

Notes for the Panel Presentation and Discussion of the Fraser Valley Branch APEGBC Meeting, January 31, 2011

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operating KLN KLEIN Product Development Inc. (www.klnklein.com) since 1981
dedicated to the development of innovative technology based products for a diversity of clients

Networking, the importance thereof for an entrepreneur

What is “the network” supposed to deliver? Contacts, of course, and a bridge to TRUST!

Which situations are particularly trust sensitive?

- A) Getting close to influential people whose attention we would like
- B) Closing a sale

Being introduced by a mutual acquaintance or friend can be extremely helpful, if not the only way!

To be trusted requires to be trustworthy ==> do what you say you are going to do!

Entrepreneurship—what is to be avoided?

Does it make sense to blindly believe ‘one-liners’ and the
perceived experts??? Think for yourself!!!

Like: “it’s all about money”... because it is also – if not mainly-- about people...and there are different currencies, like respect, acknowledgement, freedom, etc..

Careful with generalizations, as everything has its place at the right time in the right circumstance.

Rather think: What will be the consequence of my action or inaction in a given, particular situation; do I like that consequence?

Instead of bringing the points made forward in terms of the negative “avoid”, the positive alternative “what to do” has preferentially been used in the formulations. The reason is to nourish with our attention that which we wish to manifest.

The entrepreneurial business cycle basically comprises:

- Innovate through a product or service
- Stimulate demand through marketing
- Make prospects aware of the value and book orders by selling
- Organize and supervise the generating and delivery of the promised products or services
- Administer the necessary functions of payroll, accounts payable and receivable, compliance with regulations, and accounting
- Pay what you owe and collect what is owed to you
- Repeat the above, seeking an appropriate profit every time you go through the cycle.

As every one of us has a distinct strength/weakness profile so will a given aspect of this business cycle be easy for one and difficult for another. The thoughts shared here only reflect the subjective awareness of the author and they are certainly not exhaustive. Therefore, it is suggested to use an inquisitive and critical mind to gather information from multiple sources when in pursuit of business success.

Selling:

- A) Differentiate between competing in an established market on one side, and introducing a new product or service where no market has been created yet on the other side. Set pricing of products and services differently in the above 2 cases. The first case is very price sensitive while the second is not. In the second case strive for a good margin as it is typically needed to bridge over the early inefficiencies and survive.
- B) Test before invest! Producing goods or stocking up on merchandise in a big way before an adequate number of orders is on hand is very risky.
- C) Not considering the typical product life cycle curve can easily spell death to a new business when estimating sales growth. Most business plans are very “forward looking” and easily over-estimate sales. The failure rate is commensurably high. To avoid this, price product, set variable cost/fixed cost structure, and financing appropriately.
- D) Plan for low volume/high price at the introduction of a new product and reduce price as volume grows (a success recipe of Henry Ford).
- E) Everybody can make the sale if they just promise enough---the mark of the pro is the repeat order; if one doesn't deliver on the expectations raised the going soon gets very tough!

Operating: Obtaining lower variable costs is typically achieved by incurring higher fixed costs, through i.e. investing in capital goods, employing own staff, having one's own building, etc.. Works when business is humming, but...avoid losing money when operating costs are not covered by sales, so "In times of crisis roll fixed costs over to variable costs" (Charles Priester of BCIT fame). Instead outsource, manufacture JIT (Just In Time), rent on demand versus lease or own, hire temps instead of having staff on payroll, etc. .

Starting a business is most often no less a crisis than a recession!

Finances: Be aware that renting money = debt, which eventually allows to seize opportunities, but it also means obligation, which means reduction or even loss of freedom.

Not monitoring and acting upon accurate! and timely financial statements is like flying in the clouds without instruments—typically means loss of control and crash.

Be nice and forthcoming but secure your interests---the business world is an endless chain of commitments, and when the weakest link breaks (the customer's customer or your customer's banker, etc.) when not secured you could be left with uncollectable receivables.

Legal: Court of jurisdiction better be where you are home, lest you like to pay two legal representatives.

Read AND UNDERSTAND what each and every contract term means. If you agree to "...will make *every* effort..." means you may have to give *everything* you have in order to help the other side. In contrast "...will make reasonable effort..." is probably more palatable.

Do you really like to *indemnify* the other party to a contract? It may mean that you also pick up the legal bills of your opponent in addition to your own.

Patents:

Rarely is the original idea the key IP. More often it's in the solutions to the problems as they pop up along the development path.

Quite often perception and reality of IP protection are far apart. A patent is only as good as one is able and willing to defend it in court.

Effective IP protection is a strategic and multi-faceted exercise, eventually comprising a mix of utility patents, design patents, trade secrets, and copyrights.

The price for the exclusivity that a patent affords is (among others) that the information is now public and can be used to gather intelligence.

Experts:

Know a lot about something. (...occasionally to the point of knowing everything about nothing). Use experts in combination with own thinking. Henry Ford, whose overwhelming success is a historical fact, steered decidedly clear of hiring experts. He listened to every reason, questioned, sounded out the logic, and made up his own mind.

Philosophical:

Money is only a surrogate for value; there are many more currencies other than money.

Serve to deserve; the alternatives are gambling and stealing. Each has its price.

Seek balance; be considerate to others as well as to yourself.