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# THE TOP TEN THINGS LEADERS DO WELL

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## INTRODUCTION

**E**ffective leadership is the key to success, and this chapter lists the top ten things that you need to practice to be a good leader. Do your best to practice each one of them on a day-to-day basis.

### THE BIOLOGY OF LEADERSHIP

Good leaders nurture an environment where employees are appreciated, recognized, and encouraged to grow and expand their responsibilities. The ten leadership traits listed in this chapter promote a common goal that is essential to the success of the business. Thanks to Scott M. Julien, author of *What Every Leader Needs to Know-7 Essential Leadership Secrets*, we know that there is a biological reason why these leadership skills are so important.

Brain cells define a person's behaviors, actions, thoughts, and memories. Any type of positive experience helps create healthy brain cells, and stress or a negative environment has the opposite effect. If unabated a negative or stressful environment can cause employee's brain to physically shrink in size, and the individual eventually sinks into depression and decreased productivity.

Leaders who nurture and create a positive environment can improve brain health among their employees and heal the brain cells that have been negatively impacted by periods of stress. Happiness and a positive

state of mind are linked to a healthy brain. People with healthy brains are better equipped to handle stress, seek a purpose in life, and in general are happier, more productive, live longer, and are more content.

Employees with healthy brains create a positive, efficient and productive environment, which in turn attracts other people with healthy brains. Soon your company is cooking with positive, highly motivated, and productive people, and the negative, unproductive people have been weeded out. You get there with praise and a positive environment, not stress and criticism.

Employees react more favorably to praise rather than criticism. Never failing to praise good performance rather than always criticizing poor behavior is much more effective in changing behavior.

Following are the top ten things that good leaders do well. Learn and practice them every day, and you will have a happy and productive group of employees with healthy brains, and your company will enjoy greater success.

## **I. INTEGRITY**

These traits have not been listed in order of importance except for this one. Integrity is by far the most important quality of a good leader. Integrity breeds trust, and when your employees know they can absolutely trust what you say and how you operate, it is a powerful thing. They'll respond favorably and do almost anything for you. Trust is fragile, easy to lose, and hard to obtain.

The amount of lying, cheating, and stealing that goes on in business today is disappointing. Dishonesty in business is so rampant that business schools now include classes in ethics—something that didn't

exist in years past. Of course, you can't teach someone to be honest; they either are, or they are not.

### **Example: Enron**

Dishonesty in business reached a pinnacle with the Enron affair. Nearly everyone lied—the CEO, the senior management, the company's advisors (some of whom had taken an oath to uphold the tenets and ethics of their profession). Thousands of people were financially devastated and had their lives turned upside down because of the lying, cheating and stealing. The shady actions of a few in this affair brought down a major international accounting firm. This shocking degree of dishonesty makes one wonder if *everyone* has their price. Hopefully not.

Integrity is the core value of many companies, and the owners, employees, and advisors would not think of doing anything like what happened at Enron. But there are a lot of ways to be dishonest. The problem is that integrity is often defined as “only lying or cheating when you know that you have little chance of being caught.”

Lying by omission is another example. Not telling people that their performance needs improvement is not being honest. Protecting a family member in the business who is not performing up to acceptable standards is not being honest (and sends a very bad message to the rest of the employees). Taking the whole family to Disney World when the industry convention is in Orlando and charging the entire expense to the company violates IRS regulations and is not being honest. Having the company landscaper stop by your house to cut the grass and charging it to the company is not being honest—it is lying, cheating and stealing.

Good leaders have integrity. They play it straight with the company, its customers, employees, and the IRS. They always tell the truth. They say

what needs to be said. They do not lie, cheat, or steal, even when there is a high probability that they won't be caught. Their employees trust them implicitly and tend to act in the same fashion.

Integrity is not a part-time thing, and you will never be a good leader without practicing it on a full-time basis.

*You cannot maintain your integrity at 90% and be an effective leader. It's got to be 100%. —Leonard Roberts, CEO, the Tandy Co.*

## II. COMMUNICATION

*Developing excellent communication skills is essential to effective leadership. The leader must be able to share knowledge and ideas to transmit a sense of urgency and enthusiasm to others. If a leader can't get a message across clearly and motivate others to act on it, then having a message doesn't even matter. —Gilbert Amelio, CEO, National Semiconductor Corporation.*

It is impossible to communicate too much. You will run out of time first. Good leaders are good communicators. They talk to people, and they listen attentively. If something needs to be said, they say it. Criticism is offered in a straightforward but constructive manner. Praise and compliments are offered freely and often. If leaders need help, advice or suggestions, they ask for it. Recognition of significant achievements and important anniversaries is part of the culture of the company.

There are many ways that communication can take place today, including:

- Intranet
- Electronic newsletter
- Video conferencing
- Conference calls
- Regular company staff meetings

There are also very effective administrative tools that enhance communication including: a formal employee review, employee satisfaction index, upstream evaluations, open book management, business review, employee orientation, management succession planning, advisory board, and an employee recognition program.

**EXAMPLE: EMPLOYEE REVIEW**

People need and deserve to know how they are doing. Employee reviews should follow a prescribed format that allows for employee feedback. They should be signed and placed in the employee's personnel file.

If this is done routinely you will rarely have to fire anyone. Simply tell them what the performance expectations are and then it is their decision: either perform accordingly "*or else.*"

**EXAMPLE: EMPLOYEE SATISFACTION INDEX**

A recent poll indicated that as many as 70 percent of workers disliked their job. This is probably due to a clear failure of communication. Obviously, all business owners want their employees to enjoy working for them. If they don't enjoy their job the result will be constant and costly employee turnover. If you want your employees to enjoy working for you, then ask them if they do. It is a way to communicate with them and to indicate that you care about their feelings

Appendix I contains an employee questionnaire.

**EXAMPLE: UPSTREAM EVALUATION**

Another tool that you can use in your company is an upstream evaluation. It is an opportunity for employees to rate their supervisor on a strictly confidential basis. Most supervisors don't want to do this, and find the idea threatening. However, this is a very effective communication tool and a great way for supervisors to discover areas where they can improve their management and supervisory skills.

The upstream evaluation is an excellent learning tool for becoming a better leader and an effective way to communicate with your employees. If you implement it throughout the company, all the members of your leadership team will be more effective leaders and better communicators.

Appendix II contains a sample upstream evaluation.

**EXAMPLE: OPEN BOOK MANAGEMENT**

There is a strong feeling among business owners that sharing financial information is a bad idea, and that only bad things can come from it. This is not true. Employees want to belong to a winning team, and they understand that the more the business makes, the more they will make (and that the reverse is true). If they are at least generally aware of how well the company is doing, they are in a much better position to see how they can help make it even more successful.

Secrecy in business is a philosophy that has been passed down from prior generations, and it dies hard, but die it should. Business owners who share the most are the most successful. Refer to the book *The Great Game of Business* by Jack Stack for more information and insight on this topic.

### **EXAMPLE: BUSINESS REVIEW**

Appendix III lists a series of checklists that, if implemented, reflect a well-run and highly successful company. This tool examines six critical areas of a business:

1. Management
2. Finance
3. Sales
4. Production/Operations
5. Warehouse
6. Risk management

***Business Review.*** an Excel-based workbook, has been developed that allows for up to twelve people to complete this review and ranks your business in the above six areas. This workbook is available for download at [www.60minutecfo.com](http://www.60minutecfo.com).

Appendix III contains an outline of the Business Review.

### **EXAMPLE: EMPLOYEE ORIENTATION**

You only get one chance to make a good first impression to a new employee, and a formal orientation program should be established for all new hires. This applies whether you have three employees or three hundred. This is the time to carefully go over the employee handbook and make sure they know the important policies of your company, your core values, vision, and mission statement.

This program should describe the culture of the company and set the tone for what it means to be a productive and valued employee.

### **EXAMPLE: MANAGEMENT SUCCESSION PLANNING**

A closely-held business can be devastated if the owner and CEO suddenly and unexpectedly passes away. In many instances, heirs and

survivors are unknowledgeable about the affairs of the business and largely in the dark about what to do and who should take over. The results of this loss can be mitigated by advance preparation.

The business owner should leave behind detailed instructions for what to do, where important documents are located and what should happen to the business. All of this should be discussed with the employees who will be groomed to take over in the sudden absence of the owner. A discussion about death is never pleasant, but the employees and the family will gain peace of mind knowing there is a contingency plan in place. This is one element of good communication.

This plan should be revisited and kept current as things change so that the business is as protected as possible. Most business owners have spent many years and countless hours of hard work building their businesses but only a minimal amount, or no time at all, insuring that the business survives them. Speak with your attorney and CPA about the succession planning options that are available to you.

In addition to a succession plan for the CEO, all employees should be encouraged to think about their career paths in the company. Every key position should have some sort of succession plan, and all employees should be encouraged to think about and plan for their futures, even if that means leaving for another organization. This is how a company builds a rich and deep organization and is not left scrambling in the event of an untimely death or disability.

Appendix IV contains a complete list of what heirs and beneficiaries should know when a family member has passed away.

**EXAMPLE: ADVISORY BOARD**

There's an old saying: "A humpback cannot see his own hump." It is difficult for business owners to have a completely objective view of their companies. An advisory board with outside members can be valuable in providing an unbiased voice in making key decisions.

There are several other benefits to having an advisory board. It can stimulate the owner's aspirations and confidence about the business and, at the same time, raise the expectations, performance, and efficiency of key managers. It gives the CEO a sounding board for new ideas and strategies, and, perhaps most importantly, it can act as a bridge in the case of the untimely death of the owner. No business owner knows everything and asking outside professionals with complementary skills and knowledge for assistance can fill those knowledge gaps.

Appendix V describes how an Advisory Board might be structured.

**EXAMPLE: EMPLOYEE RECOGNITION PROGRAM**

Every company should have a formal employee recognition program for birthdays, important anniversaries, and outstanding performance. This is an opportunity to say thank you. It indicates that you care about your employees and that they are important and significant members of your team. Recognizing outstanding performance motivates employees to be outstanding. Announcing the crew person of the month at a general staff meeting may seem like a small thing to you, but it is not small to the packer who stands and receives the applause of coworkers and a small gratuity for the extra efforts. It is huge and not something that will be soon forgotten.

It is not possible to communicate too much. Never assume that employees know something if they heard it once in a staff meeting.

Repeat things over and repeatedly. It's the only way for you to make sure that all your employees know what you want and expect to happen.

*Communication leads to community, that is, to understanding, intimacy and mutual valuing.* —**Rollo May, Psychologist and author.**

### **III. COMPASSION**

*I don't care how much you know until I know how much you care.* —**Steve Covey, 7 Habits of Highly Effective People**

Good leaders have compassion and demonstrate this often to their employees. When they learn that one of them has a critically ill spouse, as an example, they make a point of stopping by their workplace and asking how that spouse is getting along. They congratulate employees on their kid's soccer championship or other similar achievements. They tell them how much they appreciate the work they do. They honor them on important anniversaries. They frequently say, "thank you."

### **IV. COURAGE**

*Courage is doing the things that you are afraid to do. There can be no courage unless you are scared.* —**Eddie Rickenbacker, army aviator and Medal of Honor winner.**

It takes courage to be in business. Every day you get up and put your financial well-being on the line. If you carry freight, every time you send a truck out on the road you are one disastrous accident away from losing

everything. If you are a carpet cleaner, every day that you put employees in people's homes you hope that they will act appropriately and not cause you great legal and financial liability. It takes courage to own and run a business and your employees need to look at you and see a calm and steady hand at the helm, especially when times get tough.

Courage means doing things that are tough to do, like letting go of a loyal and well-liked employee who has worked at the company for twenty-five years and is no longer capable of handling the complex technology required of the position. Courage is sitting down with a son who does not have the right work ethic or aptitude and telling him he can no longer work in the family business. These things are hard to do and take courage. Letting people go is not a pleasant thing to do and most managers procrastinate in performing this task, sometimes for years. Good leaders have the courage to face these types of situations when they arise and take appropriate action.

## **V. ATTITUDE**

*I never failed at anything, I've just found ten thousand ways that don't work. —Thomas Edison*

You need to be the company's biggest cheerleader, no matter how dire the situation. Let your enthusiasm for your work permeate down to your employees. Whether you think you can or you think you can't, you're right. There is no substitute for a positive attitude.

### **EXAMPLE: WD 40**

Think about the inventors of WD 40 giving up on the thirty-ninth try. You do not want events (thirty-nine failures) to control the way you

think (we can do this), you want the way you think to control the events. Keep a positive attitude and never give up.

*Attitude is everything.*

Lou Piniella, successful Major League Baseball manager said it this way:

*It's easier to lose than it is to win. Winning is difficult. Everyone wants to win. It's just that every person, when they're not winning, doesn't want to dig a little deeper, play a little harder, a little smarter. Winning is an attitude, and what you have to do is develop an attitude for your team that winning is the most important thing. You look at teams that win—all the players are successful. It's all tied together.*

Develop an attitude for your team that winning (being successful) is the most important thing. Never deviate from this.

*When the odds against you are a million to one, focus on the one. **Aaron Baker, quadriplegic who learned to walk and run again.***

*Attitude is everything.*

## VI. VISION

*A good hockey player plays the puck where it is. A great hockey player plays the puck where it is going to be. —  
**Wayne Gretsky***

Great leaders have a great vision. You cannot achieve anything of significance unless you mentally see it first. No wood carver ever carved a beautiful sculpture without visualizing it first. Without a vision for your company, there is no direction. No one understands what you're trying to do and how they might help you.

The Dalai Lama got it right when he said:

*“In order to have a positive action, we must develop a positive vision.”*

Every company that desires a positive action should have a positive vision statement that describes what the company is going to look like in two or three years. It should be informative and to the point, such as:

*By the end of 20X6, Durson Movers will be a well-diversified company doing \$6.5 million in sales and operating out of two locations.*

Once you complete your vision statement, you need to convert it into a concrete plan. You need to set goals and objectives for key management and, using the techniques in this book, project the financial statements that reflects the plan. Planning for the future and setting goals are important aspects of good leadership. Be sure to review your company vision statement at least annually and revise it if significant events change.

*A leader must provide a vision—clear and achievable ‘big ideas’ combined in a strategic concept—and communicate those ideas throughout the entire organization and to all other stakeholders. —General David Petraeus*

## VII. HUMILITY

*Oh, lord it's hard to be humble, when you're perfect in every way.* —**Mac Davis, It's hard to be humble lyrics.**

Business owners and CEOs are held in high esteem. They are treated with deference and respect, and employees know that they have pretty much complete power over their employment and financial well-being. Unfortunately, they often begin to believe their own press clippings, and consequently lose touch with their employees.

Good leaders don't need to be reminded that success is always a result of a team effort rather than that of one person. They are quick to recognize others, and it's amazing how much you can accomplish when you don't care who gets the credit. Successful business leaders refuse to take any credit for themselves. "It is the team that succeeded not me," they say, and they are right. Employees expect the boss to take all the credit and are surprised and pleased when that is not the case. No successful company is ever the result of the actions of one person.

Humility means admitting when you've made a mistake and apologizing for it, and good leaders never fail to apologize when they're wrong. These actions do not diminish but rather enhance a leader. They encourage respect.

Robert A. Millikan, Nobel laureate physicist, got it right when he said:

*Fullness of knowledge always and necessarily means some understanding of the depths of our ignorance, and that is always conducive to both humility and reverence.*

## VIII. CONSISTENCY

*There are those who would misteach us that to stick in a rut is consistency —and a virtue, and that to climb out of the rut is inconsistency and a vice. —Mark Twain*

Good leaders can be counted on to have a set of values they follow consistently. This quality acts as a stabilizing force, without which the internal workings of a company can be easily disrupted when faced with challenges. Consistency of purpose is not to be confused with inflexibility; it provides a firmness of character and allows a company to be ready for the changes and difficult decisions that will inevitably occur in the ordinary course of business. Core values define what a company and its employees stand for and who they are. They are what drive the company.

### **EXAMPLE:**

In my previous company our core values were:

- P**      **P**assion for excellence
- I**      **I**ntellectual curiosity
- L**      **L**eading by example
- L**      **L**ifetime learning
- A**      **A** balanced life
- R**      **R**espect for others

These values were important to me. They defined who we were and how we wanted our employees to behave. They were posted in many places throughout the firm and emphasized at staff meetings. If you have core values in your business, make sure that all your employees know what they are.

It is not difficult for good leaders to be consistent. It is part of who they are. Chris Petersen, a highly successful Division I college football coach, put it this way after he benched a star defensive player for committing a personal foul:

*I'm just not into stupid penalties. It's not even an issue whether the guy's going to play or not if they don't conduct themselves right. If you don't play like we want you to play, you're not playing. It's not even a decision for me; it's easy.*

Good leaders set high standards for profitability, performance, and overall excellence in all operations of the business and never deviate from those standards. They have core values and stick to them, and employees know that they can count on this stability and consistency in the company.

## **IX. BALANCE**

We have all experienced the alpha CEO. Their smartphones provide twenty-four/seven accessibility and are never far from reach. Their phone comes to meetings, the dinner table, and the bedroom, and e-mails are answered at ten o'clock on a Sunday evening with great pride. These are serious, dedicated, hardworking, conscientious people who check out the parking lot on Saturday morning to see whose car is not there. Work is everything to these people, and they know that to be successful, you must be dedicated and willing to make sacrifices. If you must miss the kid's baseball game or recital, so be it. What a lot of crap.

Good leaders realize that to be truly successful, they must have balanced lives. Time with family and service to the community are priorities. If a CEO needs to be available twenty-four seven for the business to be

successful, then there is a serious delegation and leadership problem. The smartphone does not have to be surgically attached to a hand. This is an addiction, much like any other, and it should not be allowed or tolerated.

Make sure there is balance in your life as well as in the lives of your employees. As the old saying goes, few people on their deathbeds say, “I wish I had spent more time at the office.”

## **X. KNOWLEDGE OF FINANCE**

Of course, I am going to include a knowledge of finance in the top ten. Most owners or managers of a closely held businesses do not have a background in finance. In family businesses, the current family managers probably worked summers in the office or factory and then migrated into sales or operations. Analyzing and understanding financial statements was probably not part of their training program. When they eventually become the CEO of the company, this lack of knowledge results in conversations with controllers, bankers, or financial consultants that can be confusing or even annoying. Financial people often speak in their own “language,” and use terms that are technical and not always understood.

Many CEOs, therefore, tend to take a simplistic approach to financial management. “If the business is growing and profitable, everything is OK. If growth in revenue and profits is good, then more is better. If things are not going well today, then they will surely improve tomorrow. Hard work will fix any problem.” If only that were the case.

Financial management of a business is more involved than that, *but it is not difficult or complicated*. Any business owner or manager can learn the

basics of finance, and this knowledge is critically important to the ongoing success of the business. The key to simplifying financial management is to take it one step at a time. In this fashion, it will not be nearly as difficult as you might imagine. *Inch by inch, anything is a cinch!*

On a step-by-step basis, this is not a difficult process, and, if performed regularly, it will help ensure the financial health of your business. The first fourteen chapters contain the information you need to fulfill this requirement. Give it 60 minutes a month. That's you need to learn what you need to know. You will be happy and successful. I guarantee it!

## SUMMARY

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**T**here may be other qualities of good leaders, but the ten listed here are the most important in my opinion. Is it possible to practice only eight or nine of them and still be successful? Yes, probably, but if you want to be consistently successful and be a truly good leader, you will work on all of them.

Good leaders are not born, they become good through the diligent practice of these ten qualities. All it takes is practice and some effort on your part. Good leaders attract and hire similar types of people to their companies—high class employees who want to work in that type of environment. The strong get stronger, team has fun, and the company is successful.

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# APPENDIX I—EMPLOYEE SATISFACTION INDEX

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## EMPLOYEE SATISFACTION INDEX

Date: \_\_\_\_\_

**Strictly Confidential**

Poor 1—Excellent 10

Score

1. I have good access to my boss/supervisor. \_\_\_\_\_
2. I feel that my boss adequately communicates with me. \_\_\_\_\_
3. I feel like my opinions/feelings are important. \_\_\_\_\_
4. I understand the goals of my department and the company. \_\_\_\_\_
5. I receive sufficient training/information to do my job. \_\_\_\_\_
6. I understand my career path. \_\_\_\_\_
7. I have adequate physical space. \_\_\_\_\_
8. I have adequate work equipment. \_\_\_\_\_
9. I feel my compensation is fair and competitive. \_\_\_\_\_
10. Overall, I enjoy working here. \_\_\_\_\_

Total Score \_\_\_\_\_

Comments:

## Appendix II—Upstream Evaluation

### Strictly Confidential

Evaluation of \_\_\_\_\_ Date \_\_\_\_\_

**1. Provides effective and consistent leadership to the company.**

Consistently      Usually      Sometimes      Never      Not Rated

**2. Demonstrates a passion for excellence.**

Consistently      Usually      Sometimes      Never      Not Rated

**3. Requires noticeably superior service to customers.**

Consistently      Usually      Sometimes      Never      Not Rated

**4. Sets clear goals and objectives for subordinates.**

Consistently      Usually      Sometimes      Never      Not Rated

**5. Effectively delegates work, responsibility, and authority.**

Consistently      Usually      Sometimes      Never      Not Rated

**6. Includes me in major decisions that affect me.**

Consistently      Usually      Sometimes      Never      Not Rated

**7. Helps me to develop my skills by providing opportunities for growth and challenge.**

Consistently      Usually      Sometimes      Never      Not Rated

**8. Conducts timely and constructive reviews of my performance.**

Consistently      Usually      Sometimes      Never      Not Rated

**9. Makes time for me when I have suggestions, questions, or problems.**

Consistently      Usually      Sometimes      Never      Not Rated

**10. Listens attentively and cares about my opinions and thoughts.**

Consistently      Usually      Sometimes      Never      Not Rated

**11. Gives me recognition for my contributions and efforts to help the company.**

Consistently      Usually      Sometimes      Never      Not Rated

**12. Knows and understands the core values of the company and strives to emulate them.**

Consistently      Usually      Sometimes      Never      Not Rated

**13. Treats people with respect.**

Consistently      Usually      Sometimes      Never      Not Rated

**14. Maintains a consistently high moral and ethical standard in his or her actions.**

Consistently      Usually      Sometimes      Never      Not Rated

**15. What do you like most about this individual?**

**16. What suggestions would you have that would improve your working relationship?**

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## APPENDIX III—THE BUSINESS REVIEW

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### BUSINESS REVIEW

The Business Review contains questions that you and your key management team should carefully and accurately answer about the current state of your business. The list of questions is comprehensive and covers the following areas:

1. Management
2. Finance
3. Sales
4. Operations/Production
5. Warehouse
6. Risk management

Answers should be one of the following:

- |  |          |
|--|----------|
| 1. Strongly disagree, no, never                | 1 point  |
| 2. Somewhat disagree, seldom                   | 2 points |
| 3. Somewhat agree, occasionally                | 3 points |
| 4. Strongly agree, yes, always, not applicable | 4 points |

***Business Review*** automatically totals your scores for up to twelve participants. Download it at [www.60minutecfo.com](http://www.60minutecfo.com).

There is a very high correlation between successful companies and those scoring over 90 percent on this evaluation. Answer these questions objectively and honestly and determine the areas of your company that need improvement

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## APPENDIX IV—THE LEFT BEHIND LIST

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### THE “LEFT BEHIND” LIST

What would happen if you stepped in front of a bus tomorrow? What kind of a mess would you leave? The people who are left behind after your passing are going to need to know the following information so sit down and take the time to write it all down. Put it all in a three-ring binder and let them know where it is. Keep it up-to-date on at least an annual basis. You will save a lot of trouble for a lot of people, and they will be very grateful.

#### **I. Personal Information**

Names, phone numbers, addresses, birthdates and social security numbers for you, your spouse, previous spouses, parents, all living children of you and your spouse, their marital status and all others in your will.

#### **II. Advisors: phone number and address**

- a. Attorney who drew the will
- b. Corporate attorney
- c. Family business advisory board
- d. Accountant—tax, corporate, and estate planning
- e. Insurance agent
- f. Financial planner
- g. Business consultant
- h. Family advisor
- i. Other

#### **III. Personal Bank Accounts**

- a. Name of bank(s)
- b. Branch location
- c. Name of primary banker

- d. Signors on the accounts
- e. Type of account (JTWRS, etc.)
- f. Location of safe deposit box, location of key and who is authorized entrance
- g. Documents kept in the safe deposit box
- h. Outstanding credit cards, type, number and PIN

**IV. Documents: indicate location of original, include copy if appropriate**

- a. Will
- b. Tax returns
- c. Gift tax returns
- d. Community property agreement
- e. Durable power of attorney
- f. Living will
- g. Medical power of attorney
- h. Trusts
- i. Pre-nuptial agreement
- j. Divorce decree
- k. Life insurance policies
- l. Shareholder agreement
- m. Partnership agreement
- n. Contracts
- o. Notes receivable
- p. Notes/mortgages payable
- q. Other files and papers along with disposition instructions

**V. Assets—indicate location, how to access information online, passwords, whether joint or separate property, etc.**

- a. Stocks, bonds, mutual funds
- b. Certificates of deposit
- c. 401(k), profit sharing, IRA
- d. 529 plans
- e. Notes receivable
- f. Vehicles: cars, boats, airplanes, RV
- g. Real estate: location and legal description

1. residence
  2. vacation
  3. investment
  4. time-share
- h. Corporate interests: percentage owned, other owners
  - i. Partnership interests: percentage owned, other partners
  - j. Sole proprietor interest
  - k. Farm/ranch
  - l. Other
  - m. Best guess as to value of all assets:  
\$ \_\_\_\_\_

**VI. Liabilities: indicate personal guarantees**

- a. Personal mortgages
- b. Corporate debt guaranteed
- c. Partnership debt
- d. Other
- e. Current approximate amount of all personal liabilities: \$ \_\_\_\_\_

**VII. Life Insurance**

- a. Location of policies
- b. Amount of death benefit
- c. Insured
- d. Beneficiaries
- e. Total amount of life insurance on you:  
\$ \_\_\_\_\_
- f. Total amount of life insurance on spouse:  
\$ \_\_\_\_\_
- g. Total amount of second-to-die insurance:  
\$ \_\_\_\_\_

**VIII. Personal Effects**

- a. Jewelry
- b. Art
- c. Collections
- d. Antiques
- e. Season tickets (sports, theater, symphony, etc.)

f. Mementos

**IX. Personal biographies for you and your spouse.**

Information about you and your life that your heirs may not have and may never have if you don't write it down here. Include anecdotes and recollections about what it was like when you were growing up, key people and memories in your life, activities you were involved in, awards you received, etc. Also include information about your family tree if it is not available elsewhere. If you want, you can even write your own obituary to make sure they get it right!

**X. Personal Wishes**

Aside from the formal dispositions in your will, outline some of the things that you would like your executor or administrator to know about, such as:

- a. How you would like your personal effects distributed
- b. Who you feel is the most qualified to assume management of the family business and who would be your second choice
- c. What you feel is the most desirable disposition of the family business
- d. Who you feel should be relied upon for legal, tax and financial advice
- e. How you would like your remains disposed of
- f. What kind of memorial service you would like?
- g. The amount of effort used to keep you alive
- h. The people to rely upon if you are incapacitated
- i. Anything else that comes to your mind that the people left behind should know.

When you have all this information compiled in a notebook, have a family meeting and go over it. Talk about all aspects of it. Answer all their questions.

A formal meeting is highly recommended but if you don't want to have one, then simply tell them that you have compiled all the information that they might need if you and your spouse don't make it back from your next vacation. Those left behind will love you for it.

**Caution.** This information is sensitive and confidential, and should not be left carelessly lying around. Consider putting it in your safe deposit box if you do not have a secure place to keep it in your home. If you do have it at home, keep it in a fire-proof file, if possible. Storing it in a confidential file on your computer with a backup flash drive in your safe deposit box would be a good alternative.

One final thing: Put a reminder on your calendar to look at this information every year to make sure it is updated and still represents your current thinking and situation. Then go off on your vacation with your spouse, confident that if you don't make it back, those that are *left behind* will be in very good shape. Thanks to you!

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# APPENDIX V—THE ADVISORY BOARD

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## THE ADVISORY BOARD

### **I. Membership:**

Membership should be in the three to five range with one or two outside members. Members should be selected for their expertise and their ability and desire to interact with the other participants. They should trust and respect each other and interact well on a personal and business basis. Attendance of the company's attorney or banker is often desirable, but it is not advisable to have either as formal members of the advisory board due to conflict of interest issues.

### **II. Authority:**

An advisory board has only the authority given it by the owners of the company. It is not a formal, legal body like the elected board of directors of a corporation. An advisory board's responsibility is to advise, and it does not have the power to bind either management or the corporation unless authorized by ownership. Members should be indemnified by a written hold harmless declaration of the actual board of directors of the company to protect them from personal liability.

### **III. Compensation:**

Normal compensation is \$500 to \$1,000 per meeting, plus expenses. Meetings usually last four to eight hours, and preparation is required on the part of board members prior to the meeting in the form of reviewing financial information, reports, proposals, etc.

### **IV. Board Duties:**

- A. Be knowledgeable about the general operations of the company.
- B. Be knowledgeable about the financial operations of the company. Prepare for each meeting by reviewing financial information in advance.

- C. Provide input into the hiring and termination of key personnel.
- D. Review and approve the annual operating plan.
- E. Provide input into compensation of key management and bonus plans.
- F. Ask questions, challenge ideas or suggestions and be active rather than passive.
- G. Provide input into any disagreements or disputes between key personnel.
- H. Assist in the determination of long-term strategic objectives and goals.
- I. Assist and provide input into the performance of key personnel.
- J. Be available for telephone conferences between meetings, as required.
- K. Be knowledgeable about the corporate by-laws and articles of incorporation, and provide oversight to ensure compliance.
- L. Be sure to attend all meetings.
- M. Exercise utmost good faith and diligence in all corporate matters, and avoid any self-dealing or conflict of interest with the company.
- N. Monitor compliance with laws and corporate policies.

#### **V. Frequency of Meetings:**

Two to four times per year, following the publication of company's financial statements.

#### **VI. Benefits:**

- A. Stimulates the owner's aspirations and confidence about the business.
- B. Raises the expectations, performance, and efficiency of key managers.
- C. Provides a source of objectivity to management, family and company leadership.
- D. Promotes more professionalism within the company.
- E. Assists in the objective evaluation of the CEO's performance.
- F. Provides insights in formulating long-term strategy.
- G. Enhances the image of the company in the community.

- H. Acts as a mentor/advisor for the CEO.
- I. Assists in the preparation of a succession plan.
- J. Provides expertise and advice on an affordable basis.
- K. Allows for continuity of the business in the event of an unexpected loss of the CEO or owner.

### **VII. Disadvantages:**

- A. Adds to the work of the CEO and key management in preparing reports.
- B. Can slow decision making at times.
- C. Board expense.
- D. Possible expense of errors and omissions insurance.

### **VIII. Potential Agenda:**

**A. General Session:** Advisory board plus key managers and CFO.

- 1.. Approval of minutes of the prior meeting.
2. CEO's report:  
Actual performance vs. goals.  
Questions or concerns.  
Capital expenditures for next quarter.
3. Presentation of financial statements—CFO.
4. Cash flow report and forecast—CFO.
5. Sales/marketing report—sales manager.
6. Operations report—operations manager.
7. Production report—production manager.
8. Confirmation of future meeting dates.

**B. Executive session**—advisory board members only:

1. Personnel issues.
2. Performance evaluation.
3. Compensation issues.
4. Other sensitive company matters.