent business owners can emulate.

The movement began when a milkshake machine salesman, Ray Kroc, visited a hamburger restaurant owned by two brothers named MacDonald in San Bernardino, California. At the restaurant, he found high school students producing identical burgers systematically and efficiently under the supervision of the owners. Kroc saw that this process could be replicated to continually make money and he persuaded the brothers to let him franchise it. He created McDonald's, which became the world's largest prepared food delivery system.

Franchising wasn't a new idea — **Kroc's innovation was his "business format franchise,"** a new-business template that's been widely adopted by other companies. Under business format franchising, the franchisor teaches the business format (marketing, selling, inventory, finance, personnel procedures) to the franchisee.

Kroc's model format can be applied to small business development in any field.

### Building a Business

In applying business format franchise principles, **an owner must first think of his business in a new way — as though it were the prototype for thousands of others like it.** He should imagine he's going to franchise it, then create a model in which the parts — purpose, organization, management strategy, production systems and processes — can be replicated. In other words, he should create a model for a business that runs without him.

A business development program is the means for organizing or reorganizing a business into such a model or structure. There are seven components that you as an owner must work through:

1. **Personal objective:** Determine your primary goal in life. Your business's purpose should dovetail with your personal goal.
2. **Business objective:** State what you want your business to look like and to accomplish. How much money does it need to make? How is it serving the need of your customers?
3. **Organizational plan**: Create an organization chart reflecting what your organization will look like when the business is fully evolved. What specific functions does your business need? Create an operations manual for each position before hiring for it.

4. **Management plan**: Create an operating philosophy that reflects why and how you do what you do. All your actions and your employees' actions communicate this philosophy to your customers.

5. **People plan**: Create an environment in your business where doing what needs to be done is important and gratifying to the people tasked to do it. Make each person's expectations clear, and recognize them when they've achieved them.

6. **Marketing plan**: Determine who your prime customers are, what they buy, and how to...

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**The E-Myth Revisited Summary Introduction**

Many people dream of quitting a job or boss they dislike and becoming their own boss by starting a business. Each year, a million new businesses are started. However, 40 percent fail within the first year and 80 percent fail within five years. Of those that last five years, more than 80 percent fail in the next five.

Underlying the failure rate are persistent romantic notions about how businesses are born and what it takes to succeed. In *The E-Myth Revisited: Why Most Small Businesses Don't Work and What to Do About it*, Michael E. Gerber explains how wrong beliefs and assumptions undermine new businesses and how to overcome them and succeed.

Succeeding in a new business starts with understanding these driving forces:

- **The Entrepreneurial Myth**: The myth is that most businesses are started by entrepreneurs with business knowledge, who come up with an innovative idea and take the risk of investing in it in hopes of making a profit. In fact, entrepreneurship isn't the reason most businesses are started. They're started because people who are good at something believe their technical skills are a ticket to success and they start a business on those skills alone. Acquiring business knowledge gets left out of the equation.

- **The Growth of Franchises**: Since the launch of McDonald's in the sixties, corporations selling "turn-key" franchises along with training to would-be small business owners has become a highly successful alternative to taking the risks of starting a business from scratch.

- **The Business Development Process**: The business development process at the center of the franchise movement serves as a useful...

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**The E-Myth Revisited Summary Part I: The Small Business Trajectory**

**Chapter 1: The Myth of the Entrepreneur**

Most people believe the Myth of the Entrepreneur, which is that new businesses are started by entrepreneurs who spot opportunities for making a profit and risk capital for an ultimate payoff.
However, most small businesses aren’t started by sharp-eyed entrepreneurs. They’re started by people like you, struck by the idea of becoming your own boss. Usually, you’re doing technical work and something triggers the thought of going it alone and doing the same work for yourself rather than for someone else. For instance, you might suddenly get fed up with the demands or feel your talents and efforts are unappreciated. So whether you’re a hairstylist, pet groomer, plumber, or technical writer, you start your own business.

You erroneously assume that your ability to make something or do something well will translate into business success — that what a business does and how it works are the same thing. But technical knowledge isn’t enough. It can even be a liability if you think you already know everything you need to know. Running a business requires a different mindset from that of a technician and a broader set of skills.

As a technically oriented small business owner, you jump in with both feet, enthusiastically working around the clock, but eventually, your labor of love becomes drudgery, a lot like the drudgery of the job you left. The small business that you thought would liberate you has become a job — one that’s taken over your life — and you end up tired and disillusioned.

Chapter 2: A Small Business Owner’s Three Roles

The problem is that you’ve focused too narrowly on one role. A small business owner needs to cultivate and balance three roles or mindsets, all of which are necessary for running a business. The first is the technician mindset, which, as noted, often prompts you to start a business but by itself is insufficient to maintain a business. The other roles are those of the entrepreneur and the manager.

Two of them — technician and manager — may be delegated as the business grows, but...

Shortform Exercise: What’s Your Main Role?

Every business owner has three roles or mindsets — entrepreneur, manager, and technician. The entrepreneur provides the vision that drives the business, the manager creates systems to carry out the vision, and the technician produces the product or service.

In running your business, what is your dominant mindset? What are the advantages and disadvantages of this?

What Our Readers Say

This is the best summary of The E-Myth Revisited I’ve ever read. I learned all the main points in just 20 minutes.

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The E-Myth Revisited Summary Part II: The Franchise Movement

The franchise movement, which provided a “turn-key” model for new businesses, has had a transformative effect on American small business comparable to that of the industrial revolution and the rise of technology and computers. The franchise model brings organization to the disarray of many small businesses and a path for development and continuous growth.

The movement began in 1952, when a milkshake machine salesman, Ray Kroc, visited a hamburger restaurant owned by two brothers named MacDonald in San Bernardino, Calif.

At the restaurant, he found high school students producing identical burgers systematically and efficiently under the supervision of the owners.
Kroc immediately saw that this process could be replicated to continually make money, and he persuaded the brothers to let him franchise it. A dozen years later, he bought them out and created what became the world's largest prepared food delivery system.

McDonald's, a $40 billion-a-year business with more than 28,000 restaurants at the time this book was written, calls itself “the most successful small business in the world.” It triggered the growth of franchised businesses in the U.S. to the point that, in 2000, there were 320,000 franchised businesses in 75 industries.

Franchising wasn't a new idea — Kroc's innovation was his “business format franchise,” a new-business template that's been widely adopted by other companies. Under business format franchising, the franchisor teaches the business format (marketing, selling, inventory, finance, personnel procedures) to the franchisee. It was so successful that from 1971-87, less than 5 percent of franchises failed. In five years, 5 percent failed compared to the 80 percent failure rate for independently owned businesses.

**Chapter 7: A New-Business Model**

Originally, franchised businesses were “trade name” franchises in which the franchisor merely gave small businesses a license to use its name and sell its products. In contrast, under a business format franchise, the franchisee **gets not only the name but also a complete system...**

**Shortform Exercise: Assess Your Business**

A typical small business goes through infancy and adolescence phases. In the infancy stage, the owner usually focuses on the technician role and tries to do it all; in adolescence, the owner hires additional employees but begins losing control. A business doesn't reach maturity unless the owner expands his or her skillset.

Which phase describes your business right now? What do you see as the next step in its evolution?

**The E-Myth Revisited Summary Part III: Building an Effective Small Business**

**Chapter 9: Developing Your Business**

To organize or reorganize your business into a model or prototype that could be replicated, you need a business development program.

It has seven components:

1) Personal objective
2) Business objective
3) Organizational plan
4) Management plan
5) Personnel plan
6) Marketing plan
7) Systems plan
1) Personal Objective

As noted previously, your life and your business are separate things. But your business can and should play an important role in your life, and its purpose should dovetail with your personal goals.

Before determining your business's role in your life, determine your own primary goal by considering what you most value, what kind of life you want, and who you want to be. You need to know where you're going in life in order for your business to contribute to that goal.

Other questions to help determine your life goal include:

- what you want your life to be like on a daily basis
- how you want to relate to others
- what you want others to think of you
- what you'd like to be doing in both the short term and longer term
- how you want to grow and what you'd like to learn
- how much you need to earn to achieve your goals

Knowing your life goal can help you shape your business goals and provide the energy and purpose to drive your business.

2) Business Objective

Your business can be part of achieving your life goal. Your business objective is a clear statement of what you want your business to look like and what you want it to accomplish.

A vision of what you want your business to be includes financial goals; clarity on what you propose to sell and specifically to whom; and considerations such as your growth timeline and standards for how you'll do business.

Financial Goals

In picturing what your business will look like when fully realized, decide how big it will be in terms of gross revenue. Also, estimate pre- and after-tax profits. Does the amount match what you need to achieve your life goal? How much do you want to be able to...

READ FULL SUMMARY OF THE E-MYTH REVISITED

Shortform Exercise: Your Business Objective

Your business objective is a clear statement of what you want your business to look like when fully evolved and what you want it to accomplish.

Do you have a written business objective? If so, what is it? How could it be improved? If not, write a potential strategy statement.

SIGN UP FOR FULL EXERCISE

The E-Myth Revisited Summary Epilogue

In your small business, which is a reflection of you, you have created a practical space in which to learn and grow. It's similar to a dojo or practice hall, as described by Joe Hyams in *Zen in the Martial Arts*. It's a space for immersive learning.

Your small business is a manageable world that responds to your actions instantly. You can test your ideas and assumptions about the business and yourself. You're forced to be specific rather than make generalizations, and you have to think strategically as well as operationally. You have ideals, but you still must be practical and maintain rules and order.

Creating your own world, which is the entrepreneur's dream after all, teaches you your limitations and strengths and helps you understand yourself and the larger world....
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Shortform Exercise: Starting a Business

Have you thought about starting a business? Remember, it takes more than a technical skill like dog grooming or baking and more than a great idea.

What is your idea? Why do you think it would succeed?