



Management Covenants

Much of the value of a business is in the management team that optimizes resources for the achievement of business goals. Therefore, empowering a management culture that can achieve and sustain Succession Success_{sm} is a critical aspect of succession planning. The implementation and growth of the most effective management culture is not a process of evaluation for well-meaning hard-working owners and managers. It comes from hard work involving evaluation, punctuation of the good, refinement of the mediocre and elimination of the bad. This process defines the culture that can sustain a sustainable, competitive advantage in your marketplace and provide rewarding, gratifying careers for owners, senior staff, middle managers and employees.

Management Covenants are a set of agreements made among business owner(s), operators, management team and employed family members, defining their management philosophy and culture in a clear and concise manner. These covenants are designed to express the relationship that is desired to be maintained in order to build and maintain a positive management environment.

Covenants are not contracts. A Covenant is an agreement between at least two unequal parties, such as from a biblical perspective, God and Abraham or from a business perspective, between owner and employee. Covenants are made for a reason, in anticipation of problems. The reason is to provide a baseline of relationship reference that will sustain or perpetuate a favorable/good/rewarding/ gratifying relationship during periods of predictable (foreknown) challenges. The Covenants bring peace of mind to owners/ owner operators/managers that there is a well-defined reference point for optimally productive relationships. The process of developing Management Covenants requires each management team member to contribute to the development of these policies and procedures. This way, everyone will take proprietary ownership of the Covenants; consequently there is a far greater likelihood that these policies will positively control the future ownership and management of your business(es).

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Management Covenants clearly state the manner in which individuals within the management team will:

- Interact through the chain of command;
- Communicate information needed at each level;
- Problem solve
- Confront each other
- Recognize the management structure and levels of authority
- Respect the management authority of assigned mentors and department managers - both from the owner and developing family member perspective
- Respect long-term values where there is no business gain worth a family loss
- Reaffirm the mission statement of the business and of the family business council
- Express a mutual understanding that mistakes are a normal byproduct of leadership and everyone will work together to make every mistake no more than a learning experience.