

China Business of Aviation, Law, American Democracy, and Entrepreneurship - Part 1

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A Lecture Presented by Chris Robbins at Hengyang University, Hunan Province, Hengyang, China [1]

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Professor: Good evening. Tonight we are very honored to have with us J. Christopher Robbins. He will be speaking to us on the subject of entrepreneurship and starting and running a business. Chris is a business owner himself. He owns Robbins Equitas in Florida, one of the fastestgrowing legal services companies in the southeastern United States. He is also an attorney. He specializes in business, aviation law, and mergers and acquisitions. Before he opened his own company, Chris worked as an employee of the federal judiciary in the United States. He served as a law clerk to the Honorable Tu M. Pham, United States Magistrate Judge. Chris holds two academic degrees. He earned a bachelors from the University of Pennsylvania. His law degree was awarded by the University of Miami, with honors. Chris is also a writer and a airplane pilot. As to his writing, he has written articles about law, politics, and business for major international newspapers. One of his articles—about China’s death penalty—was published in the Hong Kong Apple Daily. Please welcome J. Christopher Robbins. Robbins: Thank you. Thank you again. It is good to be here. Thank you. I want to begin by telling you how thrilled I am to be present tonight at Hengyang University. In all of my years in business, in law, as a student, and before, I never imagined that I would be able to come to China and speak to university students at a Chinese University. Just a decade ago, this would not have been possible. And in keeping with the subject of tonight’s lecture I am pleased to tell you why I can be here with you tonight and why we can share this time together: It is possible because of business; because China and the United States are trading partners like no others; the trade relationship between our two countries is one of the strongest among nations in history. \$342 billion in goods – ¥2.6 trillion – were traded among Chinese and American companies in 2006.[2] That is more than the U.S. trade relationship with Germany, England, Japan, or even our next-door-neighbor to the south, Mexico.[3] Imagine that number for a moment. Think about what is beneath it. Consider all of the people, relationships, joint ventures, wealth creation, innovation, and trust that is required for \$342 billion in trade. That number is not a blip or an anomaly. It is the product of years of intellectual and financial investment – people working for common goals – on both sides of the pacific. Don’t ever let anyone tell you that trade is bad for a country, yours or mine. Trade – in goods, services, or ideas – is good for everyone. And so is business. Many of you are business students. You all have your reasons for wanting to enter the business world. The impression I get from many of you is that business and management is a highly respected career in China. And with good cause. Businesses, when successful, mean profit and sometimes wealth for owners. Business also means jobs and careers for employees, growth for local economies, development for nations, sales and revenue for vendors and suppliers, and stability for families. Every Renmibi [4] you and your business earns has a tangible impact upon your life and the lives of people around you. Indeed, when you start a business, you are making the most significant contribution imaginable to your community or your country. This is why so many intelligent and ambitious people become businessmen and businesswomen. Time is short, so let’s move on to some of the theories and important practices relating to entrepreneurship. I would like to leave you with some concrete advice tonight. How many people here want to start their own business someday? Let me see a show of hands. Okay, about 1/3 of the auditorium. How many people in the room want to work for other businesses? Let me see your hands. Okay, about half. The reality is that most of us in this room will either start their own businesses or work for an existing enterprise. What are the alternatives? Government? Academia? Consider this: A private university is a form of business, too. Even good government, if it is fair and respectful of taxpayer dollars, must be run like a good business. So while not everyone here will necessarily be an entrepreneur, most of us in this room will spend our careers working for some enterprise or another. These may be family-owned, owned by shareholders, owned by individuals, or otherwise. As you know from walking through the Hengyang marketplace to class, businesses are everywhere, large and small. And that brings me to the next topic: competition. Odds are, whatever business you start or go to work for is not going to be the only one in the market offering its particular goods or services. Competition is almost everywhere. With 1.3 billion people in China, competition is a reality. The opposite proposition to competition is monopoly, as you know. But there are degrees of competition along the way. Despite your first impression, a competitive business is actually often a very good business to start. Sure, you have lots of other companies selling the same product and competing for customers. But you probably also have a steady supply of consumers who are interested in the products. A grocer never goes hungry. Nor does a carpenter, a tailor, or most craftsmen, as the demand for their services is generally constant. Starting a construction company in Shanghai is an example of entering a competitive market, but one where you will likely find customers. There are more construction cranes in the air over Shanghai today than Pigeons.[5] I am in a competitive business. I am a lawyer. There are lots of lawyers in the United States. There are about

the same number of lawyers in my home state of Florida – population 18 million – than in all of China. So lots of lawyers are competing for the same customers. The good thing about a competitive business is that there is usually a strong demand for your services. The drawback is that a competitive marketplace leaves little room for being second best. You have to work hard. Whatever business you chose, you will always be fighting for market share and customers. You will be measured against your competitors. You must be able to excel, lest the competition surpass you. So, the first lesson is do not be afraid of starting a business, even if lots of other people already have done it before. If you are committed and you are willing to work hard and you are willing to provide something that people want, you will succeed and prosper and make money. It does not matter that other people are already doing it, as long as you are willing to do it and work hard at it. With that said, let's discuss non-competitive businesses. Those are enterprises which exist in marketplaces with fewer competitors. But there are 1.3 billion people in your country and 300 million in mine. Assume that there is usually a reason why other companies are not competing. Some of these reasons weigh in your favor. Others do not. For example, if you have a clever idea, a new invention, innovative high technology, a software application, or something just unique, these assets can sometimes be leveraged to create an enterprise that will not have many competitors – at least not at first. Intellectual property, as it is called, is often a foundation for great wealth, as it can sometimes enable you to create a market for a product that did not exist before. If you are one of a few firms competing over a large supply of customers, you can imagine that it would be lucrative. Do not ever assume that just because no one is trying their hand at a new type of business, it is a bad idea. There is a limitless expanse of ideas, inventions, and enterprises available in the human experience; sometimes you are the right person and the right time with the right concept. Another thing to consider is that some business are less competitive because of capitalization requirements. Others may be very expensive to start or operate because they require large assets. Some examples include the banking and insurance sectors. Both typically require significant capitalization, a natural barrier to entry for would-be start-up companies. Other companies, such as airlines, steamship companies, and real estate investment firms, are asset-based. That sounds great, assuming you can procure the assets. It is not easy to run an airline without a fleet of jets. In any event, let's assume you know what business you wish to start. What's the next step? The answer is the business plan. I recommend something called a business plan. What is a business plan? A business plan is a document that discusses the structure of your new enterprise, its budget, its capitalization requirements, its marketing strategy, and financial projections and estimates relating to your expected profits and losses in the first year, and several years thereafter. The more specific this plan is, the better. Other items you need to discuss in the plan are suppliers and vendors. Let's start with that topic: If you want to open a business that will manufacture brooms, like this one conveniently located here in the corner of the auditorium, you are obviously going to need to find someone to sell you hay or straw and you are going to need someone to supply you with the wire. Those are examples of your vendors. A broom is obviously a very easy thing to manufacture. If you want to manufacture jet airplanes, you have a far more complicated task. Your vendors will range from jet engine manufacturers – General Electric, Williams, Pratt & Whitney – to aviation lawyers, like me. So the whole point of this exercise is to pin down these issues, long before you sell goods or services to your first customers. There are forms you can use to make this easier. I have a few I have used, including for my business. I would be glad to provide them to students if you email me. My address is crobbs@robbinsequitas.com. Let's next talk about finances for a new enterprise. If numbers bore you, as they once did me, let me tell you that you need to straighten up and fly right. The devil is in the details, and the details are in the numbers. Ok, I just used two English idioms in a row. While I know most of you are accomplished English students, many of you are shaking your heads. Let me translate: The numbers are critical and you need at least a basic understanding of accounting. No one can fool you if you understand numbers. Let's discuss. The best way to judge the viability of your idea is to include in your business plan a cost model. That will enable you to isolate all of the costs that are involved with your product or your idea. A cost model is a simple ledger where you will identify all of the various things that you need to do in order to start your business. Do you have to hire employees? If so, how many? How much do you need to pay them? Do you need to find an office? If you do, where is it going to be located and how much is the rent going to cost? Do you need to order raw material? If so, from whom? And how much will it cost? How many deliveries per week or month? Do you need to rent equipment? License intellectual property? Pay for government permits? And so on. The lists of items will be quite long, but you need to be precise and pinpoint the costs. And you also want to project over time – over one year at least, and then for the next several fiscal years – how much money you are going to spend and on what, in order to operate and satisfy your production objectives. On the other side of the cost model, you'll have projections – estimates – on how much money you think you are going to make based upon your business in its first year. So, going back to our friend the broom, if you have to spend \$30,000 on hay \$50,000 on steel wire to manufacture them, and in your first year, you are going to make \$100,000, is that a good business? Yes it is. But if you have to spend \$70,000 on hay \$90,000 on steel wire and you only make \$50,000, is that a good business? That's right, it's not. This is simplified, but even in more complicated enterprises, you can see that the cost model is a powerful tool. We don't have time to talk about all the sections of the business plan, but here are some other issues you will need to resolve: Do I have the funds to capitalize the business? If not, where will I get them? Do I need other managers? If so, who will help me manage? Do they have the skills and credentials to do so? How will I get customers? What type of marketing will likely succeed in reaching them? Do I need employees? How will I find qualified employees? How do I retain them over time? Who are my vendors going to be? What are their prices? What is the competitive environment like for my goods or services? How will my new business remain competitive? Does the new company need any special technology to succeed? This list is not comprehensive, but it is a good start. Let's move on to execution. A good idea is only a good idea unless you can execute on it. Execution has many meanings in the English language. It doesn't mean to kill the idea. The other meaning in English is implement; to put an idea into practice; to take your idea and to make it happen. There are many

good ideas that never become businesses because they are too complicated or people cannot get enough money to make them work, or people do not want to work hard enough to make them happen. The execution part of a business requires you to work very hard and to think about what you want your business to be a year or two years or even five years down the road. A successful businessman or woman is one who works hard and doesn't just think about good ideas, but actually puts them into good practice. That's the hardest part. There are lots of things that contribute to good execution. I'm afraid I don't have time to talk about all of them. But I will mention one. Communication. To execute well, you must communicate well. To the extent that you need other people to make your new business successful you must be able to give them clear instructions. You must be able to communicate your vision. You need to understand your objectives and relay your mission to the people around you. It's harder than you think. If people are not doing what you want them to do, it's probably because you have not explained your goals. If there are follow-through, quality control, or salesmanship problems, it's more often than not your fault. Either you have the wrong people or you have not adequately communicated the company's objectives and vision to them. Let me talk about management. If you start your own business, you are going to be responsible for people. You are probably going to have employees. China is first and foremost a manufacturing economy right now. To produce most goods you need people, often a lot of them. As an entrepreneur, people are going to look up to you for guidance and for leadership. In order to be good at what you do and in order to get the respect of the people who work for you, you have to work very hard, you have to treat the people who work for you very well, and you have to treat them with respect and dignity. Few entrepreneurs work alone. Few businesses are built without a team. Teams need leadership, and if you are the force behind the idea and the founder, you will probably end up manager, too, overseeing the work and performance of others. I wish I had more time to speak about my management ideas in greater depth. It is a subject that needs not only its own lecture, but many of them. All successful CEOs have their own strategies and outlooks. Managers like Jack Welch who led General Electric, Lai Chee Ying of Next Media, and Warren Buffet of Berkshire Hathaway; they all have unique ways –philosophies even – about what motivates people, how to provide effective leadership, and how to get from point A to point B. There is no recipe for a perfect manager; no formula; no magic potion. But there are common qualities. I think you will find that most successful managers, whether they are running multinational organizations with 50,000 employees, or just a popular local restaurant with 20 staff members, have a few things in common. They are fair, because no rational employee wants to work in an unjust environment for an unjust person. They are hard-working. You cannot demand excellence from your employees while rendering mediocrity yourself. They are independent. A good manager seeks and obtains information from all directions and must be able to tell apart truth from fiction, and good ideas from bad ones. A leader makes the best decisions he or she can, even amid pressures and hardships. They are resolved. A good leader sets high expectations and does not tolerate poor performance, idleness by colleagues, or rude or unprofessional conduct. They are personable. A good manager knows his employees and his coworkers, and has good working relationships with his co-managers. Let's also speak about culture. In the United States, there are a lot of companies who are very successful because they have cultures. A corporate culture must be fair. It also must reflect the best norms of its society. Whether it is a Chinese company or an American company, the lesson is the same which is that the company has to be motivated by good things. Making money is a good thing in itself. But we all go to work everyday for far more than just money. We go to work to be part of something bigger, to be and feel productive, to leave a mark on this great earth in the short time we get to occupy it. We are motivated by many things, such as respect, love, and success. The corporate culture must be able to satisfy these needs. Let me conclude with these remarks. Your dreams of new ventures and products are only dreams until you turn them into reality. Execution is the hard part. The good news is that you are living in a time and place where, for the first time you can achieve these dreams. Indeed, whether you are born in the United States, as I was, or Hengyang as most of you were, there is real opportunity. Our freedom to choose our destinies increases inversely to the government's influence over the economy. And while there is still a long way to go, for the first time in recent memory everyone in this room is generally more free to choose his or her own career and lead the productive life of his or her own choosing. This is an exciting time. Speaking of outside influences, don't let anyone tell you that you can't start a business. While the factors discussed here are necessary in selecting the right business, have confidence once you set yourself on the right course. It will be the toughest thing you perhaps ever do, but if you work hard you will probably succeed. Thank you, and once again, it was an honor for me to have this special opportunity to talk to you. The attendance tonight honors me and my family, and this will surely be the greatest highlight of my visit to your country. Question and Answer Session (This is a composite of questions from several lectures) Professor: Thank you Chris. Mr. Robbins is now going to take questions. Please write your questions down and raise your hands and I will be glad to collect them. Robbins: I already have two questions from the earlier lecture that I did not have time to answer. I will start with them and I look forward to reading your other ones today. Please also feel free to write your email addresses on your questions so that if I do not have time to get to them, I can answer them later in the week. Question: In China sometimes we have to have special relationship with the government to get what we want for our business. Is this common in the United States also? Answer: That is a very good question. I know something about business practices in China. The current situation is nothing new. While bribery is not always the norm, there is great historical precedence, going back to the Emperors, of what we would describe in the United States as irregular government involvement. Money changes hands. While the United States is not perfect, it is far different in my country. Bribes, “gratuities,” and “squeeze” is illegal in the United States. Both businessmen and government employees face long prison sentences if they give or accept bribes. While I will not tell you that every civil servant in the U.S. is infallible, we have a strong preference for transparency and honesty. Our laws even apply this tradition when our companies transact business in China or other nations. A law called the Foreign Corrupt Practices Act [6] and the International Anti-Bribery Act even prevent U.S. businessmen from bribery when they are operating in China and other countries. And at home

“greasing the wheels” is strictly prohibited. When you do business in the United States, there are no gratuities, there are no bribes, there is no way to gain advantage with the government. The good news is that you don’t need this type of influence. In the US, as in all truly free societies, the government has very little part in business. Most industries are only very lightly regulated, if at all. So you probably don’t need the government and you therefore don’t need to gain influence with them. I want to speak briefly about the temptation towards bribes, “gratuities,” and “squeeze” here in China, too. As long as Chinese citizens are willing and ready to turn to these tactics to gain advantage, your government will continue to attract the type of men willing to accept such hospitality. Your former premier, Zhu Rongji, started an anti-corruption campaign in 2002. This needs to be reinvigorated. There is a direct correlation everywhere in the world between the transparency and fairness of governments and the prosperity of the governed. But anti-corruption efforts are not enough. Governments, whether communist or capitalist, need boundaries. Everyone has a right to know where these boundaries are. Right now, China has robust regulatory power at both the national and provincial levels, but who knows where these powers begin or end? How do you stay within the confines of business regulations if they are not always written down? If you do not know which agencies or bureaucrats have the right to enforce them? There is great muddiness currently. This deserves its own lecture, I am afraid. Thanks for your question. Question: What should be in the business plan? We already covered this but I’ll add simply that business plan needs to set out a completed road map for your company. It needs to take a snapshot – a photograph – of what the first year – and then maybe the first three years – of the corporation’s existence will be. You probably can’t spend too much time or make this document too long or comprehensive. As I mentioned before, I have some model business plans at my office and you can email me at crobbins@robbinsequitas.com if you want obtain copies. Question: What is the right time to start your own business? Is it right after you graduate for University? That is a very good question. Someone asked it earlier today as well. I do have an answer based on my experience. When you just graduate college you have a lot of information and a lot of skills that you have developed from being in school, but you don’t have all of the practical experience I think you need to be confident in success. I’ll explain. I started a company right after graduating college in 1997. The company had a very good concept. We were doing Internet in the United States when the Internet was still very young. Particularly, we hope to wire large high rise apartment buildings and condominiums and then let residents subscribe to the service. The phone companies were nowhere to be found at the time. And we joked that the Cable companies were as dumb as fireplugs. We might have been smart, but we were green on everything except the technology. While we had a very good idea, we had no experience. We opened the business in Philadelphia. We spent over one year trying to make it work. We changed course several times when we could not get customers. The more we worked at this business the more confused we seemed to get. This business failed. It failed because we didn’t have a lot of practical experience. Neither I nor my partners had ever worked for someone else before. We didn’t under sales and marketing. We were not as strong with accounting principals as we should have been. I was young – 21 years old – and was immature, and thus had trouble managing my employees. What I learned from this experience is that it makes a lot of sense to go to work for someone for a little while before striking out on your own. Try it for at least one year. This is the same advice my father, Irwin Robbins, gave me before I started. But it also turns out that failure in business is not a bad thing. Most entrepreneurs do not succeed on the first try. And every failure teaches more lessons than a whole year in college. I know that a lot of you have terrific ideas and will make wonderful entrepreneurs and will do so very soon, but if my experience can be a guide, I recommend that you pick a company that you respect and can learn a lot from. Spend at least one year working there. During that year pick up every skill you can. Learn about doing business, about office management, about salesmanship, people, marketing, and accounting. You’ll find that it is a lot easier to learn this way than alone. When you start your own company you are indeed alone. There is usually no one to show you the correct way. It is very isolating being in business for yourself, especially in the beginning. You are the only person you can rely upon and you better know what to do. Question: What are some qualities in managers of corporations that make them successful? We covered this before, too, but I’ll add a few thoughts. I think that a good manager is more than just good at his or her job. A lot of people can do well at their work and a lot of people can meet their objectives and come up with good ideas and sell products and impress customers. That’s expected when we get paid a nice salary to manage in a business. It is assumed that we are going to be good at what we do. What makes a good manager of people is leadership; someone who has the courage to make the tough decisions and someone who is not shy and who can do the right thing at the right time despite opposition or hardship. I think that you also need to be resolved as a manager. You need to let your employees know that you are serious about your job. I think the most successful managers are the ones who win respect because they are competent and because they treat people with dignity and they are effective as well. The other issue is a word I’ve used before. Execution. I think that a good manager doesn’t just come up with good ideas. A good manager takes those ideas and puts them into practice. A good manager will take an idea off the blackboard or the computer and turn it into money and that’s what makes him or her more successful. Question: What are the qualifications of American managers? What skills should people who want to work for you have? What do you look for in applicants? There are a few questions here. Let me start a common qualification: academic achievement. I think someone that works hard in school will probably work hard in business. When it comes to lawyers at my company, I think that is very important to be a top student. Our profession – the law – requires extremely hard work and diligence. If you didn’t work hard in school why should one expect you to work hard in the profession and for clients? Let me say, however, that for businessmen and women it is not an absolute rule. Entrepreneurs are often not academically successful. Some of the most successful people in the world never even went to college. And some dropped out, like Bill Gates, the founder of Microsoft. For any position, I look for people who have work experience that is very similar to the job they are applying for. I am also interested in hiring independent thinkers. I don’t get along with people who can’t speak their minds or who are afraid of

authority. And we've spoken a lot about execution tonight. I look for people with follow through. The ones who don't just talk, but do. Aside from that, personality is very important. A corporate culture needs a balance of people and managers to be most successful. The company should be filled with good, generous, and fair-minded people and managers who will bond together into an effective team. Question: What classes should I take in school if I want to be a good businessman? Those of you who don't like math are not going to like this answer. Take a little accounting. I didn't, and I regretted it as soon as I started my first business. Learn the numbers. If you take an accounting class, no one is ever going to be able to fool you with numbers. You will also be more secure and comfortable, having greater confidence in your new company. And without a basic understanding of accounting, you will not be able to observe and react to important data. Question: "What do you think of the current relationship and the future prospective between China and the U.S.?" I am so glad to have the opportunity to answer that question. Relationships are everything. Business is not just about money, but about people. As I said earlier, this is really, in many ways, a dream come true; not just for me but for everyone. The dream is free exchange of ideas among people and it just wasn't possible not too long ago. I think the current relationship among people and businesses is and will remain very strong. I think the current relationship between governments, however, is not strong enough, but will become stronger with time. On the business side, there are so many people in our country every day who are connected with China in many ways and the clothes they wear, the parts in their cars, the electronics they use. And there is much that connects you with the U.S. From the jets in your airways, to the software on your computers, to the softdrinks served in your restaurants. We are partners in trade, as I discussed earlier. But while our people are content to do business with one another, there are very real differences of opinion between our governments. And while that is a lecture for another day, there, too, I see constant improvement. This is not the China of our childhoods. It is not even the china that I visited just a few years ago. Let's hope that the prospects are indeed excellent. Question: I work at a company whose management does not like doing business with or hiring people of African descent at any of its locations inside or outside China. What do you think of this? Talent has no color. It isn't black or white. Human beings look different on every continent. It is the power of reason and judgment and not skin color that makes us what we are. Your story is shocking. Discrimination is wrong. It is small-minded and bad for business, too. Discriminating against a group of people based on religion, or race, or sex limits the number of qualified people you can hire. Why would they do that? Talent is talent and smarts are smarts and it's wrong to discriminate. If you can afford to, I would find another job. Question: Please tell me a few unforgettable experiences you've had in business and some lessons you have learned. I had a customer about a year ago who was interviewing my company to handle a case filed in court. The customer is a publicly traded company. They had interviewed several of the other large law firms in my state. They had previously done business with one of the largest firms in my state, a nationwide law firm with thousands of lawyers. My company was the smallest contender. We were also the youngest company. The customer seemed skeptical. During the interview, the customer spoke about his case, their strategy so far, and their expectations. It became clear to me that they were making a big mistake. And I said so. I told them that I thought their strategy was foolhardy. I told them my opinion. I was sure that I had sabotaged the opportunity. In fact, it was the best possible thing to do. By being honest and giving an independent opinion, we showed the customer that we could think on our feet and make decisions. They hired us. Ok, I see we are out of time. Once again, it was a pleasure to speak to you tonight. You can email your questions to me. My address is on the projection screen. Good luck to you all. Click here to go to the second lecture in this series [1] <http://www.hynu.edu.cn/index.jsp>. [2] <http://www.census.gov/foreign-trade/balance/c5700.html#2006>. The U.S.-E.U. relationship was €1.5 trillion or ¥15.6 trillion, but that is for all European Union nations. [3] <http://www.census.gov/foreign-trade/top/dst/2006/12/balance.html>. There is only one partner larger than China, which is Canada with \$533 billion in total trade between the nations, but up to 40% of that figure is intra-company trade, wherein a corporation is sending goods between its own factories. [4] Slang for one Yuan, equal to about .13 U.S. dollars as of May, 2007. [5] But it is a myth that one-third, one-fourth, or one-fifth of the world's construction cranes are there. There were about 40 in May, 2007. See also, <http://www.npr.org/templates/story/story.php?storyId=6600367> [6] 15 U.S.C. §§ 78dd-1, et seq.