

Appendix DD

Training Fund Managers for SME Equity Funds

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SETC Conference
on the
Financing and Development of SMEs

May 14-15, 2002
Tsinghua University, Beijing, China

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Training Resources for Venture Capital

- Venture Capital Institute (U.S)
5 days annually training, and overview
www.vcinstitute.org
- EVCA Institute (Europe)
3 days annually, training and overview
www.evca.com
- Asia Venture Forum -
3 day (Asia Venture Capital Journal),
industry meeting
www.asiaventure.com

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Training Resources for Venture Capital

- Business Schools
entrepreneurship programs
descriptive or transaction-based
part of 2-year MBA program
- Wharton Program
web-based delivery of courses and services
cooperation with Chinese universities
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small businesses orientation
focus on developing, transition, emerging markets

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Formats for Training

type	length of time
business degree programs (MBA)	1 - 2 years
conferences	3 - 5 days
workshops and seminars	1 - 2 days
tailored training programs*	1 - 2 weeks

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Recommendation:

* "Chinese Institute for SME Finance"

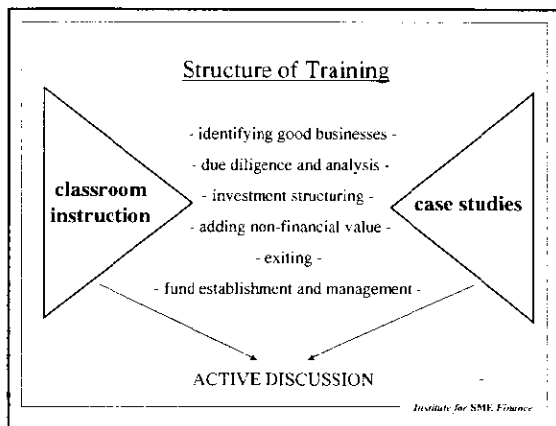
- to be established by SETC
- training exclusively in risk capital finance for Chinese SMEs
- training for fund managers, investment officers, and financial analysts
- case study-based with classroom instruction
- 6 or 12 day intensive, inter-active programs
- separate programs for new, current, and advanced fund managers

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Assumptions for the "Institute"

- training should be focused on investing specifically in small, early-stage companies
- sector focus should be on traditional industries
- investing in smaller companies in traditional industries is different from investing in high-tech start-ups and large industrial firms
- most participants in programs will not have prior training or experience in venture capital

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- ### Case Study for Training in SME Finance
- studies of actual investments in SMEs
 - oriented toward
 - analysis
 - problem solving
 - decision making
 - introduction → description → financial information
 - students work on case in groups of 5 to 7
 - each student plays role of investment decision-maker:
"What would I do in these circumstances?"
"I would I defend my decision with my analysis?"
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- ### Use of Case Studies
- students read cases and study questions in advance of program
 - mixture of Chinese cases and cases from other emerging markets
 - one case per day related to topic of classroom discussion
(six case studies for 6-day course, 12 cases for 12-day)
 - each day's case illustrates subject of classroom instruction
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- ### Classroom Instruction
- Teachers:
 - experienced practitioners
 - Chinese speakers
 - Subject:
 - identifying good businesses
 - due diligence and analysis
 - investment structuring
 - adding non-financial value
 - exiting
 - fund establishment and management
 - Materials:
 - subject outline
 - sample documents from actual investments
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- ### Other Recommendations:
- "Institute" courses should be made a formal part of the SME Equity Program.
 - Courses should begin to be offered in advance of initial capitalization of funds under the SME Equity Program.
 - Courses should form relationships with other programs (such as Wharton Program) in order to reinforce lessons and provide industry contacts.
 - Teachers should be trained in case study teaching and special features of financing SMEs.
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Thank you.

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