

Small business governance

Doing vs. talking about doing

There are two reasons for our encouragement that small business leaders periodically review their business status and direction:

1. The duty to stakeholders (not just investors) to act prudently and follow appropriate business management standards, and to establish a record that you are following those standards
2. Good governance works—and, with the appropriate balance, governance review leads to the accomplishment of the reasons why you work so hard on the operational aspects of the business.

Avoid the nagging-feeling of deferred decisions

Think about who should review and how deep the analysis should be of:

- A. **People:** roles, incentives, and leadership
- B. **Money:** Financial status, reporting, and planning
- C. **Execution:** Operational developments and assets
- D. **Threats:** Risk & liability management
- E. **Governance:** Securities, compliance, and documentation
- F. **Strategy:** Big-picture milestones and objectives

Organizational records can establish management's governance practices

In addition to specific issues affecting your business, a general checklist would include:

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| A. People | <ol style="list-style-type: none">1. Defined any roles and job descriptions; communicated evaluation criteria2. Created and filled new positions3. Brought on key employees, contractors, or service providers4. Determined appropriate compensation, benefits, and incentives5. Considered appropriate HR support6. Improved the value and skills of your teams |
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B. Money	<ul style="list-style-type: none"> 7. Evaluated the services of your depository and reserve accounts and the financial services you are receiving 8. Established financial reporting 9. Set up a rhythm of budgeting and accountability 10. Communicated the performance requirements your teams are working towards 11. Documented dividends/distributions 12. Structured appropriate tax planning and reporting 13. Forecast debt and reserves
C. Execution	<ul style="list-style-type: none"> 14. Conducted adequate review of contracts with service providers and suppliers 15. Evaluated your own performance and client satisfaction 16. Ratified authority to enter key contracts or changes to lines of business 17. Compared position with market and competitor execution 18. Documented the decision to make (of forego) capital acquisitions 19. Evaluated suitability of equipment, technology, and materials
D. Threats	<ul style="list-style-type: none"> 20. Measured insurance coverage 21. Protected IP, brand, and reputation 22. Obtained a review of liability exposure 23. Reviewed financial controls and policies 24. Tested observance of data security practices
E. Governance	<ul style="list-style-type: none"> 25. Educated your officers/managers/directors on their fiduciary and ethical duties 26. Obtained a review of jurisdictional contacts 27. Ensured securities compliance and observance of formalities 28. Documented disclosure of related-party transactions 29. Approved your prior year's financial statements and operational reports
F. Strategy	<ul style="list-style-type: none"> 30. Advanced your succession plan and worked to make your successes durable 31. Acted on your social, charitable, environmental, or community motivations 32. Analyzed how your organization's valuation can be maximized 33. Assigned responsibility for analysis of market trends and making competitive recommendations