



RISE

*The Reincarnation of
an Entrepreneur*

MICHAEL ERATH

ADVANCE PRAISE

“Michael is one of our best EOS Implementers. What makes him great is that he has lived everything he teaches. His story is a great one, and he is a true class act.”

—GINO WICKMAN, AUTHOR OF TRACTION
AND CREATOR OF EOS

“Michael’s experience building and running companies as well as advising other entrepreneurial businesses in conjunction with his clear, concise communication style has helped us to finally position ourselves to accomplish our big, hairy, audacious goal (BHAG). Our vision and path to execution are clear, and everyone is focused and accountable. We feel very fortunate having Michael on our team!”

—RANDALL GERBER, FOUNDER AND
ADVISOR, GERBER LLC

“Michael’s leadership and guidance has been instrumental to the success and cohesiveness of our management team. With Michael’s help, we have become more effective both as a team and as an organization, we communicate better, and most importantly we’ve learned to successfully identify and resolve issues, allowing us to grow as a company.”

—BRAD HALLEY, FOUNDER AND CEO, USA VINYL

“Michael is one of those people you meet as an entrepreneur and immediately understand he has walked in your shoes. His ambition and passion for smoking out issues in business are like no other. He has an ability to bring a team together, build trust, and open minds. Our world, home, and workplace are filled with ‘People Issues,’ and Michael has taught us a process to manage this and fill our organization with ‘Right People.’ Whether you need to change abruptly or evolve gently, Michael is a great partner to have in your corner.”

—CHRIS ROTH, FOUNDER AND CEO,
CLIMATE CONTROL EXPERTS

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The Issues Component™

The People Component™

The Process Component™

The Six Key Components™

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EOS Implementer™

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EOS Implementer Community™

The EOS Life™

RISE

The Reincarnation of an Entrepreneur

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LIONCREST
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This book is dedicated to my wife, Elizabeth, for being my shoreline in the storm and my best friend since we were kids; to my sons, Matthew and Zachary, for enduring the trials we faced with courage and growing into wonderful young men; and to my mother and father for always believing in me.

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FOREWORD

BY CAMERON HEROLD

I've met countless entrepreneurs over the course of my two-plus decades in business, but few have stories as dramatic—and, in the end, as inspirational—as Michael Erath's.

As I've gotten to know Michael after we first met at an Entrepreneur's Organization event at which I was speaking, I've learned about how he's both built businesses and seen them crumble. In the end, he has emerged with a myriad of lessons and stories to share as well as a keen understanding of what true success means to an entrepreneur: freedom.

In *Rise*, Michael gets to the heart of entrepreneurial free-

dom: entrepreneurs want to run a business—they don't want their business to run them. Too often, though, that's what happens. He writes of his own experience, "As an owner, I had been too deep in my own company, jumping in and out of different departments... I wore too many hats... You name it, and I had a hand in it. Over time I began to realize that not only was my desire to hold on to too many roles a big part of the reason we were hitting a ceiling, but I was also a major source of our dysfunction because I was simply too deep in my own business."

He has a point. Not only is this level of total immersion not scalable, but it's also not the dream many business owners have for themselves—that is, to live a life of significance and freedom.

My purpose, in everything I do, is to help business owners achieve their vision and exceed their goals. So, when I speak or consult individually with executives, I don't tout theoretical concepts or sing the praises of long-shot ideas. Instead, I focus on experience. On authenticity. On truth. That's why Michael's story is so impactful. *Rise* isn't your typical book about succeeding in business. Instead, it's proof that failure doesn't equal defeat. In it, Michael, with gut-wrenching honesty, details the entrapments of his early successes, his fall, his mistakes, and his rise from the ashes of failure. He describes how he's found a way to

break through the narratives in his own mind—the head trash, as he calls it—to reach not only ultimate success, but ultimate joy in life.

Michael’s inspirational message about achieving entrepreneurial freedom is one all entrepreneurs need to hear. It’s one he is well suited to tell, because he walked through the fire to discover it for himself. The stories and lessons Michael shares in *Rise* will give you the tools you need on your own quest for entrepreneurial freedom.

—CAMERON HEROLD

Founder of the COO Alliance, and author
of *Meetings Suck* and *Double Double*

INTRODUCTION

You cannot connect the dots looking forward. You can only connect them looking backwards, so you have to trust that the dots will somehow connect in your future.

—STEVE JOBS

In times of plenty, often the days, the months, and even the years speed by in a whirlwind of exciting changes and memorable experiences. In times of struggle, though, the passage of time can feel much more cruel—disappointing days dragging into long, dark nights.

In a span of about twelve months—from late summer 2008 to early fall 2009—I went from the majority owner of two businesses with \$45 million in combined revenue to losing it all. Looking back on it now, I realize a year

isn't long to lose an entire life's work. Back then, though, there was nothing merciful about the clock—that year felt like forever.

After my world was turned upside down during the Great Recession, I started to rebuild myself both personally and professionally, leaning on the lessons I learned from my mistakes. In 2010, I finalized the plans to start a new business, but this time I built it on a much stronger foundation. I built a truly systemized business—one that would not always be solely dependent on me. Only five years later, in 2015, I was able to release the reigns of that thriving business to my leadership team and follow my passion: taking entrepreneurs and their leadership teams on the journey to get more out of their businesses and to live their ideal lives.

In early 2015, I became a Certified Entrepreneurial Operating System® (EOS®) Implementer and Professional Coach and started my newest business, SMART Direction LLC. Since doing so, I have gone through a journey of my own. Helping clients unpack situations and circumstances from their pasts that were counterproductively affecting their biases, opinions, and approaches in the present forced me to examine myself through that same lens. I pinpointed events in my youth that created “head trash”—the negative self-talk that prevents so many people from

moving forward into the lives they've envisioned for themselves.¹

After losing everything but my family, and after starting my life over, I discovered my own head trash and its roots, and I used that knowledge to improve my relationships and grow my businesses. That's the beginning and end of my story, but there are many lessons to be learned from the mess in the middle—that's one of the reasons I wrote this book.

Another reason I wrote this book is that in the second half of my life, I discovered my purpose: to take everything that life has given me, share it openly, and in doing so, give it all back. This book serves as the vehicle for that message—a vulnerable, open, and honest account of my mistakes and the lessons learned. My hope is that in reading what happened to me, you can avoid making the same mistakes in your own journey. Though this book will give you some hard-won business and life lessons, it's not all about preventing disasters. I also want to show you how to reach your full potential and find more balance between your personal life and running a successful business—the holy grail of entrepreneurship. I refer to it as entrepreneurial freedom—owning a business that does not depend on you and having the time to do the things that fulfill you.

¹ Tim Roberts, "Are You Fighting Mediocrity in Your Sales Group?" *Indianapolis Business Journal*, May 23, 2005.

I got there—and so can you—but I had to walk through the fire first. This is my story.

Chapter One

HOUSTON, WE HAVE A PROBLEM

Face reality as it is, not as it was or as you wish it to be.

—ABRAHAM LINCOLN

My wipers steadily swished back and forth, moving the morning mist of the Shenandoah Valley from my windshield. The late-January chill had long descended, and low-hanging clouds blocked any warmth or sunshine. It was gray and cold, the kind of cold that makes your bones ache.

“About two hours to go to Washington, DC,” I thought. Plenty of time to reflect. Somehow, the steadiness of the

wipers—how they always delivered, never came up short—added to my melancholy.

It was 2009. I had been a member of the Young Presidents' Organization (YPO) for five years, and it was my turn to act as moderator of my Forum Group for the upcoming year. I was driving from my hometown of Roanoke, Virginia, to attend Forum Moderator training, which that year was being held in Washington, DC. YPO is a prestigious peer-to-peer group for young presidents (you have to join before you turn forty-five, and you “retire” when you reach fifty) of businesses generating revenue of at least \$13 million. I was thirty-seven years old.

I gave the car a little gas. How the heck did I even think I had time to attend this event, let alone moderate my Forum, with everything that was going wrong in my business? Priorities have a way of becoming clearer when everything around you is crumbling.

A DEPRESSING DRIVE

Our family business, Erath Veneer—the business my father had built from the ground up forty years before, the business that sustained 175 employees and their families, the business that carried my name and followed my lead—was in crisis.

The collapse of the housing market only a few months prior had gutted what was once roughly an \$18 million company with steady monthly revenue hovering around \$1.5 million, transforming it into an organization limping along with plummeting monthly revenues of between \$400,000 and \$500,000.

Two years before the market crashed, I'd invested \$6 million to rebuild the factory and retool our production lines, financing the project through bank debt. When revenues were normal, we had no problem servicing the debt. With revenues steadily shrinking, we were struggling to stay current. In short, the business was failing, and it was happening on my watch.

I couldn't help but think of my father, a man who grew up very poor in Chicago in the late 1920s—right out of the Great Depression. Erath Veneer was his baby. He had passed away in 2003. A few years later, my mother and I had arranged a transfer of her stake in the business so that I was the majority owner. When I refinanced the company for the capital expenditure, however, the bank required her to stay on as a guarantor of the debt.

Now, not only was my decision to leverage the balance sheet the way I did with the 2006 expansion going to most likely kill what my father had built and entrusted

to me, but it had also put my mother in grave financial jeopardy.

As I drove north along Interstate 81, I called to mind how I'd already begun negotiating with the bank to buy time to unwind the company in an orderly fashion if the market didn't reverse course quickly. My goal was to systematically liquidate the business in a way that paid all the creditors back, even if it took time, while keeping the company out of bankruptcy. Liquidating the business, though, meant I'd have to face 175 employees—many of whom had worked for my father before me—and tell them they'd need to find another way to support their families.

I'd have to face Elaine, who had worked in our production facility since I was in high school. Her two sisters worked for the business, too—one of whom had become a good friend, passing away from cancer only a few years before.

I'd have to face Alvin, who'd been there since the beginning. When I was a child, he used to give me rides on the forks of the forklift. Everything seemed so big then.

There were more—I knew these people by name, and I knew their families by name. Soon, I feared, I would have to look them in the eyes and tell them I had failed.

The fog settled deeper and the wipers swished. Dutifully. Unmercifully. I found solace in one sliver of light through the storm: I had a controlling interest in a second company, International Log & Timber, and that business still had a chance.

LIGHT THROUGH THE STORM

I started International Log & Timber in the summer of 1999 with a young log buyer, Matt Lester. Our company bought hardwood logs from local sawmills, loggers, and landowners in the Central Appalachian region. We would then resell the logs to overseas companies producing flooring, furniture, and other hardwood products. The business plan was solid, and we were a good team. We grew to a million dollars in sales in 2000—one year after the business was born. It's a milestone only a small percentage of start-up businesses ever achieve.

For the first few years, I worked side by side with Matt in International Log & Timber, while simultaneously overseeing operations at Erath Veneer. By 2004, the business had grown steadily thanks to healthy growth in European and Asian markets. That growth, coupled with my father's passing the year before, made it simply too much for me to stay involved with both companies. I stepped away to focus on Erath Veneer, and Matt assumed

full control of International Log & Timber's day-to-day operations, eventually opening additional facilities near Cape Girardeau, Missouri, and Erie, Pennsylvania. By 2007, just eight short years since we started the business, the company had grown to \$27 million in revenue, and the high-volume, low-margin business—though still hit by the recession and struggling with cash-flow issues that seemed worse than they should be—appeared sustainable in the long run.

Matt was more than a business partner. Over the course of many years, he and I had become close, and I trusted him deeply. We traveled together often. Our wives had become great friends, and he had even asked me to be his son's godfather, an honor that meant a great deal to me. Despite the struggles with Erath Veneer, I was hopeful for the future of International Log & Timber, and I had a long-term vision of how I wanted my life to be. I knew I needed to continue to provide for my family, and I wanted to do that by rolling up my sleeves and getting back to work alongside my partner and friend.

First, though, I had to get through Forum Moderator training. And, somehow, I had to unwind my family business with as much dignity and grace as I could manage. My jaws were clenched. My fingers—the fingers that had helped build so much and could maybe do that again—gripped

the steering wheel tightly. The wipers beat on, consistent. Taunting.

“How could anything possibly get worse?” I wondered.

My cell phone rang. It was Bob, the chief financial officer (CFO) of Erath Veneer.

“Michael, we’ve got a problem,” he said, somberly.

“What is it?” I asked.

“I need you to turn around and come back—now.” he said, more urgently this time.

“What are you talking about?” I was getting nervous. I had never heard Bob so concerned.

In a more serious tone than I had ever heard him speak, Bob told me, “Matt’s been embezzling from the business, and I’ve found evidence that he’s likely committing bank fraud as well.”