

A TRILOGY ON ENTREPRENEURSHIP

Book Two

Creating the Enterprise

Establishing the Enterprise

Planning the Enterprise

Investing

Valuating

Financing

Managing Costs & Profits

Managing Risks



Dr. Eduardo A. Morató, Jr.

Creating

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DR. EDUARDO A. MORATÓ, JR.

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by

EDUARDO A. MORATÓ, JR.

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Foreword

Book Two, *Creating the Enterprise*, commits the entrepreneur to establishing a new business venture. The organizational, legal, technical and managerial elements of putting an enterprise together are complemented by the writing and submission of a business plan for the eyes and ears of investors, financiers, partners and managers.

The book takes the entrepreneur through the art and science of Investing and Financing. For entrepreneurs considering the acquisition (or disposition) of existing enterprises, there is a chapter devoted to Valuating, or the estimation of asset or share values.

Essential to the viable and sustainable operation of the enterprise, Book Two ends with the chapters on Managing Costs and Profits and Managing Risks.

Establishing the Enterprise

After much seeking and screening of entrepreneurial opportunities, the crucial decision to seize one particular opportunity culminates in the establishment of an enterprise. Presumably, all the market research has been done and the desired customer segment has been targeted. Presumably, the final location has been chosen and the new product has been designed and developed. These have all been part of the rigorous steps taken in preparing for entrepreneurship. Now is the time to set up the enterprise, plan its future and mobilize the needed resources.

A VERY CLEAR PURPOSE

The entrepreneur must be very clear about his or her purpose in establishing the enterprise. The weakest purpose is "I just want to while away my time and make money on the side." The motivation here is too weak to carry the entrepreneur through the roller coaster ride of business. A stronger statement like "I want to become filthy rich" feeds on the greed of the entrepreneur. The greater the greed, the greater the motivation. But even this is not sufficient because greed can blind the entrepreneur to favor get-rich-quick schemes that have little sustainability and poor customer sensitivity. A more acceptable expression of greed is "to provide income for my family."

A lofty purpose like "I want to express and fully actualize myself through the excellence and uniqueness of my products" derives its energy from the creative soul of the entrepreneur. This is the entrepreneur speaking from a higher motivational ground.

"I simply want to delight my customers" is a trite and suspicious statement. Unless the entrepreneur is a business version of Mother Teresa, it sounds too altruistic. However, more mature enterprises do make this statement because they know that "what's good for the customer is good for the business."

Perhaps a combination of greed, self-expression and altruism can be a more enduring and passionate purpose. The purpose of the entrepreneur is actually a personal mission statement. However, at the beginning, this personal purpose may also well be the enterprise mission statement. As time passes, the enterprise will assume a life of its own, separate from the entrepreneur. By then, a separate enterprise mission statement should be crafted.

The enterprise must state its mission statement clearly for the sake of the customers being wooed, the investors who need to know what they are getting into, the financiers evaluating the enterprise, and the government functionaries who must regulate the activities of industries and businesses. The market wants to know what value proposition the enterprise will bring to them, and what specific customer needs or wants will be satisfied. The investors want to know what yields and returns could reasonably be realized from the enterprise and what risks would be encountered. The financiers want to ascertain the viability and sustainability of the enterprise. The government wants to protect the public while it is promoting investments and encouraging industry development. All these stakeholder concerns must be addressed while determining the purpose for establishing the enterprise.

A VERY COMPELLING VISION

No doubt, the entrepreneur will establish the enterprise on the basis of a very exciting business concept. If the business is just like any other business in the marketplace, it will not take customers by storm. A me-too business lacks oomph, lacks pizzazz, lacks libido. The entrepreneur must offer something new, something appealing, something different that says "take notice, I'm arriving with a bang." Well, it may not be as dramatic as all that but the point is well made. The enterprise must present a winning business concept.



Case Example – The Jollibee Business Concept

When Jollibee decided to challenge the giant McDonalds in the market, it brought the Filipino taste to hamburgers. For that matter, it introduced a lot of Filipino dishes not traditionally sold in hamburger joints. Jollibee observed in their market research that Filipino consumers smelled their burgers before eating them. The logic is obvious: the nose can smell a thousand aromas while the tongue can only distinguish four tastes (sweet, sour, salty and bitter). Jollibee knew that good taste is a function of good smell. Their tag line "*langhap sarap*," which roughly translates to "you can savor its good taste from its great aroma," says it all. Jollibee also came up with a child-friendly name and an endearing mascot to accompany the name. Strategically, Jollibee decided to locate two or three outlets to "surround" McDonalds. The rest is history.

Jollibee came up with a differentiated business concept that won the hearts, minds and wallets of Filipino consumers. Although a late-comer in the industry compared to McDonalds and Tropical

Hut, it definitely bested them all. However, even a good business concept is not good enough in the long run. The entrepreneur must be able to see five to ten years down the road where the business might go. The entrepreneur must have a compelling vision of the enterprise to "put fire in the belly" while pursuing "that impossible dream." Well, it should not really be impossible. That is just an exaggeration to approximate that "big, bold and audacious" goal that would obsess the entrepreneur "like a maddened zealot." For Jollibee, its initial vision might have been to outnumber and outgun McDonalds. Then, it might have been to totally blanket the country. Next, it envisioned a global presence. The dream just kept getting bigger and bolder. But that is what a compelling vision is all about.

NOT BY ANY OTHER NAME

My favorite bard, William Shakespeare, was wrong. A rose by any other name will NOT smell as sweet. The name Jollibee is a happy, jolly and lovable name that appeals to children and adults alike. The name may not capture what the enterprise is all about, like that equally famous "National Book Store." However, it does project "a fun place to be with the family" and "to eat heartily and merrily." Could you imagine if Jollibee chose the name "Sourworm," fuelling some unfounded rumor that the hamburgers contain protein-filled worms. An equally bad name is "Mang Donald's," a terrible me-too version of a Filipino firm trying to beat an American icon. It is a shameful name that declares the enterprise is a copycat trying hard to be what it cannot be.

A name identifies the enterprise. It should try to communicate to the market what the company or its products are all about. Sometimes, it is a straightforward communication of what the enterprise is, like the National Book Store. The name says it all. Sometimes, the name carries a twist to project a desired image. Zagu wants to convey that it is a sophisticated, contemporary, and youthful version of

good old plain *sago* (tapioca or pearl balls). It is different, it is new. Sometimes, the name captures what consumers perceive to be true. Italianni's promises to deliver what consumers perceive to be good food, Italian food. And Italianni's does deliver on that promise.

Sometimes, the name carries an emotional connotation while convincing the mind. The name Jaguar is a great one for a Philippine security agency. Jaguar is a mysterious large cat that prowls and protects its forest habitat in the jungles of South America. Security agencies often pick the name of strong and powerful animals to convey an emotional sense of security under some fearsome protector. Jaguar is also a play on words. Filipinos refer to security personnel as guards, or "guardya." The street term used is "dyaguar," a name that sounds the same as Jaguar.

Sometimes, the name does not say much. It does not have any meaning or connotation. The enterprise wants it to be bias-free, especially when trying to appeal to an international market. Names of Japanese cars are like that. Camry, Vios, Sentra, Mazda 626, Jazz. Cefiro, et al. were probably chosen because they have been surveyed to sound good, easy to pronounce, easy to remember and quite neutral in their meaning relative to cars. The Japanese hope to create the car's desired image over the long haul, until the time when the name would have become significant to consumers, not because of the name but because of the car. Successful American cars, however, inject power and speed in their cars. The appeal is focused on the large American public, which is a huge market by itself. The Ford Mustang and the Corvette Stingray are examples. Europe uses the brand names of their makers, which are oftentimes associated with their craftsmanship. Examples are Mercedes Benz and Ferrari.

In establishing an enterprise, the entrepreneur must think long and hard about the name. Once baptized with a name, the enterprise