



ROSSMOOR NEWS

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Republican Perspective

By Tom Hensley

What You Always Wanted to Know About Entrepreneurship But Were Afraid to Ask

I want to tell you an intriguing story that illustrates the power of a free enterprise system, and also clearly demonstrates that if the government frees the hands of an entrepreneur to build a business - good things happen! This account also illustrates that without governmental bureaucratic intervention, a business enterprise, driven by a creative entrepreneur, can actually create jobs.

The wife of my friend - we'll call my friend John - made a commitment for him, without his knowledge, to publish a book written by one of her craft teachers. John said to his wife, "Publish a book? I don't know anything about publishing! Not only that, I don't want to know!" Well to make a long story shorter, she coerced him. Perhaps some pillow talk was involved? John's wife told him to explore the library and find a book about how to be a publisher, and reluctantly, he did. John came across a book published by Parachute Press: "How to Self-Publish." He informed me that the book was filled with many technical publishing details, including where to register a copyright. So, he began to plan.

John knew that to be successful, he had to introduce the book to a national marketplace of products related to the book's subject. First, he calculated the cost to promote the book. Then he had to consider how to prepare the book and present it to a national marketplace. This was not an easy chore. Among many other details, John had to contemplate: What would be an attractive price for the book? Would color help book sales? How many pages should it have?

When the planning was finished, John reckoned that he would need about \$25,000 to produce and promote the book. Well, he didn't have that much money to invest. John's home was mortgaged to the hilt. So, what to do? He went to his bank and asked for a loan. He showed them his business plan and cost calculations. The loan officer responded, "We can't give you a loan and then have possession of 10,000 books if you can't make the payments." Obviously, they turned him down. He considered the Small Business Administration (SBA), but decided the project wouldn't be completed within his time frame, and he didn't relish the idea of the government looking over his shoulder.

John returned home and began to think about raising the money he needed. He knew there were many people in the local community who respected the author and believed in her project. They also believed in John and in his ability to make the project work. He drew up a limited partnership agreement making himself a general partner, and offered shares as a limited partner for \$1,000. The agreement allowed a buyout of shares for the original investment after dividends reached the original investment. In other words, each investor would be guaranteed twice the amount of their original investment if the book was successful. Within two weeks he had raised the \$25,000 and could have raised more.

The book was published, marketed and was a huge success. The original printing sold out in six months and a second printing of 10,000 copies was ordered. Within two years the original investors were paid dividends amounting to 10 times their initial investment and were bought out. Meanwhile, John realized he needed more than one book to be a successful publisher. He bought out several small self-publishers and in three years had a stable of about 30 moderately to highly successful books. He also began to solicit potential authors in the field to write books. Within seven years his company was publishing six new titles a year and was grossing approximately \$1 million per year.

Today the company publishes 25 to 30 new books per year. It also produces and distributes related products such as calendars, note cards, puzzles, craft supplies and other goods. His company acquired its own offices and warehouse, and employ more than 30 professional designers, editors, photography experts, and a sales force of about 10 telemarketers. John's children, who bought the business about 15 years ago, carry on the company to this day.

As I stated in the beginning, this story illustrates that a reasonably talented person in this country can be a successful entrepreneur if the government allows him to do so. However, with the current atmosphere of government intrusion and regulations, I am not sure John's success could be repeated today.

Tom Hensley can be emailed at tomhlwedge@aol.com.