Is It All About Money? ©

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Having been in the position of giving advice to entrepreneurs for a long time as an investment banker, investor, multiple business owner, journalist and author, I suggest that unless a product or service can be produced for significantly less than its selling price it should be abandoned. Further, entrepreneurs should accept the fact that most new business ventures fail to meet the early of the founders.

That is not to say that most new ventures "fail" in the legal use of the word, as that means bankruptcy. Frequently new companies do not file for bankruptcy as they were never able to get enough credit to justify the process of legal liquidation or reorganization. For years I have urged entrepreneurship education academics to include in the curriculum, "How to terminate a business with honor and dignity" but most academics are afraid that such a necessary course will be hard to market to students and thus their teaching income will fall. Unfortunately, most entrepreneurship education academics are essentially "textsperts" in that they teach what they have studied but not experienced. If one hasn't had to sweat a payroll or deal with repeated financing pitch rejections I question the value they bring to the exercise.

Of course, the founding and funding of a business is all about money, which is why you are reading this, and seeking to learn how better to raise capital. It is also about gaining power, achieving satisfaction, creating proof of the idea and self-worth, having greater freedom than any employee can expect, being recognized as a person of worth, being free to make mistakes, earning a lot of money and achieving wealth. Our studies at Venture, The Magazine for Business Owners and Entrepreneurs, which I used to own and was the Editor-In-Chief, found the last two items were assumed by entrepreneurs to result from the business being successful but were not the primary motivating factors in starting the business.

The basic premise of the reason to use royalties, an agreed percentage of revenues for an agreed period of time, is the business founder's sincere belief the business will succeed. Therefore, naturally the business founder wants or should want to own the greatest amount of the business possible once success is achieved. All too often the founders of successful businesses have been diluted by financings to a point where their interest in the business has been greatly reduced. Of course, during the traditional equity-based funding process many have also lost control of the business and find themselves on the outside looking in, or serving as consultants.

Royalty owners do not have a right to vote and cannot influence management of the companies selling royalties. Royalties reflect only revenues and are not profit related. It is generally believed easier to predict a trend of revenues than per-share earnings, as is necessary in making decisions regarding equity-related investments.

If an owner really believes in the future of his company he or she should fully study the proposition that royalties are the better way of both investing in and financing of privately owned companies.

We have made such a study easy by providing access to the following website calculators: www.REXRoyalties.com, www.REXdebt-shareRoyalties.com, www.REXComparator.com, www.REX-PV.com and www.REXScaledRoyalties.com. We also offer free access to a full library at www.PacificRoyalties.com and www.Royalties.Website.

Please let an understanding of how royalties work result in your keeping ownership of more of your business than will otherwise be the case.

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