Should You Implement the Entrepreneurial Operating System in Your Shred Business?

The Shred Coach Podcast Transcript

Intro

In today's episode of the Shred Coach Podcast, I want to do something a little bit different. I'm going to call this a solo episode. And in this episode, I want to tell you a little bit about business operating systems. And this question comes to me on a regular basis in my coaching work or in conversations I have with so many in the industry, which really is a question of operating systems, but it's often couched in terms of the most popular current operating system. And that's the entrepreneurial operating system, often called Traction, EOS is what it's often called, but a lot of people when I'm having conversations with them bring it up; a question of, should they implement Entrepreneurial Operating System? Should they try something else? Is there something similar? How hard is it? How difficult is it to do this?

And so, today on this solo episode, I want to talk a little bit about thinking about the Entrepreneurial Operating System and then thinking a little bit more about how to think about operating systems, how to think about lessons that I've learned from interacting with many people over the years who have done this and what you can learn.

So, some things to think about: it starts with actually maybe starting with your computer operating system. You might have a Windows, you may have Mac, some of you might be working, running Android on handheld devices. Some people with more technical staff members might be using- or an IT person may be using some kind of Linux system. But really the interesting thing is the decision you make on an operating system for your computer then defines a lot about the hardware, the software and the settings, as well as the interactions that will happen with that computer going forward. And then what will happen every time you do something with your computer going forward. In reality, it's a primary decision that guides a lot of other decisions within your computer, though it's not really about what you're doing on your computer, it's how those things are being done and the structure with which that happens.

In a similar way, business operating systems and those frameworks that come with them don't define how you do shredding, or that you even do shredding, but they create and help support a scaffolding, as it were, in your business to actually give shape to the structure and rhythm of the business, the cadence and methods that you use in your business, how you're going to do things as part of the business management or operations management of your business. And so, I think as you think about whether to think about adding Entrepreneurial Operating System to your business or maybe some other type of it, I think it's helpful to think through the implications of what you're doing, and then we can talk a little bit about some of the lessons I've learned and maybe some recommendations for you depending on what you're thinking.

The History

First, I want to give some context. The Entrepreneurial Operating System right now is really quite popular. Gino Wickman, who wrote the book Traction, which is the sort of primary

workbook or primary book that Wickman wrote, which has really driven much of the success of the model first launched in 2008. Interestingly enough, Gino Wickman was a member of EO, which is the Entrepreneur's Organization. And Entrepreneurs Organization was really develop by a guy named Verne Harnish. And Verne Harnish, who is the founder of EO, wrote a book called The Rockefeller Habits. He wrote that back in 1999. And that Rockefeller Habits book formed the foundation of an operating system called originally the Rockefeller Habits, which then became Gazelle's and now is known as Scaling Up. Scaling Up is really the consolidation of lessons Verne learned from watching and consulting and advising companies that grew rapidly 20% or more per year. Often bigger companies, often companies that had a lot more growth in them. And that lesson that Gino Wickman got from Verne Harnish, that really helped to formulate the Entrepreneurial Operating System.

But I think it's also helpful to be aware that behind Verne Harnish's work were some other works. I'm going to give you a couple of them because I think if you don't really understand the history of operating systems, then it's really hard to understand how the one that you're thinking of employing actually came to be.

So, behind the Gazelle's or Scaling Up from Verne Harnish, which preceded Entrepreneur Operating System, there was a couple of ones that I think are really important to be aware of. The first one is what are called OKRs: Objectives and Key Results. And this was originally popularized by Andy Grove of Intel in the 1970s and has been made famous by Google because it's really Google's operating system. Ultimately it comes out of Peter Drucker's Management by Objectives Work, which was introduced in 1954 in his book, The Practice of Management. And so, Objectives and Key Results was really a primary driver of some of the thinking in management, which was about how to manage by objectives, how to think through that. Related, in 1992, another tool came out called the Balance Scorecard. This was written about in the Harvard Business Review by a business school professor, Robert Kaplan, and his colleague David Norton. And they had been studying specific companies and how they were showing some degree of success. And so, the Balance Scorecard came out of that and became a tool that large companies use to show and make strategic decisions and essentially became somewhat of an operating system.

I think it's also appropriate to let you know about two other ones that I think are part of the genesis of what happened in Scaling Up through Verne Harnish as well as what's being displayed in the Entrepreneurial Operating System. And one of those was - I expect that many of you have read or heard about the book - the E Myth Revisited by Michael Gerber. This came out almost 40 years ago, and it actually became somewhat of a system because soon after Michael Gerber put that book out, and in the consulting work he did because it had such great success, he created a system whereby consultants would be trained on his system. I actually went through this process almost 30 years ago and learned a lot about the E Myth system. And it's one of the pre… one of those early models of an operating system that Entrepreneurial Operating System has come out of.

The other one is the Great Game of Business. And undoubtedly, you've heard of Jack Stack and the group of people that he was with with International Harvester or a division of International

Harvester. And International Harvester was in a lot of trouble, and Jack Stack and these managers were trying to save the 120 plus jobs of the company's engine remanufacturing facility. So, they scraped together some money and they borrowed another nine or $10 million, I don't remember exactly what it was, and transformed that once failing business into a really successful and competitive company. And they later coined that open book management approach to the Great Game of Business that Jack Stack then wrote a book about.

And so, I tell you that because when you think about an Entrepreneurial Operating System, or the EOS system, called Traction or EOS that is most popular right now, it's really a consolidation or a new rendering of some of these older systems that have become so important over the years. And when you think about it and when you think about doing it, I think it's always helpful to know that this system comes from other systems, which ultimately fed it and gave it shape and really helped to make sense of it.

The Six Processes

Let me give you some of the context of the Entrepreneurial Operating System. If you've… if you don't know it or are unaware of it, it's really helpful to understand this at a fundamental level, and there's really six components of the Entrepreneur Operating System. The first is vision. And so, the first step in the entre operating system is really identifying your organization's values, purpose, and targets. And by targets, I mean where are you trying to get to, as well as determining and finding the strategy that will help your employees and you achieve these goals together. So, that's the first components of the Entrepreneurial Operating System.

The second is process, which is really about analyzing the business metrics to determine your company's strong points and limitations. It's really understanding how to do things on a consistent and regular basis. The third component of the Entrepreneurial Operating System is data. And so, it's really strengthening your business procedures with record keeping and setting standards to ensure that there's an ongoing, smooth operation of the company.

And then traction, which is really what the book was named after, comes in conducting frequent meetings to ensure everyone on the team is on the same page and moves toward a single objective. And this is the meeting element of the Entrepreneurial Operating System is a really powerful tool. Within that, the sixth component of the Entrepreneurial Operating System is issues. And it's really about as a company defining and prioritizing all the concerns in order to begin fixing them. It creates and outlines a mechanism whereby the things that most companies fail to address effectively as some of the issues. And the Entrepreneur Operating System gives you a structure to deal with that.

And then finally, the sixth component of the Entrepreneurial Operating System is people. And it's really about figuring out how to put together a team that shares your fundamental beliefs, your values, and then outlining their roles and duties in the company. This is often called the accountability chart within the Entrepreneurial Operating System. And those six components then lead into a series of tools that are used within the system to support those six components.

Who's It For?

Who's Entrepreneurial Operating System for? Well, based on what I've seen, Entrepreneurial Operating System is used across a lot of different size of companies. But it's simplified tools and the way it's put together, leveraging all of this history and basically revamped and restructured for today's system or the way things operate in today's business environment, it's really focused, I think, on the lower end of the small to mid-size enterprise market.

The Entrepreneurial Operating System themselves suggest on their site that it's for companies with 10 to 250 employees. But I've personally found it's most effective for companies that reach a revenue, and more importantly, not just a revenue, but a structure that supports a complete management layer, not including the owner and CEO. So, when you think about sort of an org chart, a company that does really well with the Entrepreneurial Operating System has really in the org chart, not in terms of value but just org chart, the CEO or owner at the top of the organization. Then there's a layer of management. Often you could call them VPs, senior managers, but there's a senior level of management typically in three or four categories. The first category being sales and marketing. And those can be split up. The second category would be operations, and then the third category would be admin and finance. Those could be separated or together.

But really, I've found in the work I've done with companies in the shredding industry and the destruction industry and the greater records and information management industry, the Entrepreneurial Operating System fits best in that category. So, this typically happens in companies in the three, two and a half to $3 million a year range. It can happen earlier than that, but it tends to happen most effectively when there's that management layer in place. So, that's who it typically is for. I have worked with and talked to a lot of companies that are smaller than that, that are trying to implement the Entrepreneurial Operating System. But it can be a little bit of a struggle.

The entire Entrepreneurial Operating System, really though, once you understand the premise of it can be implemented in an initial one-to-two-day strategy session where you figure out all the pieces and parts. That's where it can be initially started, but it's going to take 18 to 24 months to really lock it in with all the elements, the tools, the toolkit that comes with it to make it work. But a lot of times it just takes a day or two to really get started.

The cool part about the Entrepreneurial Operating System is it's really similar to what you see in other systems that I described as the precursors or the predecessors to it. But it's really been simplified to be a popular platform for smaller companies like that.

Nine Thoughts on EOS

So, given that, here are some overall thoughts based on my experience of seeing Entrepreneurial Operating System work and also being engaged in other operating systems, such as I've described. I've worked with companies who have done Scaling Up, I've worked with companies and actually been deeply involved in the E Myth history. I have clients who work in some of those other programs with OKRs, Balance Score Card, and Great Game of Business. So, with an

awareness of all those tools, but focused primarily today on the Entrepreneurial Operating System, I've got, really, nine things that are really I think thoughts that are important in this.

The first one is there's no magic bullet. The Entrepreneurial Operating System is only as good as you, the leader, that manage the implementation of it. If you are- even if you have an implementer or a consult to help you with it, if you are not disciplined about things, no matter what you do with the Entrepreneurial Operating System, or any other system for that matter, you'll struggle with it. Learning the system, integrating it and implementing it over time take a lot of effort, focus, and patience. It's not a simple "click a button and it works".

Number two: if you don't currently have an operating system, I just want to remind you that you actually do have one. It's just not defined using a third-party source, and it's quite ad hoc and many companies I've worked with over the years have systems, like I said, pulled together from various and sundry things to create a system that works for you. So, if you don't have one and you're thinking of engaging it especially, the Entrepreneurial Operating System, I think I find it really helpful to think in terms of integrating parts of it before you integrate all of it, especially if you're a smaller company.

In the Entrepreneur Operating System, there's a tool called the Accountability Chart. And the Accountability Chart is really- it's like an org chart in some respects, but it's very different. And the whole goal of the Accountability Chart is what are all the functions in your business and what are the roles related to those functions? And who in your company is accountable for those? I like to think of it like you're wearing a hat for every function you play in the business, and really this chart that looks like an org chart but is fundamentally different, is what are all… not are- not who are all the people, but what are all the functions required to make the business work? And then what are the specific things that functions required to do? What are the five most important ones? And then ultimately, once you figure that, who currently in your company owns that? And a lot of times owners own 90% of the things in the business, especially smaller owners. But the whole concept of the Entrepreneurial Operating System is you basically figure out who owns or who's accountable for every one of those functions. And then as you grow, little by little, you take off that hat and you delegate it to somebody else so that you can elevate into a more important role.

For instance, when you're starting out and really small, using the Accountability Chart is great. Using their meeting structure… and Entrepreneurial Operating System has this really cool thing called the Level 10 Meeting. And the Level 10 Meeting is really designed to come back to this concept that most people who attend meetings think they're like a 1 out of 10. And what the Entrepreneurial Operating System does is create a meeting structure that they call a level 10. Meaning it's a 10 out of 10. And so that can be a really nice tool.

Really understanding this concept called rocks. And Rocks, as you know, came- if you read Steven Covey's work, The E Myth Revisited, Rocks came out of that. Rocks essentially are the big things that you place first into the jar, and then you place sand, and then you place water, or pebbles and then sand and then water. The concept being you'll never get to the big things in your business if you're always doing the little things. And so, within the Entrepreneurial

Operating System, the use of Rocks is a really nice tool. And so, a lot of times, if you are thinking about implementing the system, then it's really helpful to start, especially with Entrepreneurial Operating System if you're small, to really start with that sense of, "I can get this, I can get this started using two, or three or four, the major key elements of the system".

Number three: even the simplest of systems like Entrepreneurial Operating System, which seem very simple, require a ton of complexity to implement. They require deliberate formal decision to teach the system to you and the leaders in your company, and then to support it consistently over a 12-to-24-month period. I have not found anyone in the work I've done that gets this figured out in three months. It's complex. There's no shortcut. The system has its own language. It has a process, it has rhythms. You have to gain the words; you have to gain the structure. And so, I think it's important if you're thinking about engaging in the Entrepreneurial Operating System that you understand that the timeline and the process is not simple either.

Next: as you're thinking about this, some of these are better suited to the stage of growth you're currently in; some of the tools you're going to use. So, if you are really small and just getting started, an operating system alone is challenging. So, if you're a one truck operator and you're just trying to get out of the truck I am not sure the EOS model works for. But, like I said, if you are quite small, let's say you're, you've now removed yourself from the truck or from primary operations and you're not fully involved in operations every day, but you really haven't built a management team, then the implementation of just some of the tools from Entrepreneurial Operating System can be beneficial. But then, as you grow, then it's more likely that you can implement every part of the operating system in your business.

All right, **number five**. The magic I think of the Entrepreneurial Operating System is in the books that you can get. There's great books. You need to read Traction, and then there's books that your staff can read. And I think the helpful part of reading these books that I've found is that the simple books, employees tend to be able to understand it, even though it's a complex system when you really get down to it. The books that Wickman and company have put out are really helpful. So, it's really important if you've never read it. And if you're not a reader, then listen to it, watch some videos. But Traction videos by Gino Wickman... There's lots of videos out there. You can just go on YouTube and type in Entrepreneurial Operating System. And there's lots of consultants and trainers who have actually talked about it as well. So, if you'll really want to learn the system it's a great way to do it.

All right. **Number six,** operating systems, interesting, I have found, need technology to support it. And so, if you're going to implement the Entrepreneurial Operating System, it's one thing to intellectually do it. It's another thing to find the toolkit to help with that. And there's really, up till now, there's been two primary software partners. One is called Traction Tools, and it just recently became Bloom Growth because it used to be completely integrated with Entrepreneurial Operating System and now it's separated. And another one called ninety.io. These two systems, or software as service, online tools, allow you to really connect in and use the operating system, but use software that supports the operating system; software that already has the language for the accountability chart and the L10 meetings and all the other things that come along for the

ride if you get involved with the operating system. The software needs to be engaged and so, it's really helpful to do this, to use a software tool.

Number seven: this one is really I guess it's an extra. And it's that even if you choose to use Entrepreneurial Operating System, it's helpful to understand the context and lessons that come from the other systems to really understand that what Verne Harnish with Scaling Up did is much more rigorous than the Entrepreneurial Operating System. It's got a lot more elements to it. It's got a lot more ways to look at things. There's a lot more tools and toolkits involved in Scaling Up. But it was designed for a much bigger business. If you don't really understand OKRs and how they operate, objectives and key results and KPIs, those really help to support scorecards in the Entrepreneurial Operating System. If you don't understand the E Myth history and sense of what happens when an entrepreneur gets stuck being the technician all the time, it's really hard to build process and procedures. So, the thing I'm saying here with this point is, there's really a lot more to learn. Even though EOS is a really good tool and good system, the historical influence on EOS is something that you should be looking at, and I really think it's an important part of the process.

Number eight, self implementation in the Entrepreneurial Operating System is really hard. It's extremely hard to do it yourself. The reason being is that if you're trying to implement a system while you're in the system, it gets mucky. It's not very effective. Entrepreneurial Operating System has trained implementers, people who are certified by the Entrepreneurial Operating System organization that are certified to do this. And I tell you that not because I'm an implementer. I've worked with companies. I don't claim to be an implementer, but I know this system well enough that a number of companies have worked with me to implement it in their companies. But know that it's really hard to do this purely on your own as a self implementation.

So, I think, cost can range because it's an 18-to-24-month process, it doesn't have to take that long, but if you're using certified implementers, think in terms of 10, 15, $20,000, and then depending on how long you go with the process, it can cost you, you know, 10x that, depending on how often you use a facilitator implementer, certified or not.

Final point I want to make is that I have my own experience around this. So, the web company I founded, Web Vitality, runs a hybrid version of the EOS system. It's not a particularly large company. But in that, in the Web Vitality company, we definitely use the accountability chart. We use the Level 10 Meeting and the Level 10 Meeting introduces things like Rocks, Scorecard and issues. And those have become a really important part of the way we think about our regular meetings, but also gives shape to how we think about the rhythm of our business, both from weekly meetings to quarterly thinking to yearly thinking. And that rhythm to our structure really helps us to make sense of that.

But I will also say that, as the owners of the holding company that owns Web Vitality, we tend to think about some of the tools from Scaling Up related to strategy and cast decisions. E Myth has really been a part of the DNA of my thinking about business for years. But I'm highly influenced and used OKRs and Balance Scorecard for strategy and my coaching work. And the Great Game of Business really informs a lot of that depending on how open I want to be with the team. And

really, the suggestion or recommendation earlier about opening yourself to a lot of these different tools has been really helpful.

Recommendations

In conclusion, there are nine big points I just made there. But in conclusion, I want to just draw your attention to a couple of recommendations for. First is, if you are under a million dollars, you're operating one or two trucks or you have a plant-based system but you are still just getting things rolling, I would say don't jump into the Entrepreneurial Operating System yet. Start with simple objectives, key results, and some initiative that comes out of OKRs. If your goal is a business and not just a job, this is the best, most effective starting place. But I would encourage you to read or listen to E Myth though, for the mindset that comes out of that. Once you're past start-up and you have enough revenue to support a simple management layer, then integrate some of the Entrepreneurial Operating System fragments and tools that have become really helpful. Build out your Accountability Chart. Figure out to do your quarterly Rocks, get structure to your team meetings. Build a scorecard, get those elements stable in your business. And then when you grow into a full management layer in your business, meaning you have someone accountable for those critical areas of the business, sales and marketing ops, finance and admin, full adoption of the Entrepreneurial Operating System makes a lot of sense. If you've done it slowly, you'll have a really great baseline, but this is where I would recommend full engagement with a certified third-party facilitator coach to help you get there.

If you are around $5 million or above and you've got a much more complex business, this is a really strong recommendation: bypass the Entrepreneurial Operating System altogether, and I would say jump right into the Scaling Up approach to things. Scaling Up, to me, is a much more aggressive, much more deep-defined program to really grow your business. So, I think from that perspective, Scaling Up is a much more effective tool. The companies that I know from this industry who have leveraged the Scaling Up, Verne Harnish approach to thing things have really done extraordinarily well and made massive leaps using that system. But it was really important to be in that 5, 6, $7 million dollar range where they're big enough to leverage all of the cool tools in Scaling Up.

If you're thinking about an employee stock ownership program or really wanting to incorporate full open book management with employees, then it's really important that you think about the Great Game of Business as a tool to get involved in. Like you need to read that book. You need to really understand and make sense of how they think about that operating system. It's not that you can't use Entrepreneurial Operating System, and I think that's a great tool to accompany it, but I think it's really helpful to think about the process that you're in using Great Game of Business as a fundamental approach to things and layering on Entrepreneurial Operating System as a support tool.

Finally, I think every couple of years it's worth looking at your business using the Balance Scorecard Framework. We really didn't talk a lot about it, but Balance Scorecard Framework has beautiful ways of looking at things that I think can be a really helpful mechanism in your business. Not part of the Entrepreneurial Operating System, not part of what I've really talked

about today, but some really beneficial strategic ways of thinking that come out of that Balance Scorecard Framework.

Conclusion

If you're at all struggling with an operating system, specifically about the implementation of Entrepreneurial Operating System, and you feel like you just need to talk about it, I'm open to do that. I provide a one-time consulting session to help you determine where you are, what operating system may be beneficial to you, and the implications and process to implement it in your shredding or destruction business.

Well, I hope this has been helpful. I hope that this has been a way for you to make sense of what's happening with the operating system, the Entrepreneurial Operating System, and whether you should do it or not, and some lessons I've learned along the way.

I'd love to hear back from you on other topics you'd like me to cover in some of these solo sessions. So, jump back to the website, theshredcoach.com, and fill in a form if you want to talk to me further, specifically privately about some of this stuff than on the coaching page. There is a direct form that links back to me that will send me an email. But I'd love to hear from you.

Thanks for being around today. I hope this has been real helpful, and we'll talk to you soon.