Community involvement

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Lots of negative examples

- Enron
- Tyco
- HealthSouth
- World Com
- Politics
- Entertainment (as different from politics?)
Some common elements

- Those in power are “insulated”
- Greed + groupthink = ethical lapses
- Lack of external contact leads to
  - Stereotyping of customer base
  - Assumptions of superior knowledge
  - Development of “us” versus “them”
  - “They’ll believe anything we say convincingly”
But among entrepreneurs...

- Organizational structures are flatter
- There is less functional differentiation
- Firm size, practically speaking, dictates responsiveness
- More contacts are “local,” including investors, employees, and customers
- There is a culture of experimentation
- So very little is “just business”
Benefits to the company

- Visibility in the community
- Positive corporate image (which is why people might choose you)
- Respect aids in recruitment
- Involvement makes stronger teams
- Work experience enhanced for employees who can participate
- Contacts with other local companies
OCB from the top

- Obeying the law
- Acting ethically, honestly
- Treating employees with respect
- Make fairness a central principle
- Recognize the environmental consequences of your activities
- Support community involvement
Social responsibility

- Have an internal ethics policy, especially for how to get business
- (Health insurance for employees)
- What happens to what you don’t use?
- Volunteering, charity sponsorships

- When all is said and done, it is about maintaining personal relationships
Company Descriptions

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More than meets the eye...

- "Company description, how hard can it be?"
- Harder than you think
- So we’ll go through the sections now
- But you will need much more information – and will need to make several important decisions before this section can really be completed
What Is Involved?

- Company name (meaningful, Web)
- Company location (where and why)
- Ownership (principals, investors, problems of non-citizens)
- Products or services
- Company mission (examples close to home…)
- Milestones achieved to date (!)
What’s In A Name?

- Is it descriptive?
- Is it sufficient for expansion?
- Do you own the domain name?
- The issue of DBA
- Make sure all name appear in the business plan in some form (potentially in an appendix)
The Mission Statement

- A source of great consternation for the company, and of revenue for consultants (see pp. 62-63)
- A balance between what the marketers want it to say, and what those responsible for delivering are comfortable with having it say
- Limit to a few key sentences
- At least *imply* measurable objectives
Legal Description Choices

- Sole proprietorship
- Partnership
- S corporation
- LLC
- C corporation
Sole Proprietorship

- One owner
- Unlimited personal liability
- Income and losses “pass through” to owner and are taxed at personal rates
- Upside: owner gets all profits
- Downside: no tax breaks, total responsibility, personal finances at risk, difficult to raise capital
Partnership (LLP)

- Two or more owners
- Income/losses pass through, taxed at personal rates
- One partner has unlimited liability, others may have less
- Partners may contribute capital
- Limited partners may not participate in management
S Corporation

- Up to 75 shareholders
- Income and losses pass through
- Limited liability, tax benefits of a partnership (flexibility in allocation of profits and losses to partners)
- May limit future financing options (because of limit on shareholders)
LLC

- Unlimited members
- Income and losses pass through, flexible allocations
- Limited liability
- Taxed as partnership, not corporation; lots of flexibility
- Need care in forming operating agreement
C Corporation

- Unlimited shareholders
- Losses are corporate, dividend income taxed at corporate and personal levels
- Extremely limited liability
- Continuous existence, transferable ownership
- Very heavily regulated, “double taxation”
Range Of Legal Issues

- Who are the owners?
- What written agreements are there?
- Patents, trademarks, other protections for intellectual property
- What are investments to date?
- What are liabilities to date?
- Are there strategic partners?
Management

- Who are the principals?
- What are their roles in the company?
- Is there an advisory board (legal, accounting, “arms-length” people)
- Are there vacancies on the team in terms of uncovered responsibilities?
- How do you propose to cover them?
What Have You Already Done?

- Is there a proprietary technology?
- Have you raised any seed funding?
- Do you have strategic partners?
- Do you have interested customers?
- What is your stage of development?
  - Seed (no final product)
  - Startup (early stages of operations)
  - Expansion (some business history)
  - Established (maintaining a market share)