



# THE ENTREPRENEURIAL MYTH

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

*Aldous Huxley*

The E-Myth is the myth of the entrepreneur. It runs deep in this country and rings of the heroic.

Picture the typical entrepreneur and Herculean pictures come to mind: a man or woman standing alone, wind-blown against the elements, bravely defying insurmountable odds, climbing sheer faces of treacherous rock—all to realize the dream of creating a business of one's own.

The legend reeks of nobility, of lofty, extra-human efforts, of a prodigious commitment to larger-than-life ideals.

Well, while there are such people, my experience tells me they are rare.

Of the thousands of businesspeople I have had the opportunity to know and work with over the past two decades, few were *real* entrepreneurs when I met them.

The vision was all but gone in most.

The zest for the climb had turned into a terror of heights.

The face of the rock had become something to cling to rather than to scale.

Exhaustion was common, exhilaration rare.

But hadn't all of them once been entrepreneurs? After all, they had started their own business. There must have been some dream that drove them to take such a risk.

But, if so, where was the dream now? Why had it faded?

Where was the entrepreneur who had started the business?

The answer is simple: *the entrepreneur had only existed for a moment*.

A fleeting second in time.

And then it was gone. In most cases, forever.

If the entrepreneur survived at all, it was only as a myth that grew out of a misunderstanding about who goes into business and why.

A misunderstanding that has cost us dearly in this country—more than we can possibly imagine—in lost resources, lost opportunities, and wasted lives.

That myth, that misunderstanding, I call the E-Myth, the myth of the entrepreneur.

And it finds its roots in this country in a romantic belief that small businesses are started by entrepreneurs, when, in fact, most are not.

Then who does start small businesses in America?

And why ?

## **The Entrepreneurial Seizure**

To understand the E-Myth and the misunderstanding at its core, let's take a closer look at the person who goes into business. Not after he goes into business, but before.

For that matter, where were you before you started your business? And, if you're thinking about going into business, where are you now?

Well, if you're like most of the people I've known, you were working for somebody else.

What were you doing?

Probably technical work, like almost everybody who goes into business.

You were a carpenter, a mechanic, or a machinist.

You were a bookkeeper or a poodle clipper; a drafts-person or a hairdresser; a barber or a computer programmer; a doctor or a technical writer; a graphic artist or an accountant; an interior designer or a plumber or a salesperson.

But whatever you were, you were doing technical work.

And you were probably damn good at it.

But you were doing it for somebody else.

Then, one day, for no apparent reason, something happened. It might have been the weather, a birthday, or your child's graduation from high school. It might have been the paycheck you received on a

Friday afternoon, or a sideways glance from the boss that just didn't sit right. It might have been a feeling that your boss didn't really appreciate your contribution to the success of his business .

It could have been anything; it doesn't matter what. But one day, for apparently no reason, *you were suddenly stricken with an Entrepreneurial Seizure* . And from that day on your life was never to be the same.

Inside your mind it sounded something like this: "What am I doing this for? Why am I working for this guy? Hell, I know as much about this business as he does. If it weren't for me, he wouldn't have a business. Any dummy can run a business. I'm working for one."

And the moment you paid attention to what you were saying and really took it to heart, your fate was sealed.

The excitement of cutting the cord 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 obsessively irresistible.

Once you were stricken with an Entrepreneurial Seizure, there was no relief.

You couldn't get rid of it.

You *had* to start your own business.

### **The Fatal Assumption**

In the throes of your Entrepreneurial Seizure, you fell victim to the most disastrous assumption anyone can make about going into business.

It is an assumption made by all technicians who go into business for themselves, one that charts the course of a business—from Grand Opening to Liquidation—the moment it is made .

That Fatal Assumption is: *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's the root cause of most small 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 fails to see this.

To the technician suffering from an Entrepreneurial Seizure, a business is not a business but a place to go to work.

So the carpenter, or the electrician, or the plumber becomes a contractor.

The barber opens up a barber shop.

The technical writer starts a technical writing business.

The hairdresser starts a beauty salon.

The engineer goes into the semiconductor business.

The musician opens up a music store.

All of them believing that by understanding the technical work of the business they are immediately and eminently qualified to run a business that does that kind of work.

And it's simply not true!

In fact, rather than being their greatest single asset, knowing the technical work of their business becomes their 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 .

He would be forced to learn how to make the business work, rather than to do the work himself.

The real tragedy is that when the technician falls prey to the Fatal Assumption, the business that was supposed to free him from the limitations of working for somebody else actually enslaves him.

Suddenly the job he knew how to do so well becomes one job he knows how to do plus a dozen others he doesn't know how to do at all.

Because although the Entrepreneurial Seizure started the business, it's the technician who goes to work.

And suddenly, an entrepreneurial dream turns into a technician's nightmare.

**See the young Woman Baking Pies.**

**See the Young Woman Start a Business baking Pies.**

**See the Young Woman Become an Old Woman.**

I met Sarah after she had been in business for three years. She told me, "They have been the longest three years of my life."

Sarah's business was named All About Pies (not its real name).

But, in truth, Sarah's business wasn't really all about pies—it was really all about work. The work Sarah did. The work Sarah used to love

to do more than anything else. Plus the work Sarah had never done in her life.

“In fact,” Sarah said to me, “not only do I hate to do all this [she spread her arms, taking in the small shop in which we stood] but I *hate* [she emphasized the word almost fiercely]—I *hate* baking pies. I can’t stand the thought of pies. I can’t stand the smell of pies. I can’t stand the sight of pies.” And then she started crying .

The sweet fresh aroma of pies filled the air.

It was 7 A.M. and All About Pies was to open in thirty minutes. But Sarah’s mind was someplace else.

“It’s seven o’clock,” she said, wiping her eyes with her apron, as though reading my mind. “Do you realize I’ve been here since three o’clock this morning? And that I was up at two to get ready? And that by the time I get the pies ready, open for business, take care of my customers, clean up, close up, do the shopping, reconcile the cash register, go to the bank, have dinner, and get the pies ready for tomorrow’s bake, it’ll be nine-thirty or ten o’clock tonight, and by the time I do all that, by the time any normal person, for God’s sake, would say that the day was done, I will then also need to sit down and begin to figure out how I’m going to pay the rent next month?”

“And all this [she spread her arms wearily again, as though to accentuate everything she had just said] because my very best friends told me I was crazy not to open a pie shop because I was so damn good at it? And, what’s worse, I believed them! I saw a way out of the horrible job I used to have. I saw a way to get free, doing work I loved to do, and doing it all for me.”

She was on a tear that I didn’t want to interrupt. I waited quietly to hear what she would say next.

Instead, she kicked the huge black oven in front of her with her right foot.

“Damn!” she exploded.

“Damn, Damn, Damn!”

For emphasis, she kicked the oven again. And then slumped, sighed deeply, and hugged herself, almost desperately.

“What do I do now?” she said, almost in a whisper. Not really asking me, I knew, but asking herself.

Sarah leaned against the wall and remained there quietly for a long moment, staring at her feet. The large clock on the wall ticked loudly in the empty shop. I could hear the cars driving by on the busy street in

front of the shop as the city came awake. The sun shone harshly through the spotless windows, sweeping the gleaming oak floor in front of the counter.

I could see the dust in the stream of light, hanging suspended as though waiting for Sarah to speak.

She was deep in debt.

She had spent everything she had, and more, to create this lovely little shop.

The floors were the best oak.

The ovens were the best ovens.

The displays were charming, the very best money could buy.

She had put her heart into this place, just as she had put her heart into her pies, falling in love with baking as a young girl, mentored by her aunt who had lived with her family while Sarah was growing up.

Her aunt had filled her family's kitchen, Sarah's childhood, with the delicious, sweet aroma of freshly baked pies. Her aunt had introduced her to the magic of the process: the kneading of the dough, the cleaning of the oven, the sprinkling of the flour, the preparation of the trays, the careful cutting of the apples, the cherries, the rhubarb, the peaches. It was a labor of love.

Her aunt had corrected her when, in her haste, Sarah had hurried the process.

Her aunt had told her, time and time again, "Sarah, dear, we have all the time in the world. Baking pies is not about getting done. It's about baking pies. "

And Sarah thought she understood her.

But now Sarah knew that baking pies was about "getting done." Baking pies was ruined for her. At least she thought it was.

The clock continued its emphatic ticking.

I watched as Sarah seemed to shrink even closer to herself.

I knew how oppressive it must be for her to find herself so deeply in debt, to feel so helpless in the face of it. Where was her aunt now? Who was going to teach her what to do next?

"Sarah," I said as carefully as I could.

"It's time to learn all about pies all over again."

The technician suffering from an Entrepreneurial Seizure takes the work he loves to do and turns it into a job. The work that was born out of love becomes a chore, among a welter of other less familiar and less

pleasant chores. Rather than maintaining its specialness, representing the unique skill the technician possesses and upon which he started the business, the work becomes trivialized, something to get through in order to make room for everything else that must be done.

I told Sarah that every technician suffering from an Entrepreneurial Seizure experiences exactly the same thing.

First, exhilaration; second, terror; third, exhaustion; and, finally, despair. A terrible sense of loss—not only the loss of what was closest to them, their special relationship with their work, but the loss of purpose, the loss of self.

Sarah looked at me with a sense of relief, as though she felt seen but not judged .

“You’ve got my number,” she said. “But what do I do now?”

“You take this one step at a time,” I answered.

“The technician isn’t the only problem you’ve got to deal with here.”

# PART II

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# **The Turn-Key Revolution: A New View of Business**



# THE TURN-KEY REVOLUTION

Systems theory looks at the world in terms of the interrelatedness of all phenomena, and in this framework an integrated whole whose properties cannot be reduced to those of its parts is called a system.

*Fritjof Capra  
The Turning Point*

The Industrial Revolution, the Technological Revolution, the Information Explosion are all familiar phenomena in today's world. There is no question of the impact each has had on our lives.

If asked to describe the Turn-Key Revolution, however, most people would simply respond with a blank stare.

Yet the impact of the Turn-Key Revolution on American small business, and the inferences we can draw about that impact for the future, are as profound as any of the phenomena cited above.

For at the heart of the Turn-Key Revolution is a way of doing business that has the power to dramatically transform any small business—indeed, any business, no matter what its size—from a condition of chaos and dis ease to a condition of order, excitement, and continuous growth. It is the Turn-Key Revolution that provides us with that illusive key to the development of an extraordinary business: the ultimately balanced model of a business that works.

## The Franchise Phenomenon

It all started in 1952 when a fifty-two-year-old salesman walked into a hamburger stand in San Bernardino, California, to sell the two brothers who owned it a milkshake machine.

What he saw there was a miracle.

At least that's how Ray Kroc, the milkshake machine salesman, might have described it. For he had never seen anything like that very first MacDonald's (later to become McDonald's) hamburger stand.

It worked like a Swiss watch!

Hamburgers were produced in a way he'd never seen before—quickly, efficiently, inexpensively, and identically.

Best of all, anyone could do it.

He watched high school kids working with precision under the supervision of the owners, happily responding to the long lines of customers queued up in front of the stand.

It became apparent to Ray Kroc that what the MacDonald brothers had created was not just another hamburger stand but a money machine!

Soon after that first visit, and possessed by a passion he had never felt quite like that before, Ray Kroc convinced Mac and Jim MacDonald to let him franchise their method .

Twelve years and several million hamburgers later, he bought them out and went on to create the largest retail prepared food distribution system in the world.

### **“The Most Successful Small Business in the World”**

That's what McDonald's calls itself today.

And for good reason.

Because the success of McDonald's is truly staggering.

Think about it. In less than forty years, Ray Kroc's McDonald's has become a \$40-billion-a-year business, with 28,707 restaurants worldwide—and growing in number every minute—serving food to more than 43 million people every day in 120 countries, representing more than 10 percent of the gross restaurant receipts in America!

The average McDonald's restaurant produces more than \$2 million in annual sales, and is more profitable than almost any other retail business in the world, with an average 17 percent pretax net profit.

But Ray Kroc created much more than just a fantastically successful business. He created the model upon which an entire generation of entrepreneurs have since built their fortunes—a model that was the genesis of the franchise phenomenon.

It started as a trickle when a few entrepreneurs began to experiment with Kroc's formula for success. But it wasn't long before the trickle

turned into Niagara Falls!

In 2000, there were 320,000 franchised businesses in 75 industries. Franchises produce \$1-trillion in sales each year—almost 50 percent of every retail dollar spent in the nation—and had more than 8 million full- and part-time people, the largest employer of high school youth in the country's economy.

But the genius of McDonald's isn't franchising itself. The franchise has been around for more than a hundred years. Many companies—Coca-Cola and General Motors among them—have utilized franchising as an effective method of distribution to reach broadly expanding markets inexpensively. The true genius of Ray Kroc's McDonald's is the Business Format Franchise.

It is the Business Format Franchise that has revolutionized American business.

It is the Business Format Franchise, with one new franchise opening its doors every eight minutes of every single business day, that has spawned so much of the success of the franchise phenomenon over the past forty years.

And, according to studies conducted by the U.S. Commerce Department from 1971 to 1987, less than 5 percent of franchises have been terminated on an annual basis, or 25 percent in five years.

Compare that statistic to the more than 80-percent failure rate of independently owned businesses, and you can immediately understand the power of the Turn-Key Revolution in our economy, and the contribution that the Business Format Franchise has made to it and the future success of your business.

### **Turning the Key: The Business Format Franchise**

The early franchise businesses, many of which still exist, were called "trade name" franchises .

Under this system, the franchisor licenses the right to small companies to market its nationally known products locally.

But the Business Format Franchise moves a step beyond the trade name franchise.

The Business Format Franchise not only lends its name to the smaller enterprise but it also *provides the franchisee with an entire system of doing business* .

And in that difference lies the true significance of the Turn-Key Revolution and its phenomenal success.

The Turn-Key Revolution and the Business Format Franchise were born of a belief that runs counter to what most business founders in this country believe.

Most business founders believe that the success of a business resides in the success of the product it sells.

To the trade name franchisor, the value of the franchise lies in the value of the brand name that it is licensing: Cadillac, Mercedes, Coca-Cola.

There was a time when that belief was true, but it isn't anymore. In a world where brand names proliferate like snowflakes in a Minnesota blizzard, it becomes more and more difficult—and infinitely more expensive—to establish a secure position with a brand name and expect to keep it.

As a result, trade name franchises have been declining over the same period that franchising in general has been exploding at an unprecedented rate.

It is the Business Format Franchise that has accounted for that growth.

Because the Business Format Franchise is built on the belief that the true product of a business is not what it sells but how it sells it.

*The true product of a business is the business itself .*

What Ray Kroc understood at McDonald's was that the hamburger wasn't his product. *McDonald's was .*

And he believed that for a most important reason.

### **Selling the Business Instead of the Product**

Ray Kroc was the consummate entrepreneur. And like most entrepreneurs, he suffered from one major liability. He had a huge dream and very little money.

Enter the franchisee.

The franchisee became the vehicle for Ray Kroc to realize his dream.

At that point, Ray Kroc began to look at his business as the product, and at the franchisee as his first, last, and most important customer.

For the franchisee wasn't interested in hamburgers or french fries or milkshakes; he was interested in the business.

Driven by his desire to buy a business, the franchisee only wanted to know one thing: “Does it work?”

Ray Kroc’s most important concern then became how to make certain his business would work better than any other.

If McDonald’s was to fulfill the dream he had for it, the franchisee would have to be willing to buy it.

And the only way Ray Kroc could assure himself of that was to make certain that McDonald’s worked better than any of the other business products around.

At the outset, Ray Kroc wasn’t just competing with other hamburger businesses—he was competing with every other business opportunity around!

But there was a second reason that Ray Kroc had for making certain McDonald’s would work .

Given the failure rate of most small businesses, he must have realized a crucial fact: for McDonald’s to be a predictable success, the business would have to work, because the franchisee, if left to his own devices, most assuredly wouldn’t!

Once he understood this, Ray Kroc’s problem became his opportunity.

Forced to create a business that worked in order to sell it, he also created a business that would work once it was sold, no matter who bought it.

Armed with that realization, he set about the task of creating a foolproof, predictable business.

A systems-dependent business, not a people-dependent business.

A business that could work without him.

Unlike most small business owners before him—and since—Ray Kroc went to work *on* his business, not *in* it.

He began to think about his business like an engineer working on a pre-production prototype of a mass-produceable product.

He began to *reengineer* McDonald’s decades before the word and the process came into fashion.

He began to think about McDonald’s just like Henry Ford must have thought about the Model T.

How could the components of the prototype be constructed so that it could be assembled at a very low cost with totally interchangeable parts?

How could the components be constructed so that the resulting business system could be replicated over and over again, each business working—just like the Model T—as reliably as the thousands that preceded it?

What Ray Kroc did was to apply the thinking behind the Industrial Revolution to the process of Business Development, and to a degree never before experienced in a business enterprise.

The business-as-a-product would only sell if it worked. And the only way to make certain it would work in the hands of a franchisee anywhere in the world would be to build it out of perfectly predictable components that could be tested in a prototype long before ever going into mass production.

Therein lies the secret behind the stunning success of the Business Format Franchise, the launching pad for the Turn-Key Revolution.

That secret is the Franchise Prototype.

It is in the Franchise Prototype that every successful franchisor builds his future.

It is in the Franchise Prototype that every extraordinary franchisor plants the seeds of his fortune.

And it is in the Franchise Prototype that you can find the model you need to make your business work.

Sarah and I couldn't have picked a better time to have this conversation.

If she had ever felt the weight of being a Technician-turned-business-owner, caught up in the doing of her business and the inordinate price she was paying for it, it was right now.

It was ten o'clock at night. As usual, she had had a tumultuous day. Her face was flush with the exertion of mopping the floors, bundling and tossing out the trash, preparing the ovens for the next day, cleaning the counters to their original high luster—in addition to a full day of waiting on customers; serving up pie, coffee, and tea; washing, drying, and stacking plates, cups, saucers; and shining the silver .

And yet, with all that had gone on in the shop that day, you couldn't have known it; for, as always, the shop was impeccable. And, despite the cost to her of keeping it that way, I couldn't help but notice the deep satisfaction Sarah felt as she surveyed her domain. But she was obviously tired.

We pulled two chairs up to a table and quietly sipped the tea she had prepared for us. The large clock ticked emphatically on the wall, punctuating our silence. An occasional car drove by the shop. People walked by the shop's windows, occasionally looking into the shop as they continued on their journey into the night.

I waited for a sign from Sarah that she was ready.

Finally, she began thoughtfully and quietly. "You talk about McDonald's as an example to be modeled. I'm not sure I agree with you about that. I know if my aunt were here today, she would think of McDonald's as exactly the opposite of what you've suggested it is. Talk to me about that," she said. "I'm interested in how you would respond to my aunt, about what you would say to her."

"You know, Sarah," I began, "I can sense that something has shifted in you today. Something important. I can sense also from the tone of your question that you're truly interested in pursuing this question about McDonald's, and I'm inspired to engage in the question with you at the deepest level. I want to thank you for that.

"It's true, many small business owners at first misunderstand my point about McDonald's. They associate fast food with low quality. They infer, then, that by setting McDonald's up as an example, I'm suggesting that one can be incredibly successful in business despite the seemingly low quality of the product delivered. When exactly the opposite is true. But, let me get back to that in a moment.

"As for your aunt, even though I have never met her, from the way you have described her I feel I know her. And this is what I would say to her if she were here asking me the question herself:

"I would say that Ray Kroc was a man with a purpose. His purpose was clear, undiluted, and sure. He lived in an ordinary world, like we all do, a world in which most things didn't work the way they were supposed to. At McDonald's, he saw something that did work, exactly as it was supposed to, time after time after time. To Ray Kroc, that was an inspiration. In fact, he was awed by it. He was a simple man. And he fell in love with the sheer enormity of the thing he called McDonald's.

"As certainly as you loved baking pies, Ray Kroc loved making McDonald's. As certainly as you loved producing an exceptional pie, Ray Kroc loved producing an exceptional result, the same way, with the same impact, time after time. As certainly as you loved the aroma, the smells, the sight, the taste, of your kitchen, Ray Kroc loved the aroma, the smells, the sight, the taste of McDonald's. He was a man in love.

“Now, from the outside in, I can understand why you might be critical of McDonald’s. You might say that people shouldn’t eat meat. You might say that the hamburgers could be fatter, or less fatty, or this or that. But what you couldn’t say—what you could never say—is that McDonald’s doesn’t keep its promise. Because it does. Better than just about any business in the world, McDonald’s, the love of Ray Kroc’s life, still keeps its promise, long after Ray Kroc has gone. It delivers exactly what we have come to expect of it every single time.

“So that’s why I look upon McDonald’s as a model for every small business.

“Because it can do in its more than 28,000 stores what most of us can’t do in one!

“And to me, that’s what integrity is all about. It’s about doing what you say you will do, and, if you can’t, learning how.

“If that is the measure of an incredible business—and I believe it is—then there is no more incredible business than McDonald’s. Who among us small business owners can say we do things as well?

“But McDonald’s is even more important than that.

“McDonald’s has not only created an extraordinary business, it has created for all of us small business owners an extraordinary way to create an extraordinary business. It has created a model we can emulate.

“And the profound impact that that has had on our economy over the past four decades is beyond our comprehension.

“So, Sarah’s aunt, I honestly believe if you had known Ray Kroc, you would have discovered in him a kindred spirit.

“You would have invited him into your kitchen and he would have invited you into his.

“You would have discussed with him with great passion the art of creating a fine pie crust and he would have discussed with you—with just as great a passion—the art of creating a fine french fry.

“You would have shared with him your secret for preparing the fruit, just as he would share with you his secret for preparing the hamburger buns he so lovingly devoted himself to.

“You are two peas in a pod with one big exception.

“You, Sarah’s aunt, had but one kitchen in which you loved to work, your kitchen, making your pies, alone, or with Sarah by your side.

“Ray Kroc had thousands of kitchens, in which he loved to work, perfecting all the time his ability to touch millions of people with the

same loving attention you've lavished on a few.

"You are a Technician, a craftsman, who loves what you do.

"He was an Entrepreneur, albeit still a craftsman, who loved what he did.

"The only difference between the two of you is an order of magnitude.

"So let me tell you how he crafted something that size."