



Enhancing Entrepreneurship for SMEs

Hanoi 17 -19 June 2008

APEC SME WG

Survival, exit and value creation

Practical applications, experience and techniques to help governments to assist entrepreneurs and SMEs

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Love business.

Agenda

Survival, exit & value creation

- Enhancing business survival
- Exit and value creation



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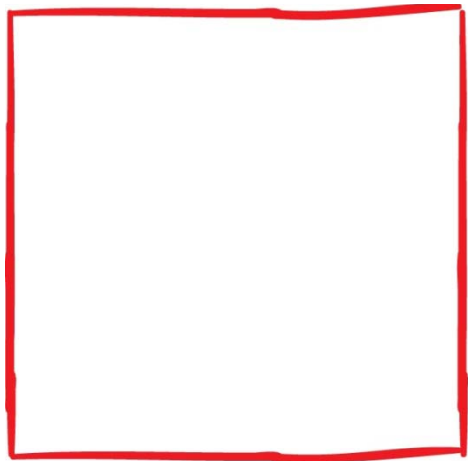
Enhancing Business Survival



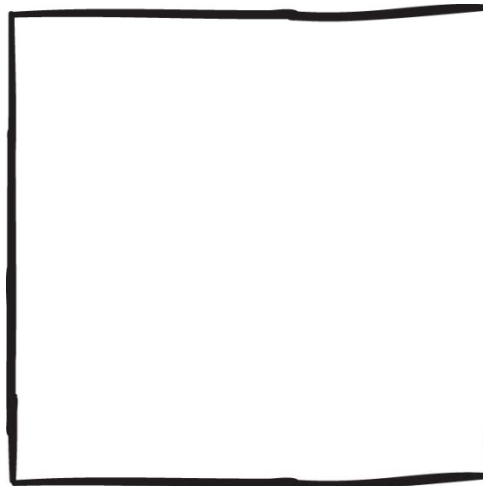
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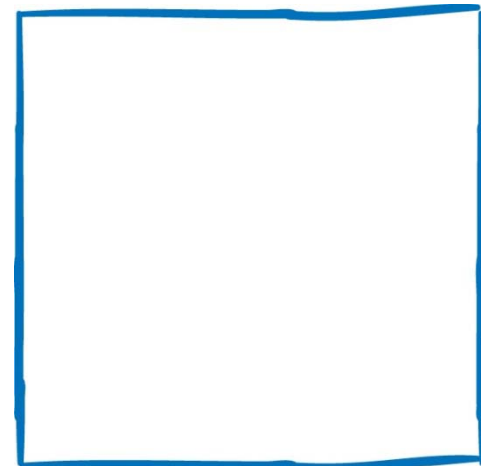
Three areas of business



Infrastructure



Strategic

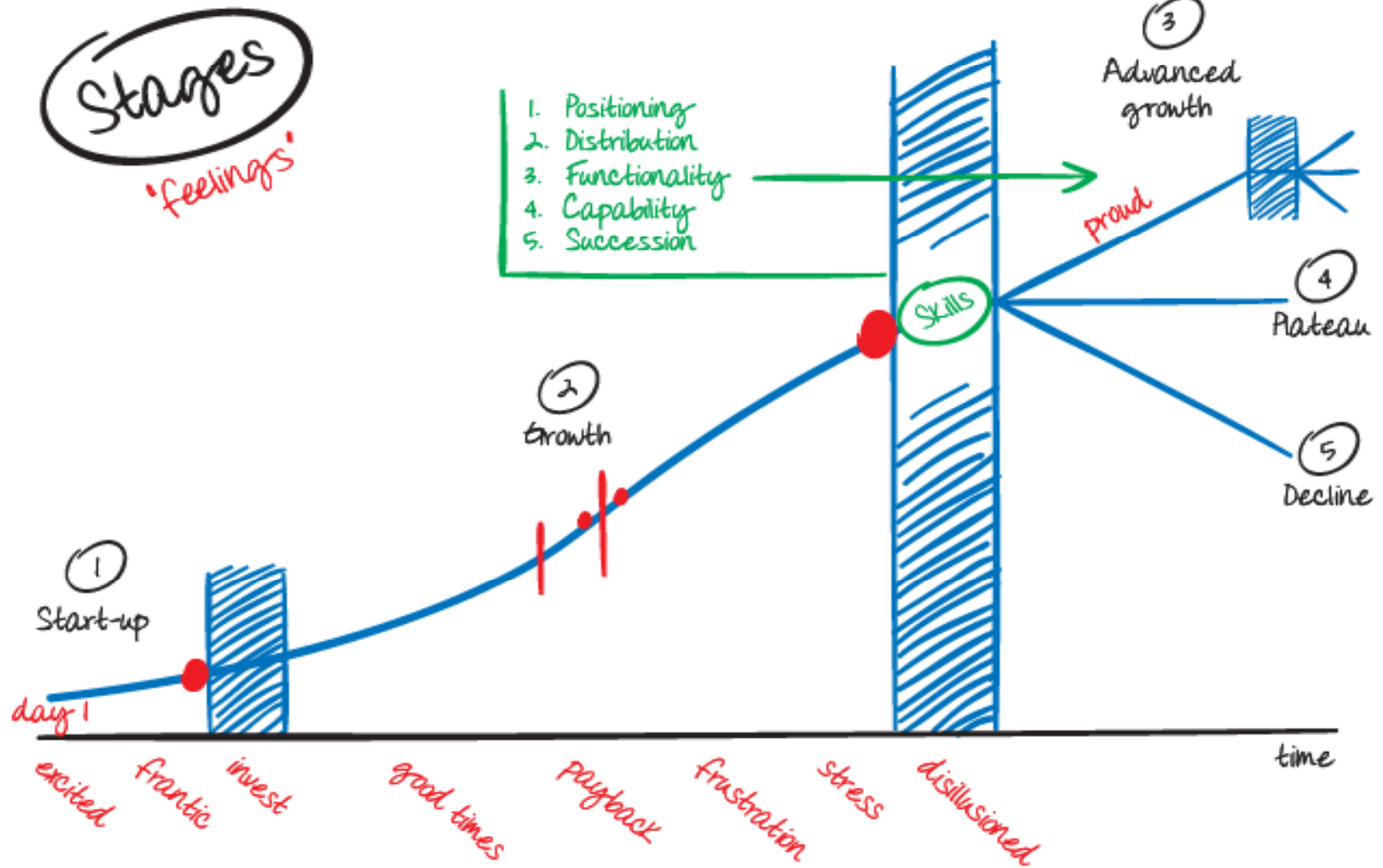


Revenue

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Stages Revisited





Business Failure Points

Businesses fail for a variety of reasons such as economic factors, competitive behavior, etc.

However the key cause of business failure is due to management action (or inaction).

There are three key points in the business cycle where this could happen:

1. Start up Phase
2. Fast Growth Phase
3. 2nd Brick Wall phase



Start Up Phase

Obviously this is when a business is weakest both from a financial and an experience point of view.

The main pressures on the business owner are:

1. Getting enough revenue
2. Establishing distribution channels
3. Having the confidence to make the required investment for growth
4. Accessing the required seed capital

During this phase we emphasise the **revenue** area of the business



Growth Phase

Whilst this is a positive period for the business from a revenue perspective, it's very easy for a business to lose control and fail unexpectedly.

The main pressures on the business owner are:

1. Handling the demand for services
2. Staffing and resourcing the growing business
3. Understanding the balance between capacity growth and revenue growth
4. Accessing adequate working capital

During this phase we emphasise the ***infrastructure*** area of business



2nd Brick Wall Phase

The business is at a mature stage however if the necessary platforms have not been put in place, the stress and demands on the owner and key personnel can be overwhelming.

The main pressures on the business owner are:

1. Lack of effective delegation and succession
2. Overreliance on key individuals
3. Falling levels of profitability (uncontrolled expense)
4. A general sense of disillusionment

During this phase we emphasis ***strategic*** areas to change to an advanced growth business

Exit and Value Creation



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Calculating Business Value

There are many different ways to assess the value of a business but the most common way is the earnings multiple model

$$\text{Value} = \text{Earnings} \times \text{Multiple}$$

Where Earnings is usually a revenue or profit based figure and the Multiple is an assumed industry benchmark

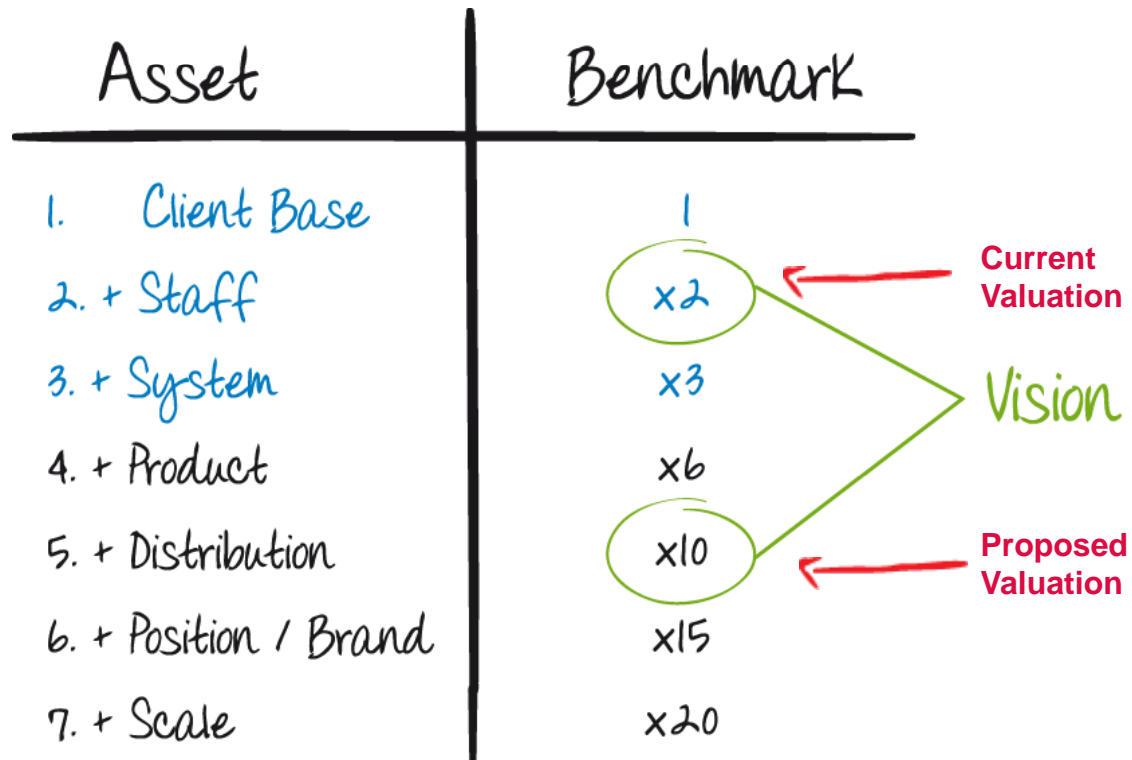
But is the multiple a standard figure, or can it be increased?

How do you increase it?

Valuation Framework

Asset	Benchmark
1. Client Base	1
2. + Staff	x2
3. + System	x3
4. + Product	x6
5. + Distribution	x10
6. + Position / Brand	x15
7. + Scale	x20

Setting a Vision for increasing value





Creating Business Value

It is easier to create business value through working on improving the multiplier than by concentrating on earnings

Improving the **Multiplier** from 2x to 3x will give a 50% uplift in valuation.

How much harder is it to achieve an uplift in **earnings** of 50%?

How difficult would it be to maintain this over successive years?



— End of Presentation —

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Management Skills, Coaching and Mentoring

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Agenda

Agenda

- Managing staff effectively
- Working in context
- Layers of coaching
- Our process
- Management capability



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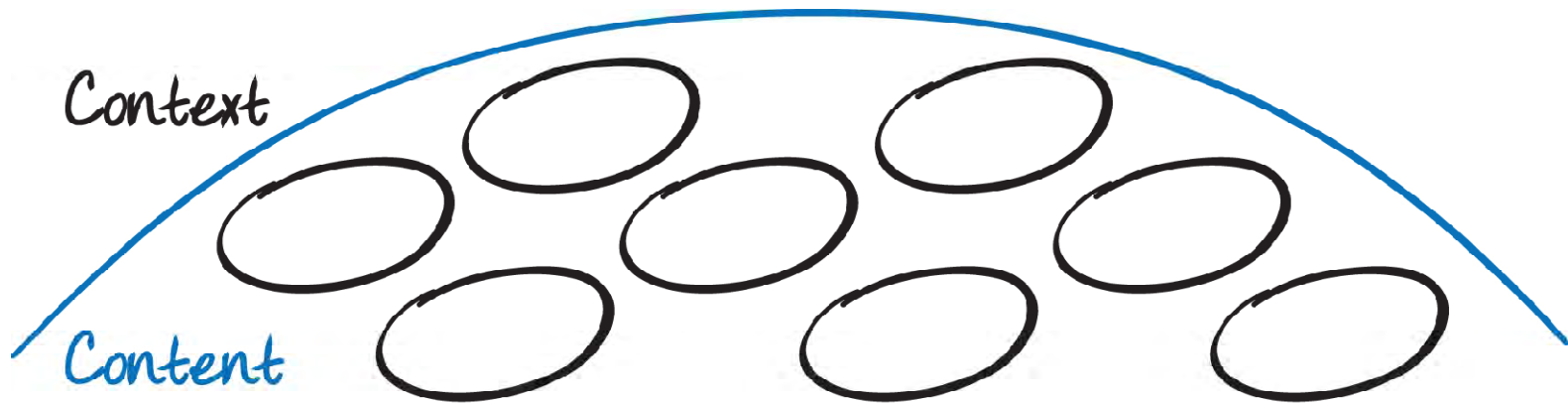
Managing Staff Effectively



Low ← Time invested – short term → High

Low ← Time saving – long term → High

Working in Context



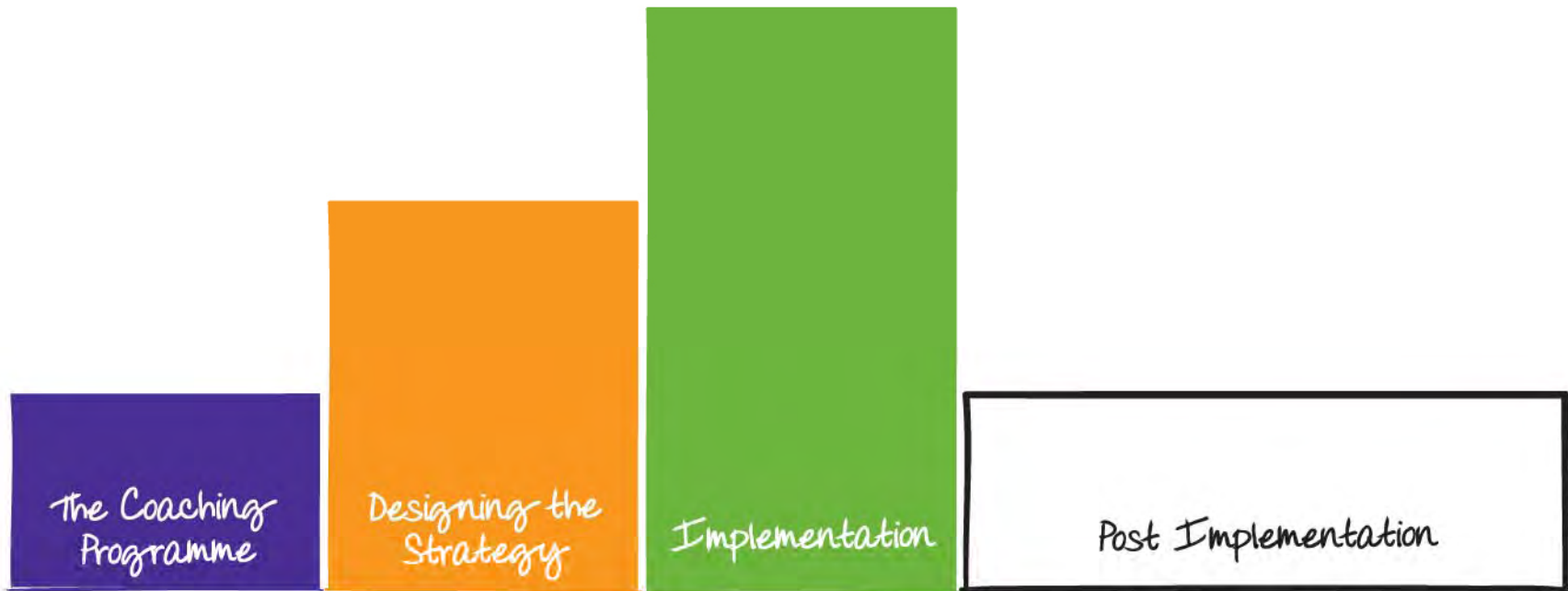
- CONTEXT adds meaning to CONTENT
- Issues are best resolved at a contextual level

Layers of Coaching

1	Concept	Hear the idea
2	Strategy	Education & plan
3	Implementation	Embedding change
4	Next Phase	Planning ahead
5	Leverage	Fully integrating



Our process



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Management Capability

Layer	Managing Staff	Strategy	Managing Your Money	Structure	Equity Value	New Products A P2	Marketing	Source Clients	Converting Clients	Loyalty of Client Base	Servicing Clients	Culture	Decision Making	Lifestyle Balance	KPIs	Infrastructure	Communication	Training	Business Cycle	Management Team
1																				
2																				
3																				
4																				
5																				

Summary

- It is more effective to coach and mentor staff
- Work in context rather than content when resolving issues
- Don't go straight from concept to implementation
- SME owners need to build up management capabilities as well as technical skills





— End of Presentation —

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Intellectual Property Protection and Market Access (with Focus on United States)

Presented By:

Candace Chen, President
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And

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Los Angeles, California USA

U.S. Patent and Trademark Office

(An Agency of the U.S. Department of Commerce)

- The office employs over 7,000 full time staff to support its major functions
- Examination and issuance of patents and the examination and registration of trademarks.
- Education through public seminars
- Online filing of trademarks
- Electronic filing of patent applications
- Online database
- USPTO.GOV

Types of Intellectual Property

- Patents – Utility, Design, Plant
- Deliberate, unauthorized use of the invention of another
- Trademarks – McDonalds
- Trade Dress – Mickey Mouse Ears, Coca Cola Bottle
- Deliberate copying of a mark or use of something confusingly similar
- Trade Secrets
- Formula for Coca Cola
- Pattern, technique, program
- Violation not in the use, but in the way info is obtained
- Copyrights – Music and Pictorials

Getting Started

- Is there a need or market for your invention?
- Find the best lawyer you can afford
- Is the invention patentable? Is it unique?
- Infringement and patentability search
- How do you finance your invention?
- How do you finance your marketing?

Protecting The Invention

Common Sense Approach

- Require all employees sign confidentiality and secrecy agreements
- Access to a patent attorney
- Inventor should keep a log of when he thought of different things and when he tried them, good to have witness.
- Store Trade Secrets in a safe area
- Always require confidentiality and secrecy agreements with vendors
- In the U.S. - Government only gives creator of Intellectual Property right to enforce their invention, but not participate in infringement action (civil not criminal)

Statistics – USA

- Average of 149,000 Utility Patents issued per year over last 10 years (1995-2005)
- Design Patents issued per year – averaged over 14,700 every year over last 10 years (1995-2005)
- 350,000 utility patent application received each year
- 30% filed by small inventors
- 2001 there were 8314 patent suits
- 2005 there were 12184 patent suits

Cost of Lawsuits

- Legal services, court fees, travel expenses, analytical
- testing, expert witnesses, translators, surveys, jury advisors, similar expenses for either party:
- Patent Infringement Suit
- 2005 - \$2,000,000
- Trademark Infringement Suit
- 2005 - \$700,000
- Copyright Infringement Suit
- 2005 - \$440,000

Common Problems Faced by SMEs

- IP litigation is very expensive because it is complicated
- Just because a patent is issued does not mean that you do not infringe on another patent
- Why sue? Publicity, to protect right
- Why give up? Costs more to enforce

Recommendations

(Selling IP Into or Out of USA)

- Due diligence of business partners
- Take step by step approach – feasible to start with dated technology?
- Defense policy responds to defending infringement suits
- Abatement policy responds to stop production and invalidate infringing patents
- Never put all your eggs in one basket

Thank You!

Questions?
Comments?
Just Curious?

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*State and Local Level Resources
Aimed at helping SMEs do business
and develop partnerships overseas
(California Focus)*

Presented By:
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Los Angeles, California USA

California Advantage

- 6th largest economy in the world
- Largest in US
- Second largest is New York's economy at only 60% the size of California's \$1.5 trillion
- 50% of trade related jobs are in California

- #1 in export related jobs (1 out of 12 jobs)
- #1 in agricultural exports (15% total value)
- #1 in computers and electronics (42%)
- #2 overall, behind Texas

Structure

Governor

Business
Transportation
Housing Authority

Office of International Trade
www.bth.ca.gov

Examples of California's Trade Partners

- **World Trade Centers**
- **World Trade Center of Los Angeles**
- **(Co-Exist with USEAC Downtown Los Angeles)**
- **Local Trade Associations**
- **Valley International Trade Association**
- **Chambers of Commerce**
- **California Chamber of Commerce**
- **Los Angeles Area Chamber of Commerce**
- **Ethnic Trade Associations**
- **Japan American Society of Southern California**
- **Women in International Trade**
- **Foreign Trade Association of Southern California**
- **Cities and Counties**
- **San Bernardino**
- **Los Angeles**

Other Resources

- UPS - Seminars
- FEDEX – Export University
- GOOGLE
- EBAY
- PNC Bank
- SCORE
- CITDs
- World Trade Week

S.C.O.R.E.

- Senior Corp of Retired Executives
- Non-profit organization of about 10,500 volunteer counselors
- Volunteers are mostly retired business owners, executives and corporate leaders who want to share their wisdom and lessons learned in business.
- Mentoring 24/7 via website/email
- 389 chapters throughout USA
- Service is FREE
- Works closely with Small Business Administration (SBA)
- www.score.org

Center for International Trade Development (CITD)

- Established in 1990
- Currently about 30 locations
- Joint program between Chancellor's Office of the California Community Colleges - Economic and Workforce Development Program, and selected community Colleges
- Funded by the State of California
- Hosted by a local community college
- Provides a variety of free or low-cost programs & services to assist local companies in doing business abroad.
- These include one-on-one technical assistance and consulting, market research, training and educational programs, trade leads and special events.

World Trade Month

- Created in 1926 by Los Angeles Area Chamber of Commerce
- Highlights international trade
- Community focus – achievement, benefits, education
- 1935, President Roosevelt signed into law a national observance of World Trade Week
- Week long event grown into more than 30 events held each year in month of May
- Observed in other major US Cities
- www.worldtradeweek.com

#1 Trading Partner for California?

- U.S. Department of Commerce!
- USEAC (US Export Assistance Center Directors are often Board members or Directors of these trading partners.
- DEC (District Export Council) members are often in leadership roles at these trading partners

Thank You!

- Let's hear from you -

Questions?

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