

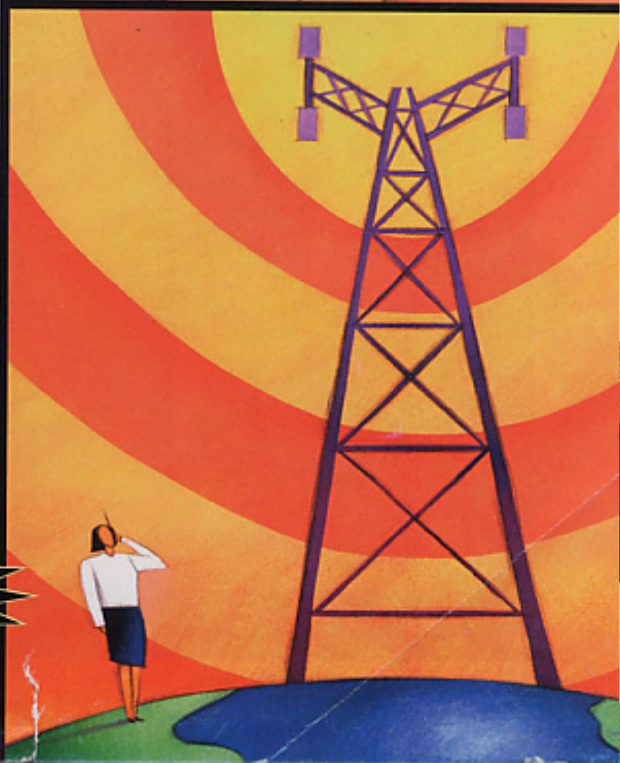
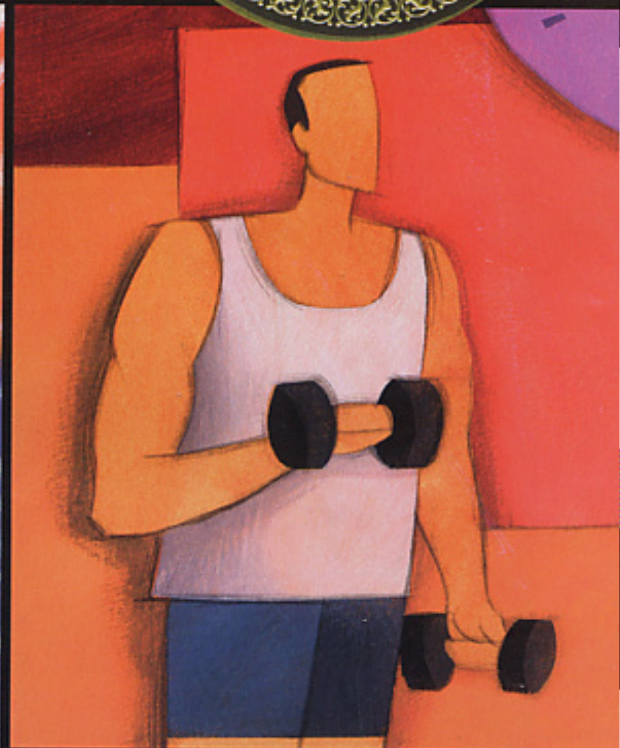
Small-Biz

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2007 Annual
Report Edition!



Solving Sticky People Problems

by Tim McHeffey, Innovative Business Educators

There is an old saying that says “you can tell a real manager by the shine on his shoes.”

What is a *real manager* anyway? It sure does sound like someone we need more than ever now, especially in small businesses. Are most higher-education management professors *real managers*? They instructed us well about textbook cases of management, but what about the everyday, sticky situations that come up in the business world? What about the situations not covered in management course textbooks?

How can a manager best handle a *sticky, people problem*? Sometimes the bigger ones are easier to handle, like terminating an employee who got caught stealing from the company - that's a no-brainer. But what about the guy who's chronically late - just buy a few minutes each day, yet tends to build an undercurrent of resentment among the other employees; or the person who's moody; or the one who stares? And what should you do about the employee that -gasp- *smells*? You see, most of the time, supervisors do not address these situations, but they adversely affect the workplace.

Why are these issues ignored? For one thing, many managers simply don't know what to do. You won't find this stuff in textbooks. The proper way to handle these prickly problems is always contingent on the situation. Each of the situations has their own unique solution, and the solution can always be tapped from your inner sense, by using PHP.

Purity, Humility, and Patience

PHP... it sounds like a drug, yes? It is actually, the most powerful ingredient in human communication. PHP stands for *purity, humility, and patience*. Read on, and some of your stickiest people problems will melt away like an ugly snow pile at fifty-six degrees. This “PHP”-type of focus keeps results positive (high productivity), and negative distractions low (like wasteful expenses).

Purity is integrity, standing up for what you believe is good and true. It's being honorable, even when those below you and above you may not do the right thing. Purity is appreciating everything and everyone with enthusiasm and joy!

Humility is accepting everyone and everything at face value. Ego has no place in managing your small-business employees. Confidence, yes. Egos, never.

Patience is a virtue of which we could all use more. Often times, the best thing we can do is simply (and patiently) wait for further instructions.

Your inner sense will kick in when you use PHP, and you'll maintain fairness and consistency in decision-making.

Applying PHP

Consider this situation: You observe one of your well-performing employees returning from lunch one Friday afternoon. Her walk appears slightly unsteady. You thought you detected an alcohol smell as she walked by. You intentionally spoke to her just to hear her response: “How was lunch, Helen?” She responded with slurred speech.

Your next move is to:

- A) Go talk to her a little more - if only because you're really not sure what to do...?
- B) Call her in (with a witness present, of course) and tell her this type of behavior is not acceptable on your watch, and that this meeting is a warning.
- C) Just keep half an eye on the situation, everybody “happy hours” once in a while. See if another employee, or customer, notices.

Choice “A” seems a little wimpy; for a good manager always knows what to do, right?! “B” sounds more like it... take charge - take no prisoners; you must maintain control, or else... well, all heck could break loose! “C” ... ? This gives you time, and other options. And it's true, nobody is an angel all the time!

Now, let's take the situation through the “PHP” process:

Choice “C” is most likely not the best: everybody does NOT drink during the day. And as far as other opinions, the less other employees are involved, the better. Other employees and/or

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Family Business Buy/Sell Agreements

they are “already getting their share.”

- Obtain a professional appraisal based on the accurate methods for the type of business involved.
- Don't let the business owner set all of the terms without some negotiations between the parties.
- Don't let the agreement set a purchase price and then continue on without a schedule for adjustments and revaluations.
- Make sure the insurance funding the agreement keeps pace with the updated agreement values to show evidence of the intent to honor the agreement.

Comparable to similar arrangements

The requirement that the family buy-sell agreement be comparable to arm's length agreements will likely prove to be difficult as well. If disputed on this point, specific evidence will have to be shown by expert testimony that there were actual sales with similar restrictions, valuation formulas and terms. Merely stating their opinion that the valuation method used is common practice will not be enough.

Substantial Modification

The rule also states any substantial modification made to buy-sell agreements, even those developed before the rule took effect, will trigger the application of Section 2703. It is not clear exactly what modifications are considered “substantial,” but there are some guidelines. Substantial modifications would include the discretionary modification of a right or restriction that results in a greater than de minimis change to the agreement. In other words, if the parties make changes not required by the agreement which result in more than minimal variations in payout or price terms, then the agreement has been substantially modified. Several courts have stated that when the parties to the buy-sell agreement changed the purchase price and removed the price adjustment clause without being required to do so, it resulted in a substantial modification.

The bottom line is that a good buy-sell agreement can provide a business with continuity of management and certainty in the planning of the owner's estate. It is natural to want to help the next generation take over the family business, but the IRS reminds us that we also have to account for the fair market value of the interest transferred. This is a complex subject and business owners need to coordinate their business and estate plans with an attorney. However, they must remember that buy-sell planning is not a substitute for good estate planning. ♦

For further information, contact: Stone House Wealth Management, LLC, Nicholas P. Millard, CLU, ChFC - Partner, (607) 238-7352, 3439 Vestal Parkway, Vestal, NY 13850.

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Solving Sticky People Problems

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customers don't have a “need to know.” Try to leave them out of it, if possible.

“B” sounds like the textbook thing to do. It could also be the most dangerous.

The best choice is probably “A.” Just go talk with her. Ask her questions, and apply PHP.

This situation is actually based on a real live occurrence, where the employee was having a type of diabetic reaction – but had all the signs of being intoxicated. When this actually occurred, the employee ended up going back to work a few days later (albeit slightly embarrassed), but was glad the manager at the time dealt with the situation so gingerly. (The employer was glad they did as well... for the financial damages in mishandling it, were potentially very high).

Welcoming the “Inner-Sense”

PURITY includes being honest, and also appreciating the fact that this employee deserves some benefit of the doubt. **HUMILITY** is accepting that you really don't know what to do; and contrary to what you may have been taught – it's even okay to let your employee know that you're not sure how to handle this situation. And **PATIENCE** will keep you open-minded enough to receive the answer of how to handle this. Immediately, you'll consider at least removing her from the workplace, getting her home safely, calling someone on her behalf... and other items you're not even aware of yet. When you deal with any situation using PHP, the right answers will come to you. Always. It's allowing your supervisory “inner sense” to shine through.

When you use PHP, the right answers will always come to you, in nearly every tricky decision you'll encounter as a people-managing entrepreneur. Allow it, and your inner sense will laser through. Always. ♦

Tim McHefey is the author of the upcoming book, “Solving Sticky People Problems... the REAL MANAGER'S GUIDE to HANDLING Day-to-Day Challenging Situations with EMPLOYEES.” Small Biz Focus readers are invited to call or e-mail him for a free consultation on individual sticky management situations; or if you'd like to receive his Usable Monthly Management Tips. Thoughts, comments, questions? Call (631) 874-7221 or visit or web site at innovativebusinesseducators.com