

FIRST RUN PRODUCTIONS

Joe McBride, Owner

Key Topics:

Optimizing the equipment purchase in a technology business

Ethical issues in a video production company

Personal relationships and sustainability issues of a single entrepreneur

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SYNOPSIS:

He's a 27-year-old workaholic, and his girlfriend isn't happy about it. But Joe McBride is trying to build a successful video production company. He started his company in 2003 at age 21. Now, at age 27 and single, Joe has positioned First Run Productions as a leader in creative technology and provides a wide range of video and audio production services to the Pittsburgh, Pennsylvania area. Joe does everything himself; he works seven days per week and pours all the profits back into the business to finance future equipment purchases. His next equipment purchase goal is \$30,000-\$40,000 of high-definition video equipment. Joe doesn't like debt, so he is saving money. Joe's vision is for First Run to become a highway of multimedia production through technology, knowledge, and creativity. High-quality work is always the goal, but occasionally, the unusual request comes along—like the erotic fire-breathing stripper who is well-connected in the entertainment industry and needs a promotional video—and this presents an ethical dilemma. Is it money or standards? Debt or pay-as-you-go? Work or personal relationships?

DESCRIPTION OF PRODUCTS/SERVICES:

Although Joe McBride is only 27, he has already positioned First Run Productions, LLC (CNR) among the leaders in the creative technology service industry mainly in and around the Pittsburgh, Pennsylvania area since 2003. Specializing in audio and video production for professional or personal usage, the 1,200 square foot video production studio is located two minutes from downtown Pittsburgh and is fully equipped using the industry's latest technology. Usage of current technology and trends with high regard to customer care are always present in CNR's vision and mission statements:

- *Vision Statement:* To become a highway of multimedia production through technology, knowledge, and creativity.
- *Mission statement:* To create a close working relationship with customers to create a product that accurately portrays their ideas and exceeds their expectations.

Regular service offerings include shooting and editing commercials, music videos, weddings, corporate training videos, movies, documentaries, DVD authoring, audio recording, mixing, mastering, and media transfers.

HISTORY OF THE COMPANY:

First Run Productions, LLC was started six years ago by Joe McBride as the sole owner and is located at 1701 Banksville Road in Pittsburgh, Pennsylvania. The first project that launched him into the video production business was a horror movie he made of his band for which he's a drummer. It was shot, according to Joe, as "a shameless self-promotion."

Although the quality was terrible and not work he is proud to claim, it has gained a cult following and still sells on Netflix today. Joe even gets a regular check from the sales. He feels that the quality of his work has definitely improved over the years because of better equipment and improvement in his skills with elements such as better shots, editing, and white balance, among other technical details.

Joe says his company now provides the video, sound, and lighting equipment necessary to do the most up-to-date work, and he is attempting to save \$30,000-\$40,000 to upgrade to high-

definition equipment. He feels the purchase is not necessary at this point because he “can always borrow or rent that kind of equipment from friends in the business when it’s absolutely needed.” As of now, high-definition video production is not in great demand in CNR’s market. Because of months when work is slow, Joe doesn’t want to take on any debt, although he did have a one-time \$8,000 business loan. He doesn’t feel that the work is cyclical except for one time per year from the end of December to January when business is usually the slowest. In its six years of existence, the business has grown to have gross income of \$60,000-\$70,000 dollars annually that all goes back into the business to purchase equipment, except for Joe’s minimal living expenses.

CNR’s video production studio in downtown Pittsburgh was a lucky find, according to Joe. He was doing some work for some entertainment companies such as promotional videos for bands, DJs, and actors. One entertainment company that had some basement space was impressed with his work and turnaround time. The company offered him a good deal on the space, but Joe said he was not really looking and was “OK for now.” He ended up looking at the space anyway, and he found it to already be set up as a video production facility. It was perfect for his needs. Their offer was accepted, and CNR had a new home at a very reasonable rate that provides him with a professional space in which to work and provide services to his clients.

During slow times, Joe’s back-up work focuses on media transfer and working on some of his own separate projects. Not only does he continue to play music with his band, but he writes, directs, produces, and occasionally acts in a sketch comedy television show that he hopes to market through friends in the entertainment business, hopefully landing an arrangement with Comedy Central, FX Channel, the Independent Film Channel, or HBO. He needs the representation of an agent as he says, “no one looks at unsolicited material.”

Joe considers his business to be a one-stop shop of mass multimedia production offering everything from video production to graphic design to audio recording to anyone who has a need for it from “kids’ acting auditions to 90-year-olds transferring film to DVDs.” He even has the occasional request to do “questionable” video work which he shuns for legal reasons as well as for its impact on his business’ reputation. He did, however, grant an odd request from a national headline act. She was an erotic fire-breathing stripper who was also a singer. It was a video for her to use to promote her work, and Joe accepted the job with a somewhat “tongue-in-cheek” attitude. The job paid well at a time when Joe needed money, and it did get him a substantial amount of other work from the client’s musician friends.

THE ENTREPRENEUR:

Although Joe always had a desire to work in video production, he didn’t start out in that type of business, nor was he able to lock into the business until his third attempt. His tenacity was likely established at a young age when he and his brother often had to fend for themselves as they were left alone when their parents were away at work. Although married, the parents often lived separately because of work. When the boys were with either parent, they had to take care of themselves during work hours. Even as their dad traveled for work as they were staying home alone, they had responsibilities to do regular chores such as cook, clean, and do laundry as early as ages eight and 10. If they got into trouble, their dad “cracked the whip,” according to Joe, by making them pull weeds, sweep the roof, and rake the ivy, which Joe, by the way, killed and was grounded for it. Joe said their house at times looked like a “country club because the yard was so perfect.” They had to work for their wants. The father required them to work four hours every

day. If they wanted to play baseball at noon, they had to start work at 8 a.m. to get in their time before they could go play. Now, Joe thanks his parents for working him so hard at a young age and establishing this work ethic.

Since the age of 10, Joe always found something to do for money. He worked as a caddy, had a paper route, washed cars, collected pop cans and their dad's beer cans returning them for cash. As a 12-year-old, Joe had a lawn business earning \$200-\$300 per week. At ages 16-17, he worked in an auto detail shop. He said the employees there included an ex-con, a drunk, and himself. He ended up running the owner's shop working a six-day week for \$400-\$500 per week. Joe said, "I always had money in my pocket."

Later income-earning endeavors included working as a drummer in a band, sales in cell phones and at a music store, construction jobs, and employment as a mortgage loan officer. This last job as a mortgage loan officer finally gave him the shot at the business he tried to establish a couple of times before. He was fired when Merrill Lynch took over the mortgage company he worked for. Joe was given six months of severance pay and used this money to finally get his video production company started.

Joe's early struggles led him to desire to be self-made and his own boss. This was more important to him than money, but he set a goal to retire by the age of 30 and just "enjoy life." Things didn't quite work out that way, and reality set in. The silver lining is that he loves what he does every day, and he says he will "always stay in this business." He loves the freedom to be his own boss, but it does lead to more stress. As his only "employee," he's completely consumed seven days per week and thinks he will eventually have to hire others. Joe does occasionally use freelancers and interns who are good for specific requirements, but he is

reluctant to hire employees because of having to pay employment taxes, worker's compensation, and other associated expenses. He doesn't believe he could find someone to oversee his business and wouldn't trust anyone to do so. He does hire an accountant to set up QuickBooks for him to maintain himself and assist him as needed.

He once felt that sales consisted of "bothering someone," but now Joe feels that his experience has led him to be fearless in pursuing clients for his business. Knowing how to work phone calls, how to seal a business deal before a potential client gets off the phone, and how to go out and look for business are all important to keeping his business profitable. As for his target market, Joe feels that anyone in the market for video services is part of his target. Young and old, individuals and businesses, personal or professional—anyone with a need for video production services "anywhere in the world"—is his target. Joe has travelled as far as Florida and soon will travel to Alaska to provide his services. Networking opportunities are found through the local chamber of commerce, bridal shows, and at events for entertainment customers such as attending a concert of a band that might need promotional videos. The only print advertising is done in the Yellow Pages, and Joe distributes business cards at events he videos. Internet marketing is CNR's main promotional tool with a webmaster optimizing the appearance of First Run's website in search engines. The website is well-developed and showcases his services.

Joe was born in Venezuela and has also lived in Puerto Rico, Detroit, and about "20 locations in Pittsburgh." His mother is Chilean with a background in politics related to agriculture. She holds a degree in economics. She was forced to leave Chile during the 1973 coup d'état and fled to Venezuela, eventually coming to the U.S. in 1989. His father is

American. He worked in many different types of jobs and seemed to never be committed to a single type of career. Joe doesn't think of his parents as entrepreneurs, but he indicated his father might have been an entrepreneur in a "questionable" way. Joe has a high school diploma and no formal training in video production. His brother is two years older and is an engineer holding a patent on train couplings. He wants to be a designer, creator, and freelance engineer. Now living and working in India, Joe's brother travels the world. In college, he would read a 1,000-page textbook a week, take 24 credit hours a semester, and go to classes that he wasn't enrolled in just for the knowledge.

Joe's parents currently live in Pittsburgh where his mother now sells real estate and his father still does odd jobs. He has a girlfriend who is not very happy with the amount of time that Joe spends working. "I didn't really want a girlfriend; I told her how it was going to be with my business, yet she's still around," says Joe, "and she somehow expects to change me." Joe is a self-proclaimed workaholic and finds this schedule necessary to keep his business going. "It's all about time and money," he says. His girlfriend often asks him to do things with her, but Joe usually replies that he has to work and has no money to go out. He said his work schedule keeps his relationship "teetering on the edge." When asked if he would like to have a wife to help him with his business, Joe says he never really plans to marry. As for a family to help carry on his business, he says, "I've never really even thought about that."

When asked if he thinks religion has any impact on his business, Joe replied that he has no religious affiliations and said, "So if anything, I would imagine it's beneficial because I can work on Sundays."

Joe's work-only lifestyle is helping him to reach his goal of becoming a highway of multimedia production services. Entrepreneurs sacrifice to build successful business, but the cost in personal relationships may go unnoticed even if the future of the business might depend on it.

THE ENVIRONMENT OF PITTSBURGH, PENNSYLVANIA:

Geography

According to the United States Census Bureau, Pittsburgh has a total area of 58.3 square miles of which 55.6 square miles of it is land and 2.8 square miles of it is water. The total area is 4.75% water.

This topography is often utilized for physical activity. The city has 712 sets of stairs comprising 44,645 treads and 24,090 vertical feet (more than San Francisco, Cincinnati, and Portland, Oregon combined) for pedestrians to traverse its many hills.

The characteristic shape of the city's downtown is a triangular tract carved by the confluence of the Allegheny and Monongahela rivers, where the Ohio River forms. The city can be broken down into the Downtown area, called the Golden Triangle, and four main areas surrounding it. These four surrounding areas are further subdivided into distinct neighborhoods

(in total, Pittsburgh contains 90 neighborhoods.) These areas, relative to downtown, are known as the North Side, South Side/South Hills, East End, and West End.

In addition to the downtown Golden Triangle, the city extends northeast to include the Oakland and Shadyside sections, which are home to the University of Pittsburgh, Carnegie Mellon University, Carnegie Museum and Library, and many other educational, medical, and cultural institutions.

Downtown Pittsburgh is tight and compact, featuring many skyscrapers, nine of which exceed 500 feet. The Cultural District comprises a 14-block area of downtown along the Allegheny River. It is packed with theaters and arts venues, and it is experiencing a growing residential segment.

Pittsburgh's patchwork of neighborhoods still retain an ethnic character reflecting the city's immigrant history.

Pittsburgh falls in the transition between the humid continental and humid subtropical climate zones. It features four distinct seasons, with precipitation somewhat evenly spread throughout the year. Summers are hot and humid (with occasional heat waves), while winters are cold and snowy. Fall and spring are mild to warm.

History

Pittsburgh, Pennsylvania is the second-largest city in the state and is the county seat of Allegheny County. Its population was 334,563 during the 2000 census; by 2009, it was estimated to have fallen to 311,647. The population of the seven-county metropolitan area was 2,354,957 in 2009.

Pittsburgh was named in 1758 by General John Forbes in honor of the British statesman Sir William Pitt. Given that Forbes was a Scotsman, it is possible that the intended pronunciation of the settlement was (*PITS-brə* or *PITS-bə-rə*), similar to the pronunciation of Edinburgh as a Scotsman would pronounce it. It was incorporated as a borough in 1794 and chartered as a city in 1816. Pittsburgh was officially named with its present spelling on April 22, 1794 and is one of the few American cities to be spelled with an *h* at the end of a *burg* suffix. This style is commonly used for many other cities and towns of Western Pennsylvania. While briefly named "Pittsburg" from 1890 to 1911 following a declaration by the United States Board on Geographic Names, the *Pittsburgh* spelling was officially restored after a public campaign by the citizens of the city.

In 1901, the U.S. Steel Corporation was formed, and by 1911 Pittsburgh was the nation's eighth largest city, producing between a third and a half of the nation's steel. The city's population swelled to more than a half million, many of whom were immigrants from Europe who arrived via the great migration through Ellis Island. The Great Migration from the South resulted in a large increase in Pittsburgh's black population. During World War II, Pittsburgh produced 95 million tons of steel. By this time, the pollution from burning coal and steel

production created a black fog (or smog), which even a century earlier had induced author writer James Parton to dub the city "hell with the lid off."

Following the war, the city launched a clean air and civic revitalization project known as the "Renaissance." This much-acclaimed effort was followed by the "Renaissance II" project, begun in 1977 and focusing more on cultural and neighborhood development than its predecessor. The industrial base continued to expand through the 1960s, but beginning in the 1970s and 1980s, the steel industry in the region imploded, with massive layoffs and mill closures.

Economic:

While the city is historically known for its steel industry, today its economy is largely based on healthcare, education, technology, robotics, and financial services. The region is also becoming a hub for oil and natural gas companies. The city has redeveloped abandoned industrial sites with new housing, shopping and offices, such as the Waterfront and the SouthSide Works. While Pittsburgh faced economic troubles in the 1980s as the steel industry waned, modern Pittsburgh is economically strong. The housing market is relatively stable despite a national subprime mortgage crisis, and Pittsburgh added jobs in 2008 even as the national economy entered a significant jobs recession. This positive economic trend is in contrast to the 1980s, when Pittsburgh lost its manufacturing base in steel and electronics, and corporate jobs in the oil, electronics, chemical and defense industries. Downtown Pittsburgh retains substantial economic influence, ranking at 25th in the nation for jobs within the urban core (and is sixth in job density).

The city's largest employers are the University of Pittsburgh Medical Center (48,000 employees) and the University of Pittsburgh (10,700 employees).

The nonprofit arts and cultural industry in Allegheny County generates \$341 million in economic activity and supports more than 10,000 full time equivalent jobs. Revenues of nearly \$34 million are generated through local and state tax.

Education System and Opportunities for Learning:

The City of Pittsburgh is home to many colleges, universities and research facilities, the most well known of which are Carnegie Mellon University, Duquesne University, and the University of Pittsburgh. Also located in the city are Carlow University, Chatham University, Point Park University, The Art Institute of Pittsburgh, and a branch campus of suburban Robert Morris University, as well as the Community College of Allegheny County, The Pennsylvania Culinary Institute, and the Pittsburgh Institute of Mortuary Science. The greater Pittsburgh region boasts even more colleges and universities, including LaRoche College, Slippery Rock University, Westminster College, and Grove City College north of the city; Robert Morris University and Geneva College west of the city; Washington & Jefferson College, California University of Pennsylvania, and Waynesburg University to the south; and Seton Hill University, Saint Vincent College, and Indiana University of Pennsylvania, the biggest state university, to the east.

The city also has an extensive library system, both public and university. Most notable are the Carnegie Library of Pittsburgh and the University of Pittsburgh's University Library

System, which rank ninth largest (public) and 18th largest (academic) in the nation, respectively.

Government Policies:

According to the Pennsylvania House of Representatives' website, Pennsylvania has been consistently ranked near the bottom in terms of competitive business tax structure compared to the other 49 states. When it comes to choosing a location for starting a new business or relocating an existing business, Pennsylvania must become a more viable option. By increasing the number of businesses in the Commonwealth, it will increase economic activity and provide more jobs at a time when the unemployment rate is at an all-time high. The legislature's website states that small businesses are the backbone of Pennsylvania's economy, and they feel they should do everything they can to protect them. A task force has been charged with:

- Reviewing the current business climate and tax structure that directly affects the small business community in Pennsylvania.
- Strategically developing new policies that will enable Pennsylvania to become more business friendly and more competitive with neighboring states.
- Providing more job opportunities for the citizens of the Commonwealth.

The task force is in the process of visiting a variety of small businesses across the Commonwealth. It is their ultimate goal to be able to put forth a package of legislation that will address some of those challenges that business owners face and will hopefully make Pennsylvania a much more friendly place to do business. The task force visits businesses to get firsthand knowledge of how difficult it is to do business in Pennsylvania.

Family Structure:

As of the American Community Survey three-Year Estimate of 2005–2007, the city's population was 68.3% White (65.8% non-Hispanic White alone), 28% Black or African American, 1% American Indian and Alaska Native, 4% Asian, 0.1% Native Hawaiian and Other Pacific Islander, 0.9% from some other race, and 2% from two or more races. It indicated that 1.9% of the total population was Hispanic or Latino of any race.

There were 143,739 households out of which 21.9% had children under the age of 18 living with them, 31.2% were married couples living together, 16.5% had a female householder with no husband present, and 48.4% were non-families. It indicated that 39.4% of all households were made up of individuals and 13.7% had someone living alone who is 65 years of age or older. The average household size was 2.17, and the average family size was 2.95.

In the city the population was spread out with 19.9% under the age of 18, 14.8% from 18 to 24, 28.6% from 25 to 44, 20.3% from 45 to 64, and 16.4% who were 65 years of age or older. The median age was 36 years. For every 100 females there were 90.7 males. For every 100 females age 18 and over, there were 87.8 males.

The median income for a household in the city was \$28,588, and the median income for a family was \$38,795. Males had a median income of \$32,128 versus \$25,500 for females. The per capita income for the city was \$18,816. Approximately 15% of families and 20.4% of the population were below the poverty line, including 27.5% of those under the age of 18 and 13.5% ages 65 or older.

In 2002, it was estimated that Pittsburgh ranked 22nd of 69 urban places in the U.S. in terms of number of residents 25 years or older who had completed a Bachelor's degree, with 31% of such people having completed the degree. The same study ranked Pittsburgh 15th of the 69 places in terms of number of residents 25 years or older who have completed a high school degree, with a figure of 84.7%.

Sociology/Way of Life:

Pittsburgh falls within the borders of Appalachia as defined by the Appalachian Regional Commission, and the city has cultural ties to that region. Although Pittsburghers generally consider themselves to be more "urban" or "cultured" than nearby West Virginia (as shown during sports events pitting the University of Pittsburgh against West Virginia University, commonly referred to as Backyard Brawls), a negative hillbilly stereotype is sometimes applied to Pittsburgh on a national level. Notably, during the presidential election of 2008, Barack Obama controversially employed hillbilly stereotypes to describe rust-belt Pennsylvanians in a speech at a private fundraising event in California, asserting that "[Pennsylvanians] get bitter, they cling to guns or religion or antipathy to people who aren't like them," in a minor scandal which came to be known as "bittergate."

While the city's status as both a Rust Belt city and an Appalachian city are largely undisputed, the city's geographic location adds to its cultural ambiguity. Though geographically part of the Northeastern United States, the city is also culturally tied to the Midwestern United States and to the Southern United States—for example, its population includes an unusually high number of country music fans for a northern city. Pittsburgh lies only a few dozen miles from the spot where the physical boundaries of these three major regions of the United States

converge (as defined by the United States Census Bureau, a fact which reinforces Pittsburgh's reputation as not quite "belonging" to any single region or culture of the United States.

Major publications often note Pittsburgh's high livability compared to other American cities. Most recently, in 2010, *Forbes* and *Yahoo!* both listed Pittsburgh as the most livable city in the United States.

SOURCES:

Personal interview with Joe McBride, owner of First Run Productions, July 29, 2010.

Wikipedia, http://en.wikipedia.org/wiki/Pittsburgh,_Pennsylvania.

Pennsylvania House website for small business, <http://pasmallbusinessgrowth.com>.

DISCUSSION QUESTIONS:

1. What is the best way for Joe to optimize equipment purchases for First Run Productions?
When is a suitable time to buy as technology changes? Should Joe take on debt to buy the latest technology?
2. How should Joe handle a situation in which a potential client approaches him to video a questionable activity, such as pornography, illegal activities, or distasteful activities?
How might his business be affected if he does or does not accept the work?

3. Joe has a strong work ethic and is a workaholic. How might personal relationships be affected by this young entrepreneur's drive? If he marries, what effect might a spouse and children have on his business?

TEACHING NOTES ON DISCUSSION QUESTIONS:

1. Consider whether Joe should wait until the latest technology drops in price before purchasing or if he should borrow money to get the latest equipment. Although technology is headed in that direction, he said that high-definition equipment is not yet the standard in his market.
2. Joe did the promotional video for the stripper. She paid him well, and he needed the money. Discuss whether the money is worth it to First Run's reputation in the long run. The client did bring him new business from her contacts in the entertainment industry. Are these new clients worth it?
3. Joe's girlfriend is frustrated with his schedule. She may not remain his girlfriend if something doesn't change, but turning down business to spend time with her may be detrimental to the profitability of First Run. If he marries, a spouse might be able to help him with the business, allowing them to spend more time together. They may even be able to accept more work if he trains her to use the video equipment. Having children would give the business a chance to continue beyond Joe's lifetime. The children would have a career opportunity and may even be able to help expand the business. Discuss the balance of work and family. Is this an issue for a 27-year-old single entrepreneur?