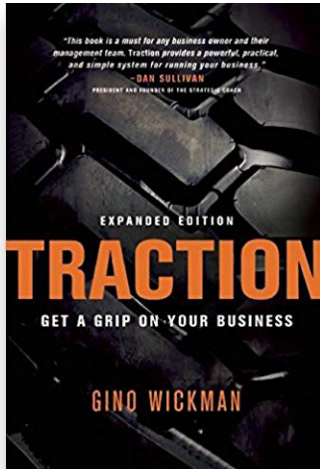


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Traction THE SUMMARY

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Introduction

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.

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 reenergize your business.

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Chapter 1 — The Entrepreneurial Operating System: Strengthening the Six Key Components

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 my business simpler.” 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.

PEOPLE — Successful leaders surround themselves with great people. You can’t build a great company without help. The two essential ingredients of any great team are the *right* people in the *right* seats. 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 right people must *get it, want it, and have the capacity to do it*.

DATA — The best leaders rely on a handful of metrics to help manage their businesses. A Scorecard is a weekly report containing five to fifteen high-level numbers for the organization. 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 track—so you’ll be able to quickly spot and solve problems as they come up.

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 may arise, the same holds true for a company. In the history of business, there have only ever been a handful of different kinds of issues. The same ones come up over and over again. To the degree you can identify them, discuss them honestly, and learn to eradicate them, you will achieve your vision.

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.

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 organization’s weakest link. Vision without traction is merely hallucination.

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Chapter 2 — Letting Go of the Vine

Before we dive into the nuts and bolts, 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. Most business owners are unable to reach the next level because they are simply not ready to let go of the vine.

Change is scary. You're not alone in feeling anxious about jeopardizing what you already have. But despite these worries, it's time for a shift in thinking. You need to change from believing that you are your company and let it become its own entity. With the right vision, structure, and people in place, your company can evolve and realize its full potential.

You must build and maintain a true leadership team. Until now, you've probably been holding all the pieces together on your own. But once your organization reaches a certain size, if you want to grow, it's not possible to maintain a hand in sales, service, accounting, complaints, and follow-up on a regular basis. This means that it's time to let others take control of these areas, and you have to decide who you want to do so. Each of your department heads should be better than you in his or her respective positions.

Hitting the ceiling is inevitable. Organizations usually expand in spurts, by smashing through a series of ceilings. Reaching the natural limits of your existing resources is a by-product of growth, and a company continually needs to adjust its existing state if it hopes to expand through the next ceiling. You and your leadership team need to understand this, because you will hit the ceiling on three different levels: as an organization, departmentally, and as individuals. Most companies need to start with a focus on internal growth before they can even think about external growth.

You can only run your business on one operating system. You must have one abiding vision, one voice, one culture, and one operating system. This includes a uniform approach to how you meet, how you set priorities, how you plan and set your vision, the terminology you use, and the way you communicate with employees. EOS is an operating system that puts everyone on the same page.

You must be open-minded, growth-oriented, and vulnerable. In your business environment, you have to be willing to be open to new and different ideas. If you don't know something, you have to admit that you don't know. You have to be willing to ask for and receive help. You have to let your guard down and see your organization for what it is. Most of all, you have to know your strengths and weaknesses and let other people who are more skilled than you in a certain area take charge. The leader who feels he has to have all of the answers and can never be wrong is completely missing the point. The mind is like a parachute—it has to be open to work.

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Chapter 3 — The Vision Component: Do They See What You Are Saying?

Most entrepreneurs can clearly see their vision. Their problem is that they make the mistake of thinking that everyone else in the organization sees it too. In most cases, they don't, and as a result, leaders end up frustrated, staff ends up confused, and great visions are left unrealized. The process of gaining traction starts here. Clarify your vision and you will make better decisions about people, processes, finances, strategies, and customers.

Entrepreneurs must get their vision out of their heads and down onto paper. From there, they must share it with the organization so that everyone can see where the company is going and determine if they want to go there with you. By getting everyone on the same page, they will find that problems get solved more quickly. A vision must be created that points the way to a greater good. To learn how to create a strong vision, eight important questions must be answered.

What are your core values? Core values are three to seven vital and timeless guiding principles that define your culture and who you truly are as a people. Once they're clear, you will find they attract like-minded people to your organization and weed out people that don't fit.

What is your core focus? The central concept of a core focus is "mission statement" or "sweet spot." You must decide what business you are in, and be in that business. He who chases two rabbits catches neither.

What is your 10-year target? Once it's clear where you want your organization to be a decade from now, you and your leadership team will start doing things differently to get you there.

What is your marketing strategy? You need to have a laser-sharp focus for your sales and marketing efforts in order to stand out to your ideal customer and let them know what you will be doing for them and how you will do it. You can stop trying to be all things to all people.

What is your three-year picture? With life and business moving as fast as it does in the 21st century, there is little value in detailed strategic planning beyond a three-year window. With a three-year picture clearly in mind, you can more easily determine what you will have to do to in the next 12 months to stay on track.

What are your quarterly Rocks? Once your three-year and one-year plans are clear, you need to narrow your vision all the way down to what really matters in the next 90 days. You should determine what the most important priorities are in the coming quarter. Those priorities are called Rocks.

What are your issues? Once you clearly know where you're going, you have to identify all of the obstacles that could prevent you from reaching your targets. You will always have them; your success is in direct proportion to your ability to solve them. (Don't worry about solving them yet. That will be addressed in Chapter 6.)

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Now that you have clarified your vision, the second part is to share your vision with your employees. The number one reason employees don't share a company vision is that they don't know what it is. The only way you can determine if your vision is shared by all is simply to tell them.

Chapter 4 — The People Component: Surround Yourself with Good People

The right people are the ones who share your company's core values. They fit and thrive in your culture. They are people you enjoy being around and who make your organization a better place to be.

The right seat means that each of your employees is operating within his or her area of greatest skill and passion inside your organization and that the roles and responsibilities expected of each employee fit their personal core focus. A seat cannot be created until the organization is structured in the right way to lift your company to the next level. To create that structure, use a powerful tool called an Accountability Chart. This is a supercharged organizational chart, and, when completed, it will help owners and leadership teams clearly grasp their own roles and responsibilities.

The right person in the wrong seat hinders his or her growth and the growth of the company. Your job is to move that person into a seat that is right for this person—or let them go. You don't have the luxury of keeping people around simply because you like them. Once the change is made, the company is always better off, and usually the person is happier in the long run.

The wrong person in the right seat excels at what he or she does and is extremely productive, but is wrong because he or she doesn't share your core values. While this obstacle may seem like something you can live with in the short term, that person is killing your organization in the long run. He or she is chipping away at what you're trying to build, in little ways that, most of the time, you don't even see. It's that wry comment in the hallway, the dirty look behind your back, and the dissension that this person spreads.

Of course, there is third type of people issue, and that is wrong person, wrong seat. The solution is obvious: that person must go.

Your jobs are to hire, fire, review, reward and recognize all of your people around your core values and their core focus. To reach the next level, you will need the people that report to you to be able to take the ball and run with it. When you as their leader or manager clearly articulate the seat (including roles, responsibilities, expectations, and measurables) and present that opportunity, you have created an opening. One of two things will happen as a result: either they will step up and take charge, or they never will. If they don't step up and fully assume their roles, it's because they didn't get it, didn't want it, or didn't have the capacity to do the job.

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Chapter 5 — The Data Component: Safety in Numbers

Many entrepreneurs take the pulse of their business by walking around the office and talking to four different people. In the process, you waste a lot of your time and other people's, and after all that talking, what you have are subjective opinions, not hard data. Only factual information can provide the basis for productive discussion and decision-making. You must formulate and manage your data to let you take the pulse of your business consistently and accurately so that you can then take effective action. You will no longer be managing assumptions, subjective opinions, emotions, and egos.

According to an old business maxim, anything that is measured and watched is improved. The concept of managing through a Scorecard has been around for a long time. It's been called a dashboard, flash report, scoreboard metrics, measurables, key performance indicators, smart numbers, and so on. Whatever you call it, it's a handful of numbers that can tell you at a glance how your business is doing.

The unfortunate reality is that most organizations don't have a Scorecard. They lack activity-based numbers to review on a regular basis. They might rely on a P&L to tell them the score, but by then it's too late to make corrections. A profit and loss statement is a trailing indicator. It's data after the fact, and you can't change the past. With a Scorecard, however, you can change the future.

In my first business, I was able to manage the entire company using fourteen numbers. How many numbers you need to track depends on the type of business you have. Your Scorecard will be unique to you and your organization. These numbers must allow you to have an absolute pulse on your business. They should include items such as weekly revenue, cash balances, weekly sales activity, customer satisfaction/problems, accounts receivable and payable, and client projects or production status, etc.

What gets measured gets done. Complete mastery of your Data Component is achieved when you boil the organization's numbers down to the point where everyone has a single meaningful, manageable number to guide them in their work. This number will enable leaders to create clarity and accountability throughout their team.

Give everyone a number such as 10 sales a week, 15-day turnaround times, and receivables under 30 days. If a telephone rings twice, that's good. Three rings are bad. Numbers cut through murky subjective communication, create accountability, create clarity and commitment, create competition and teamwork, produce results, and enable you to solve problems faster.

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Chapter 6 — The Issues Component: Decide!

The fourth essential component of gaining traction is having the discipline to face and solve your organization's issues as they arise. When the vision is clear, the people are in place, and you're managing data, you will inevitably find out what's holding you back. Successful companies solve their issues. They don't let them linger for weeks, months, and years at a time. In an organization where there is nowhere to hide, the problems are easily illuminated.

Your ability to succeed is in direct proportion to your ability to solve your problems. The better you are at solving problems, the more successful you become. Lack of decision, or procrastination, is one of the major causes of failure. Most leadership teams spend their time discussing the heck out of everything but rarely solving anything.

A vital first step is creating a workplace where people feel comfortable calling out the issues that stand in the way of your vision. To do this, your leadership team must be comfortable with this type of environment. Trust creates an open culture in which everyone feels comfortable talking about issues as they arise. Everyone must know that it's okay to raise issues as long as they are corrected.

In an open and honest organization, the Issues List becomes a tool that creates a discipline to keep all of your issues out in the open and organized in one place. You should have three types of Issue Lists — Quarterly Issues Lists, Weekly Leadership Team Issues Lists, and Departmental Issues lists.

Most teams suffer from different challenges when solving issues. The common ones include fear of conflict, lack of focus, lack of discipline, lack of commitment, and personal ego. There is a fast, efficient way to solve problems in three steps—*The Issues Solving Track*.

Step 1: *IDENTIFY*. Clearly identify the real issue, because the stated problem is rarely the real one. Most of the time, the stated problem is a symptom of the real issue. By batting the issue back and forth, you will reach the true cause. When you go deep enough, most causes of real issues are people.

Step 2: *DISCUSS*. Once the issue is clearly identified, don't be afraid to suggestion a solution. The discussion step is everyone's opportunity to say everything they have to say about the issue. They should say it only once. Be careful about tangents that diverge from the original purpose. Once all of your options, data, ideas, solutions, and concerns regarding the issue at hand are out in the open, you can make the issue go away forever

Step 3: *SOLVE*. The solve step is a conclusion or solution that usually becomes an action item for someone to do. This step is much easier when your vision is clear. Solving issues can take time. Sometimes the issue needs more research or facts before the discussion can be resumed in next week's meeting. The solution will always be simple; it's just not always easy to implement. You must have a strong will, have firm resolve, and be willing to make the tough call.

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Chapter 7 — The Process Component: Finding Your Way

Nothing can be fine-tuned until it is first consistent. The Process Component is strengthened through your understanding of the handful of core processes (on average, about seven) that make up your unique business model. You then have to make sure that everyone in your organization understands them, values them, and follows them. This component is the most neglected one, often taken for granted and undervalued by entrepreneurs and leaders. Yet the successful ones see what process can do for them. By not giving this component your full attention, it's costing you money, time, efficiency, and control.

To paraphrase philosopher and logician Kurt Godel, you can't be in a system while at the same time understanding the system you're in. In other words, you need to raise your head from time to time and see the system for what it is, whether it's good or bad. We are normally so buried in the day-to-day scramble that we never take the time to do this. Yet, you'll see something new every time you do.

A typical organization operates through a handful of core processes. How those processes work together is its unique system. To break through the ceiling and build a well-oiled machine, you need to process the ability to systemize. When you systemize what you've built, you'll discover different ways to improve your processes, simplify them, apply technology to them, and, most important of all, make them consistent throughout your organization.

To systemize your organization through your core processes, you and your leadership team must begin by identifying core processes. They typically include the HR process, the marketing process, the sales process, the operations processes, the accounting processes, the customer-retention process.

Then you must document each of the core processes. The person that is accountable for a certain process takes charge of documenting it. To avoid wasting time, make sure you've completed the first step of identifying your core processes before you start documenting. You should follow the 20/80 rule—documenting the 20 percent that produces 80 percent of the results. If you try to document 100 percent of a core process, it might take 30 pages. If you document the most important 20 percent, you should need around six pages. As you simplify each of the processes you may discover where technology can be applied. To connect core processes, or to enhance them on their own, realizes efficiencies and increases your profitability. Another reason you must document and simplify your processes is that your business has to become self-sustaining. It must be able to run without you. You have to get your key processes out of your head and onto paper.

Now that your core processes are documented, the document is ready to use for reference and training. When everyone follows their process, it's much easier for managers to manage, troubleshoot, identify and solve issues. The clear lines of process enable you to let go and gain more control. Your business now becomes more scalable, which means you can add more customers, transactions, revenue, and employees while reducing complexity. The final step is to make sure that everyone follows their process.

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Chapter 8 — The Traction Component: From *Luftmensch* to Action!

Gaining traction means making your vision a reality. It's the final piece of the puzzle. Mastering the first five components is essential before tackling this component, because without them, you might gain traction, but in the wrong direction. When the first five components are strong, you will take off in the right direction—toward your vision.

The world is filled with many great visions, but, unfortunately, most of them will go unrealized due to an inability to gain traction. Visionaries like to stay on a high plane, not at ground level. After more than 20 years of observing failures, I realized how to bridge the gap between vision and execution.

I recently learned a Yiddish word: a *luftmensch* is an “air-person,” someone who has his or her head in the clouds. Nothing exists without visionaries, but once the vision is clear, you need to go from *luftmensch* to action. There are two disciplines needed to gain traction. First, everyone must set specific, measurable priorities (“Rocks”). Second, you must get better as an organization (“Meeting Pulse”).

With a clear long-term vision in place, you're ready to establish short-term priorities that contribute to achieving your vision. You will establish the three to seven “Rocks”—the most important priorities for the company, the ones that must be done in the next 90 days.

You create a 90-Day World by breaking your vision down into bite-sized chunks called Rocks so you're not overwhelmed by the monumental task of accomplishing your vision. Your company will have Rocks, each member of your leadership team will have Rocks, and your employees will also have Rocks. This breaks the organization of the habit of trying to focus on everything at once. By limiting priorities, you can focus on what is most important. The way you move the company forward is one 90-day period at a time.

The Meeting Pulse is your organization's heartbeat. Well-run meetings are the moment of truth for accountability. To gain traction, you'll probably need to meet even more than you presently do. Rather than long, meandering meetings, a Meeting Pulse with a specific agenda throughout your departments will keep your organization healthy.

A powerful full-day quarterly meeting is necessary to keep people on track. It is a normal cycle for people to lose focus every 90 days. If you don't continue to align your team quarterly, your organization will fragment to the point that you will get far off track, you will start to lose great people, you will lose sight of your vision, and you will end up right back where you started—in chaos. At the end of every year, piggyback on an extra day for your annual planning—to build team health, reset the vision, and create a clear plan for the next year.

Once the quarterly priorities are set, you must meet on a weekly basis to stay focused, solve issues, and communicate. The Weekly Planning Pulse is your opportunity to make sure everything thing is

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on track. Like a heartbeat, it creates a consistent flow that keeps the company healthy. Put another way, it creates a consistent cadence that keeps the organization in step.

At the end of every meeting, have everyone rate the meeting on a scale of 1 to 10. Your goal should be an 8 or better.

Chapter 9 — Pulling it All Together: The Grand Journey

The combination of strengthening the Vision, People, Data, Issues, Process, and Traction Components is what makes the real magic occur. What is new about the Entrepreneurial Operating System (EOS) is the way that these disciplines have been assembled into a complete system for running an entrepreneurial organization. If you want a visual of the EOS Model to serve as a constant reminder of the Six Key Components, you can download one free at www.leosworldwide.com/model.

The reason EOS works in any kind of organization is that it's based on human nature. The entire system is built around how people really operate.

The *90-Day World* stems from the reality that humans can only focus that long. *Weekly meetings* ensure accountability because when people know someone is going to check up on what they committed to do, they do it. *Data* forces you to give people numbers so you can measure achievements. The *Issues Solving Track* addresses the natural tendency to avoid conflict.

Once you're on track, occasionally you or members of your leadership team will doubt the need for the quarterly meetings. Or you'll feel you're all too busy or things are too chaotic. But that's like taking the foot off of the gas pedal; you're not going to come to a screeching halt. You'll just coast until you eventually come to a stop.

As a leader, keeping your head clear, your confidence high, and your focus strong are vital in maintaining forward momentum. Most leaders spend most of their time overwhelmed, tired, and buried in the day-to-day routine, unable to see beyond tomorrow. As a result, they don't solve problems as well as they could, they don't lead their people as well as they could, and they're not a good example for them.

Great leaders have a habit of taking quiet thinking time. That means escaping the office on a regular basis for an hour or so. By working on yourself and the business, you will rise above feeling frustrated and overwhelmed to a clearheaded and confident state. As a result, when you come back to the business you will be laser-focused and in the right leadership frame of mind.

You can do this wherever works best for you as long as it is never in your office. You have to go to a place where your thoughts are uninterrupted. You can do this daily, weekly, or monthly, whichever

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works best for you. After taking a clarity break, you will come back to the office ready for anything. When you're having trouble solving a problem, check out for a clarity break. Take a deep breath, and put the necessary time into thinking clearly through the problem.

Chapter 10 — Getting Started

At this point, you're probably eager to put these tools to work in your organization. To help get the fastest results in the shortest amount of time, I'll outline the exact process that I use to implement each EOS tool with our clients. Ultimately, these will strengthen the Six Key Components.

Begin by creating your Accountability chart. First you need to take a big step back and determine the right structure for your organization. Then you can put the right people in the right seats. Then set your Rocks.

Begin holding 90-day and Weekly Impulse meetings. Implement your Scorecard. One of the secrets to the EOS Process is starting with Traction first and then identifying your vision. Finally, with a strong foundation in place, give everyone a number.

Here's a snapshot: imagine all of the above-mentioned tools fully implemented. Every quarter, you're in a full-day quarterly session with your leadership team, resolving key issues, reviewing last quarter's Rocks and setting next quarter's Rocks, getting better and better every 90 days. Every year, you participate in a highly effective two-day annual planning session, challenging every aspect of your vision and putting a rock-solid plan in place for the coming year, with everyone on the same page.

You're hiring, firing, reviewing, rewarding, and recognizing all of your people around core values. As your organization grows, you're making the necessary evolutionary changes to your Accountability Chart, always focused on structure first and people second, ensuring the right people are in the right seats.

You participate in Weekly Pulse meetings with your leadership team, reviewing your Scorecard to assure all numbers are on track. You review Rocks to make sure all priorities are on track. You're solving all relevant issues for the week. As a result, you're executing well as a team. In addition, each department is doing the same.

Every 90 days, you deliver a quarterly state-of-the-company meeting. That keeps everyone in your company on the same page, sharing the same vision. Each person is setting and achieving his or her individual Rocks. Your company is growing. You're achieving goals and building a great company.

This picture can be achieved. It's just a matter of implementing each tool in the order in which I've laid them out.