

The CEO Report

Why Most Businesses Don't Work

By Michael E. Gerber



Putting the Pieces Together®

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Businesses start and fail in the United States at an increasingly staggering rate. Every year, over 500,000 people start a business of some sort. By the end of the first year, at least 40% of them will be out of business. Within 5 years, more than 80% of them—400,000 people—will have failed!

And, if your business has managed to survive for 5 years or more, don't breathe a sigh of relief. More than 80% of the enterprises that survive the first 5 years will fail in the second 5 years.

Why is this? Why do so many people go into business, only to fail? What lessons are they not learning? Why is it that with all the information on how to be successful in business, so few people really care?

"I think that maybe inside any business, there is someone slowly going crazy."
—Joseph Heller, *Something Happened*

These figures gathered by the Department of Commerce illustrate a startling fact supported by the experiences of countless people, which is:

A GROWING NUMBER OF BUSINESSES IN THIS COUNTRY SIMPLY DO NOT WORK!

That's not because people who own and operate businesses don't work. They do. They work far more than they should for the return they're getting. The problem is that they're doing the wrong work. As a result, their businesses end up in chaos—unmanageable, unpredictable, and unrewarding. Sound familiar?

No matter how large or how small your business is it is important to remember that your business is nothing more than a distinct reflection of who you are.

If your thinking is sloppy, your business will be sloppy. If your information about what needs to be done in your business is limited, your business will reflect that limitation. If you are disorganized, your business will be disorganized as well. If you are greedy, your employees will be greedy, giving you less and less of themselves and constantly asking for more.

So if your business is to change—as it must to be successful—you must change first. Because if you don't change, your business will never be capable of giving you what you want. But once you do change, your business will change as well and prosper.

And the first change you need to make is in your understanding what a business really is, and what it takes to make one work. Once this is grasped, your business and your life will take on a vitally new meaning. You'll begin to understand why so many people fail to get what they want from a business of their own.

“They intoxicate themselves with work so they won't see how they really are.”

—Aldous Huxley

Where were YOU before you started your business? What were you doing?

If you were like 99% of the people I've known, you were working for someone else. And you were probably doing technical work like almost everyone who goes into business.

But, why did you decide to start a business of your own? What motivated you?

Whatever your profession, you were probably doing technical work. And you were probably good at it, but you were doing it for someone else.

Then one day, for no apparent reason, something happened, you were suddenly stricken with an Entrepreneurial Seizure. And from that day on your life was never to be the same again.

Inside your head it sounded something like this:

“What am I doing this for? Why am I working for this guy? Why, I know as much about the business as he does. If it weren't for me, he wouldn't have much of a business. Anyone can run a business, if he's half as smart as me.”

The growing excitement of “going out on your own” became your constant companion. The thought of independence followed you everywhere. The idea of being your own boss, doing your own thing, singing your own song, became delightfully irresistible.

Once you were stricken with an Entrepreneurial Seizure, there was no relief. You couldn't get rid of it. You HAD to go into business for yourself!

In the throes of your “seizure”, you may have fallen victim to the single most disastrous assumption anyone can make about going into business.

The FATAL ASSUMPTION is this: if you understand the technical work of a business, you understand a business that does that technical work.

And the reason it's fatal is that it just isn't true! In fact, it is the root cause of most business failures! The technical work of a business and a business that does that technical work are

two totally different things! But the technician who starts a business most often fails to see this. Why?

Because most people assume new businesses—including their own—are started by entrepreneurs. When in reality, most businesses are started by a technician who was stricken by an Entrepreneurial Seizure. As soon as it was started, he went back to being a technician, only this time with no boss! Most people assume that understanding the technical work of the business eminently qualifies a person to run a business that does that kind of work.

Not true. In fact, rather than being our greatest single asset, knowing a lot of the technical work in our business becomes our greatest single liability. For if the technician didn't know how to DO the technical work of the business, he would have to learn HOW TO GET IT DONE. In other words, he would be forced to learn how to make the business work, rather than do the work himself.

When the technician falls prey to the Fatal Assumption, the business that was supposed to free us from the limitations of working for somebody else actually enslaves us. Suddenly the job we knew how to do so well becomes one job we know how to do well plus a dozen other jobs we don't know how to do at all!

Being a TECHNICIAN isn't our only problem. The problem is compounded by the fact that everyone who goes into business is actually three-people-in-one: The Entrepreneur, The Manager, and The Technician. Each of these personalities wants to BE the boss. But none of them wants to HAVE a boss. So they start a business together in order to get rid of the boss. And the conflict begins.

There's a kind of war going on inside the owner of every small business. It's a three-way battle between The Entrepreneur, The Manager, and The Technician:

THE ENTREPRENEUR

The entrepreneurial personality turns the most trivial condition into an exceptional opportunity. The Entrepreneur is the visionary in us. The dreamer. He lives in the future, never in the past, rarely in the present. He's happiest when left free to construct images of "what if" and "if when". He is our own creative personality; always at its best dealing with the unknown, prodding the future, creating probabilities out of possibilities. Every strong entrepreneurial personality has an extraordinary need for control. Living as he does in the world to concentrate on his dreams. Given his need for change, he creates a great deal of havoc around himself, which is predictably unsettling for those he enlists in his many projects. This then becomes his world-view: a world made up of both an over-abundance of opportunities and dragging feet.

THE MANAGER

The managerial personality is pragmatic. Without The Manager there would be no planning, no order, no predictability. He lives in the past. He craves order. He compulsively clings to the status quo. He sees problems. He creates neat, orderly rows. Without The Manager, there would be no business.

THE TECHNICIAN

The Technician is the doer. “If you want it done right, do it yourself” is the Technician’s credo. He loves to tinker. Things aren’t supposed to be dreamed about, they’re supposed to be done. He lives in the present. He loves the feel of things and the fact that things can get done. He’s happy when he’s working. To him thinking is unproductive unless it’s thinking about work that needs to be done. He’s not interested in ideas; he’s interested in how-to-do-it. All ideas need to be reduced to the methodology if they are to be of any value.

Put another way, The Entrepreneur dreams, The Manager frets, and The Technician ruminates. To The Manager, then, The Technician becomes a problem to be managed. To The Technician, The Manager becomes a meddler to be avoided. To both of them, The Entrepreneur is the one who got them into trouble in the first place.

The fact of the matter is that we all have an Entrepreneur, Manager, and Technician inside us. And if they were equally balanced, we’d be describing an incredibly competent individual. The Entrepreneur would be free to forge ahead into new areas of interest; The Manager would be solidifying the base of the operations; The Technician would be doing the technical work. Unfortunately, the typical small business owner is only 10% Entrepreneur, 20% Manager and 70% Technician.

The Entrepreneur wakes up with a vision. The Manager screams “Oh, no!” And while the two are battling it out, The Technician seizes the opportunity to go into business for himself! To The technician it’s a dream come true. But to the business it’s a disaster, because the wrong person is at the helm.

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