

## Small business governance

### Doing vs. talking about doing

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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

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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

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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"><li>1. Defined any roles and job descriptions; communicated evaluation criteria</li><li>2. Created and filled new positions</li><li>3. Brought on key employees, contractors, or service providers</li><li>4. Determined appropriate compensation, benefits, and incentives</li><li>5. Considered appropriate HR support</li><li>6. Improved the value and skills of your teams</li></ol> |
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B. Money	<ul style="list-style-type: none"> <li>7. Evaluated the services of your depository and reserve accounts and the financial services you are receiving</li> <li>8. Established financial reporting</li> <li>9. Set up a rhythm of budgeting and accountability</li> <li>10. Communicated the performance requirements your teams are working towards</li> <li>11. Documented dividends/distributions</li> <li>12. Structured appropriate tax planning and reporting</li> <li>13. Forecast debt and reserves</li> </ul>
C. Execution	<ul style="list-style-type: none"> <li>14. Conducted adequate review of contracts with service providers and suppliers</li> <li>15. Evaluated your own performance and client satisfaction</li> <li>16. Ratified authority to enter key contracts or changes to lines of business</li> <li>17. Compared position with market and competitor execution</li> <li>18. Documented the decision to make (of forego) capital acquisitions</li> <li>19. Evaluated suitability of equipment, technology, and materials</li> </ul>
D. Threats	<ul style="list-style-type: none"> <li>20. Measured insurance coverage</li> <li>21. Protected IP, brand, and reputation</li> <li>22. Obtained a review of liability exposure</li> <li>23. Reviewed financial controls and policies</li> <li>24. Tested observance of data security practices</li> </ul>
E. Governance	<ul style="list-style-type: none"> <li>25. Educated your officers/managers/directors on their fiduciary and ethical duties</li> <li>26. Obtained a review of jurisdictional contacts</li> <li>27. Ensured securities compliance and observance of formalities</li> <li>28. Documented disclosure of related-party transactions</li> <li>29. Approved your prior year's financial statements and operational reports</li> </ul>
F. Strategy	<ul style="list-style-type: none"> <li>30. Advanced your succession plan and worked to make your successes durable</li> <li>31. Acted on your social, charitable, environmental, or community motivations</li> <li>32. Analyzed how your organization's valuation can be maximized</li> <li>33. Assigned responsibility for analysis of market trends and making competitive recommendations</li> </ul>