BUSINESS SEN$E

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.

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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.
- **Pacesetting:** 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

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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

Vermont Sustainable Jobs Fund
Accelerating Sustainable Economic Development

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Creating a Board of Advisors

Why is this important?

When creating an Advisory Board, two items are of utmost importance.

1.) An advisory board is not a quick fix for problems. Advisory boards work best over a period of time where you create a long term strategy/plan and work to achieve short term goals against the long term strategy/plan.

2.) As the business owner, you must be open to hearing opinions and advice that may be contrary to the way you have always thought or acted.

For both of these reasons, you should choose advisory board members who you respect, have a range of experience and knowledge to complement your own, who ask good questions, and who will tell you the truth. Remember that your advisory board is not a business coach nor do they serve as consultants. Rather your advisory board will help you think of creative ways to optimize your business processes, people, vendors, channels, sales and marketing and identify growth in areas where none were previously seen. With their expertise your goal should be to create or refine a long-term plan that holds you and your team accountable for your stated business goals and Key Performance Indicators (KPIs) or other metrics.

Vermont Sustainable Jobs Fund

In today's competitive business environment, organizations frequently seek outside expertise to help the company grow and prosper. Traditionally, companies seeking external advice invite advisors to join their Board of Directors. However, the formality, liability and expense of a Board of Directors is fueling the popularity of an informal, budget-friendly alternative for small and medium sized LLC entrepreneurs – a Board of Advisors.

A Board of Advisors is a team of people invited to guide, counsel and advise a company's managing owner, CEO and/or management team. A Board of Advisors is particularly useful in start-up and small companies, providing fresh ideas and unique perspectives to a growing organization. Advisors from different disciplines can complement the strengths and expertise of the organization's in-house leaders and provide broader management knowledge. An advisory board can also enhance an organization's credibility with clients and investors and expand a company's networking contacts.

A Board of Advisors holds some advantages over a traditional Board of Directors and even more advantages over having no regular external advice and feedback on how to best run your business. A Board of Advisors is:

Easy to Create and Expand: An advisory board is an informal group of experts and advisors handpicked by the managing owner, CEO and/or management team. It is relatively easy to create, expand or decrease the size of an advisory board in order to meet the needs of the organization. Moreover, members of a board of advisors can be recruited to serve only as long as they are needed and can be easily replaced. By contrast, a board of directors has legally defined responsibilities and is usually elected by the shareholders and governed by the corporation's bylaws. The ability to create and expand its board of directors is restricted by law and corporate policy. Moreover, directors are elected for established terms and may be difficult to remove.

Less Costly: Companies frequently obtain Directors and Officers Liability (D&O) Insurance to indemnify directors against claims from shareholders, employees and clients. Sarbanes-Oxley and other recent legislation have raised the accountability of corporate directors, increasing the risk that they will be found liable for acts performed in connection with their duties. As a result, the cost of D&O insurance may be too expensive for small companies to afford. Employing a board of advisors instead of a board of directors eliminates the need for costly D&O insurance, since a board of advisors cannot be held liable for advice given since decisions still rest with the CEO. Members of an advisory board may or may not be compensated for their time. When compensation does occur it often varies from a small equity interest in the company, a small per meeting or yearly stipend (e.g., $250 per meeting), or a nice meal and travel reimbursement.

Beholden to the Management Team: The fiduciary duty of a board of directors requires it to place the needs of the organization and its shareholders before the needs of its employees. Conversely, a board of advisors has no such duty to the company; directing, mentoring and advising the managing owner, CEO and/or management team are the advisory board's foremost priority.

How to Create an Effective Board of Advisors

Here are some suggestions for how to form and work with an effective Board of Advisors:

1.) First-hand experience is key: If you've never participated on a board of any kind (e.g., a non-profit board of directors, a business colleague's board of advisors), it may be a valuable experience to start with. It may help familiarize you with how groups handle issues of governance, strategy, and overall direction, and give you a chance to witness both strong and weak meeting management practices. BoardSource, a 501(c)(3) dedicated to nonprofit governance, offers essential tips and information for anyone thinking about forming or serving on a non-profit board. Their website lists in detail the typical responsibilities expected of individual board members and the particular skill sets and characteristics you'll need in order to be a successful board member. **This can serve as a template for setting expectation for your own advisory board members**.

2.) Take time to find the right candidates: When you're ready to form your board, it's vital that you choose individuals who will offer real value and contribute to your success. Start by considering the experience, skills, and capabilities most valuable to you. Don't just look to your friends or immediate network – widen your search to find skilled, reputable candidates who understand your business and industry and/or have

widely applicable skills and experience (e.g., banker, lawyer, trade association leader). Also, don't recruit replicas of yourself. Instead, seek out candidates who offer specific knowledge or experience that you currently lack. Prioritize which set of expertise is the most important before you begin to extend invitations to people to serve on your board.

3.) Communicate your expectations: The next step is meeting with the interested candidates who best fit your goals so you can evaluate their potential. Consider the following questions regarding potential board members: "What kind of time commitment should they be willing to make? Where do you most want them to add value for you and your company? What compensation will they receive for serving on your board?" Make sure the members you select are willing to dedicate the time and expertise required. The last thing you want is to get stuck with a board member who offers little value to your growing company.

4.) Use advisors' time effectively: Since you are asking highly skilled professionals to take time out of their busy schedules to give you advice, it's important that you don't waste their time. Determine a schedule that works for your needs and for their availability. Will you meet monthly or quarterly? Send out agendas, background material and financial information in advance (ideally one week in advance of a meeting). Focus on problems and opportunities that really matter. Don't spend your time justifying your actions or assuring them that everything is fine. Your board members are there to help you succeed and push your company beyond what you hope to achieve, so use them. Lay out the goals, issues and challenges you need to tackle, and strategize solutions. Think big picture and listen to feedback – which is not always easy. Since your board members will ideally come from diverse backgrounds, you just might hear assessments or criticisms that hadn't occurred to you before. Be open.

5.) Keep them in the loop: Send out brief meeting notes that focus on key takeaways and actions you intend to make regarding the topics discussed. It's your call whether to follow any advisor's advice but it shows respect to share how you've used their counsel to make decisions on the issues you bring them.

Additional advisory board resources available here: https://www.vsjf.org/programs/vermont-farm-to-plate-investment-program/vermont-advisory-boards/

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SAMPLE: Advisory Board Charter

Here is an example of an Advisory Board Charter. Feel free to customize to your business' needs and requirements.

Company Background:

Insert description of company history, ownership, business type, etc. here.

Company is owned by (company owners). We want to grow the company to thrive, and we are establishing an advisory board to help us manage the company with the benefit of a broader range of experience than we have ourselves. We have recently completed a one-year engagement with the VSJF Business Coaching Program, have recruited a strong leadership team, and have a three-year strategic plan with a clear execution plan for year one. We view the advisory board as the third leg of a support structure that includes the internal leadership team and other staff, and our external professional advisors (e.g., names of legal, accounting, financial advisors, if any).

Scope:

The scope of the advisory board includes the following: evaluating the performance of the company; regular mentoring for the owners and managers; occasional mentoring for leadership team members; strategic planning including legacy and succession planning; emergency continuity of operations support; and other matters as they may come up.

We commit to the following: honesty, transparency, and access so that you can be fully informed to provide your best opinion. We want to be able to use our time together for discussion, not information. Therefore, we will distribute a full board packet a week before each scheduled meeting. It will include an agenda, minutes of the previous meeting, a summary report from the CEO highlighting major events, updated financials and a summary report identifying notable financial items, updated dashboard reflecting performance across departments, and an update of the annual operating plan related to strategic projects from all of the leadership team members.

We ask that you commit to the following: candor, reviewing the board packet before each meeting, being available by email and telephone between meetings and maintaining confidentiality of our core business operations. We understand that schedules can change but we ask that you attend at least three of the four quarterly meetings and prioritize the annual retreat. Of course, we will work to reschedule meetings as necessary to accommodate everyone's schedule and remain flexible.

To be clear, this is an advisory board not a governance board. We are not asking you to take on any fiduciary liability. We are looking for a deliberative board that will ask hard questions and help us and our leadership team maintain the discipline to work "on" the business instead of "in" the business regularly and support the continued professionalization of the organization. The company owner(s) take full responsibility for the decisions that come from this deliberation in balance with the other internal and external supports.

We plan quarterly half-day meetings from [pick a time] in [location], on the [pick a day] of the second month of each quarter, with the ____ quarter meeting being a full day retreat with the leadership team. There will be coffee and snacks available, and lunch will be provided.

Consideration: We value your time, energy, and commitment. Not to quantify your participation, but to express our appreciation, we will pay $____ per quarterly meeting and $____ for the annual meeting. We will also provide [additional benefits]! Advisory board members will also receive employee discounts at (our business location for purchase of products) and are invited to attend staff parties and major company events as part of the team.

Because each of our advisors is recruited for their skills and experience there may be times when it makes sense for us to mutually agree with an individual advisory board member to work on a special project with the company in addition to their board service. In those cases, we will exchange emails confirming scope of work and pay $_____/ hour unless otherwise agreed. Your term of service on the Advisory Board will be [length of service].

Additional advisory board resources available here: https://www.vsjf.org/programs/vermont-farm-to-plate-investment-program/vermont-advisory-boards/

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SAMPLE: Business Advisory Board Agreement

Following is an example of an Advisory Board Agreement to adapt and customize to your business and your specific needs.

Purpose

The [COMPANY]'s Advisory Board will support [COMPANY] by providing strategic guidance regarding how to achieve [COMPANY]'s mission statement and main objectives. Specifically, the Board will:

- Act as a sounding board for [COMPANY].
- Provide advice based upon knowledge and expertise that is currently lacking in the business.
- Offer advice in all disciplines including sales and marketing, finance, human resources and operations.
- Steer the business towards achieving our objectives and goals.

Responsibilities

[COMPANY]'s

The Advisory Board (AB) is responsible for advising the team on issues of strategic importance.
To fulfill this advisory role, the AB is responsible for the following areas:

- **Overall Strategic Guidance** – providing strategic guidance in determining the business' mission statement and main objectives and challenging the team to maintain compatibility with these elements.
- **External Analysis** – assisting the team in identifying and addressing areas of opportunity, potential risks and challenges, and emerging local trends.
- **Partnerships** – supporting the creation of partnerships, sponsorships and other strategic links between the team and other organizations.
- **Succession** – facilitating the Executive succession process by offering guidance in the creation of a succession plan and input into the selection of executive positions.
- **Annual Reports and Statements** – reviewing the business' financial statements and annual report as a means of checks and balances.

Advisory Board Chair

The chair is responsible for:

- **Leadership and Vision** – providing leadership and conveying the AB's vision to the team and other stakeholders.
- **Authority** – having the ability to start and end all meetings on time and ensure that the agenda is followed throughout the meeting.
- **Discussions** – monitoring discussions to ensure that they are relevant and useful.
- **Conflict Management** – mitigating any conflicts that occur during a meeting.
- **Designation of Replacement** – arranging for another member to take over these duties in the event that the Chair is absent from a meeting.

Company Leadership Team

The leadership team is responsible for:

- **Membership** – recruiting and orienting new AB members (in consultation with the AB) and managing existing AB members throughout their term in order to ensure continuity.
- **Information** – compiling all information required by the AB (e.g. invitation package/letter, Member Handbook).
- **Schedule** – scheduling meetings and other AB events and maintaining record of anticipated and actual attendance at these events.
- **Materials** – confirming that all materials required for meetings, including agendas and minutes, are distributed in an appropriate and timely fashion.
- **Feedback** – soliciting feedback regarding the AB, including annual AB self-evaluations, and responding in an appropriate manner.
- **Communication** – facilitating communication between the AB and [COMPANY]'s team.
- **Partnerships** – scanning the community for potential team partners; making contact with potential partners and providing a liaison for team members; and reviewing materials used for recruitment of supporters.

Committees may be formed to provide guidance on specific projects or initiatives.

Compensation

The Advisory Board will not be paid for their services [OR The Advisory Board will be paid $___ annually for their services]. Fees associated with attending Board Meetings, if applicable, will be reimbursed by [COMPANY]. Food and snacks will be provided by [COMPANY].

Meetings

Frequency

The Advisory Board meets four times each year. It may choose to hold additional meetings, if it considers them necessary, to carry out its responsibilities effectively.

Scheduling

Quarterly meetings will be announced at the last meeting of the year for the following year. For additional meetings, AB members will be polled to determine availability. The final date will be announced at least two weeks prior to the meeting.

Attendance

- AB members must provide notification of their anticipated attendance at meetings to the [CONTACT].
- Members who miss three consecutive meetings without notification will be requested to reconsider their commitment to the AB.

Materials

Agendas

Draft agendas for regularly scheduled meetings will be determined at the first meeting of the year, creating a 'work plan' for the year (see below). At least two weeks prior to a meeting, the [CONTACT] will distribute a draft agenda for that meeting. AB members will be given a maximum of one week to propose any changes. The [CONTACT] will distribute a final agenda at least one week prior to the meeting. The agenda will be approved at the beginning of each meeting.

At least two weeks in advance of the first meeting of the year, the Advisory Board will receive the following materials:

- A letter confirming participation on the AB for the year.
- A profile of AB members for the year.
- A profile of all executive team members and an organizational chart for the year.
- A current version of the Advisory Board Charter.
- [COMPANY]'s bylaws, code of ethics and any other binding documents.
- [COMPANY]'s mission statement and strategic objectives for the year.
- A one-page information page from each executive team member documenting the individual's proposed strategic priorities and action plan for the year.

Any other materials can be requested by the AB at any time. The team will provide regular AB Meeting materials for distribution at least one week in advance of the next meeting, unless otherwise agreed.

Accountability and Responsibility

Accountability

As the Advisory Board makes recommendations rather than decisions, [COMPANY] is ultimately accountable for its own actions.

Responsibility

Despite not making official decisions, the AB is expected to act responsibly. To demonstrate this, AB members must consistently:

- Exercise due diligence, using a level of judgment and care that would reasonably be expected under the particular circumstances.
- Act in good faith, in the best interest of [COMPANY].
- Avoid conflicts of interest and respect confidentiality (see next section).
- Obtain a degree of confidence in monitoring the integrity and ability of team members.
- Be engaged at AB meetings and proactively ask for information about the company.
- Honor length of term as established and agreed upon by [COMPANY] or until which time expertise is no longer necessary.

Confidentiality and Public Communication

Confidentiality

As AB members are expected to be open and candid in the discussion of strategic issues, it is important to maintain confidentiality by not disclosing information or views expressed by individuals nor any company specific information. The results of AB evaluations and other such practices will also be kept confidential.

Written Records

The minutes and other written records will respect the principle of non-attribution. Deliberations will remain confidential until there is a general agreement and consensus.

[COMPANY] Advisory Board Member Agreement

Name: ______________________________

Title (if applicable): ______________________________

Organization (if applicable): ______________________________

Mailing Address:

Street: ______________________________

City: ______________________________

State: ____________________ Zip Code: ____________________

Email: ______________________________

Phone: ______________________________

I have read the terms outlined in the Advisory Board Member Agreement and I understand what is expected of me as a member of the [COMPANY]'s Advisory Board.

Name (printed): ______________________________

Signature: ______________________________

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LEADERSHIP AND GOVERNANCE SERIES

Succession Planning for Business Evolution

Why is this important?

Succession planning is a crucial aspect of running a small business. It involves developing a strategy and identifying and developing the talent to fulfill the critical roles that ensure the continuity of your business when you decide to exit, or the stability of your business in times of crisis. A well-thought-out succession plan can provide peace of mind and help protect the legacy of the business that you've built. Other benefits of succession planning include identifying your most promising future leaders, creating a structure for training and professional development, boosting morale and reducing business exposure or risk.

Vermont Sustainable Jobs Fund

As a small business owner, you should think of succession planning with two important facets in mind - as an individual and for the business at-large. The way in which you choose to evolve and develop yourself and your business may have profound ripple effects on your life for years to come. Let's explore each of these in a bit more detail.

Individual Succession

Great leaders begin planning for their successors as soon as they start in their leadership roles. And while this may feel like a silly factor to consider when you start (or take over) a business, this thought experiment can be an important one in setting the right tone for years to come within any business.

Thinking critically about who may take over the business to enable you to take on another role at the company, pursue a new project or best case, retire, are all important steps in envisioning and evolving the business in a way that supports the founders, employees, customers, stakeholders and shareholders.

Perhaps you've heard the phrase 'Give Away Your Legos' or better yet read the article. Succession planning may feel like a foreign concept given the state of your small business in this moment, yet there will come a time when you're ready (or need) to do so. Proper and proactive delegation early, rather than in dire straits, is important to a successful passing of the baton.

Here are some key points to consider when creating a succession plan for your small business:

- **Decide how to exit your business:** You can choose to transfer the business to your heirs or sell it to your business partner(s), your employees or another entity.
- **Identify one or more successors:** Determine who will take over the leadership role in your absence, whether planned or due to an unexpected circumstance.

- **Assess the value of the business:** Assess the financial worth of your business and consider factors such as assets, liabilities, and market conditions.
- **Provide for implementation of the plan:** Develop a clear roadmap for executing the succession plan, including timelines and necessary steps.
- **Discuss communication with employees, customers, and family:** Ensure that all stakeholders are informed about the succession plan and any changes that may occur as you exit your business.
- **Include tax planning:** Consult with professionals to understand the tax implications of your succession plan and make appropriate arrangements.
- **Provide for contingencies:** Consider potential unforeseen circumstances and establish backup plans to address them.

Remember, succession planning is not just about selling your business when you step down or retire; it's about creating an exit strategy that takes into account your community, employees, and the emotional aspects of transitioning out of a business.

Who Steps Up to Become Your Successor?

Let's look at the ways to transition your leadership role:

Hire your successor

- This takes time and intention; start with writing an ideal job description for recruiting the ideal leader and when you find the right successor, be sure to onboard them well.

Promote and train a current employee

- This is a common route for many reasons - mainly the institutional knowledge and rapport a current employee comes with is unprecedented and unrivaled.

Leave it to co-founders

- If you have a co-founder or other partners this option may be a topic for discussion when you draft your initial bylaws and operating agreements. Thinking through the succession early and often sets a good precedent for when it does happen, even though outcomes will inevitably shift.

Consider a family takeover

- Many entrepreneurs want to hand the reins over to their family. Again, if you discuss this option early and proactively, it can be a viable way to transition.

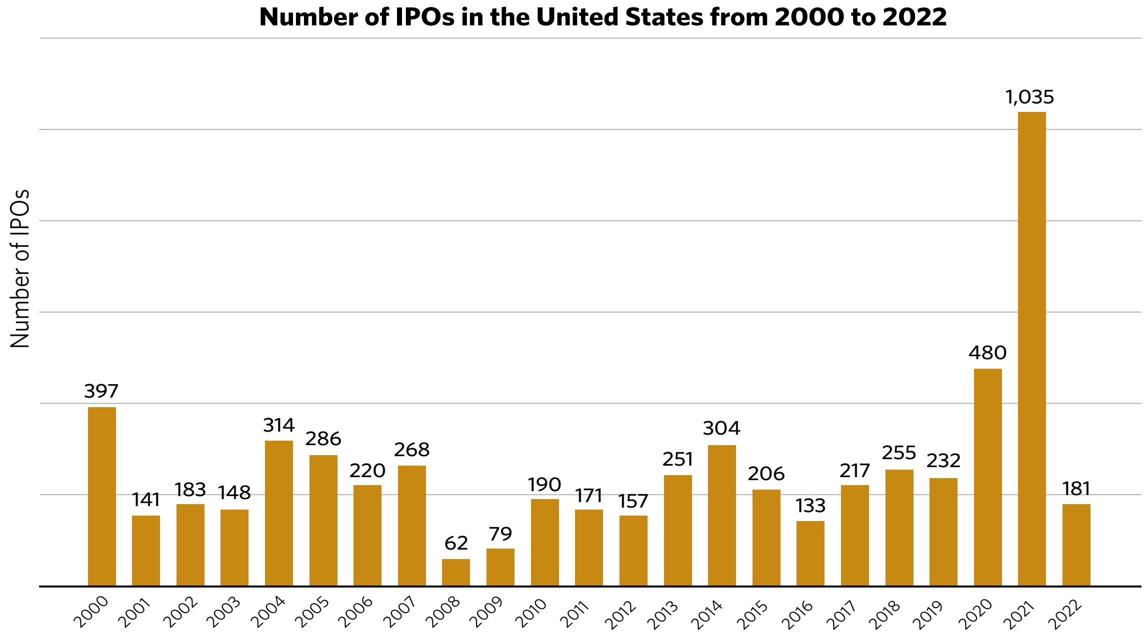
Other Pathways to Successfully Transition

Sale to another company/acquisition

- Whether an ideal scenario or an option when it becomes necessary to liquidate assets, this path perpetuates the brand that has been built and may create staff transition or future employment opportunities. Marketing lists and client/customer sales and distribution have value in an acquisition that can offset debt. One question to think about early in your business lifecycle is "Who would be the ideal company to acquire your business and why?" Often modeling some growth scenarios with that question in mind will better position you for a future sale.

IPO

- This is incredibly rare. However if this is your dream set that course and do your best to achieve it. One statistic to keep in mind – there are roughly 30 million small businesses in the US and there have been just over 6,000 IPO's in the US since 2000!



Sell to employees via an Employee Ownership, ESOP, Perpetual Trust, etc.

- More companies are considering this avenue and rightfully so - you can sell the company to current and future employees, initiate a retirement plan for departing founders and create some models of shared ownership and governance within this transition.

If you've been profitable for a fiscal year or two (or more) the idea of creating an enduring company may be a great option for you. The Vermont based Vermont Employee Ownership Center (VEOC) helps entrepreneurs to transition.

Business cessation and closure (absent of a bankruptcy filing)

- There are any myriad of reasons that may cause your business to cease and close. Servicing debt, shuttering the brand, communicating to customers, vendors and employees can be difficult, yet making the difficult decision to do so may be better than other alternatives.

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Strategic Planning

An Overview and a Cautionary Tale

It's been said that if you don't know where your business is going, any road will get you there. You may not be happy with where 'there' turns out to be though.

Strategic planning is the process by which an organization identifies not only where it's going, but also how it's going to get there. And, an accurate assessment of the condition of the vehicle (organizational strengths and weaknesses) taking you there, along with an understanding of the external elements (opportunities and threats) that might either help or hinder your progress. A strategic plan is the roadmap, and the real-time dashboard, that ensures that all of the 'drivers' can clearly see the best routes to take, based on how your business is doing at any given moment in time. It is also the vehicle's Owner's Manual, the document that, when things go wrong (and it's not a matter of 'if' but 'when'), any given 'driver' can access key information to keep things moving; swiftly, safely and efficiently.

Unfortunately, too many organizations treat strategic planning like an annual pep rally, an off-site event, to espouse the leadership's ideas and goals, without a commitment to implementation. And then it gets forgotten, at best, ridiculed at your peril. We strongly believe that unless the top leadership is completely committed to the implementation phase of strategic planning (the much, much longer and more arduous element to ensure success), it is counter-productive to move forward with a strategic planning retreat.

The Steps to Successful Strategic Planning & Implementation (SPI)

Whereas there may be a number of variations on the theme, generally a successful strategic planning process and implementation involves these main components:

- **Operational Parameters –** the core values and the disciplined guidelines to work by. These serve as the 'limits' within which the work will get done. This is the foundation upon which everything else is built. Any strategy, action plan or step needs to reflect back on these core values to ensure that the integrity of the plan and the organization itself is never compromised. These core values might originate from the founder or be developed by the leadership team as part of first step in SPI.
- **The Vision –** what the business will look like in five to ten years. Or, three to five years, as things continue to change so dramatically. Usually only a dozen words, at the most, this Vision statement can serve as the clarion call in the organization, bringing a sense of purpose and unity to everyone's work. The founder or CEO may develop the Vision independently, or, it may be best to create it with a core team of individuals who share a common dream for the business and its future. This may be the best time to start including more people throughout the organization.

Know that leadership exists at all levels of an organization and having front line leaders involved early in strategic planning will help both in the planning stages and as importantly, in the implementation phase.

- **The Mission –** what the business will actually be doing in three to five to ten years. The Mission should focus on the organization's unique strengths, its niche markets and the specific ways in which it separates itself from the pack. It has also been referred to as the purpose of the organization. As with the vision statement, the shorter the better, but not at the risk of clarity.
- **A SWOT and/or a SOAR –** a listing of the organization's internal Strengths and Weaknesses, as well as the external Opportunities and Threats, a SWOT is the internal assessment tool from which the rest of the planning process develops. SOAR is a more positive and metric-centric approach which separates the WT, as the pre-work to identify the Weaknesses and external Threats, but then uses a strength-based approach during the retreat, where everyone (and here it's usually helpful to have representatives from each aspect of the business) assesses their own and the company's Aspirations and desired Results.
- **Long-term Objectives (LTO) –** these are developed at a high level, so they're consistent with the Mission and Vision, but they begin the process of bringing the Aspirations and hoped for Results back down to earth.
- **Strategic Objectives (SO) –** now it's time to take the LTO's, combine them with what we've discovered in the SWOT and SOAR, and develop very specific strategies for achieving measurable results. The Strategies are developed according to the functional areas that have responsibility for implementation. They need to be measurable, observable and achievable.
- **Action Plans –** this last step provides the "Who" is going to do "What" by "When" specifics. Again, the focus is by functional area of the business. The "Who" tends to be the different functional leaders, and the "What" is everything that has been identified in order to build on strengths, resolve weaknesses, exploit opportunities, avoid threats. Think BIG and BEYOND today and have very measurable results. Usually Action Teams are created at this stage, tasked with the implementation phase and reporting back to senior leadership on a regular basis throughout the year.

This process requires a number of weeks to organize, assemble the right players and develop the agenda. Then, it's usually a solid two days to put the Strategic Plan (SP) together, but some organizations have been known to get a full SP done in one, long day. This is especially true in organizations that have already developed their Core Values, Vision and Mission, and they have been fully articulated throughout the organization. Or, they might arrange to do action planning as follow-up work for operational teams, after the retreat.

Having an independent facilitator, who has no bias and won't be impacted by whatever Action Plans are created, is an important role in all of this for a number of reasons:

- **Help set the stage –** this involves things like making sure that the right people are invited to the retreat, advocating for those who might be important leaders in their functional area but without the 'title' of their position. The facilitator ensures that the appropriate pre-work has been curated, vetted and distributed well in advance so that people come prepared to get right to work, and that the agenda is developed in such a way that successful planning, and implementation, is inevitable.

- **Facilitate the discussion. Without judgement. Without any personal agenda –** an independent facilitator helps to manage and corral the extroverts so that the introverts are heard and acknowledged. Additionally, an independent facilitator defers to the senior leaders who are championing the Vision, but is willing and able to be radically candid when need be, no matter who needs to be called to task and no matter their position in the company.
- **Ideally the facilitator can provide expertise in steering wise planning development –** although most facilitation work is inherently passive in nature, there are some moments during the process where a facilitator will 'switch hats' and go into a more active role of steering discussion in a healthier direction. There may also be opportunities, 'teachable moments', where it will be appropriate to provide on-the-spot training to ensure that everyone's got the right tools for the job. If we go back to the analogy of 'planning a long road trip' together, an experienced and tactful facilitator can be both a good tour guide, mechanic and cheer leader.

Strategic planning is a management tool, period. As with any management tool, it is used for one purpose only: to help an organization do a better job - to focus its energy, to ensure that members of the organization are working toward the same goals, to assess and adjust the organization's direction in response to a changing environment. The plan is ultimately no more, and no less, than a set of decisions about what to do, why to do it, and how to do it.

Because it is impossible to do everything that needs to be done in this world, strategic planning implies that some organizational decisions and actions are more important than others - and that much of the strategy lies in making the tough decisions about what is most important to achieving organizational success. Prioritization is key. Narrowing down all of the possible long-term objectives and the strategies to be employed to achieve them is critical to a successful implementation.

Strategic planning can be complex, challenging, and even messy, but it is often defined by the basic ideas outlined above - and you can always return to these basics for insight into your own strategic planning process, however you decide to implement it.

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LEADERSHIP AND GOVERNANCE SERIES

From Praise to Profits – The Importance of Recognition to Workplace Culture

Why is this important?

With so much change and uncertainty affecting workplaces, it can be easy to forget that employees are at the center of any organization's success. What employees feel – about the companies they work for, their leaders, their teams, and themselves – ultimately provides the fuel for high performance through increased productivity, safer workplaces and decreased absenteeism.

When employees feel valued for who they are and what they do, they act differently, in ways that positively impact their teams and organizations. Every business owner, leader and manager plays a vital role in workplace culture.

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What is Workplace Culture?

Workplace culture is a collection of attitudes, beliefs and behaviors that make up the everyday atmosphere in a work environment. Healthy workplace cultures align employee behaviors and company policies with the overall goals of the company, while also considering the well-being of individuals. Employee attitude, work-life balance, growth opportunities and job satisfaction all depend on the culture of the workplace. Healthy workplace cultures respect and support everyone's unique skills, experiences and talents while also working together toward shared company goals.

Business leaders set the tone for company culture through their policies, benefits and mission. Managers shape company culture from their hiring practices, where they can select applicants whose personal vision aligns with a healthy workplace culture. Managers at an organization with a successful workplace culture know how to attract and select new employees who share their vision. Prospective employees will likely be drawn to companies that share their values and the type of culture in which they feel comfortable, valued and supported. Good workplace cultures provide stability for talented employees and allow them to grow within a company, reducing employee turnover and connecting qualified candidates with long-term careers. The physical environment of a workplace and the flexibility of scheduling or site also influences culture, with many offices opting for an open floor plan, natural lighting, hybrid work and the inclusion of programming and perks such as break room amenities, tuition discounts, gym memberships, lunch-and-learns, networking and conference attendance, etc.

Characteristics of a Healthy Workplace Culture

While some people may value a more traditional workplace culture and others want something more modern, all healthy workplace cultures have various traits in common which include: accountability, equity, expression, communication and recognition.

Accountability

Each person is accountable for their behavior. A balanced workplace enables people to feel comfortable enough to take credit for their ideas and their mistakes. Open accountability allows each employee to learn from challenges instead of avoiding them. Accountability fosters a workplace culture based on teamwork, open communication, trustworthiness and responsibility.

Equity

Companies that treat all of their employees equitably often have healthy workplace cultures. Every position within an organization has value, and giving everyone opportunities boosts employee morale. Favoritism in the workplace is a sign of a toxic workplace culture and can cause feelings of distrust and resentment between coworkers. An equitable workplace environment is essential for any positive workplace culture.

Expression

People are generally happier, more productive and more focused when they feel able to express themselves in the workplace. If employees have some freedom in their personal style and how they approach their work, that indicates a level of comfort within their workplace culture.

Communication

Open communication is critical for a productive workplace environment. Everyone within an organization must understand how to give and receive feedback, share ideas, collaborate and solve problems. All teams have interpersonal conflicts sometimes, but a functional workplace culture will allow them to resolve issues and work as a team despite challenges that may arise.

Recognition

Thriving workplace cultures recognize employee successes and reward people when they do well. Management in a healthy workplace environment will look for positive attributes of everyone on the team and encourage use of their diverse talents and experiences. Employee recognition ranging from regular verbal praise to competitive salaries can build a workplace culture of inclusion, appreciation and mutual respect.

Why Recognition Boosts Productivity

Many factors influence how much effort employees put into their work, but an easy way to think about it is this:

Humans are motivated by extrinsic and intrinsic factors.

Extrinsic factors at work, such as getting paid, are the motivators we often think about. Pay matters, and monetary incentives can be effective if done right. But extrinsic factors alone can only go so far.

That leaves intrinsic factors to do much of the motivating on a typical business day. Intrinsic motivation is like a magnet that draws us toward activities that are fascinating, enjoyable and fun for their own sake. Work feels intrinsically engaging when people:

- Like the work they do.
- Like the people they are around.
- See the meaning and purpose in their efforts.

Recognition supports all three of those criteria: It celebrates individual work, it bonds teams together and it connects personal achievement to organizational success.

When employees feel engaged in this way, they show up each day ready to give their best. They also work harder, are more productive and are less prone to burnout. As a business owner or manager, be sure that your employees understand the overarching goals and objectives of the business, how their role contributes to those goals and the implications to them as employees when those goals are achieved. Recognition also affirms the importance of quality. It says excellence is better than cutting corners, a job well done is better than hiding mistakes. Recognition likely increases conscientiousness on a work site, which in turn improves safety outcomes. A recognition-rich culture communicates the idea that people are paying attention to how work gets done and that every employee matters in their role.

Learning and Development are Key to Workplace Culture

Leaders may question the connection between learning and development programming, workplace culture and retention. According to McKinsey research, a lack of development or growth opportunities led around 60% of employees to leave their jobs. Opportunities for growth effectively keep talent engaged and committed by improving workers' sense of well-being, lowering anxiety and increasing confidence. Additionally, high-achieving, ambitious and motivated candidates are attracted to employers that can demonstrate a track record of advancement for those who perform well.

Industry conferences are valuable as a learning and development tool because of the topic sessions and expert panels they offer. They're also opportunities for employees to network with peers, share ideas and gain exposure to new technologies.

Assisting employees with joining industry associations or acquiring job-specific certifications is also very valuable to professional growth. This shows a commitment to employees' development, which improves the culture and encourages your talent to stick around.

Lunch-and-learns are a great in-house option for learning and development because they have the added benefit of team building. Formal mentoring programs can prepare mentees for career growth and a specific growth track, while more informal arrangements set up a relationship where established employees share their expertise and serve as a go-to resource for developing employees. Relationships like these are valuable not just for learning and development but also for individual promotion within the organization. This can create greater loyalty among employees, which also positively impacts your workplace culture.

"Feed-forward" Management

Managers need to be aware of how their actions and words impact not only individual employees, but how they feed into the overall culture of their organization. Managers need to be trained to give intentional, constructive feedback in ways that are positive and uplifting, while still driving professional growth. Feed-forward input coaches and empowers your team members by focusing on positive solutions and expanding their skills, rather than only focusing on unsatisfactory work or actions, something commonly associated with feedback.

By putting in the effort to really get to know their reports and coworkers, leaders and managers know who people are, how they work, and what they care about, which enables recognition to be structured to better reflect business priorities and make the recipient feel seen. Embedding recognition into the culture means drawing direct connections between positive employee actions and stated company values, so people can see exactly how they're contributing to the culture.

This enables employees to maintain a long-term, big picture outlook when conducting their work, a critical skill for their career development and one they need to harness if they desire to progress into leadership roles. Your employment brand is your staff. Not what you say on your website. Not what your mission or vision statement claims. It is what your staff says, what they do for their clients/customers and what they tell their friends and family. If

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you want to build a strong brand, start by building a strong, healthy, vibrant workplace culture. You will receive more than just a big return on your investment. You will find yourself loving going to work every day because you have helped build a strong, connected community, not just a workplace.

Three tips to developing and maintaining a positive, engaged workplace culture:

1. ***Have regular, focused, uninterrupted 1:1 meetings with your staff – where you listen more than you talk!*** Using active listening, through frameworks such as Appreciative Inquiry, where genuine curiosity and empathy take center stage. Don't just wait to meet with your employees for an 'annual review'. Use the acronym MBWA (Management By Wandering Around) as your mantra. Literally get up and out of your chair on a regular basis, wander around your workplace and catch people doing good work. Acknowledge them for their efforts and outcomes, either privately or publicly. Make personal check-ins routine to learn how your team is doing at work and in their lives.
2. ***Ensure that the workplace is an inclusive, safe space. Free of judgement.*** Open to healthy conflict and discourse. Using mistakes as learning opportunities, not gateways to punishment and/or shaming. This may be the hardest thing to take on. What is safe for one may not feel safe for others. Our Western culture is prone to avoid conflict, at the risk of honest, candid feedback. Consider adopting a framework for encouraging frank, open conversations, such as Radical Candor and/or Difficult Conversations.
3. ***Get regular readings of how you're doing***, either through the use of anonymous surveys if your organization is big enough, or, by keeping a log of your one-on-one meetings. Either way, use the data from the feedback you receive to keep track of your progress. Share the results of surveys with your people and discuss the whys and what ifs of the data. Make changes and track progress on an on-going basis and routinely reassess your KPIs with the goal of keeping people informed, involved, improving and innovating for success.

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

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