TRACTION

GET A GRIP ON YOUR
B U S I N E S S

GINO WICKMAN

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INTRODUCTION

Humor me for a moment and mentally detach yourself from your day-to-day details. Forget all your pre-existing beliefs about how to run your organization. Now imagine a bird's-eye view of your business and look down on it from above. What do you see?

You're reading this book because you want your organization to be solid and well-run. You've already achieved a certain degree of success, and now you're ready for the next level. However, with this challenge comes a new set of obstacles; sheer will and brute force are no longer enough to survive. The question you're facing now is a new one: How can you elevate yourself to a position of true leadership?

What if I told you that by reading this book and applying its core principles, you could eliminate all of your business-related frustrations? That you could have great employees at all levels who share your vision, communicate with each other, solve their own problems, and demonstrate accountability? That your organization could not only run seamlessly, but also have the potential to scale up as large as you see fit?

I am telling you that, and you can. Believe it or not, you already have everything you need to make those changes. Put this system to work and you will accomplish all of the above, just as businesses across many different industries have been doing for years.

This book is not another silver bullet management book or flavor-of-the-month strategy. It contains no theory. It's based on real-world experience, practical wisdom, and timeless truths. More importantly, it works. Through hands-on experience, I have developed a practical but thorough method to help strengthen and re-energize your business.

If you're like most entrepreneurs, you're probably experiencing one or more of five common frustrations:

1. Lack of control: You don't have enough control over your

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time, the market, or your company. Instead of controlling the business, the business is controlling you.

2. People: You're frustrated with your employees, customers, vendors, or partners. They don't seem to listen, understand you, or follow through with their actions. You're not all on the same page.

3. Profit: Simply put, there's not enough of it.

4. The ceiling: Your growth has stopped. No matter what you do, you can't seem to break through and get to the next level. You feel overwhelmed and unsure of what to do next.

5. Nothing's working: You've tried various strategies and quick-fix remedies. None have worked for long, and as a result, your staff has become numb to new initiatives. You're spinning your wheels, and you need traction to move again.

Granted, a small minority of entrepreneurs and business owners do not suffer from these frustrations. They run their businesses using core disciplines that arrange the many moving parts of their organization into a well-oiled machine. Some of these owners are naturals who don't even realize they're doing anything special. Most of us, though, aren't so lucky.

What I teach business leaders is simple, but not simplistic. I help them melt away the five common frustrations by implementing the same basic tools that those successful organizations employ. As a result, business leaders come out feeling more in control, happier, and less stressed. Their organizations are more profitable, more focused, and staffed by great employees.

You are not your business. Your business is an entity in and of itself. Yes, you created it, but in order to find success, you have to turn it into a self-sustaining organism. Reaching the next level requires more than just a product or service, or a simple determination to succeed. You need skills, tools, and a system to optimize your people, processes, execution,

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management, and communication. You need strong guiding principles that will work for your company day in and day out.

This book contains all the tools and components that make up the Entrepreneurial Operating System (EOS). EOS is a holistic, self-sustaining system that addresses the six aspects of your business. Master the individual elements of EOS and you'll be able to integrate them into a powerful framework that will help you gain traction and realize the vision you've always had for your company.

This operating system didn't hit me like a lightning bolt; I've been refining it in the real world for nearly 20 years. It came through countless real-world hands-on experiences one lesson at a time. My journey has been a quest to understand what makes great entrepreneurs and businesses so successful. Through turning around and then selling my own family's business, my in-depth involvement in The Entrepreneurs' Organization and learning from my many amazing mentors, I've been blessed with many experiences, challenges, and lessons. In the last seven years alone, I've completed more than 800 full-day sessions with the leadership teams of over 80 entrepreneurial organizations. That adds up to nearly 6,500 hours of hands-on planning, teaching, coaching, facilitating, and solving leadership problems; EOS is the culmination of all that hard work.

My typical client is an entrepreneurial small to mid-size organization ($2 million to $50 million in revenue with 10 to 250 employees), growth-oriented, willing to change, and willing to be vulnerable (as in being open-minded, willing to admit weaknesses, and willing to face reality). If that describes you, you're starting with everything you need. You will not have to master an endless stream of new techniques. Instead, you'll learn what successful organizations do to run a frustration-free business and gain renewed energy, focus, and excitement for your business. Join me on this journey to better control your business and bust through the ceiling – to have better balance, better results, more fun, and more profitability.

At this very moment, people who follow The EOS Process are out there

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running very successful businesses. On average, my clients' businesses grow revenue by 18 percent per year. In addition, unlike many theoretical authors, I too am out there somewhere, working with a leadership team hands-on and applying, testing, and proving these tools. I am an entrepreneur like you and have been since I was 21 years old. This is not management theory. EOS is working every day.

Be careful what you wish for – with this system, you'll get it. After EOS, you'll make quicker decisions to change people, strategy, systems, and processes where necessary. It will help you reduce needless complexity, identify and remove distractions, identify and troubleshoot any problems, and keep you and your people engaged and focused on a single vision.

The Six Key Components of the Entrepreneurial Operating System (EOS) go right to the roots of the six most important aspects of your business and strengthen them, eliminating all of your symptomatic issues by solving the real ones. EOS is a method – even a way of life – that will help you crystallize your vision and build a strong organization. By first understanding and then implementing what you learn, you will be able to accurately monitor the pulse of your company and know how it's really doing.

At some point on this journey, you're likely to say, as every client does, "Hey, this stuff is simple." That's because it is. If you're looking for the next fashionable MBA methodology, this isn't it. EOS consists of timeless, practical, universal principles that have been tested in almost every kind of organization. What's dramatically new is the integration of these best practices into a complete system for organizing and operating your business that will endure for decades to come.

I have tremendous respect for you, the entrepreneur. You take risks, you drive the economy, you keep your country at the forefront of innovation, and you sacrifice everything to fulfill your dreams. As a result, you create most of the jobs and give other people the opportunities to live their dreams. My passion and purpose is to help you succeed. Now, let's begin this journey at the end by envisioning what your company could look like after implementing EOS.

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CHAPTER 1

THE ENTREPRENEURIAL OPERATING SYSTEM

STRENGTHENING THE SIX KEY COMPONENTS

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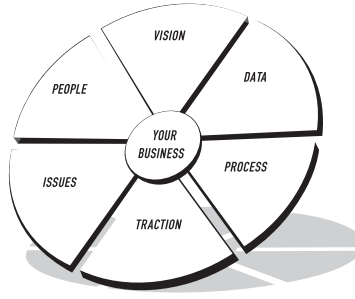

Every great system is made up of a core group of basic components. The same applies to a business. The Entrepreneurial Operating System (EOS) identifies Six Key Components of any organization. In the words of an EOS client, "I used to worry about 100 different things. Once I learned there were six components to my business and I focused on only those, those 100 different things I'd been worrying about went away. EOS made running the business simpler."

You're probably worrying needlessly about a hundred different things yourself. Let's try to remove you from some of those worries by taking a wide-angle view of your business and its components. Below are the Six Key Components of any organization.

VISION

Successful business owners not only have compelling visions for their organizations, but also know how to communicate those visions to the people around them. They get everyone in the organization seeing the same clear image of where the business is going and how it's going to get there. It sounds easy, but it's not.

Are your staff all rowing in the same direction? Chances are they're not. Some are rowing to the right, some are rowing to the left, and some probably aren't rowing at all. If you met individually with each of your employees and asked them what the company's vision was, you'd likely get a range of different answers.

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The more clearly everyone can see your vision, the likelier you are to achieve it. Focus everyone's energy toward one thing and amazing results will follow. In his book *Focus*, Al Ries illustrates the point in this way: The sun provides the earth with billions of kilowatts of energy, yet if you stand in it for an hour, the worst you will get is a little sunburn. On the other hand, a few watts of energy focused in one direction is all a laser beam needs to cut through diamonds.

In the Vision Component chapter, you will use a tool called The Vision/Traction Organizer (V/TO) to focus your people on one target and become like that laser beam. The tool simplifies strategic planning by distilling your vision into simple points that allow you to clearly define who you are as an organization, where you're going and how you'll get there. It will help you define your sweet spot as an organization and keep you focused on the areas in which you excel most. It will also define your marketing strategy and crystallize your 10-year target, three-year picture, and one-year plan. In addition, you'll learn to effectively convey your vision to your staff and ensure that it's embraced by everyone.

PEOPLE

Successful leaders surround themselves with great people. You can't build a great company without help. EOS cuts through buzzwords such as "A players," "platinum," "100 percenters," and "superstars" to provide a practical understanding of the two essential ingredients of any great team: the *right people* in the *right seats*.

Be truly honest with yourself. Are all of your people the right ones for their jobs? The reality is that some are probably hurting your cause more than helping. The People Analyzer tool in Chapter 4 will help identify the right people by teaching you how to determine who shares your core values. It will also teach you to simplify how you hire, fire, review, reward, and recognize people in your organization.

This process will prompt you to step back and look at your overall structure. You'll ask yourself hard questions about the way your business is organized. You'll also learn the power of the Accountability Chart, as

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well as how to structure your company the right way while clearly defining the roles and responsibilities within your organization.

Once you have the right structure in place, you'll be able to focus on putting the right people in the right seats. There will be no gray area when you incorporate the next tool, GWC, which addresses the three absolutes for any good hire. They must *get it*, *want it*, and have the *capacity* to do it. Once you incorporate GWC into The People Analyzer, you'll have a working tool that determines which people are the right ones and which people are in the right seats.

DATA

The best leaders rely on a handful of metrics to help manage their businesses. The Data Component frees you from the quagmire of managing personalities, egos, subjective issues, emotions, and intangibles by teaching you which metrics to focus on.

My business mentor, Sam Cupp, owned several companies totaling over $300 million in sales, including QEK Global Solutions, a worldwide fleet management company that he built into a $100-million business and then sold. He is one of the best businessmen I've ever met. I was blessed to have him take me under his wing at a young age and teach me everything he knew. Of all of that wisdom, the most useful thing he taught me was the power of managing my business through a Scorecard.

A Scorecard is a weekly report containing five to 15 high-level numbers for the organization. In the Data Component chapter, you will learn to create and implement this powerful tool into your company. It will enable you to have a pulse of your business on a weekly basis, predict future developments, and quickly identify when things have fallen off the track. Because you're regularly reviewing the numbers, you'll be able to quickly spot and solve problems as they come up as opposed to reacting to bad numbers in a financial statement long after the fact.

A Scorecard allows you to monitor your business no matter where you are. You won't have to suffer from the uneasy feeling of not quite

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knowing what's going on in your business, nor will you have to waste time asking a half dozen people for the real story. The answers will be right at your fingertips.

In addition to learning to create and implement your Scorecard, you will take your data management to the next level by learning to empower each person in your organization. Everyone will have a clear, meaningful, and manageable number that he or she is accountable for on a regular basis.

ISSUES

Issues are the obstacles that must be faced to execute your vision. Just as an individual's success is directly proportionate to his or her ability to solve any issues that arise, the same holds true for a company.

One helpful by-product of implementing the first three EOS components is transparency. Execute them properly and you will have created an open organization where there is nowhere to hide. As a result, you will smoke out issues that have been holding you back.

The good news is that, in the history of business, there has only ever been a handful of different kinds of issues. The same ones come up over and over again. In time, you will become an expert at identifying them and knocking them down. To the degree you can identify them, discuss them honestly in a healthy environment, and learn to eradicate them, you will achieve your vision.

Regardless of how long you've been plagued by your problems, the Issues Component represents a huge opportunity. In the bustle of day-to-day operations, most companies don't invest the time required to adequately solve their issues. The irony is that by taking the time to address a problem, you will save two to 10 times that amount of time in the future.

In the Issues Component chapter, you will learn how to use the Issues List at all levels in your organization, allowing you to compartmentalize and prioritize all issues. In addition, you'll benefit by creating an open and honest culture where people feel safe to speak the truth and voice

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their concerns. You will then use the Issues Solving Track to eradicate these issues. This powerful tool is an efficient way to identify, discuss, and solve your organizational issues in a lasting and meaningful way.

By the end of the Issues Component chapter, you and your staff should understand how to identify various issues, create and manage an Issues List, and master the Issues Solving Track, taking you one step closer to building a problem-solving work environment.

PROCESS

Your processes are your *Way* of doing business. Successful organizations see their *Way* clearly and constantly refine it. Due to lack of knowledge, this secret ingredient in business is the most neglected of the Six Key Components. Most entrepreneurs don't understand how powerful process can be, but when you apply it correctly, it works like magic, resulting in simplicity, scalability, efficiency, and profitability.

You will not get your company to the next level by keeping your processes in your head and winging it as you go. Ask yourself: Have you documented the way you want everything done in your organization? Do your people know what processes they are following and why? Are they all executing the required procedures uniformly? Are they skipping steps? By deciding what the process is and training everyone to follow it, you will enhance your troubleshooting abilities, reduce your errors, improve efficiency, and increase your bottom line.

In the Process Component chapter, we will identify, address, and document each of your six to 10 core processes using the Three-Step Process Documenter. This tool will help you crystallize your business model by capturing the blueprint for the machine you aspire to build in a single document. From there, you will learn how to get your staff to understand the value of these processes and begin to follow them.

By the end of the journey, your processes will be clearly identified, documented, understood, and followed by everyone in your organization.

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TRACTION

In the end, the most successful business leaders are the ones with traction. They execute well, and they know how to bring focus, accountability, and discipline to their organization.

Due to fear and lack of discipline, the Traction Component is typically most organizations' weakest link. The inability to make a business vision a reality is epidemic. Consider it a new take on an old quote: Vision without traction is merely hallucination. All over the world, business consultants frequently conduct multiple-day strategic planning sessions and charge tens of thousands of dollars for teaching what is theoretically great material. The downside is that after making you feel warm and fuzzy about your direction, these same consultants rarely teach how to bring your vision down to the ground and make it work in the real world.

How would you rate the accountability throughout your organization on a scale of 1 to 10? Most new clients that start The EOS Process rate their accountability somewhere around 4. Gaining traction requires two disciplines. First, everyone in the organization should have Rocks, which are clear 90-day priorities designed to keep them focused on what is most important. The second discipline requires implementing what is called a Meeting Pulse at all levels in the organization, which will keep everyone focused, aligned, and in communication.

In the Traction Component chapter, you will first learn how to set Rocks so that everyone will know what they are accountable for in the coming 90 days. Next, you'll learn how to implement a Meeting Pulse. While most people feel that meetings are a waste of time, they are necessary and useful tools. As part of the component, you'll learn how to make meetings enjoyable, productive, and worthwhile. The Level 10 Meeting Agenda is a tool that will help you get to the core of what makes for great meetings, namely conflict and resolution.

By the end of Chapter 8, everyone in your organization should know how to establish and achieve their Rocks. They'll also be engaging in effective, productive meetings using the tried and true Level 10 Meeting Agenda.

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Now that we know what the Six Key Components are, we need to assess where your company is right now. The Organizational Checkup at the end of this chapter will tell you exactly where you are on this path. You can also fill out the questionnaire online at **www.eosprocess.com**. Several of the terms won't be clear to you yet, but in a short time you'll know exactly what they mean. Fill out the questionnaire and use the attached key to get your results.

You'll be coming back to this checkup on a routine basis. The goal is to make progress every 90 days. Each time you fill out the checkup, your overall percentage should increase. It's unreasonable to think that you'll jump from 20 percent to 80 percent overnight, but you will make steady progress.

In summary, successful businesses operate with a crystal clear vision that is shared by everyone. They have the right people in the right seats. They have a pulse on their operations by watching and managing a handful of numbers on a weekly basis. They identify and solve issues promptly in an open and honest environment. They document their processes and ensure that they are followed by everyone. They establish priorities for each employee and ensure that a high level of trust, communication, and accountability exists on each team.

The Six Key Components together make up The EOS Model. Most organizations operate below 50 percent. If they succeed, it's in spite of themselves. Although it's nearly impossible to reach 100 percent in every component, achieving over 80 percent will turn your company into a well-oiled machine. All the things you've been worrying about will simply fall into place, and the common frustrations that have been plaguing you will go away.

Now that the big picture is clear, let's begin the journey. But before we dive headfirst into the nuts and bolts of the first component, you'll have to free yourself from the bad habits and unhealthy practices that are holding you back. This is called letting go of the vine.

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