

BUSINESS SENSE

Next Level Tools for Entrepreneurs & Small Business Owners



LEADERSHIP AND GOVERNANCE SERIES

Overview

Leadership and governance play a crucial role in the success of small businesses. Effective leadership can inspire employees, foster innovation, and drive growth.

Governance ensures that the business operates ethically, transparently, and in compliance with legal and regulatory requirements. Corporate governance essentially involves balancing the interests of a company's many stakeholders, which can include owners, senior management, customers, suppliers, lenders, the government, and the community.

For a small business entrepreneur scrambling for funding, staffing, and a product-market fit, best practices of corporate governance tend to be far down the priority list. Even a successful, well-established, privately held family business with decades of growth may question the value of an independent board. Yet, there are important legal, ethical, and fiduciary considerations for companies of any size and the practice of good corporate governance will help to avoid losses and other negative consequences such as bankruptcy.

Good corporate governance practices include the formulation of:

- Disclosure practices (your systematic approach to collecting, managing, and disseminating critical financial and non-financial information about your business)
- Executive compensation structure (whether it's tied only to performance or also to other metrics)
- Risk management (the checks and balances on decision-making)
- Policies and procedures for reconciling conflicts of interest (how the company approaches business decisions that might conflict with its mission statement)
- The members of the board of directors and/or an advisory board (their stake in profits or conflicting interests)
- Contractual and social obligations (how a company approaches

issues such as climate change, compensation philosophy, etc.)

- Relationships with vendors
- Complaints received from stakeholders and customers and how they were addressed
- Audits (the frequency of internal and external audits and how any issues that those audits raised have been handled)

Getting Started

When entrepreneurs choose to start a business they may be unaware or unprepared for the innumerable decisions that they will make over the lifespan of that business. Choosing structures around how the business is led and governed can make a massive difference in the day-to-day and long-term effect of a business, including the type of capital that is raised.

BUSINESS SENSE

Next Level Tools for Entrepreneurs & Small Business Owners

What is Corporate Governance?

Corporate governance is the system of rules, practices and processes by which a company is directed, operated and controlled. It refers to the way in which companies are governed and to what purpose. It identifies who has power and accountability, and who makes decisions.

Leaders provide direction and vision, motivation and inspiration to others to achieve the organization's goals, and help to create an environment conducive to success by promoting communication, culture and collaboration among team members.

When you start a business, a few of the foundational elements of Governance include your Bylaws, Articles of Incorporation, Operating Agreement and your Mission/Vision/Values. These documents can change over time, but are extremely important as they set the tone for your business in the years to come.

You may decide that you want others (C-Suite staff, Co-Founders, Advisors and/or Board of Directors) to assist you in making strategic decisions as your business evolves. Having others engaged alongside you in all aspects of the company -- financially, operationally, and strategically -- can be extremely positive to you as the business owner, as well as to your management team. Spreading responsibilities to others also gives more shared ownership around the key things that govern your company.

An independent board of directors, or an advisory board, can be structured to influence governance, providing business owners and managers the opportunities of a sounding board, offering fresh ideas and different perspectives, together with conversations about strategy and deliverables. A board of advisors complements the strengths and expertise of in-house leaders and provides broader management and/or operational knowledge. Learn more

about establishing an advisory board here. [Advisory Board intro resource guide](#)

Leadership

What type of leader you are sets the tone for all aspects of your business. Here are some forms of Leadership as you contemplate the type of Leader you are and the type of Leader you want to be:

- **Coercive:** Leaders demand immediate compliance.
- **Authoritative:** Leaders mobilize people toward a vision.
- **Affiliative:** Leaders create emotional bonds and harmony.
- **Democratic:** Leaders build consensus through participation.
- **Pacesetter:** Leaders expect excellence and self-direction.

Leadership is a shared responsibility that requires actively working with others to set the company up for short and long-term success. Every leader has a different leadership style and often don't spend enough time intentionally developing their skills as leaders. Here are a few examples of how leadership skills can be acquired and honed:

- **Effective Communication Skills:** Talk to and listen to customers and employees. These two stakeholder groups are your most important business assets and they can provide immeasurable input and advice on most every subject matter within your company.
- **Create Space to Think:** Find time to read, reflect and write, practice mindfulness and prioritize health. These are all



BUSINESS SENSE

Next Level Tools for Entrepreneurs & Small Business Owners

great ways to create space to think about product direction, organizational development, team and interpersonal dynamics and the like. This is also important modeling for you to do as the business owner in creating not just a company but a company culture that encourages a healthy work/life balance among all its employees.

- **Build a Peer Network:** Great insights often originate from fellow co-founders in and outside of your industry. There is a wealth of knowledge that comes from others who have “been there and done that” and ones that are on similar paths.
- **Building an Advisory Board:** Often experienced advisors are looking for ways to give back and support fellow entrepreneurs. You may find these people through your networks or other peers. Never underestimate the power of an introductory email asking

for advice, expertise, and support based upon referral or reputation.

- **Address Blind Spots and Skills Gaps:** Acquire knowledge and new skills in the areas you have the most blind spots. Regularly seeking feedback from employees, peers, etc. and making that a part of company culture is a great way to find areas for improvement and to build camaraderie with an

organization or team. Leadership Circles, 360s, one-on-one candid conversations and employee surveys are different ways to seek feedback and inform or improve on your leadership and organizational culture. What you then do with that feedback will make all the difference for you and the company.



Business Sense is a no-fluff source of information that gets right to the heart of what small business owners need: essential tools and informational resources to help their businesses grow. Written by our team of business coaches, this series shares their decades of experience in areas such as financials, operations, sales and marketing, human resources, leadership, and governance. Business Sense is designed to provide entrepreneurs and small business owners in various sectors, including agriculture, forestry, waste management, renewable energy, and environmental technology, with recommendations and practical advice to help their businesses not only survive but thrive.

Our business management coaching and Business Sense Resource Guide are designed to accelerate the growth of the enterprises we work with and expand the leadership capacity of the entrepreneurs who own and manage these businesses.

Let Us Help You and Your Business

The Vermont Sustainable Jobs Fund provides tailored business management coaching, entrepreneurial support, and training to position Vermont-based entrepreneurs and small business owners in our designated market sectors for growth and long-term success. We partner with state government, private sector businesses and nonprofit organizations to build a thriving economic, social and ecological future for Vermont. Learn more at [VSJF.org](https://vsjf.org)



Vermont Sustainable Jobs Fund

Accelerating Sustainable Economic Development

[Learn More](#)