

Small business entrepreneur: interview report sample

[Business](#), [Company](#)



The Business

This interview is conducted with Mr. Red Rodriguez, Operations Manager and Director for Development of Penwood Corporation, a renewable energy development company engaged in the development of biomass-based energy solutions in the Asia Pacific region. Additional information about the company is available from their website, . The company was established in 2008 in light of the renewable energy policy developments in the Philippines and has grown to be the leader in private-stakeholder led project development efforts. The company is composed of professional project development experts in the fields of energy, agriculture, agri-business, energy-economics, engineering design and energy law.

Question 1: What is your professional background and what are your relevant experiences?

Answer 1: I graduated with a degree in Agricultural Economics from the University of the Philippines in 1998 with a specialization in marketing and price analysis. Immediately after graduation, I worked for the largest corporate farm in the central Philippine islands, specializing in large tracks of agronomic crops such as sugarcane and black pepper. In this company, I was exposed to operations management and planning, having been given the additional responsibility of establishing new business lines and networks with industry experts, clients and other business stakeholders. Soon after, I got involved in project development work, having been involved in the development of power from sugar-based industries around Central Philippines. At this point, I was also studying part-time to earn my graduate

degree in Business Administration from the University of the Philippines, which I completed in 2004. I took up financial planning as a specialization, which helped me immensely since I was tasked to develop financial and operating business models for my work with the project development company engaged in putting up sugarcane-based power plants.

In 2005, we took on the development of the first industrial-scale sugarcane-based bioethanol distillery and cogeneration plant in the Philippines. This company is called San Carlos Bioenergy. You may find information about this company from their website, . Being the first of its kind in the Philippines, the successful development and completion of the construction of the project was a huge success.

In 2008, shortly after completing SCBI, me and several colleagues decides to put up Penwood Corporation to address the demand for project development service requirements of local proponents and interest groups. Penwood Corporation differentiated itself by working with groups with less capital for equity and used its services as contribution and ultimately as equity shareholding into the company when fully developed. This way, the cost of development is reduced and the original project proponents receive the highest quality of service without paying for exorbitant fees.

Question 2: What are your current responsibilities and how are decisions arrived at in your organization?

Answer 2: I manage the day-to-day operations of the company. Under my supervision are two project development specialists, who are tasked to do specific project management duties. We outsource most of our back-office requirements to keep the organization lean and efficient. These include

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accounting and audit, engineering design , third-party services such as engineering testing and compliance requirements. The bulk of the project management work however, resides with me and my small staff and dealings with the proponents, lenders, engineering service providers, contractors, off-take partners, and other groups are handled personally by myself.

Managing the day-to-day operations is one aspect of the business. The other aspect of the business includes business development, compliance, legal and finance. These are handled separately by my other partners, who have their own personnel for accomplishing their tasks.

Major business decisions are decided on based on an ad hoc committee composed of myself, the director for business development, director for compliance, director for finance and the company Chief Operating Officer who doubles as our legal officer. We decide on relevant matters on the basis of our strategic objectives and growth targets. Smaller, department-type of decisions are made personally but when major business issues need resolution, we meet to discuss them at length. Being a small company, it is very easy to set schedules for meetings and easier to reach a decision since we are steadfast on our growth targets.

Question 3: What are your projects and how do you manage your resources?

Answer 3: We are currently working on two projects, a bioethanol distillery and a wind-power facility both in the Philippines. These two projects came after the successful completion of a 7.2 MW rice-based gasification facility we completed in 2011. That rice-based facility was a result of several rice-mill owners wanting to find a solution to the volume of rice husk they

produce which is considered municipal waste and therefore incurred costs to them. We were approached by their group to conduct a full technical and economic feasibility study, which was completed in 2010. The group then engaged us to develop the concept and to identify financing opportunities to complete them. We then went on a road-show to several local investors and debtors who took an interest in the project, especially since the local climate for investments of such nature were high due to high electricity tariff rates allowed for renewable energy projects. We soon got funding for the project in the form of a fixed-interest loan for a tenor of 10 years and an investment company that was looking at a portfolio of projects in the Philippines. The hardware was provided by a Chinese contractor who gave performance and financial guarantees.

During the time this project was under development, several groups approached us for similar projects. One group is a cooperative of farmers in Cavite, approximately 160 kilometers away from Manila, the capital of the Philippines. This group wanted to make use of their 10, 000 hectare area for bioethanol production (a replacement for gasoline) instead of using it for sugar production because of the reduction in tariff of sugar due to the ASEAN Free Trade Agreement. We were engaged to develop the project from inception to execution. The project currently is under final stages of negotiations with an Indian Engineering, Procurement and Construction (EPC) contractor, a syndicate of five local banks for debt financing, and two groups of investors that will be putting in equity to complete the construction of the project.

The second project is more straightforward. It involves the construction of

two 1 MW wind turbines to supply a large hotel in the island of Boracay, Philippines. The island of Boracay is the country's summer capital, with over 2 million tourists a year, majority of which go to the island to enjoy sea and sand activities from the months of January to October. The demand for electricity is so high that hotels and other establishments are willing to pay double the amount for electricity because the supply of power to the island is limited by an under-sea cable from the mainland. This large and prominent hotel wants to use the renewable energy feature of wind-generated power to highlight its corporate social responsibility and have access to cheaper electricity. We are working as project developers, handling both the site studies and the legal and commercial framework needed for putting the construction and operation into effect.

Question 4: What are the challenges you have encountered with this company and how were you able to address these challenges?

Answer 4: The most challenging aspect of working in a small corporation is the lack of senior management name recognition. My partners and I are all within our 40s and the lack of a large, experienced name to back up the corporation is somewhat a weakness of the company. In the Philippines, like most Asian countries, business and personal relations is a major factor. The lack of the personal relationships and network built over many years of devoted work is missing in our group, because we are all young and up-and-coming individuals. There is no actual solution to this and so our tactical approach is to ensure the highest quality and standard of work that we could provide. The company prides itself for thinking methodically but still retain

its high entrepreneurial drive to ensure that the proposed solutions are rationale yet inventive. For example, we once approached a very conservative bank to present the project. After the presentation, one of our insiders commented that the project looked “plausible” but the project developers looked “too young”. One of the banks’ senior managers even mentioned that our group’s plans of putting up an alcohol distillery could have been a product of one of our “drunken sessions”. Six months after, the same bank was invited to join the syndication for the loan agreement of the project and it was to their shock and amazement that our plans were real and implementable, as attested by the other commercial banks.

Another challenging aspect of work is looking for financial resources for continuing project development tasks. The company has invested seed capital into the projects and operations and most of that capital has been used up. Our cash flows come from success fees, that are substantial, yet are spaced far apart and dependent on the success of our projects. Thus we have to be very prudent in selecting projects and in working with third party service providers, most of which are very expensive. To work on getting the best value for our money, we exercise due diligence in working with our partners, making sure that they could provide the necessary seed capital for the projects they want to be developed. We also have entered into agreements with our third-party service providers, giving them long-term business prospects in exchange for discounts and deferred payment options. Our director for finance has also invested in short-term, high-yield investments for the purpose of getting some returns on our parked operating capital. But the most effective has been the company’s ability to position

itself for short-term jobs that have managed to keep our cash flow relatively stable.

Finally, it has also been a challenge to find suitable personnel for the job. Because of our growth targets, we are very selective about the people we need and the people we hire, because the job requires a certain type of skill set, a certain personality and business perspective, and an adherence to environmental stewardship and social responsibility. We are always on the lookout for talent and to manage this challenge, we set-up a website for our advocacy work, inviting people to participate directly or indirectly with our projects and from there we try to engage interested parties in joining our corporation or in helping in our efforts in any possible way.

Question 5: What are your future goals and aspirations for the company?

Answer 5: In the near future, our goal is to complete the two projects that are in the pipeline. The bioethanol distillery will be completed by 2013, hopefully by the second quarter. Construction of that facility will be completed by 2015 and will be operational by the second quarter of that year as well. The windmills will be completed by end of 2013 and will be operational by the third quarter of 2014.

Soon after that we plan to take on a solid-waste based power plant using municipal wastes as primary fuel. That challenge would itself take two to three years of development, since the work involves the acquiring the contracts for the municipal wastes as well as in developing the commercial framework for pricing electricity based on solid wastes. This would be very interesting, challenging and difficult since projects of this type are pioneering

in the country.

We also plan to grow our advocacy work, through the expansion of our website and through our networking with similar interest groups and companies. We also are interested in partnering with large fossil-fuel types of corporation, exploring co-firing as an alternative power generation model that may be applied to several existing power plants in the country. Lastly, we may take up cooperative work in Thailand and Indonesia next year as well, after having received offers to work in cooperating with previous partners and suppliers.

The future of renewable energy in the Philippines and in the Asia Pacific is indeed bright. We look forward to more projects, more challenges and more rewards. We understand that the competitive nature of our industry is low and it is very possible to establish long-lasting credibility and expertise in this field now. That is why we are devoted, focused and driven as individuals and as a corporation.

Thank you for giving me the opportunity to share with you our organization, our vision and our long-term prospects.

References

Penwood Corporation. Retrieved from Last Accessed December 16, 2012

San Carlos Bioenergy, Inc. Retrieved from Last Accessed December 16, 2012