



Corporate citizenship in action: Charitable giving

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Though charitable giving usually involves an element of altruism, when it comes to charitable donations made by a business, it's important to recognize that donations also represent an expense. As such, charitable outlays made by your business should be made deliberately, based on an articulated policy that reflects your corporate values.

Charitable giving is one of the best ways to demonstrate your corporate citizenship. But, a surprising number of businesses have not developed policies regarding the types of charities they will support. In the case of family-owned businesses, charitable giving is often directed toward charities that reflect the personal interests of the owners. That's fine (and understandable), but when donations are made by the business special attention should be paid to the types of charities supported, as the

donation will reflect on the business.

Ideally, charitable corporate giving should focus on supporting activities that are aligned with ideals of the company, its employees or customers. So, for example, if your company publishes children's books, charities that help children might be logical beneficiaries of your giving.

Because the amount a business can afford to allocate to charitable giving is limited, it's a good idea to establish a policy regarding your charitable giving. Creating a specific policy is useful on a number of levels. For starters, prioritizing the activities the business will support requires you to think about what it is your business stands for – this is a useful exercise in itself. Another benefit to having an articulated policy is that when the business is

canvassed by charities you can decline to support them with a clear conscience if their activities are outside the scope of those your business supports.

Besides articulating corporate giving priorities, the policy should also address things like budgeting, scheduling of donations, whether the donations will be anonymous or recognized, and administration of the giving program.

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Is it time for your annual insurance check-up?

As a business owner you understand the importance of insurance and you probably have some, but is it the right kind and is the coverage adequate? These are questions that should be assessed on a yearly basis – think of it as an annual insurance “check-up”. For family-owned businesses the check-up should involve consideration of both business and personal insurance, as well as any policies that may come into play in succession planning.

Assessing business insurance needs

Most businesses require a number of different types of insurance to insure their daily risks. As a business owner you should consider business property insurance (covering things like land, buildings and equipment), general liability (or professional liability) insurance, which is intended to protect business assets in the event the business is sued, and business interruption insurance, which is designed to cover loss of income in the event the business is interrupted.

Whether to have a certain type of insurance is just the first question

Though the threshold issue is always *whether* you should have a certain type of insurance, that’s not the end of the inquiry. Indeed, as part of your annual insurance check-up you should also assess whether the existing

coverage is sufficient to continue protecting the business against unforeseen circumstances.

There are a number of factors (beyond the premium) to consider when assessing your policies, including:

- **The deductible** – there are a few questions to consider regarding the deductible. First and foremost is whether you can afford the amount of loss you would have to absorb before the insurer pays. The possibility of reducing the premium by increasing the amount of the deductible is also something you might want to look into.
- **Policy exemptions and exclusions** – to a large extent, we’re talking about the fine print here – the specifics of the policy that allow the insurer to escape from having to pay. For example, a business disruption policy may contain a provision that requires you to have certain safeguards in place (for example, computer back-up systems). If the insurance company determines the necessary safeguards were not in place, it may deny the claim. With regard to exemptions and exclusions, it’s important to check to see whether the insurer has imposed any new exclusions or

changed any of the policy terms.

- **Insurer’s claims handling** – when choosing insurance carriers (or when renewing a policy) the question of how the insurer deals with claims should be reviewed. If an insurer has a reputation for disputing claims, perhaps another carrier should be considered. News stories and conversations with other business owners and insurance brokers who have dealt with a particular insurer, as well as ratings by companies like Standard & Poor’s, will give you a good idea of an insurer’s reputation regarding payment of claims.
- **Adequacy of coverage** – quantifying the amount of insurance the business needs is difficult. The simplest way of thinking of it is that the amount of coverage should be whatever you need to cover potential exposures. When determining this amount it’s a good idea to hypothesize about the worst-case scenario and consider coverage up to that amount. (In terms of getting a handle on what a worst-case scenario amount might be, learn from history – both from your business’s and your competitor’s. For example, though you may never have been sued, if one of your

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competitors has, the outcome of that law suit should be borne in mind when assessing the likelihood and quantum of potential claims.)

Assessing your personal insurance needs

Because “business” is only half the equation in a family-owned business, your annual insurance check-up should also address insurance products aimed at protecting your financial future. The three main types of insurance most business owners should consider are disability insurance, critical illness insurance and life insurance.

Disability insurance is designed to replace your income should you become disabled and are therefore unable to work. The business can purchase the disability insurance (usually referred to as “key person coverage”) or it might purchase “business overhead” insurance, which is a type of disability policy designed to pay the business’s monthly expenses if you suffer from an accident or illness.

Critical illness insurance pays a lump-sum amount when the insured is diagnosed with a serious, life-threatening condition (for example, cancer, heart disease or a stroke).

Life insurance pays the beneficiary on the death of the insured. There are two main types of life insurance: term insurance, which you take out for a specific period and which pays only if you

die within that period, and whole life, which pays at the end of your life, whenever that might be (so long as you’ve continued paying the premiums). A thorough discussion of the pros and cons of each type of insurance is beyond the scope of this article.

You should ask yourself whether you need each of these types of personal insurance and if so, how much coverage you should have. In the case of disability insurance, because it is intended to replace income you would earn if you weren’t disabled, aim for a policy that covers your expected earnings. In the case of business overhead insurance the coverage should be for an amount that would cover current and projected business expenses.

In the case of critical illness insurance the conventional wisdom is that the minimum should be enough to cover one year’s earnings plus one year of mortgage payments. Of course, if the premium isn’t prohibitively expensive, you should consider more than the minimum.

As for life insurance, the main considerations usually revolve around the age of those who might survive you and their needs if you were to die.

Insurance to help with succession planning

Insurance often plays a major role in succession planning in family-owned businesses. For example, life insurance can be used to

fund the purchase of an interest under a buy/sell agreement.

Life insurance can also play an important role in terms of treating your children fairly. When dividing an estate in their will, most people believe treating their children fairly means treating them equally. However, where some children will not be involved in the business, is allowing equal ownership for each child fair? Insurance is a very useful tool when dealing with this issue, as it provides passive assets that can be gifted to inactive children as an inheritance.

So, as part of your annual check-up you should consider whether an insurance product is needed to carry out succession planning.

Recognizing that insurance is simply a financial planning tool makes the need for a regular (we suggest annual) insurance check-up clear. So why not incorporate one into your normal year-end financial planning and review.

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Don't let your small business be small-minded

Small businesses face a number of challenges and small business owners are often required to focus on many important matters at the same time, such as cash flow, employee relations, sales targets and productivity. Regardless of the concerns of the moment, if a small business hopes to compete in a world with other businesses – large and small – it's important for owners to do all they can to create a professional atmosphere.

Nothing will sabotage a business quicker than small-minded behaviour by an owner or by the business's employees. Though this admonition seems self-evident, business owners often fail to realize many of the ways a reputation for small-mindedness can develop. Here are some examples of little things that will help your employees and customers think of your business as first-rate, regardless of its size.

- **Don't break your promises, no matter how small or insignificant they seem to you.** In a business setting, everything the owner says takes on significance and even casual promises are heard by employees and customers as verbal contracts. So, whether you've said you'd get a new coffee maker, or commented that you'd get some help in the mail room – if you've

promised something, make sure you follow through and make it happen.

- **Give your employees the tools they need to do the job.** It's surprising how many small businesses "make do" with equipment that is old and inefficient. We're not implying that businesses should always have the latest in technological advances (as chasing technology can be expensive and continually having to learn new processes and programs can be time-consuming) – we're talking about providing things like comfortable work stations (a card table in a corner won't do) and proper lighting. If you expect employees to be professional you should provide a professional work setting.
 - **Give employees tasks that are appropriate to their position.** In a small business, job functions are often less well defined and employees are frequently expected to do a variety of tasks. But asking a vice president-level employee to answer the phone while the receptionist is at lunch is not a good use of resources. When things are not getting done around the office consider hiring additional staff, rather than expecting others to pick up the slack. Hiring an additional person often pays for itself because it
- frees up staff to concentrate on matters that will increase overall productivity or output. If the cost is an issue, consider hiring interns or students – they'll gain invaluable experience and other employees will be able to focus on work that generates profits.
- **Watch your pennies but don't pinch them.** Anyone who has ever brought donuts to a morning meeting has probably noticed how much goodwill is generated by the small gesture. Pay attention to the little things that your employees appreciate (whether it's good quality coffee or a selection of teas, doughnuts, or cheese and fruit trays when people are putting in extra long hours on a project) and provide those things.
 - **Treat everyone fairly.** Resentment builds up quickly if employees feel they are not being treated fairly and equally. Avoid being seen as giving special treatment to family members employed by the business. So, for example, if you require employees to file timely expense reports, be sure to enforce the rule across the board (no exception for a lazy brother).
 - **Recognize the advantages of working for a small business.** Ask yourself why someone would want to work for your small

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business instead of a large corporation. A relatively relaxed work atmosphere is often mentioned as one of the psychic benefits employees of small businesses feel. So, depending on the nature of your business (or more likely, the nature of your customer base), consider letting staff dress casually, perhaps let them bring their dogs to work, or let them have a say in the location, layout and decoration of their work station. Once again, we're talking about ways of generating goodwill and happiness among employees because a happy employee is more dedicated and more productive.

- **Be reasonable in your demands on employees' time.** While it's inevitable that there will be times when you must ask employees to stay late or come in on their day off, be careful that extended work hours don't become the norm. As the owner of the business you probably don't mind giving up a weekend day to work on a project, but keep in mind that employees generally don't have the same incentive as you do. If employees will be expected to work overtime, be sure this is clear when they're hired and compensate them in some way for the time (for example, lieu time or additional pay). As well,

get to know a bit about their personal life – are they taking a class in the evening, or do they have to pick up a child from day care, or drive a child to swimming practice? If they have other commitments during the week, asking them to stay late could be a real source of stress, though they might not mind coming in on a Saturday to finish a project. If you're considerate of your employees, chances are they'll feel they're a valued member of the team and they'll be willing to go the extra mile to get the job done.

10 Signs of Entrepreneurial Kids

Many parents have a clear perception of their children's unique qualities, but they may not recognize what qualities might be telltale signs of a particularly entrepreneurial spirit.

Here are some qualities that can be indicative of budding entrepreneurs, according to Patricia Olsen in, "A little child shall lead them: In some family firms, the real entrepreneurs are not the founders but their kids," Family Business Magazine, Spring 2004:

1. **An uncanny ability to recognize a fruitful opportunity** – this is clearly a useful skill for entrepreneurs.
2. **Perseverance to carry through on an idea** – a must for anyone in business.
3. **A people-orientation** – this often translates into an ability to see the customer as an ally, which is an attitude that may help the business grow.
4. **The outlook of a team player** – it's important to realize that business is a group effort. If a child is a loner by nature it will be difficult for him or her to succeed in the family business.
5. **A strong work ethic** – if a child sees himself or herself as simply taking orders from a parent the child is not likely to feel he or she has a stake in the business.
6. **A special skill of some sort** – when a child exhibits a special skill, it could indicate a drive to excel.
7. **A problem-solving nature** – children who come up with new ways of doing things are likely to be able to lead the family business in new, useful ways.
8. **Creativity** – though creativity can be exhibited in a number of ways, of particular interest should be the ability to come up with ideas that have not occurred to you, as founder.
9. **Leadership** – achievements like being valedictorian, being class president, or being voted "Most Likely to Succeed" are signs of an entrepreneurial child.
10. **The desire to seek out different experiences** – for example, a child who has spent a year of university abroad may return with an understanding of another culture or may have gained personal insights that might be particularly valuable to the family business – especially if the business has an international reach.

Q & A

In this section we offer food for thought – based on our experience (and what we’ve gleaned from others who may have faced similar issues) – about specific situations you’re facing or questions you may have.

Question

Though I know you don’t have a crystal ball or anything – and I realize every family and every business is different – I’m wondering if you can give me some insights into the types of things I might look forward to if I were to go to work for my parents’ business, and especially if I were to ever take it over.

Answer

Well, you’re quite right that every family business is unique, so it’s hard to say exactly what you might expect if you join your family’s business. But we can share a few comments we’ve heard.

One common complaint is that everyone will have an opinion about your work and will offer unsolicited advice. Though we’re not sure why, it seems that in family-owned businesses family members (even those not directly involved in the business) are quick to opine

on all sorts of things. Do your best to take the comments in stride and, naturally, when figuring out how seriously you should take the advice, consider the source. (Besides, you’ve probably got experience doing this: think of all the comments grandma made about your hair, or your choice of clothing – you probably got pretty good at taking such comments with a grain of salt!)

Disagreements are inevitable. Though disagreements can occur in any work setting, a natural tension exists among different generations involved in a family business. Much of the tension comes from the fact that the owner often is anxious to leave his or her mark on the business before exiting while the next generation is equally anxious to take on responsibility and make his or her own mark.

Don’t be surprised that you’ll end up paying yourself last. Founders understand the need to make sacrifices to ensure the viability of the business – whether it’s paying themselves last, or sacrificing vacation time to

complete a job. Second generation owners sometimes don’t realize the amount of sacrifice they might be called on to make to ensure the financial health of the business.

But take heart. Not all the things you have to look forward to are negative. You’ll probably be quite surprised at the pride you feel in working to make the family business a success. Though being productive and successful at any job or career builds self-esteem, carrying on the family business seems to bring gratification and a sense of self-worth above and beyond most other types of work.

We suggest you approach joining the family business with a spirit of adventure, keeping in mind that with all adventures there are high points and low points and good times and bad times. It’s clear that people who end up staying in family businesses feel a sense of ownership and pride that they don’t think they’d feel if they were working for someone else.

Good luck and let us know how it goes!