

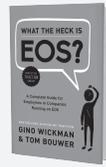
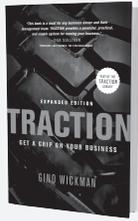
# THE TRACTION LIBRARY

Want even better results and more business success?

Equip every person on your team with the right information and tools to run your organization on EOS®, the Entrepreneurial Operating System®. With the Traction Library, everyone in the company—from leadership to management to employees—will understand their role and be empowered to help your company succeed.

## HERE'S HOW:

### For Everyone



### For Entrepreneurs, Leaders and Managers



### For Visionaries and Integrators™



# TRACTION

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

GINO WICKMAN



BENBELLA

Dallas, Texas

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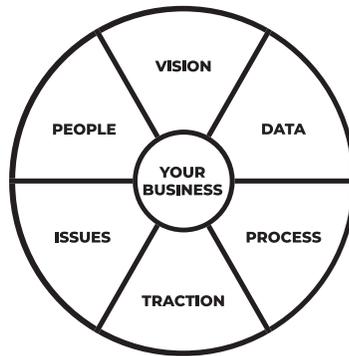
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**E**very great system is made up of a core group of basic components. The same applies to a business. The Entrepreneurial Operating System (EOS) identifies Six Key Components of any organization. In the words of an EOS client, “I used to worry about 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.



A few years ago, my dad made a humorous observation: People have a habit of firming up their convictions in conversation by asking the question, “Do you see what I’m saying?” On the surface, a question like that doesn’t really make any sense—you really can’t see what someone is *saying*. Later it dawned on me that the expression made all the sense in the world.

My dad is a visionary. He was my first mentor, and he taught me how to lead, manage, communicate, and deal with people, whether it be one or one thousand. He is one of only 140 Hall of Fame members of the National Speakers Association. He also built the number one real estate sales training company from the ground up and is a two-time finalist for the Ernst & Young Entrepreneur of the Year award.

As he well knows, 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 their organization so that everyone can see where the company is going and determine if they want to go there with you. By



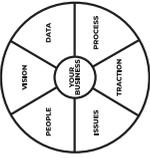
## ANSWERING THE EIGHT QUESTIONS

Let's start by dispelling the myth that a company's vision has to be a hundred pages long. You might need that level of detail for financing, but rarely is it necessary to build a great company. By simply answering eight questions, you and your leadership team should be able to clearly state your vision and ultimately enable everyone in the organization to "see" where you want to go.

The first tool in EOS is the Vision/Traction Organizer (V/TO). Not only is the V/TO designed to get your vision out of your head and onto paper, it will help you answer these eight questions. It's meant to help you create a clear picture of where the company is going and how it will get there. Most importantly, it does so simply, by boiling your vision down to only two pages. An example of a V/TO appears on the next page, and an electronic version of the V/TO can be downloaded free at [www.eosworldwide.com/vto](http://www.eosworldwide.com/vto).

I first learned the power of simplicity in planning from my previous business partner, Ed Escobar. Along with my dad, Ed and I used to co-own and run a real estate sales training company. Once, Ed told me about the time prior to my joining the organization, when he had presented a quite lengthy business plan to my dad. After the first look, my dad said, "Can you condense it to 10 pages?" A little frustrated, Ed replied, "Sure." After some work he came back with a 10-page business plan. My dad liked it, but wondered aloud, "Could you condense it to two?" A little more perturbed, Ed complied once again. After some more work, the two-page business plan was created. When my dad's request to condense it to

THE EOS MODEL



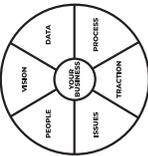
# THE VISION/TRACTION ORGANIZER™

Organization Name: \_\_\_\_\_

## VISION

<b>CORE VALUES</b>	<ol style="list-style-type: none"> <li>1. _____</li> <li>2. _____</li> <li>3. _____</li> <li>4. _____</li> <li>5. _____</li> </ol>	<b>3-YEAR PICTURE™</b>
<b>CORE FOCUS™</b>	Purpose/Cause/Passion:  Our Niche:  _____ _____	Future Date:  Revenue:  Profit:  Measurables:  What does it look like? - - - - - - -
<b>10-YEAR TARGET™</b>	Target Market/"The List":  3 Uniques™: 1. 2. 3. Proven Process:  Guarantee:	
<b>MARKETING STRATEGY</b>		

THE EOS MODEL



# THE VISION/TRACTION ORGANIZER™

Organization Name: \_\_\_\_\_

## T R A C T I O N

1-YEAR PLAN	ROCKS	ISSUES LIST
<p><b>Future Date:</b> _____</p> <p><b>Revenue:</b> _____</p> <p><b>Profit:</b> _____</p> <p><b>Measurables:</b> _____</p> <p><b>Goals for the Year:</b></p> <p>1. _____</p> <p>2. _____</p> <p>3. _____</p> <p>4. _____</p> <p>5. _____</p> <p>6. _____</p> <p>7. _____</p>	<p><b>Future Date:</b> _____</p> <p><b>Revenue:</b> _____</p> <p><b>Profit:</b> _____</p> <p><b>Measurables:</b> _____</p> <p><b>Rocks for the Quarter:</b></p> <p>1. _____ Who _____</p> <p>2. _____</p> <p>3. _____</p> <p>4. _____</p> <p>5. _____</p> <p>6. _____</p> <p>7. _____</p>	<p>1. _____</p> <p>2. _____</p> <p>3. _____</p> <p>4. _____</p> <p>5. _____</p> <p>6. _____</p> <p>7. _____</p> <p>8. _____</p> <p>9. _____</p> <p>10. _____</p> <p><b>Prioritize</b></p> <ul style="list-style-type: none"> <li>- Identify</li> <li>- Discuss</li> <li>- Solve</li> </ul>

<b>CORE VALUES</b>	<ol style="list-style-type: none"> <li>1. FLEXIBLE</li> <li>2. INNOVATIVE</li> <li>3. RESPECTFUL</li> <li>4. SPIRITED</li> <li>5. TEAM</li> </ol>
<b>CORE FOCUS™</b>	<p><b>Purpose/Cause/Passion:</b></p> <p><b>Our Niche:</b></p>

## WHAT IS YOUR CORE FOCUS?

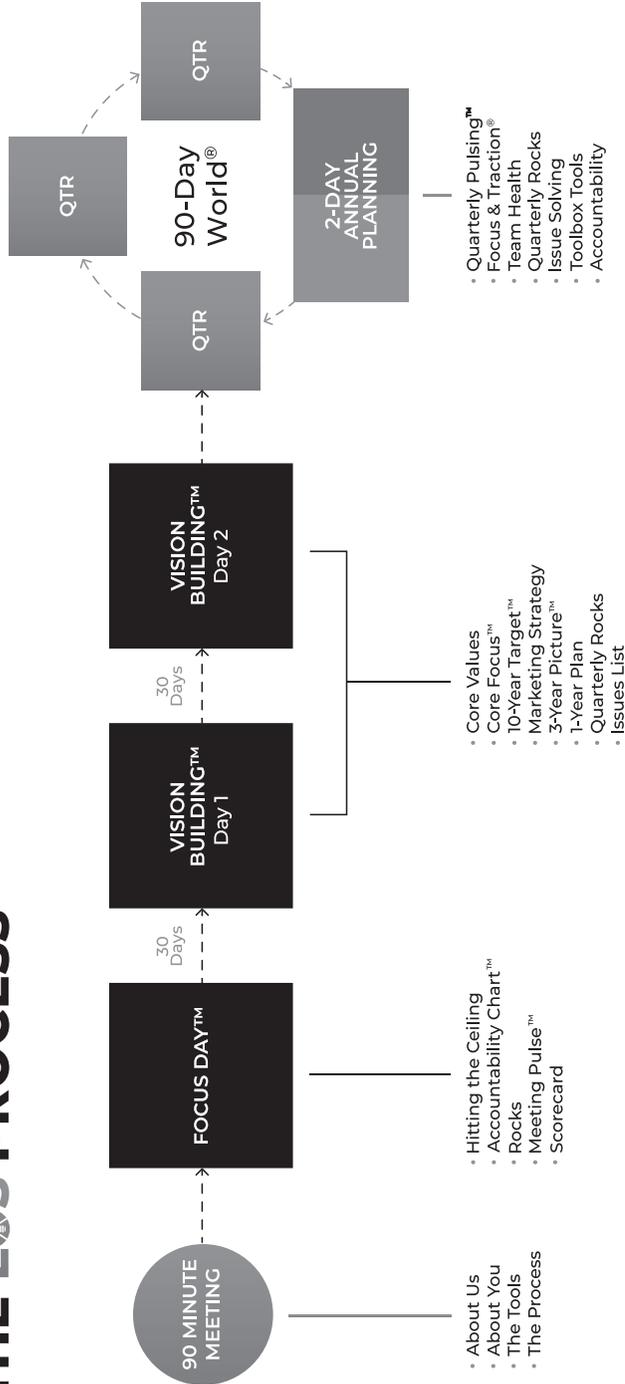
It doesn't take much for an organization to get off track in the hustle and bustle of the business world. Businesses can easily become distracted by opportunities that are wolves in sheep's clothing. Others falsely assume that since they are succeeding in one business, they can succeed in any. Others simply get bored.

Your job as a leadership team is to establish your organization's core focus and not to let anything distract you from that. Many things have the potential to distract us from our core focus. Steve, a member of one leadership team, calls it "shiny stuff." A competitor, a new idea, a new product, and poor advice that looks like good advice at the time are just a few examples.

The central concept of a core focus has been given many different names over time, including "mission statement," "vision statement," "core business," "sweet spot," "the zone," and "the ball" (as in "keep your eye on the"). In his book *The 8th Habit*, Stephen Covey calls it "voice." Dan Sullivan calls it Unique Ability®. And in *Good to Great*, Jim Collins calls it "the hedgehog concept." I call it core focus because it should come from your company's core and you must stay laser-focused on it.

Russell H. Conwell's story "Acres of Diamonds" illustrates this point well. To paraphrase: There was once a man named Ali who owned a large farm with many orchards. Ali was perfectly content with his lot in life until one day, when a local

# THE EOS PROCESS®



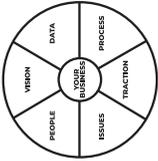
- About Us
- About You
- The Tools
- The Process

- Hitting the Ceiling
- Accountability Chart™
- Rocks
- Meeting Pulse™
- Scorecard

- Core Values
- Core Focus™
- 10-Year Target™
- Marketing Strategy
- 3-Year Picture™
- 1-Year Plan
- Quarterly Rocks
- Issues List

- Quarterly Pulsing™
- Focus & Traction®
- Team Health
- Quarterly Rocks
- Issue Solving
- Toolbox Tools
- Accountability

THE EOS MODEL



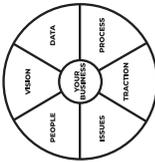
# THE VISION/TRACTION ORGANIZER™

Organization Name: RCS International

## VISION

<p><b>CORE VALUES</b></p>	<ol style="list-style-type: none"> <li>1. Flexible</li> <li>2. Innovative</li> <li>3. Respectful</li> <li>4. Spirited</li> <li>5. Team</li> </ol>	<p><b>3-YEAR PICTURE™</b></p>
<p><b>CORE FOCUS™</b></p>	<p><b>Purpose/Cause/Passion:</b> Create raving fans through living our core values</p> <p><b>Our Niche:</b> Being your Canadian logistics "partner"</p>	<p><b>Future Date:</b> December 31, 20XX</p> <p><b>Revenue:</b> \$15 million</p> <p><b>Measurables:</b> 45 clients/projects &gt;\$50K</p> <p><b>What does it look like?</b></p> <ul style="list-style-type: none"> <li>- 3 total \$15M+ clients</li> <li>- 3 total \$1M+ clients</li> <li>- 15 total \$200K+ clients</li> <li>- 50% of new projects are new clients</li> <li>- Our own location</li> <li>- Lettershop capabilities</li> <li>- Properly incented employees</li> <li>- Company wide automation</li> <li>- Great reputation/thought leader in industry</li> <li>- More associations-writing, speaking PIA, MFA, Red Tag</li> <li>- Fending off acquisition</li> </ul>
<p><b>10-YEAR TARGET™</b></p>	<p>\$25 million in revenue at a 10% net margin</p>	
<p><b>MARKETING STRATEGY</b></p>	<p><b>Target Market/"The List":</b> 1. Mail producers that are able and willing to go after their Canadian direct marketing mail 2. Major accounts using international providers for their Canadian mail</p> <p><b>3 Uniques™:</b> 1. Canadian expertise 2. Understand the value chain 3. The Right Route Solution</p> <p><b>Proven Process:</b> The Right Route Solution</p>	

THE EOS MODEL



# THE VISION/TRACTION ORGANIZER™

Organization Name: RCS International

## T R A C T I O N

1-YEAR PLAN	ROCKS	ISSUES LIST
<p><b>Future Date:</b> December 31, 20XX</p> <p><b>Revenue:</b> \$10 million</p> <p><b>Measurables:</b> 30 clients/projects greater than \$50K each (annualized)</p> <p><b>Goals for the Year:</b></p> <ol style="list-style-type: none"> <li>Hire a controller</li> <li>14 new projects &gt; \$50K (half new clients)</li> <li>Sales software to capture the list and manage sales funnel</li> <li>8 association touches</li> <li>Implement an Operating System</li> <li></li> <li></li> </ol>	<p><b>Future Date:</b> September 11, 20XX</p> <p><b>Revenue:</b> \$2 million</p> <p><b>Measurables:</b> 20 clients/projects greater than \$50K each (annualized)</p> <p><b>Rocks for the Quarter:</b></p> <ol style="list-style-type: none"> <li>Create and execute sales strategy with metrics Joe</li> <li>Revitalize culture:                     <ul style="list-style-type: none"> <li>4 hr simple quote</li> <li>Phones 8:30-5:30</li> <li>Monthly events</li> <li>Core values</li> </ul>                     Bob</li> <li>Fill the pipeline with 3,000 names Patrick</li> <li>Launch the website Joe</li> <li></li> <li></li> <li></li> </ol>	<ol style="list-style-type: none"> <li>Operations facility</li> <li>Exchange rate</li> <li>Operations system</li> <li>Database</li> <li>Quote turnaround times</li> <li>Equipment needs</li> <li></li> <li></li> <li></li> <li></li> </ol> <p><b>Prioritize</b></p> <ul style="list-style-type: none"> <li>- Identify</li> <li>- Discuss</li> <li>- Solve</li> </ul>



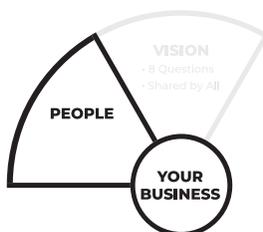
## SHARED BY ALL

Now that you have completed your V/TO—the first part of the Vision Component—the foundation for the rest of The EOS Process is set. 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.

A Harris Interactive/FranklinCovey poll of over 23,000 employees in key industries and employed in key functional areas sheds a sharp light on this issue. The poll revealed that 37 percent of employees didn't understand their companies' priorities. Only one in five was enthusiastic about their organization's goals, and only one in five saw a clear connection between their tasks and their organization's goals.

Now that your vision is on paper, you must communicate it to everyone in the organization, and every person must understand it and share it. When everyone's energy is going in the same direction, their accumulated drive will kick in and create an exponential force.

Don't be afraid to let your people challenge the vision and ask questions. These inquiries, along with the preceding dialogue, will help you both become more invested in the vision. While you may worry that they may point out a flaw in the plan, that's not a bad thing at all. If they notice and highlight a potential problem, they'll be even more committed as a result of their involvement in the resulting exchange and resolution. Be willing to be vulnerable.



**H**ave you ever noticed that great leaders frequently credit their success to having “good people”? What the heck does that even mean? Whenever I asked these leaders what exactly that meant, I seemed to get a different answer every time. Eventually, I realized that the answers were all exactly the same. Sure, the words were different, but the context never changed. In this chapter, I’ll cut through all the confusing terminology such as “good people,” “A players,” “platinum,” “top quartile,” and “superstars,” and get to the root of the matter.

It all comes down to getting the right people in the right seats. Jim Collins made this idea very popular in his bestseller *Good to Great*. It’s an idea that has been around for a long time. Unfortunately, there has never been a crystal clear definition for what it actually means. As a result, it was another term among a complex mix of terminologies that only added to the confusion. And yet the definition is actually quite simple.

*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. A perfect example is the receptionist for Autumn Associates. As she returned home from vacation, her flight was delayed for so long that her plane landed only an hour before she was due back to work for an 8:00 a.m. meeting. The employees had created a custom of wearing logo apparel to all company meetings, so she had her mother pick her up from the airport with her company shirt. She changed in the car and was at work on time, apparel and all. This exemplified two of the company’s core values—commitment



Your job is to hire, fire, review, reward, and recognize all of your people around core values and Unique Abilities®. That’s the way to build an organization with all of the right people in the right seats.

Let’s see how this can be done in practical terms. The following tools will enable you to assess your people and make the right choices. We’ll turn first to Right People and then to Right Seats.

## RIGHT PEOPLE

With the answer to the first question on the V/TO—“What are your core values?”—you now have the ability to define who the right people are for your organization. It’s important to note that whatever your core values are, they don’t make the people who don’t possess them right or wrong, nor do they make them good or bad. They just don’t fit in *your* company culture. If they go somewhere that has their values, they’ll be fine and they’ll probably thrive. Keeping in mind your core values, it’s now time to turn to the tool that will show you what you have.

## THE PEOPLE ANALYZER

I often observed my clients discussing people issues in terms that were very subjective and unproductive. They often never really resolved their people issues, and when they did, the process took twice as long as it should have. Out of necessity, I created a tool to make such discussions much more tangible.

NAME	BE HUMBL Y CONFIDENT	GROW OR DIE	HELP FIRST	DO THE RIGHT THING	DO WHAT YOU SAY
SALLY JONES	+	+	+	+	+
JOHN SMITH	-	-	-	-	-
GEORGE WILSON	+/-	+/-	+/-	+/-	+/-

The People Analyzer is designed to clarify whether you have the right person in place or not. This is one of the top five tools used by all my clients. The concept was actually created by my dad back in the early 1970s for evaluating salespeople, and I have altered it into a tool that helps evaluate an individual's core values. The People Analyzer template can be downloaded from [www.eosworldwide.com/people](http://www.eosworldwide.com/people).

First, put the names of the people you're going to analyze in the left column. Then list your core values across the top. Then rate each person according to his or her adherence to the core values. Give one of three ratings:

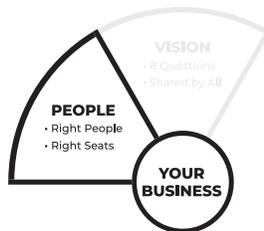
- + He or she exhibits that core value most of the time.
- +/- Sometimes he or she exhibits the core value and sometimes he or she doesn't.
- He or she doesn't exhibit the core value most of the time.

You will notice in the preceding example, Sally is absolutely the right person for your organization, George is very much on the fence, and John must go.

The ideal you're shooting for in your organization is to surround yourself with 100 percent of the right people, who look just like Sally does. However, this is only an ideal, so don't get caught up in perfection. What your leadership team has to do is determine what the bar is. The "bar" is the minimum standard you will accept from the People Analyzer results. The power of setting the bar is that you give all managers absolute clarity on what is acceptable and what is not.

#### STEP 4

If your leadership team is struggling with a personnel problem, run the person through the People Analyzer. This will give you a clear perspective on whether it's a right-person issue. If it is, there is nothing more to discuss and you now know how to solve it. If it isn't, and it might be the person's seat, don't worry—we'll cover that next.



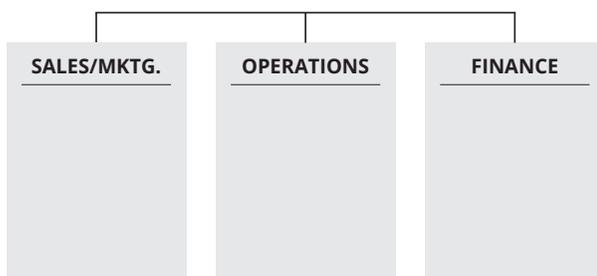
## RIGHT SEATS

Once you're confident you have selected the right people, it's important to get them in the right seats. That means all of your people are operating in their Unique Abilities<sup>®</sup> and those abilities are clearly in line with their roles and responsibilities.

A seat cannot be created until the organization is structured in the right way so as to lift your company to the next level. To create that structure, we'll use a powerful tool called an Accountability Chart. This is a supercharged organizational chart, and, when completed, it will help owners and leadership team members clearly grasp their own roles and responsibilities. That will, in turn, enable them to do the same for their people.

## THE ACCOUNTABILITY CHART

This tool does not assume there is only one way to structure an organization. You could read a hundred books on organizational development and find a hundred

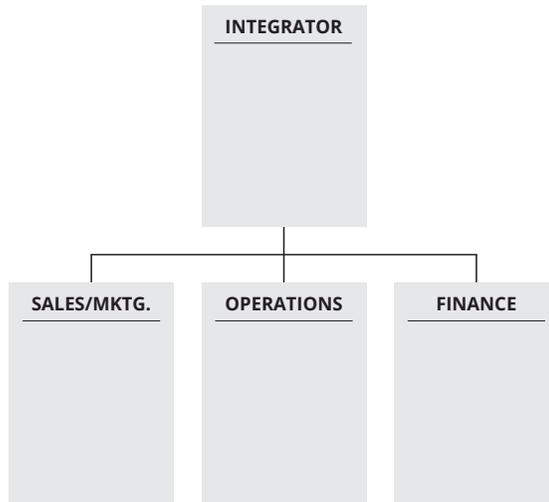


Assuming that three major functions exist in all organizations, the next truth is that they must all be strong.

I've had many debates about whether sales and marketing is the most important function. The argument is always that until somebody sells something, nothing else happens. That's hard to disagree with. But realistically, all three have to be strong.

To make the point, let's consider three scenarios:

- You have a strong sales and marketing function, a weak operations function, and a strong financial function. What's the net effect? In that scenario, you're doing a great job selling and bringing in new customers, but you're losing them right out the back because operations is not delivering what you promised and customers aren't happy.
- You have a strong sales and marketing function, a strong operations function, and a weak financial function. What's the net effect? Again, you'll bring in a lot of customers and take good care of them, but money is coming in the front door and going right out the back due to a lack of financial controls: \$10 million in and \$10 million out, or worse, \$10 million in and \$10.2 million out. This may strike a nerve because many companies fall into a situation where there is no monitoring of spending, nor is individual customer profitability assessed.



That is the basic structure of the Accountability Chart. With that understanding, two other very important factors need to be taken into account when creating the right structure for your organization.

First of all, when customizing the Accountability Chart for your company, the three major functions might split into more functions. For example, sales and marketing sometimes splits into a distinct sales function and a distinct marketing function. Operations sometimes splits into two or three distinct functions such as delivery, project management, or customer service. Finance and administration can split into as many as four: finance, administration, information technology (IT), and human resources (HR).

Depending on the size and state of your organization, you will end up with anywhere between three and ten major functions on that front line. As long as you stay focused on what the right structure is for your organization, the right number will come. Please remember, though, less is more. Not one EOS client has more than seven major functions.

The second factor is another major function that is not on the front line. In my experience, when a company creates its Accountability Chart, half the time they

You now map out your entire organization using the Accountability Chart structure. Illustrate all of the functions in your organization and which function they report to, and then list the five major roles of that function. Determine if you have a visionary in your organization. If you do, illustrate it clearly.

As you construct your Accountability Chart, a few words of caution: Create only the structure first. Don't put any names in any of the boxes yet. In other words, illustrate the correct functions at all levels in the organization. This method will keep you honest with yourself and lead you to the best structure. Once the right structure is set, then put the right people in the right seats. When you choose someone for that seat, you want to be certain that person is operating in his or her Unique Ability®.



When you're finished, the Accountability Chart should look like an organizational chart, with five bullets that illustrate the major roles of each function. Important note: The Accountability Chart will clarify function, role, and reporting structure, but it will not define communication structure. Your communication



Life is much easier for everyone when you have people around you who genuinely get it, want it, and have the capacity to do it.

With GWC now clear, incorporate it into your People Analyzer. When you're evaluating your people, the rating on GWC should be a black-and-white "yes" or "no," unlike the pluses and minuses for core values. You must get a "yes" on all three, or the person is in the wrong seat.

NAME	BE HUMBLY CONFIDENT	GROW OR DIE	HELP FIRST	DO THE RIGHT THING	DO WHAT YOU SAY	GET IT	WANT IT	CAPACITY TO DO IT
SALLY JONES	+	+	+	+	+	YES	YES	YES
JOHN SMITH	-	-	-	-	-	YES	NO	YES
GEORGE WILSON	+/-	+/-	+/-	+/-	+/-	NO	YES	YES

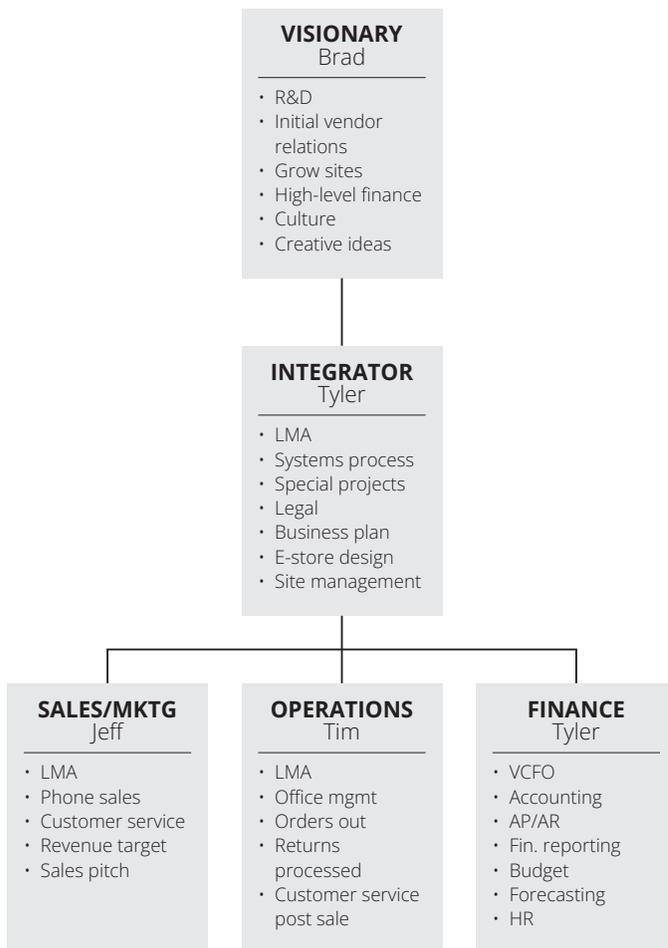
### ONE NAME, TWO SEATS

You can have one name in two seats, just not two names in one seat. When an organization first starts out, the founding entrepreneur occupies every seat. He or she is the one name in all seats. He or she is the integrator, the head of sales and marketing, the head of operations, and the head of finance. As the organization grows, new people are brought in to fill the seats needed. For instance, once the entrepreneur reaches capacity, he or she then brings in someone to run operations and is able to let go of that major function.

If you're at a point where you have people in more than one seat—for instance, your bookkeeper is also your shipping person and your customer service person—that is okay, as long they have enough time to do both jobs well. It's a matter of the size of the organization. If they or you don't have enough time to be in all seats, that will have to change. This leads us to the next point.

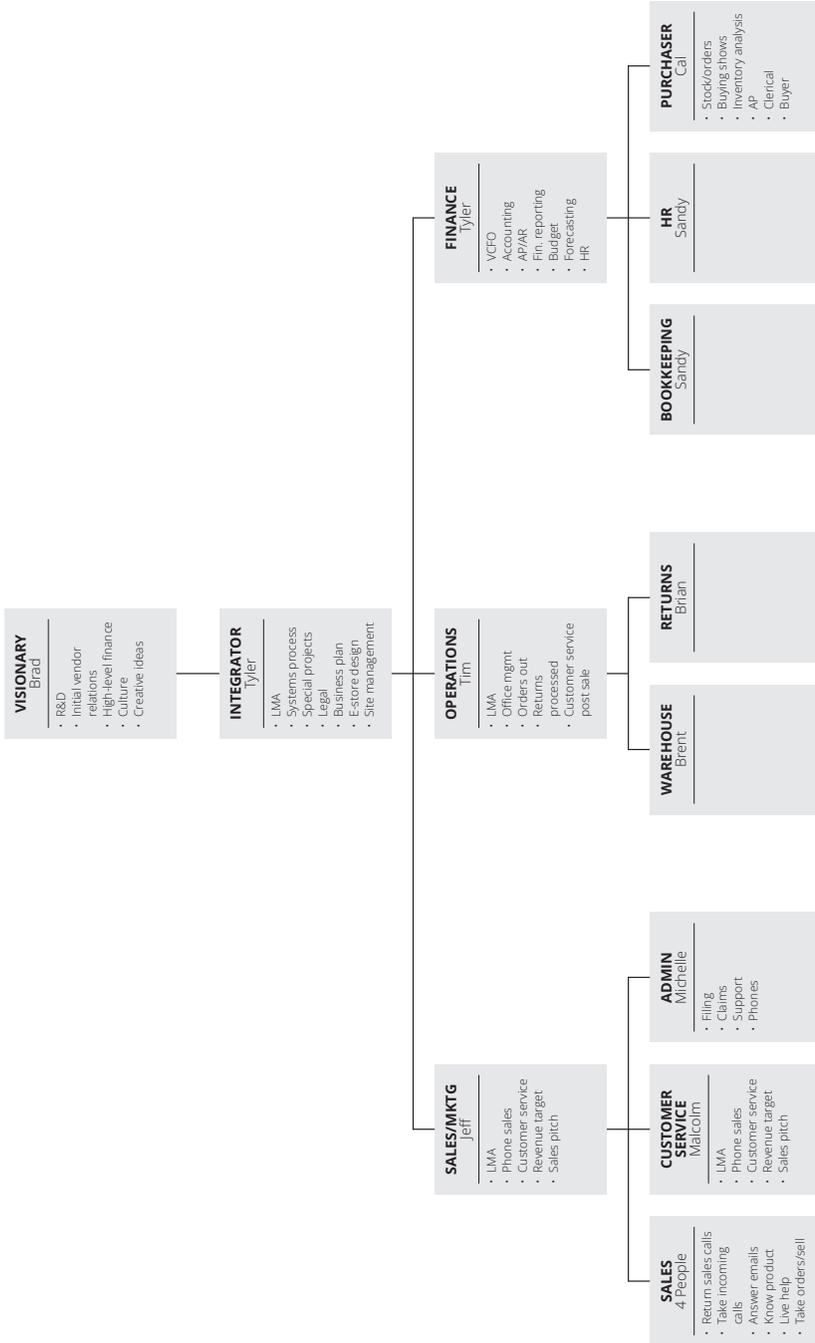
# Year 1

4 People/\$500K Revenue



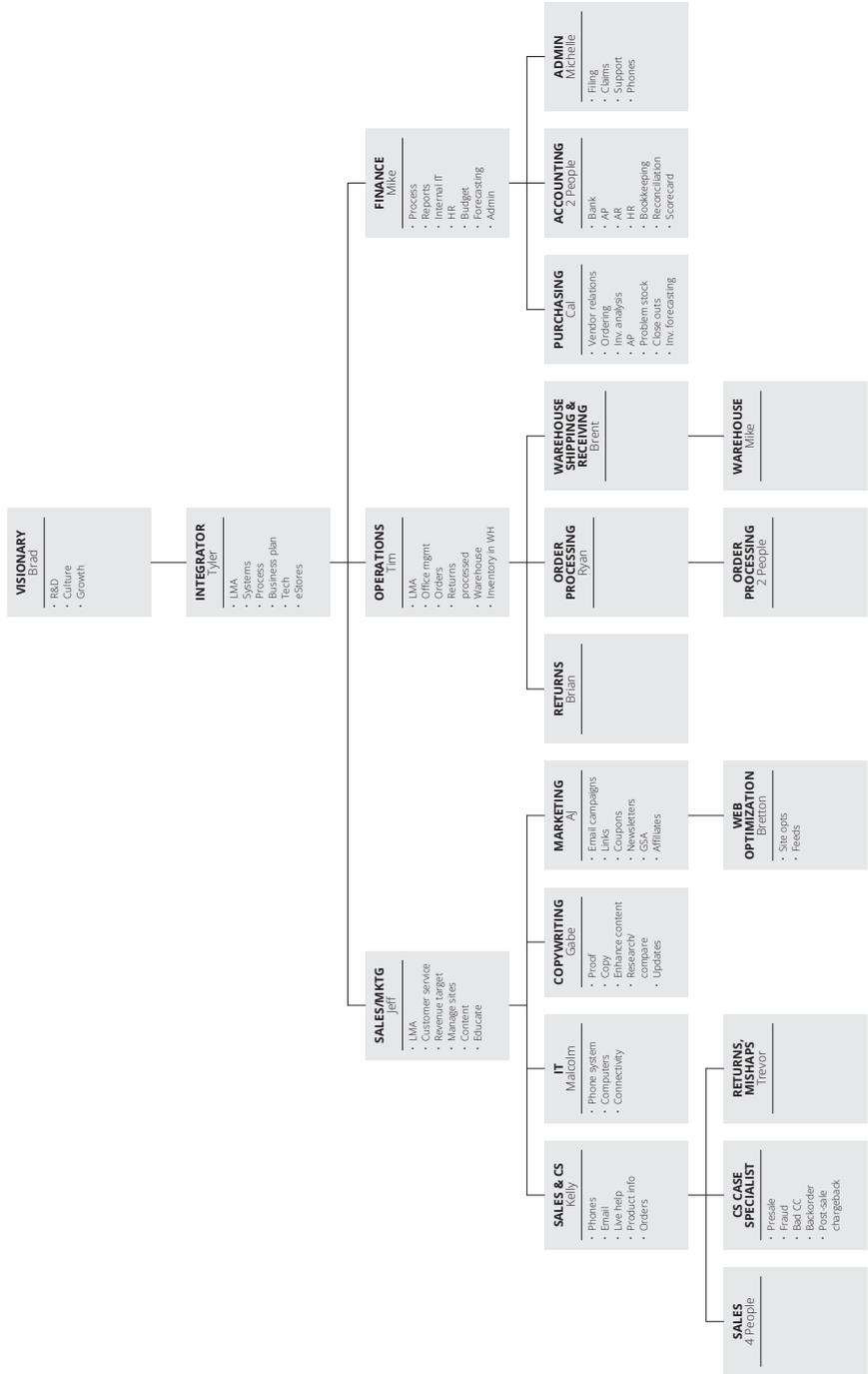
# Year 2

15 People/\$2.1M Revenue



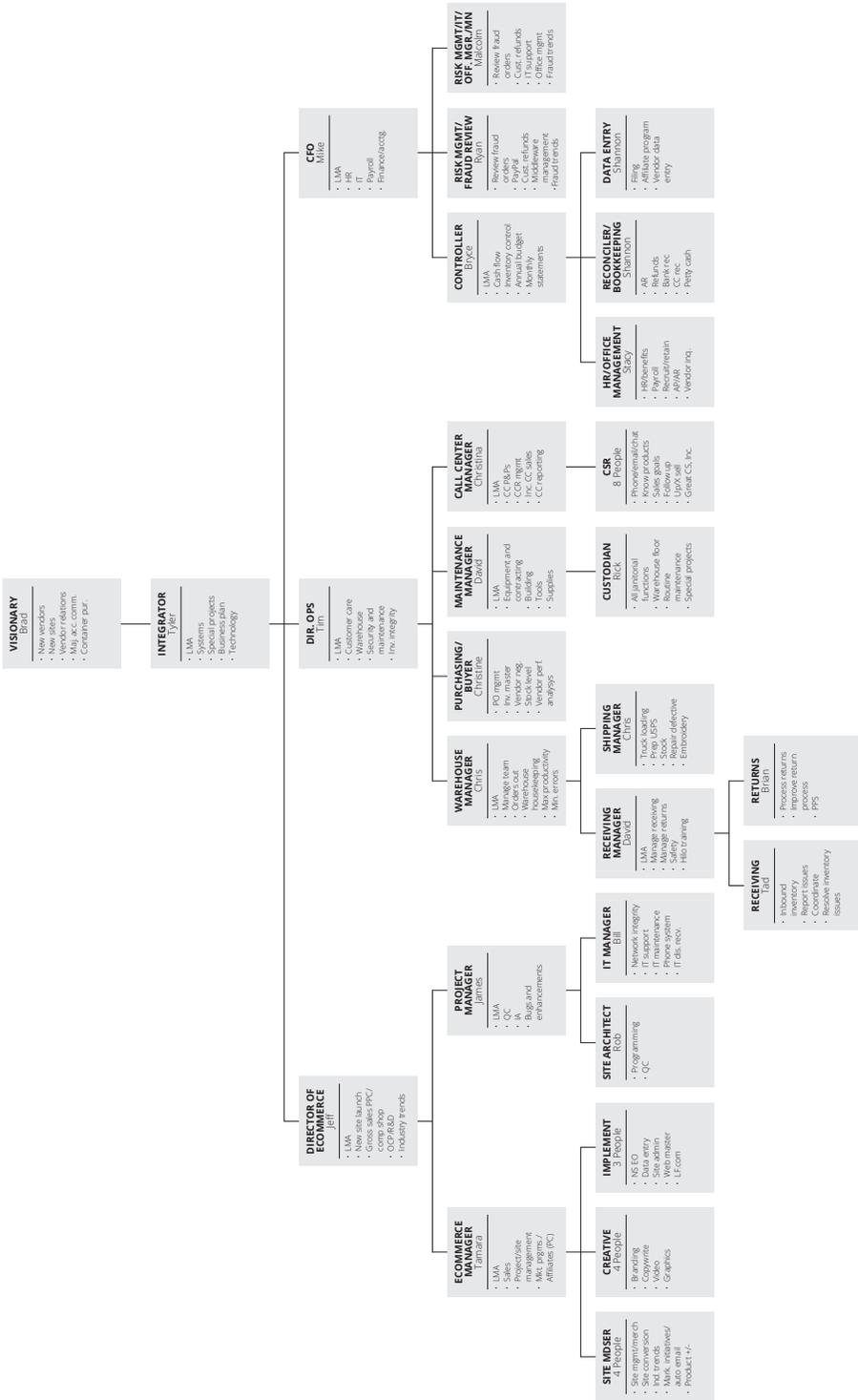
# Year 3

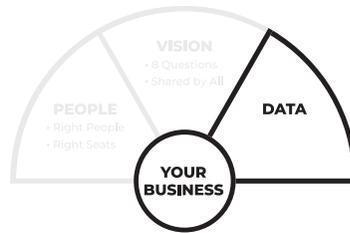
26 People/\$6M Revenue



# Year 5

## 43 People/\$14.1M Revenue





**P**icture a small plane flying over the Atlantic Ocean. Halfway across, the captain announces, “I’ve got bad news and I’ve got good news. The bad news is that the gauges aren’t working. We are hopelessly lost, I have no idea how fast we’re flying or in what direction, and I don’t know how much fuel we have left. The good news is that we’re making great time!”

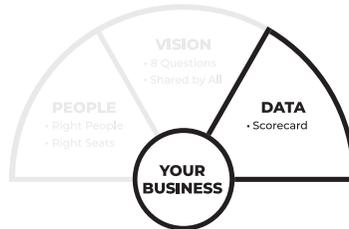
Does that sound at all familiar? That’s how most entrepreneurs run their organizations. They’re flying blind with no data to let them gauge where they are, where they are going, or if they are heading in the right direction. But they always remain optimistic.

Doubts can eat away at you. If you’re a typical business owner, you often wake up at 2:00 a.m. with an uneasy feeling. You feel you can’t accurately measure the pulse of your business. To take that pulse, you walk around the office the next day and talk to five 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.

This chapter is designed to help you 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.

You will gain the power of being able to manage your business through a chosen handful of numbers. These numbers will allow you to monitor your business on a weekly basis, quickly showing which activities are on track or off track. Once you have tracked those numbers for a while, you will achieve the valuable ability to see patterns and trends to predict the future.

For the Data Component, you will be introduced to a time-tested tool that will allow you to quantify your company's results. It's called a Scorecard, and once you learn to use it, you'll be able to accurately read the pulse of your business. With hard data in hand, you'll sleep better at night. Ultimately, you will have the ability to let go of the vine and be better connected than ever. In addition, you will reach the point where everyone in your organization has a number, a meaningful, manageable measurable. This will give them clear direction and increase productivity.

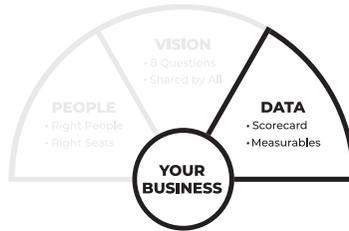


## SCORECARD

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. The idea has been expressed through many different terms. 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





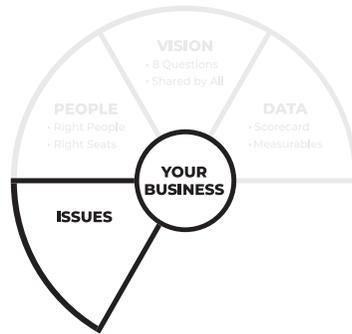
## MEASURABLES

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. With a completed Scorecard, you can track high-level numbers down to a single person as the source.

## EVERYONE HAS A NUMBER

The founder and chairman of a large Michigan mortgage company and a leading online mortgage lender once gave a talk at our Entrepreneurs' Organization Chapter. This was 16 years ago, when I was running my first company and he had 75 employees. He's a fanatic about measuring everything; at one point he told us that "everyone has a number." He went on to explain how every employee in his organization has a number, even his receptionist. Hers was two, as in, "two rings good, three rings bad."

His speech was a wake-up call for me. Back at my office, I came up with and implemented a number for everyone. I have since taught this discipline to every client, and it has produced tremendous results.



**T**he 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. Problems are like mushrooms: When it's dark and rainy, they multiply. Under bright light, they diminish. In an organization where there is nowhere to hide, the problems are easily illuminated. EOS will create that strong light.

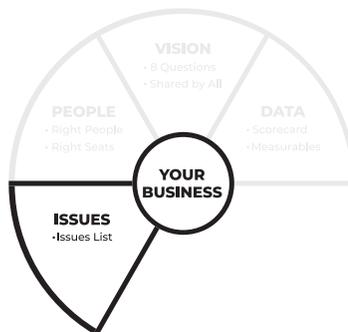
It's human nature to put off making a hard decision. If given the option, most people would prefer not to address an issue and hope that it goes away on its own. This reluctance to act can be a drag on growth and is extremely frustrating to watch. As Napoleon Bonaparte said, "Nothing is more difficult and therefore more precious than to be able to decide."

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. This is not a new discovery. In the classic book *Think & Grow Rich*, Napoleon Hill cited a study that analyzed 25,000 people who had experienced failure. Lack of decision, or procrastination, was one of their major causes of failure. In contrast, analysis of several hundred millionaires revealed that every one of them had the habit of reaching decisions promptly and changing them slowly.

Most leadership teams spend their time discussing the heck out of everything but rarely solving anything. What is draining your energy is not having a lot of work to do; rather, it's having unresolved issues. You're about to learn a process that helps leadership teams quickly dig to the root of an issue, discuss solutions, and then decide—therefore keeping them moving forward and giving them energy by pulling up the anchors holding them back. The one statement that summarizes this chapter best is a maxim my dad taught me long ago: “It is less important what you decide than it is that you decide.” More is lost by indecision than by wrong decisions.

When most new clients solve their major issues in the early stages of the process, they typically say, “That one has been around for years,” or, “We've been trying to solve that issue forever.” Each unresolved issue is an incomplete project weighing down your organization and holding you back. You only have so much capacity, and these unresolved issues take up time and energy. Ultimately, you or your organization will implode under the burden. By solving these issues, you'll free up capacity, creating more time and energy.

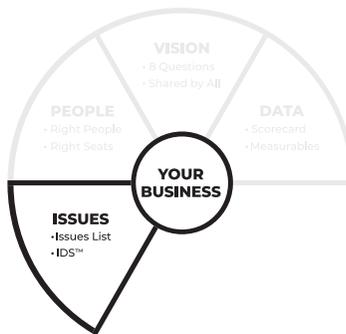
In this Issues Component chapter, you'll learn the next two EOS tools to wield against obstacles holding your company back. The first is a discipline of creating an Issues List. The second is the Issues Solving Track. Once you set them up, you'll knock those obstacles down.



3. **The departmental Issues List.** These issues are on a more local level. These include all the relevant departmental issues for the week that must be tackled during the weekly departmental meetings. The sales team might have hitting call numbers, presentations, closing business, marketing, and presentation materials on their list, while the operations team might have fulfilling orders, purchasing, customer complaints, and low production numbers on theirs.

A client shared a great idea that he used when he was having a hard time getting the people in his department to be open and honest in the identification and resolution of issues. For his next meeting, he made it mandatory that everyone bring two issues. If someone did not have two, he or she could not attend the meeting. He said it was the best meeting his team had ever had. With the floodgates opened, they are healthier than ever.

With an open and honest culture and the three Issues Lists clear, issues will start flowing freely. You can now compartmentalize each issue onto the appropriate list. Each issue that arises in your organization has a place, which means you have to start working on solving them. The most effective way to do that is by following the Issues Solving Track.



The Issues Solving Track always follows the three steps: identify, discuss, and solve. The acronym for the track is IDS. As you move forward in mastering the Six Key Components, IDS will become an important aspect of your day-to-day running of the business. From now on, when faced with an issue, you simply “IDS it.”

The power and simplicity of IDS is demonstrated by two EOS clients who do business together. They were facing some tough issues, so they scheduled a meeting. They sat down in the conference room, and one walked up to the whiteboard and wrote this:

I  
D  
S

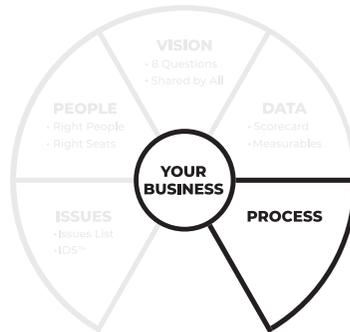
The other smiled, and they went to work and resolved all of their issues. Not only does the Issues Solving Track work internally, but it works externally as well. The ability to “IDS it” became a common language between the two of them, and it’s helped them not only to achieve resolution, but also to get there faster.

## THE PERSONAL ISSUES SOLVING SESSION

Building a healthy team is not always a smooth process. If a team is not opening up, it might be because two individuals don’t get along. They may even be at odds with one another. When this situation occurs, you must resolve the tension. Sometimes it’s the only obstacle holding you back from being a functional, cohesive team. And you need a functional, cohesive team to be a healthy, growing company.

A personal issues solving session usually provides the remedy. This is an opportunity for the two people involved to come together to clear the air and resolve their differences. It’s recommended that you have a third party facilitate the session.

1. Have each person prepare and then share with the other what he or she believes the other’s three greatest strengths and three greatest weaknesses are.



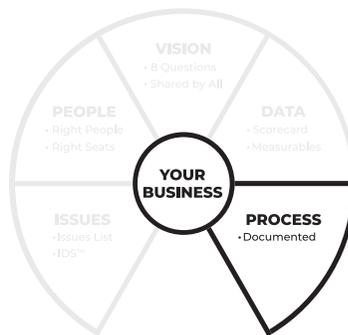
**W**hen Jim Weichert, the founder of Weichert, Realtors, one of the largest real estate companies in the world with over 19,000 salespeople and over 500 offices, was asked the secret of his success, he gave a one-word answer: consistency. That means consistency works. Consistency allows him to scale his business. As a result, he has built a solid organization that has endured for almost four decades.

Nothing can be fine-tuned until it's 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.

Imagine once again that you could rise above and look down on your organization. How would it look? What are all of the moving parts? You should take this high-level view from time to time and appreciate what you have. Sometimes you can take what's been built for granted. To paraphrase philosopher and logician Kurt Gödel, 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.

communities. Despite being in a stereotyped business, owners Ron and Andy Blank have broken the mold. They run a tight ship. They implement every EOS tool to the letter. With the help of an amazing and tenacious operations person, Shelley Taylor, they created their Way and ran with it. With the help of a strong sales team led by Larry Lawson, each of the eight managers runs his or her communities by the book. The result is an occupancy rate that has the competition scratching their heads. While the industry's occupancies are dropping, Franklin's have steadily increased over the last four years.

To systemize your organization through your core processes, you must take two major steps. First, you have to document the core processes. Second, you have to ensure that they are followed by all. Let's start with documenting.



## DOCUMENTING YOUR CORE PROCESSES

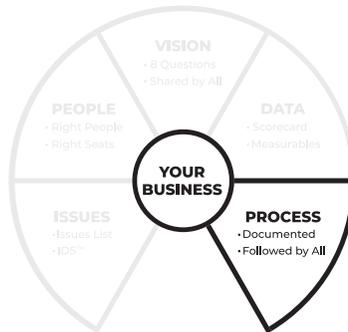
There are three stages in documenting your *Way*. First, identify your core processes. Then break down what happens in each one and document it. Finally, compile the information into a single package for everyone in your company.

### IDENTIFY YOUR CORE PROCESSES

To start off, schedule an hour with your leadership team. This is not an assignment to delegate to one person. Take this initial step together so that you're calling your core processes the same thing. Entrepreneurs tend to claim

2 and package it. The titles of your core processes now become your table of contents. Each documented process in Step 2 becomes one of your sections. You put them in a binder or on your company intranet. On the cover, put your company name followed by the word “Way.” If your company name is the ABC Company, then it should read “The ABC Company Way.”

Your *Way* is now ready to use for reference and training. That’s when the real magic happens. Now, everyone in the company can be trained to follow the correct process. This happened at an upscale pub and billiards restaurant called Roosevelt’s. After co-owner Bill Gitre got his team in place, they went to work on documenting and simplifying their *Way*. The business model has become successful enough that they are now opening a second location.

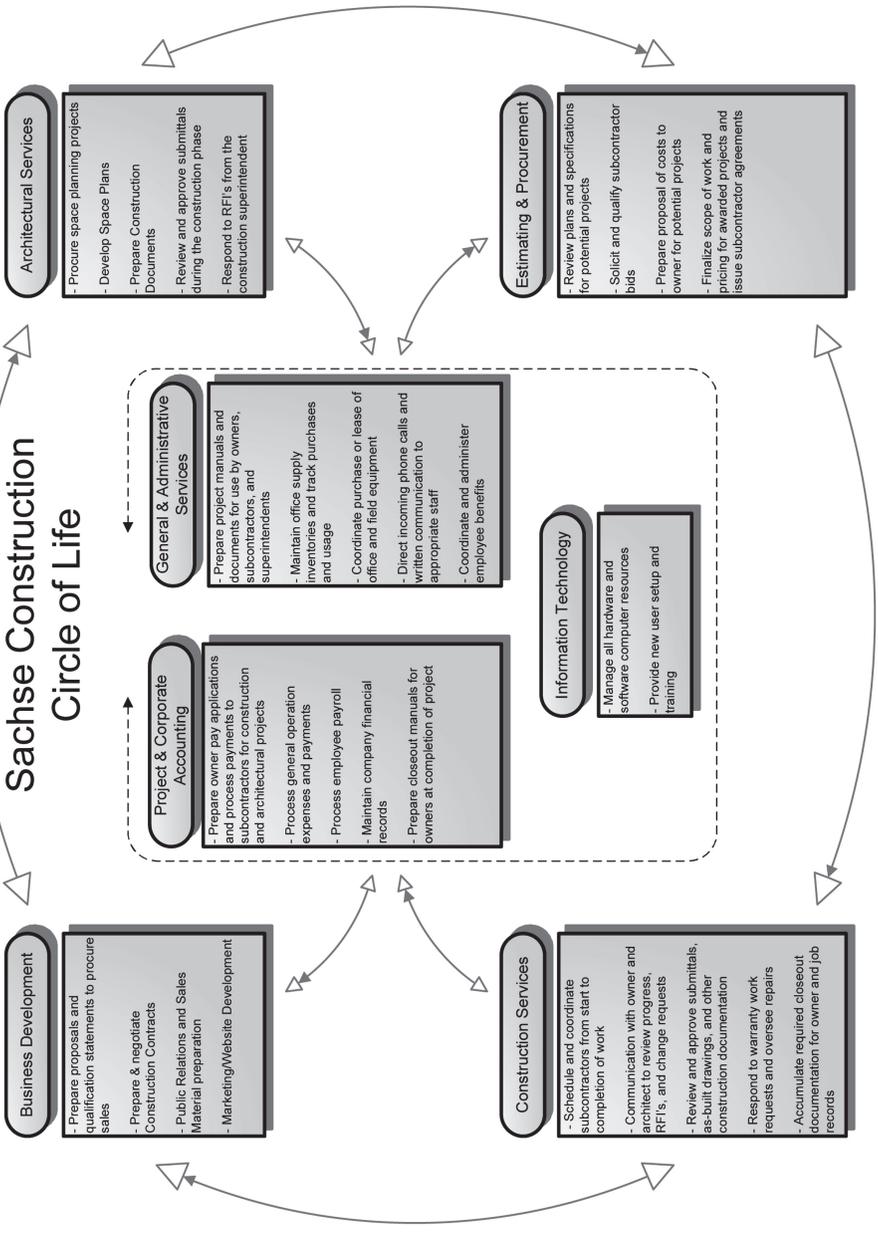


## FOLLOWED BY ALL

When everyone follows their process, it’s much easier for managers to manage, troubleshoot, identify and solve issues, and therefore grow the business. The clear lines of process enable you to let go and gain more control. Your business now becomes more scalable, which means that you can add more customers, transactions, revenue, and employees while reducing complexity.

In order to implement this crucial step, your leadership team must be convinced that everyone should follow one system. To convince your people to follow the process, your leadership team needs to be committed to managing all of the people to make the adjustment. If you are all committed, it will work. If you’re not, it won’t. “Do as I say, not as I do” is not effective management. I say this because most of the

# Sachse Construction Circle of Life





**A**ction is the process of doing. That's what this chapter is all about. Gaining traction means making your vision a reality. At this moment, your vision is crystal clear, you have the right people in the right seats, you're managing data, you're solving your issues, and you've defined your *Way* of doing business and everyone is following it. Now you're ready to master organizational traction, the final piece of the puzzle. Mastering the first five components was 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 ability to create accountability and discipline, and then execute, is the area of greatest weakness in most organizations. If I asked you to rate the level of accountability in your organization on a scale of 1 to 10, with 10 being your perfect level of accountability, how would you rate it? Successful leaders rate themselves high because they know how to gain traction. When meeting with the average new client for the first time, though, they typically rate their current accountability at 4.

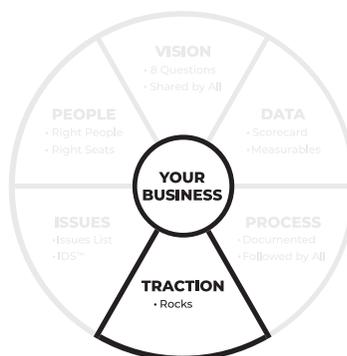
This is a real shame, because the world is filled with many great visions. Unfortunately, most will go unrealized due to an inability to gain traction. Visionaries like to stay on a high plane, not at ground level. After more than 20 years of observing failures, I realized how to bridge the gap between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

### Organization

- “Rocks gave me a way to check in with my reports and drive better results in a highly consistent manner.”
- “Life after Rocks is very rewarding! All players are on the same page. We are focused toward a common goal. There is clarity in both expectations and direction. We can clearly identify weak performers and those that do not fit within our organization. Truly, it is like night and day!”
- “Rocks keep everyone focused, and allow us to work toward one-year goals in bite-sized chunks. Rocks have become the measurable and the lingo of our organization. We see employees seriously approaching their Rocks with a sense of pride and commitment.”

### Traction

- “Now I feel that the forward momentum is turbocharging our organization by getting everyone to help row the boat.”
- “With Rocks, we have found the way to achieve goals, hold people accountable, and move in a positive direction on a continuous basis.”
- “Now we are getting ahead of the problems and pushing into prediction and working on our systems. We have more time to work forward, not deal with past problems.”



**Rocks due by March 31, 2007**

**Company Rocks**

**Owner**

- |  |    |
|--|----|
| 1. Close \$1 million in new business       | BL |
| 2. Document delivery process and train all | AM |
| 3. Narrow CFO candidates to two            | JK |
| 4. Implement new IS software               | SP |

**Bill's Rocks**

**John's Rocks**

- |                                      |  |
|--------------------------------------|--|
| 1. Close \$1 million in new business | 1. Narrow CFO candidates to two                |
| 2. 10 new prospects in the pipeline  | 2. Finalize and implement new hire orientation |
| 3. Hire one new salesperson          | 3. Increase line of credit to \$1 million      |

**Amy's Rocks**

**Sam's Rocks**

- |  |                                      |
|--|--------------------------------------|
| 1. Document delivery process and train all       | 1. Implement new IS software         |
| 2. Create customer feedback system               | 2. Roll out our new website          |
| 3. Update database                               | 3. Retrain all on A/R and A/P policy |
| 4. Proactively contact top 10 clients            | 4. Finalize new client contracts     |
| 5. Revise and recommunicate Accountability Chart |                                      |

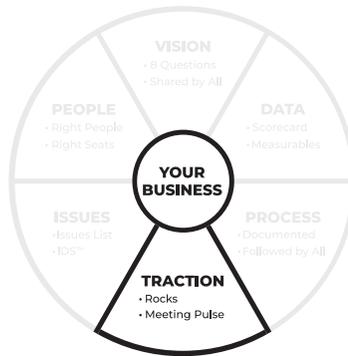
**STEP 7**

Share the company Rocks with the entire organization. As you learned in the Vision Component, the vision must be shared by all. Every quarter you should meet with the entire organization for your state-of-the-company meeting for no more than 45 minutes to share successes, progress, and the V/TO and to unveil the company Rocks for the quarter. Remember, people sometimes have to hear something seven times before they really hear it for the first time, and this is one of the ways they will ultimately share the vision.

**STEP 8**

Have each department set their Rocks as a team. Just as the leadership team sets their Rocks, each department team follows the exact same process to set

Image One’s Rob Dube explains the cumulative power of all those Rocks: “One year during our annual all-company meeting, I had an idea to go around the room and ask every team member to tell us a few of the Rocks they accomplished during the year. While each person was talking, I was writing the Rock on the whiteboard. By the end, I was off the whiteboard and onto many pieces of paper from the flip chart! When you have a team of 35 people like we do, take that number and multiply it by two Rocks per person for a quarter, you get 70. Then multiply that by the number of quarters in a year, and you get 280! That is the magic number—we took 280 steps in the right direction over the past 12 months. Amazing!”

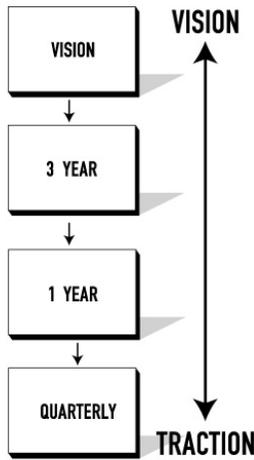


## MEETING PULSE

For now and forever, let’s dispel the myth that all meetings are bad, that meetings are a waste of time, and that there are already too many of them. The fact is that 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.

In Patrick Lencioni’s book *Death by Meeting*, he opens the book by making a humorous observation. After hearing many leaders complain about meetings and saying things like, “If I didn’t have to go to meetings, I’d like my job a lot more,” Lencioni asks us to imagine hearing a surgeon saying to a nurse before surgery, “If I didn’t have to operate on people, I might actually like this job.” He then asks us to consider the fact that, for those of us who lead and manage organizations, meetings are pretty much what we do.

passionate, intense, productive meeting and got back on track again. Yet after another 90 days, I had to hold another meeting because I did not even recognize my team. “What happened to the people who were participating in that intense meeting 90 days ago?” I wondered. We couldn’t be further off the same page. But just like clockwork, by the end of the meeting, we were fired up and on the same page yet again.



I soon realized it was a normal cycle. When I really thought about the problem, I noticed it affected my Entrepreneurs’ Organization forum group, my friends, and my family. It seems to be human nature. Of the 1300 full-day sessions I’ve conducted, at least 900 have been quarterly sessions. People whose focus was clear in the prior quarterly session became unfocused by the following one. I would see absolute agreement on core issues the previous quarter and then total disagreement in the current one. By the end of the session, though, everyone would be back on track. In some situations, people didn’t even remember agreeing. Fortunately, I kept very good notes and could prove that they did.

Realizing this cycle was normal, I changed my attitude. First, I stopped getting frustrated and accepted it. Second, I decided to put together a great agenda for a powerful quarterly meeting every time. Now all EOS clients follow this exact same agenda in their quarterlies.

One last point: If you don't continue to align 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.

To repeat, 90 days is about as long as a human being can stay focused. It's human nature, so stop fighting it and solve the problem by following the Quarterly Meeting Pulse, thereby creating a 90-Day World for your company.

In addition, I strongly recommend that you hold your quarterly meetings off-site. When you're at the office, there will be too many distractions to pull you back into the business. Being away provides a great opportunity for the team to truly work *on* the business.

## THE EOS QUARTERLY MEETING PULSE

**Who:** The leadership team

**Where:** Off-site

**Duration:** Eight hours

**Frequency:** Every 90 days

**Prewrite:** Vision/Traction Organizer complete  
(Everyone brings his or her issues and proposed priorities for the coming quarter)

## THE QUARTERLY MEETING AGENDA

- Segue
- Review previous quarter
- Review the V/TO
- Establish next quarter's Rocks
- Tackle key issues
- Next steps
- Conclude

## THE EOS ANNUAL MEETING PULSE

**Who:** The leadership team

**Where:** Off-site

**Duration:** Two days

**Frequency:** Every year

**Pework:** Bring completed Vision/Traction Organizer, proposed budget for next year, and thoughts on goals for next year.

### THE ANNUAL PLANNING AGENDA: DAY ONE

- Segue
- Review previous year
- Team health building
- SWOT/Issues List
- V/TO (through one-year plan)

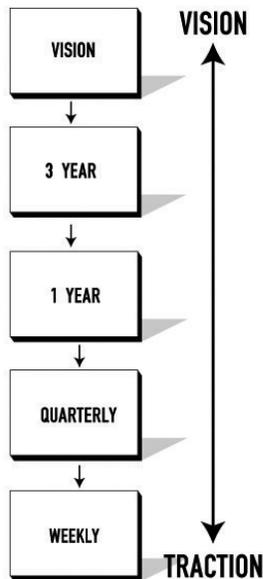
#### **Segue**

Each member of the leadership team shares three things: (1) the organization's three greatest accomplishments in the previous year, (2) his or her one greatest personal accomplishment for the year, and (3) his or her expectations for the two-day annual planning session.

The power of the annual segue, in addition to setting the stage and transitioning from working *in* the business to *on* the business, is that leaders have a chance to stop for a few minutes and reflect on the company's successes and progress over the previous year. After the segue, one client said, "I was actually feeling like we had a bad year until I listened to everyone share the business accomplishments. We actually had a pretty good year." This is typically the mindset after the segue, and that sets the tone for what follows.

## THE WEEKLY MEETING PULSE

The traction process continues taking the vision down to the ground. We are now narrowing in from quarterly to weekly. Implementing this step will really create traction and help you execute the vision. Once the quarterly priorities are set, you must meet on a weekly basis to stay focused, solve issues, and communicate. As you can see by the following model, the Weekly Meeting Pulse is your opportunity to make sure that everything is on track. If you're on track for the week, then you're on track for the quarter, and if you're on track for the quarter, then you're on track for the year, and so on. The Meeting Pulse, like a heartbeat, creates a consistent flow that keeps the company healthy. Put another way, the Meeting Pulse creates a consistent cadence that keeps the organization in step.



## ALWAYS A LEVEL 10 MEETING

How would you rate your meetings on a scale from 1 to 10? The response is almost always somewhere between a 4 and a 5. That is simply not good enough. Most meetings in business are weak and not very productive, and yours probably are too. By implementing the ingredients of the Level 10 Meeting, you will raise that rating up to a 10.

The Level 10 Meeting Agenda is designed to keep your leadership team focused on what's most important on a weekly basis. Nothing is more important than keeping your numbers on track, your Rocks on track, and your customers and employees happy. The Level 10 Meeting is the most effective and efficient way to accomplish that.

A weekly Level 10 Meeting keeps you focused on what's important, helps you spot developing problems, and then drives you to solve them. What makes for great meetings is solving problems. Patrick Lencioni says it best: "Your meetings should be passionate, intense, exhausting, and never boring."

The Level 10 Meeting was developed as a result of being engaged by a number of clients to improve their meetings. The guiding principles are based on human nature. This agenda was developed through real-world trial and error and experimentation with many different methodologies. Today, all EOS clients follow this exact agenda.

## THE EOS WEEKLY MEETING PULSE

**Who:** The leadership team

**Where:** The office conference room

**Duration:** 90 minutes

**Frequency:** Every Week

**Pework:** Rocks established and Rock Sheet created; Scorecard complete; Issues Solving Track understood by everyone

## THE LEVEL 10 WEEKLY MEETING AGENDA

Segue	5 minutes
Scorecard	5 minutes
Rock review	5 minutes
Customer/employee headlines	5 minutes

## LEVEL 10 WEEKLY MEETING AGENDA\*

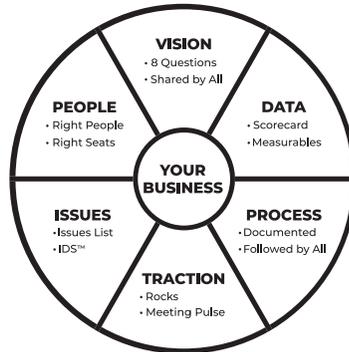
SEGUE	<b>5 min</b>
SCORECARD	<b>5 min</b>
ROCK REVIEW	<b>5 min</b>
CUSTOMER/EMPLOYEE HEADLINES	<b>5 min</b>
TO-DO LIST	<b>5 min</b>
<ul style="list-style-type: none"> <li>• John to call ABC Co.</li> <li>• Bill to have a meeting with Sara</li> <li>• Sue will call the supplier</li> <li>• Jack to revise core values speech</li> </ul>	
IDS	<b>60 min</b>
<ul style="list-style-type: none"> <li>• Winter sales are down</li> <li>• We missed the delivery date on ABC</li> <li>• A/R is over 60 days</li> <li>• Charles is not following the process</li> </ul>	
CLOSE	<b>5 min</b>

*\*Notice how the to-dos and issues are built right into the agenda.*

Be patient with the Weekly Meeting Pulse. Your first meeting will be awkward, but as you stay committed to it, it will become very comfortable. The level of team health, communication, and results will consistently rise.

### THE WEEKLY MEETING ROLLOUT

Once you master the Weekly Meeting Pulse as a leadership team, the next step is to roll it out to each department. Clients typically take about three months to institute the Weekly Meeting Pulse throughout their organization, because the leadership team must master it first. Departmental weekly meetings are typically closer to 30 to 60 minutes. Use the Level 10 Meeting Agenda as a guide for customizing your departmental meeting agendas. Just make sure that at least 50 percent of the meeting time is spent solving issues.



**N**ow that the context is clear, mastery of all Six Key Components is within reach. You're well on your way to achieving 100 percent. Mastery means that you and your leadership team understand each tool and have implemented them properly.

Many books have been written on the topics of meetings, planning, solving problems, developing people, and prioritizing. What is new about the Entrepreneurial Operating System (EOS) is the way these disciplines have been assembled into a complete system for running an entrepreneurial organization. Each individual tool is not as important as the whole, and all six components that make up the Entrepreneurial Operating System and The EOS Model need to be understood and mastered in order to fully gain traction.

If, as many clients do, you want a visual of The EOS Model in front of you to serve as a constant reminder of the Six Key Components, you can download one free at [www.eosworldwide.com/model](http://www.eosworldwide.com/model).

The combination of strengthening the Vision, People, Data, Issues, Process, and Traction Components is what makes the real magic occur. This book started from the premise that, whether consciously or unconsciously, successful entrepreneurs have a habit of strengthening six components of their business, and to the degree that you can do so yourself, you will build a great organization. As a result, your frustrations regarding control of your time and your business will diminish. Frustrations about employees will fall away because you will be surrounded by the right people in the right seats. You will finally break through