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# CREATING SUSTAINABLE NEIGHBORHOOD DEVELOPERS PROGRAM

@ SOUTHERN UNIVERSITY EDA UNIVERSITY CENTER

WEEK 3

Saturday

Sep. 5

9:00 AM-1:00 PM

## Course 3: License, Certifications, Insurance, Taxes and Organizational Management

- |       |   |
|-------|---|
| 9:00  | Welcome<br><i>Eric Porter</i><br>President, ComNet, LLC   |
| 9:10  | <b>Licenses-Permits-Certifications</b><br><i>Ada Bell</i><br>Director,<br>Louisiana Small Business Development Center (LSBDC)<br>at Southern University |
| 10:15 | Course Overview<br><i>Eric Porter</i><br>Co-founder,<br>CSND at Southern University EDAUC   |
| 10:20 | <b>Organizational<br/>Management</b><br><i>Mel Robertson,</i><br>3M Global, LLC   |
| 11:20 | Break   |
| 11:30 | <b>Introduction</b><br><i>Eric Porter</i>   |
| 11:35 | <b>Insurance</b><br><i>Agnes Andrews</i><br>Allstate Insurance Agency<br>Baton Rouge, LA.   |
| 12:50 | Closing<br><i>Sung No</i><br>Co-director,<br>Southern University EDA University Center  |
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# CREATING NEIGHBORHOOD DEVELOPERS

## *“Licensing Requirements for Contractors in Louisiana and Certification Programs”*

Louisiana Small Business Development Center Southern University

**Presented by:**

**Ada Womack-Bell, MBA**



# About Us!

- The Louisiana Small Business Development Center offers high-quality technical assistance to existing and start-up small businesses, and to small business entrepreneurs in Louisiana at no cost to the client.
- The Small Business Development Center Network is the largest provider of management and technical assistance for small businesses in the United States, and the LSBDC is a member of that network. The LSBDC is funded in part through a cooperative agreement with the U.S. SBA, LED and participating universities.
- **Our Mission**  
To facilitate the formation and growth of small businesses through individual one-on-one consulting services, entrepreneurial workshops and training programs. We provide the business education and information resources to help develop Louisiana's economy.

# Products & Services

- **Consulting**

Our no-cost, confidential consulting assistance is customized to your needs.

- **Training Workshops & Seminars**

We offer affordable workshops you can attend to learn business basics or to polish your management skills. Topics include marketing, business plan development, technology, taxes, software applications, government contracting, state and local certifications and more.

- **Business Information & Resources**

With our no-cost business information services, the LSBDC can help you gather industry or market statistics for your business or marketing plan, research specific market or industry trends, and identify competitors, suppliers or potential customers.

# **Louisiana State Licensing Board for Contractors**

**The Louisiana State Licensing Board for Contractors (LSLBC)** was created in 1956 by Act 233 and is governed under Title 37:2150-2192 of the Louisiana Revised Statutes, Chapter 24.

The LSLBC mission is to protect the general public and the integrity of the construction industry.

Through the Commercial Board and its Residential Subcommittee, the LSLBC regulates commercial, industrial, and residential construction projects.



# Unlicensed Contractors...

- Cut corners
- Display no skills, knowledge, or competency
- Are not insured or bonded to perform construction work
- Offer cheaper services to the consumer
- “Sounds too good to be true and you get what you pay for”



# Licensed Contractors...

- Do it the right way!
- Take pride in their work
- Demonstrate competency and knowledge of construction industry standards
- Doing business compliant and legal by the laws of Louisiana and the Federal Government



# LSLBC License Types

- Commercial License
- Residential License
- Mold Remediation License
- Home Improvement Registration



# Commercial License

## What does Commercial License cover?

- Commercial projects with a value of \$50,000 or more
- Subcontractor/Specialty Trades for commercial projects with a value of \$50,000 or more including labor and materials.
- Exceptions:
  - Electrical/Mechanical/Plumbing exceeding \$10,000 including labor and materials. For Plumbing contractors, contractors must provide a copy of their Master Plumbing License from the State Plumbing Board of Louisiana.
  - Asbestos, Hazardous Waste, Lead Based Paint Abatement/Removal, Underground Storage Tanks require a commercial license with appropriate classification for projects with a value of \$1.00 or more including labor and materials.
- Hire licensed subcontractors
- More than 19,000 licensed commercial contractors

# Commercial License

## What are the requirements for licensure?

- Complete and submit an application.
- Financial statement affidavit showing a minimum of \$10,000 net worth.
- Applicant must take Business & Law Course.
- Applicant must pass Trade Exam, if applicable.
- Business entities must be registered with the Louisiana Secretary of State.
- Once the license is issued the initial license certificate will be valid for one year, then you may renew your license for a one, two, or three year period.
- A Renewal notice will be emailed or mailed to the address on record approximately 60 days prior to the expiration, 15 days prior to expiration and upon expiration of the license.

# Residential License

## What does Residential License cover?

- Residential construction or home improvement projects exceeding \$75,000 including labor and materials.
- Subcontractors/specialty trades for residential projects where the labor and materials exceeds \$7500 for the following specialty classifications: Residential pile driving; residential foundations; residential framing; residential roofing; residential masonry/stucco; and residential swimming pools.
- Home Improvement projects
  - More than 4,000 licensed residential contractors
  - Hire licensed subcontractors

# Residential License

## What are the requirements for licensure?

- Complete and submit an application.
- Financial statement affidavit showing a minimum of \$10,000 net worth.
- Applicant must take Business and Law course.
- Applicant must pass trade exam, if applicable.
- Provide proof of general liability insurance with a minimum amount of \$100,000 and proof of workers' compensation coverage.
- Business entities must be registered with the Louisiana Secretary of State.

# **Licensing Requirements for Building Homes**

## **Residential Building Contractor License**

- Single family homes
- A single duplex, triplex, or fourplex

## **Commercial Building Construction License**

- Three or more single family homes built under the same contract in the same subdivision
- Two or more duplexes, triplexes, or fourplexes
- Apartment buildings or condominiums

# Residential Subcontract Labor Only Specialty Classifications

Subcontractors working under the direct supervision of a licensed residential building contractor may obtain a **Subcontract Labor Only** specialty classification by:

- Completing and submitting an application.
- Submitting an affidavit executed by a licensed residential building contractor that attests to the subcontractor's quality of work and character.
- Passing the Law, Rules, and Regulation Exam.
- Providing proof of current general liability and workers' compensation insurance.

# Home Improvement Registration

## **What does this registration cover?**

- Home improvement projects with a value exceeding \$7,500 but not in excess of \$75,000 including labor and materials.

## **What are the requirements to obtain registration?**

- Complete and submit an application.
  - Provide proof of general liability insurance with a minimum amount of \$100,000 and proof of workers' compensation coverage.
  - Business entities must be registered with the Louisiana Secretary of State.
- More than 2,200 registered home improvement contractors

# Mold Remediation License

## **What does this license cover?**

- Mold Remediation projects with a value of \$1.00 or more including labor and materials.

## **What are the requirements for licensure?**

- Complete and submit application.
- Financial statement with a minimum of \$10,000 net worth.
- Applicant must pass Business and Law exam.
- Applicant must complete Louisiana's Unfair Trade and Consumer Protection Law seminar.
- Applicant must provide proof of Mold Remediation certification.
- Provide proof of general liability & workers' compensation insurance
- Business entities must be registered with the Louisiana Secretary of State.

➤ More than 200 licensed mold remediation contractors



# Examinations

- 67 classifications requiring examination
  - See pages 10-16 in binder for list of classifications
  - Most current and updated classifications are found on LSLBC's website [www.lacontractor.org](http://www.lacontractor.org)
- Examinations are given Monday thru Saturday
- Frequently Administered Exams

Business and Law	1506
Residential Building Contractor	343
Building Construction	303
Electrical Work (Statewide)	212
Mechanical Work (Statewide)	167
- Reciprocity agreements with 22 Boards in 11 States

# Examination Testing Locations

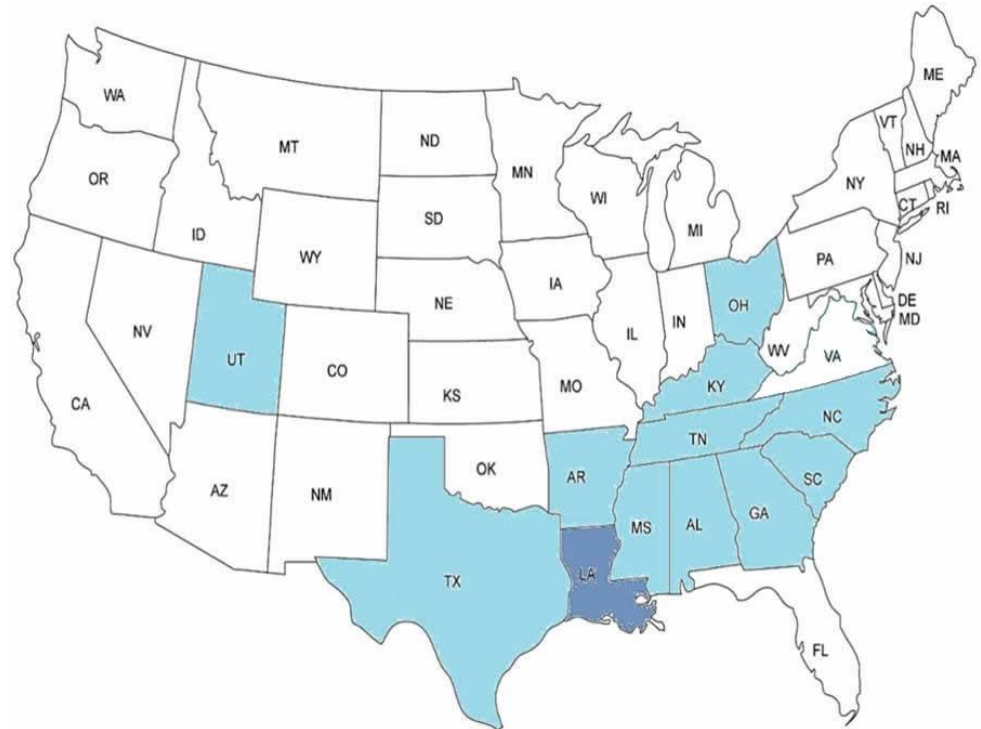
## Ten Testing Locations Statewide

- Baton Rouge main office
- Bossier Parish Community College (Bossier City)
- Delgado Community College (New Orleans)
- Fletcher Technical Community College (Shriever)
- LSU-Alexandria
- Louisiana Delta Community College (Monroe)
- Northshore Technical Community College (Mandeville)
- Nunez Community College (Chalmette)
- South Louisiana Community College-Lafayette Campus
- Sowela Technical Community College (Lake Charles)

# Reciprocity

- **Louisiana has reciprocity agreements with:**

- Alabama
- Arkansas
- Georgia
- Kentucky
- Mississippi
- North Carolina
- South Carolina
- Ohio
- Texas
- Tennessee
- Utah



# Contracts

- We calculate total of all labor and material cost to determine whether a contract reaches licensure limits.



# **Complaints Filed to LSLBC**

Homeowners

Licensed Contractors

Permit Offices

Agencies

# Penalties for Violating Licensing Law

- Unlicensed contractors up to 10% of contract value (Commercial & Residential)
- Licensed contractors
  - Maximum of \$1,000 per violation
  - Suspension
  - Revocation of License
  - Probation
- Home Improvement – up to 25% of contract value
- Other legal remedies: cease & desist orders, permanent injunctions, and court costs
- Contractor Fraud - May be imprisoned up to 5 years when convicted  
by a law enforcement agency

## CONTRACTOR NEWS SOURCE

Bulletin 19-01  
January 2019

LOUISIANA STATE LICENSING BOARD FOR CONTRACTORS

☎ 225.765.2301 or 800.256.1392  
✉ [info@lslbc.louisiana.gov](mailto:info@lslbc.louisiana.gov)  
🌐 [www.lacontractor.org](http://www.lacontractor.org)  
Text-to-Verify: 1.855.990.7896

### RULES PROMULGATED TO EASE CONTRACTOR LICENSING PROCESS

The Louisiana State Licensing Board for Contractors recently promulgated rules to simplify and streamline the application, examination and renewal processes for licensed contractors and those seeking to become licensed contractors. Changes made in this regard include the following.

1. Insurance documents required for residential builders and residential specialty subcontractors, mold remediation contractors, and home improvement registrants will be collected at application and renewal time only, with contractors certifying that they will maintain continuous coverage while licensed/registered.
2. Residential building contractors will continue to be required to meet the continuing education requirement of 6 hours per year, but will no longer be required to submit continuing education certificates to this office. The contractor will maintain their education certificates for a five-year period and provide copies to this office if requested. Contractors will certify at application and renewal time that they have complied with this requirement.
3. Employees applying to be the Qualifying Party for a contractor will no longer be required to provide copies of payroll documents/payroll checks as evidence of employment. However, the Qualifier/Employee will be required to sign a legal affidavit, along with their employer, that they meet the 120-day mandated employment requirement.
4. Every licensed contractor must have a minimum of one qualifying party designated as the qualifier for the Business and Law examination. The Business and Law exam will be transitioned from an online "pass or fail" test to an online course which qualifiers will be required to complete. This transition for fairness and less burdensome for the applicant is scheduled for the first quarter of 2019.

If we can answer any questions or be of further assistance, please contact us [info@lslbc.louisiana.gov](mailto:info@lslbc.louisiana.gov).


# **Licensed Contractor... IT'S THE LAW**

## **Three ways to verify licensure:**

1. LSLBC website [www.lacontractor.org](http://www.lacontractor.org)
2. LSLBC mobile app - La. Contractor
3. Text-to-Verify 1-855-999-7896



# LSLBC website: [www.lacontractor.org](http://www.lacontractor.org)



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2525 Quail Drive, Baton Rouge, 70808


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CONTRACTORS

CONSUMERS




### Commercial Agenda for October 16


[Click here](#)



### We've gone mobile!



### Online Forms



### Rules & Regulations

### Renew Online

Application, Fees, and all regulations involving the renewal process. [Click here](#) for everything you need to know.

### Weather the storm

Don't be a victim twice. Learn the the proper steps to check out contractors for your home repairs.

### Newsletter

Type your email address below and receive our monthly news letter to stay in the know!



# **Louisiana Licensing Board for Contractors**

## **Contact Information**

**Website:**

[www.lacontractor.org](http://www.lacontractor.org)

**Phone**

1.225.765.2301

1.800.256.1392

# SMALL BUSINESS OVERVIEW

Small business is the backbone of our state's economy. More than 97% of businesses in Louisiana are small businesses, and Louisiana Economic Development is committed to connecting small businesses with the services and resources they need to grow and succeed. We help new entrepreneurs realize the dream of business ownership and existing businesses remain competitive.

PROGRAM NAME	BENEFIT	ELIGIBILITY (NOT COMPREHENSIVE)
<b>SMALL AND EMERGING BUSINESS DEVELOPMENT PROGRAM</b>	Provides developmental assistance including entrepreneurial training, marketing, computer skills, accounting, business planning, legal and industry specific assistance	<ul style="list-style-type: none"><li>• At least 51% of the company must be owned by a Louisiana resident, whose personal net worth cannot exceed \$400,000</li><li>• Business' net worth at the time of application may not exceed \$1.5 million</li></ul>
<b>BONDING ASSISTANCE PROGRAM</b>	Provides bond guarantees up to 25% or \$100,000, whichever is less, for qualifying contractors requiring surety bonds for private or public jobs	<ul style="list-style-type: none"><li>• Business must be certified in the Small and Emerging Business Development Program</li></ul>
<b>LOUISIANA CONTRACTORS ACCREDITATION INSTITUTE</b>	Provides business training focusing on expanding understanding of the construction industry	<ul style="list-style-type: none"><li>• Must have the intent to start or currently have an established construction based Louisiana business</li></ul>
<b>ECONOMIC GARDENING INITIATIVE</b>	Provides Louisiana-based small businesses with accelerated technical assistance and research from an experienced national economic gardening team	<ul style="list-style-type: none"><li>• Must have annual revenue between \$600,000 and \$50 million</li><li>• Must have at least five employees but not more than 99 employees</li><li>• Must demonstrate growth in annual revenue and/or jobs in two of the last five years</li></ul>

<b>CEO ROUNDTABLES</b>	Provides peer-to-peer learning that gives executives the opportunity to discuss business practices and management strategies with other executives who deal with similar growth challenges	<ul style="list-style-type: none"> <li>• Should typically have annual revenue between \$600,000 and \$50 million</li> <li>• Should typically have at least five but not more than 100 employees</li> </ul>
<b>HUDSON INITIATIVE</b>	Provides small businesses with greater potential for access to state procurement and public contract opportunities	<ul style="list-style-type: none"> <li>• Must be certified by LED, a Louisiana resident and have fewer than 50 full-time employees</li> </ul>
<b>VETERAN INITIATIVE</b>	Provides veteran-owned and disabled, service oriented veteran-owned small businesses with greater potential for access to state procurement and public contract opportunities	<ul style="list-style-type: none"> <li>• Must be at least 51% owned by a veteran or disabled, service-oriented veteran</li> <li>• Must be certified by LED, a Louisiana resident and have fewer than 50 full-time employees</li> </ul>



# SBA Certifications

## Women-Owned Small Business Federal Contracting program

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The federal government's goal is to award at least five percent of all federal contracting dollars to women-owned small businesses each year.

## Service-disabled Veteran-Owned Small Business program

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The federal government's goal is to award at least three percent of all federal contracting dollars to service-disabled veteran-owned small businesses each year.

## 8(a) Business Development program

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The federal government's goal is to award at least five percent of all federal contracting dollars to small disadvantaged businesses each year.

## HUBZone program

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The federal government's goal is to award at least three percent of all federal contracting dollars to HUBZone-certified small businesses each year.

# The SBA guarantees surety bonds

Surety bonds help small businesses win contracts by providing the customer with a guarantee that the work will be completed. Many public and private contracts require surety bonds, which are offered by surety companies. The SBA guarantees surety bonds for certain surety companies, which allows the companies to offer surety bonds to small businesses that might not meet the criteria for other sureties.

## How the SBA Surety Bond Program works

1



### Surety bonds are requested

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Some contracts require that the business doing the work be properly bonded.

2



### Surety partners with business

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Authorized surety companies provide surety bonds to businesses that meet their qualifications.

3



### The SBA guarantees

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The SBA guarantees surety bonds for private surety companies, so more small businesses can qualify.

4



### Small businesses benefit

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Small businesses get SBA-guaranteed surety bonds so they can get to work.



# Other Certifications

## Louisiana Department of Transportation and Development (DOTD)

- **DBE** -The Department's **Disadvantaged Business Enterprise** (DBE) program is designed to remedy ongoing discrimination and the continuing effects of past discrimination in federally-assisted highway, transit, airport, and highway safety financial assistance transportation contracting markets nationwide.
  - The U.S. Department of Transportation's DBE (disadvantaged business enterprise) program provides a vehicle for increasing the participation by MBEs in state and local procurement.
- **SBE** - The **Small Business Element** (SBE) Program was created to remedy past and current discrimination against SBE firms. The intention is to level the playing field for economically disadvantaged individuals wanting to do business with the DOTD on U.S. Department of Transportation federally assisted projects.

## National Minority Supplier Development Council (NMSDC)

**MBE** - MBE Certification. A Minority Business Enterprise certification or MBE certification, defines your business as being owned, operated and controlled by a minority group. Certification is a valuable marketing tool for your small business, and can give you special consideration when bidding on contracts with local government.



# **Any Questions?**

**616 Harding Boulevard  
Baton Rouge, LA 70807**

**Contact Number  
(225) 771-2891**

**Website  
[www.lsbdc.org](http://www.lsbdc.org)**





People and  
Organization

Principles of  
Management &  
Organization

Organizational Management

Presentation



## LEARNING OBJECTIVES

1. Understand the functions of management.
2. Explain the three basic leadership styles.
3. Explain the three basic levels of management.
4. Understand the management skills that are important for a successful small business.
5. Understand the steps in ethical decision making.

All small businesses need to be concerned about management principles. Management decisions will impact the success of a business, the health of its work environment, its growth if growth is an objective, and customer value and satisfaction. Seat-of-the-pants management may work temporarily, but its folly will inevitably take a toll on a business. This section discusses management principles, levels, and skills—all areas that small business owners should understand so that they can make informed and effective choices for their businesses.

## What Is Management?

There is no universally accepted definition for management. The definitions run the gamut from very simple to very complex. For our purposes, we define management as “the application of planning, organizing, staffing, directing, and controlling functions in the most efficient manner possible to accomplish meaningful organizational objectives.” John M. Ivancevich and Thomas N. Duening, *Business: Principles, Guidelines, and Practices* (Mason, OH: Atomic Dog Publishing, 2007), 172. Put more simply, management is all about achieving organizational objectives through people and other resources. David L. Kurtz, *Contemporary Business* (Hoboken, NJ: John Wiley & Sons, 2011), 254.

Management principles apply to all organizations—large or small, for-profit or not-for-profit. Even one-person small businesses need to be concerned about management principles because without a fundamental understanding of how businesses are managed, there can be no realistic expectation of success. Remember that the most common reason attributed to small business failure is failure on the part of management.

## Management Functions





# Planning

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- **Planning** “is the process of anticipating future events and conditions and determining courses of action for achieving organizational objectives.” David L. Kurtz, *Contemporary Business* (Hoboken, NJ: John Wiley & Sons, 2011), 257. It is the one step in running a small business that is most commonly skipped, but it is the one thing that can keep a business on track and keep it there. “Management Principles,” *Small Business Notes*, accessed February 2, 2012, [www.smallbusinessnotes.com/managing-your-business/management-principles](http://www.smallbusinessnotes.com/managing-your-business/management-principles). Planning helps a business realize its vision, get things done, show when things cannot get done and why they may not have been done right, avoid costly mistakes, and determine the resources that will be needed to get things done. John M. Ivancevich and Thomas N. Duening, *Business: Principles, Guidelines, and Practices* (Mason, OH: Atomic Dog Publishing, 2007), 176; David L. Kurtz, *Contemporary Business* (Hoboken, NJ: John Wiley & Sons, 2011), 257. Business planning for the small business is discussed in [Chapter 5 "The Business Plan"](#), and marketing planning is discussed in [Chapter 8 "The Marketing Plan"](#).

# Organization

- **Organizing**
- **Organizing** “consists of grouping people and assigning activities so that job tasks and the mission can be properly carried out. "John M. Ivancevich and Thomas N. Duening, *Business: Principles, Guidelines, and Practices* (Mason, OH: Atomic Dog Publishing, 2007), 176. Establishing a management hierarchy is the foundation for carrying out the organizing function.
- Contrary to what some people may believe, the principle of organizing is not dead. Rather, it is clearly important “to both the organization and its workers because both the effectiveness of organizations and worker satisfaction require that there be clear and decisive direction from leadership; clarity of responsibilities, authorities, and accountabilities; authority that is commensurate with responsibility and accountability; unified command (each employee has one boss); a clear approval process; and, rules governing acceptable employee behavior. "Traditional Management Principles," *Small Business Notes*, accessed February 2, 2012, [www.smallbusinessnotes.com/managing-your-business/traditional-management-principles.html](http://www.smallbusinessnotes.com/managing-your-business/traditional-management-principles.html). Except for a small business run solely by its owner, every small business needs a management hierarchy—no matter how small. Each person in the business should know who is responsible for what, have the authority to carry out his or her responsibilities, and not get conflicting instructions from different bosses. The absence of these things can have debilitating consequences for the employees in particular and the business in general. "Traditional Management Principles," *Small Business Notes*, accessed February 2, 2012, [www.smallbusinessnotes.com/managing-your-business/traditional-management-principles.html](http://www.smallbusinessnotes.com/managing-your-business/traditional-management-principles.html).
- The organizational design and structure of a small business are important parts of organizing, which are discussed in [Section 12.2 "Organizational Design"](#).

# Staffing



## Staffing



The **staffing** function involves selecting, placing, training, developing, compensating, and evaluating (the performance appraisal) employees. John M. Ivancevich and Thomas N. Duening, *Business: Principles, Guidelines, and Practices* (Mason, OH: Atomic Dog Publishing, 2007), 176. Small businesses need to be staffed with competent people who can do the work that is necessary to make the business a success. It would also be extremely helpful if these people could be retained. Many of the issues associated with staffing in a small business are discussed in [Section 12.4 "People"](#).

# Directing

- **Directing** is the managerial function that initiates action: issuing directives, assignments, and instructions; building an effective group of subordinates who are motivated to do what must be done; explaining procedures; issuing orders; and making sure that mistakes are corrected. John M. Ivancevich and Thomas N. Duening, *Business: Principles, Guidelines, and Practices* (Mason, OH: Atomic Dog Publishing, 2007), 177; David L. Kurtz, *Contemporary Business* (Hoboken, NJ: John Wiley & Sons, 2011), 257. Directing is part of the job for every small business owner or manager. **Leading** and **motivating** work together in the directing function. Leading “is the process of influencing people to work toward a common goal [and] motivating is the process of providing reasons for people to work in the best interests of an organization.” William M. Pride, Robert J. Hughes, and Jack R. Kapoor, *Business* (Boston: Houghton Mifflin, 2008), 224.
- Different situations call for different leadership styles. In a very influential research study, Kurt Lewin established three major leadership styles: autocratic, democratic, and laissez-faire. Kurt Lewin, Ronald Lippitt, and Ralph K. White, “Patterns of Aggressive Behavior in Experimentally Created ‘Social Climates,’” *Journal of Social Psychology* 10, no. 2 (1939): 269–99. Although good leaders will use all three styles depending on the situation, with one style normally dominant, bad leaders tend to stick with only one style. Don Clark, “Leadership Styles,” *Big Dog and Little Dog’s Performance Juxtaposition*, June 13, 2010, accessed February 2, 2012, [www.nwlink.com/~donclark/leader/leadstl.html](http://www.nwlink.com/~donclark/leader/leadstl.html).



# Directing- continued

## Leadership styles within an organization Autocratic leadership

## Democratic leadership

## Laissez-faire leadership (or delegative or free- reign leadership)

**Autocratic leadership** occurs when a leader makes decisions without involving others; the leader tells the employees what is to be done and how it should be accomplished. However, this style works when all the information needed for a decision is present, there is little time to make a decision, the decision would not change as a result of the participation of others, the employees are well motivated, and the motivation of the people who will carry out subsequent actions would not be affected by whether they are involved in the decision or not.

**Democratic leadership** involves other people in the decision making—for example, subordinates, peers, superiors, and other stakeholders—but the leader makes the final decision. Rather than being a sign of weakness, this participative form of leadership is a sign of strength because it demonstrates respect for the opinions of others. The extent of participation will vary depending on the leader's strengths, preferences, beliefs, and the decision to be made, but it can be as extreme as fully delegating a decision to the team.

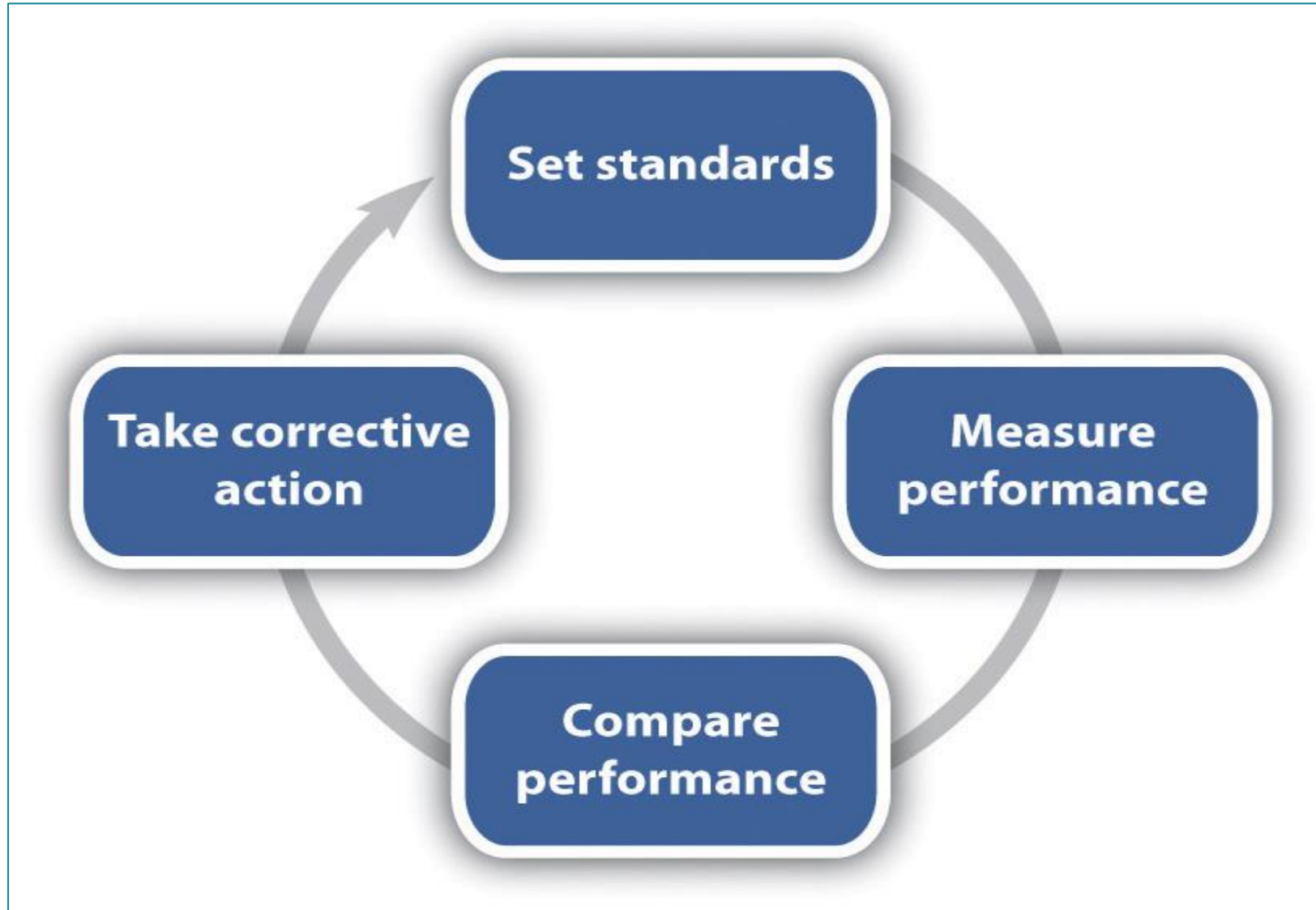
**Laissez-faire leadership (or delegative or free-reign leadership)** minimizes the leader's involvement in decision making. Employees are allowed to make decisions, but the leader still has responsibility for the decisions that are made. The leader's role is that of a contact person who provides helpful guidance to accomplish objectives. This style works best when employees are self-motivated and competent in making their own decisions, and there is no need for central coordination; it presumes full trust and confidence in the people below the leader in the hierarchy. However, this is not the style to use if the leader wants to blame others when things go wrong. This style can be problematic because people may tend not to be coherent in their work and not inclined to put in the energy they did when having more visible and active leadership.

Good leadership is necessary for all small businesses. Employees need someone to look up to, inspire and motivate them to do their best, and perhaps emulate. In the final analysis, leadership is necessary for success. Without leadership, "the ship that is your small business will aimlessly circle and eventually run out of power or run aground." Susan Ward, "5 Keys to Leadership for Small Business,"



**Controlling** is about keeping an eye on things. It is “the process of evaluating and regulating ongoing activities to ensure that goals are achieved. "William M. Pride, Robert J. Hughes, and Jack R. Kapoor, *Business* (Boston: Houghton Mifflin, 2008), 224. Controlling provides feedback for future planning activities and aims to modify behavior and performance when deviations from plans are discovered. John M. Ivancevich and Thomas N. Duening, *Business: Principles, Guidelines, and Practices* (Mason, OH: Atomic Dog Publishing, 2007), 176. There are four commonly identified steps in the controlling process. John M. Ivancevich and Thomas N. Duening, *Business: Principles, Guidelines, and Practices* (Mason, OH: Atomic Dog Publishing, 2007), 176; William M. Pride, Robert J. Hughes, and Jack R. Kapoor, *Business* (Boston: Houghton Mifflin, 2008), 224.

## **Controlling Function**





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- **Levels of Management**

- As a small business grows, it should be concerned about the levels or the layers of management. Also referred to as the **management hierarchy** ([Figure 12.3 "The Management Hierarchy"](#)), there are typically three levels of management: top or executive, middle, and first-line or supervisory. To meet a company's goals, there should be coordination of all three levels.

## Management Hierarchy



**Top management**, also referred to as the executive level, guides and controls the overall fortunes of a business. This level includes such positions as the president or CEO, the chief financial officer, the chief marketing officer, and executive vice presidents. Top managers devote most of their time to developing the mission, long-range plans, and strategy of a business—thus setting its direction. They are often asked to represent the business in events at educational institutions, community activities, dealings with the government, and seminars and sometimes as a spokesperson for the business in advertisements. It has been estimated that top managers spend 55 percent of their time planning. John M. Ivancevich and Thomas N. Duening, *Business: Principles, Guidelines, and Practices* (Mason, OH: Atomic Dog Publishing, 2007), 183.

## Management *Hierarchy continued*

**Middle management** is probably the largest group of managers. This level includes such positions as regional manager, plant manager, division head, branch manager, marketing manager, and project director. Middle managers, a conduit between top management and first-line management, focus on specific operations, products, or customer groups within a business. They have responsibility for developing detailed plans and procedures to implement a firm's strategic plans. David L. Kurtz, *Contemporary Business, 13th Edition Update* (Hoboken, NJ: John Wiley & Sons, 2011), 255.

**First-line or supervisory management** is the group that works directly with the people who produce and sell the goods and/or the services of a business; they implement the plans of middle management. They coordinate and supervise the activities of operating employees, spending most of their time working with and motivating their employees, answering questions, and solving day-to-day problems. Examples of first-line positions include supervisor, section chief, office manager, foreman, and team leader.



# Thank You

## **Resources/content used:**

•Publisher: Saylor Academy, [https://saylordotorg.github.io/text\\_small-business-management-in-the-21st-century/s00-license.html](https://saylordotorg.github.io/text_small-business-management-in-the-21st-century/s00-license.html)



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# Insurance Presentation

## Creating Neighborhood Developers Program

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# History of Insurance: How Did We End Up Ship Wrecked



# History of Insurance

The main principle of insurance — trading the burden of risk for money — was slowly developing into a global phenomenon as commerce was expanding.

China, 3000 BC: that's the date on insurance's birth certificate. The proud parents were Chinese merchants who, tired of losing valuable goods in shipwrecks, proposed what is now recognized as the oldest predecessor to modern insurance. Merchants divided their goods evenly among the ships, meaning that each boat carried a mix of cargo, not just one merchant's.

Thus, a shipwreck meant a slight loss for all instead of a crippling loss for one — safety in numbers, a time-tested principle that your insurer practices to this day.

Source: esurance History of Insurance

# Reasons for Insurance

Why is it important to have insurance?

- Legal and regulatory requirements
- Property
- Liability Exposure
- Business continuity – recovery from disasters, systems continuations, maintains cash flow
- Protection from errors



# Assuming Risk is Part of Doing Business

Going outside is a risk, but so is staying in.

Going out may require boots, coat, or an umbrella for protection, but staying in can result in missed opportunities.

Business insurance eases the burden of risks, so owners can “go out” to...



focus on business  
development and growth.

# Insurance for a Small Business

Review examples of work-specific insurance which are required by certain licenses.

1. Here are a few to begin:
  - **Construction company – general contractor's liability**
  - Auto repair shop – business general liability
  - Restaurant – foodbusiness insurance





# Insurance Your Business May Require

## State and Local Requirements

- Always check with federal, state, county and local governments
- Workers Compensation with specific coverage may be required for employees
- Automotive insurance coverage for vehicles used in connection with the business



# Worker's Compensation Insurance

Protects against illnesses, injuries at work.

- Pays for rehabilitation, retraining
- Addresses payments to beneficiaries and medical payout limits
- Required by most states, check state laws
- Private or state administered



# Unemployment Insurance

Benefits those who are unemployed through no fault of their own.

- Willing and able to work and actively searching work
- Federally regulated, state administered
- Check with state and Federal Dept. of Labor
- Always make payments, avoid penalties and actions (lien, misdemeanor, felony)

A piece of light brown cardboard with the words "Hire me!" written in black marker. The cardboard is tilted slightly to the right and has a rough, torn edge on the left side.

Hire me!



# General Liability Insurance

- ▶ General liability covers common risks
- ▶ From carpenters to general contractors, construction and contracting professionals face high risks. General liability insurance helps pay expenses related to **third-party injuries and property damage**.
- ▶ Example If a visitor is injured at your jobsite or property damage occurs during a renovation, for instance, general liability insurance can cover medical bills or the cost of repairs.
- ▶ This policy provides liability coverage related to:
  - ▶ Customer injury
  - ▶ Customer property damage
  - ▶ Libel and slander
- ▶ Source: <https://www.insureon.com/construction-contracting-business-insurance/general-liability>

# General Liability Insurance

- ▶ If you run a small construction or contracting business, you may be able to bundle general liability insurance with commercial property insurance in a business owner's policy (BOP).
- ▶ A **BOP** offers more complete coverage at a lower cost than purchasing each policy separately. Businesses that are eligible for a **BOP** typically:
  - ▶ Have fewer than 100 employees
  - ▶ Have a small office or workplace
  - ▶ Make less than \$1 million in annual revenue
  - ▶ Operate in a low-risk industry
- ▶ Need less than 12 months of business interruption insurance
- ▶ Talk to a licensed Insureon agent to find out if your construction business is eligible.
- ▶

# General Liability Insurance

- ▶ What coverage can general liability provide for construction companies?
- ▶ **Customer injury**
- ▶ If a customer trips over a tool box or a ladder while you're doing electrical or carpentry work, you could be blamed for the injury. If the person sues, you could end up paying for medical and legal expenses. General liability insurance covers:
  - ▶ Attorney fees
  - ▶ Court-ordered judgments
  - ▶ Settlements
  - ▶ Medical bills
  - ▶ Funeral expenses in fatal incidents
- ▶ **This policy does not cover employee injuries.** For that, you'll need to purchase workers' compensation insurance.
- ▶

# General Liability Insurance

## ▶ **Customer property damage**

- ▶ Accidents can be costly for construction professionals and contractors. General liability insurance safeguards small businesses when client property is damaged. For example, if a client's furniture is damaged during remodeling, your general liability policy could help pay for the cost of repair or replacement. This policy can also cover the cost of a lawsuit if a client decides to take you to court over damaged property.

## ▶ **Libel and slander**

- ▶ While advertising your company and its construction services, it's possible to inadvertently copy a competitor's slogan or mimic another advertising campaign. Accidental advertising injuries are covered by general liability insurance, including:
  - ▶ Copyright infringement
  - ▶ Defamation, both libel (written) and slander (spoken)
  - ▶ Other policies for construction and contracting businesses to consider

# General Liability Insurance

Covers basic construction and contracting risks, it does not offer absolute protection. Other policies to consider include:

- ▶ Workers' compensation insurance: Required in almost every state for construction businesses with employees, workers' comp can cover medical fees for work-related injuries.
- ▶ Commercial auto insurance: This policy covers vehicles owned by your construction or contracting business. It typically pays for accidents and damages related to theft, weather, and vandalism.
- ▶ Contractor's tools and equipment insurance: This policy helps pay for repair or replacement of a contractor's tools and equipment if they are lost, stolen, or damaged.
- ▶ Builder's risk insurance: Builder's risk insurance can pay for damage done to a structure still under construction, such as fire or vandalism at a construction site.
- ▶ Professional liability insurance: This policy covers professional mistakes and oversights, such as a contractor missing a deadline for a project.



# Other Liability Insurance

- Professional Liability Insurance
  - May be required for
    - Certain professional licenses
    - Certificates of business or professional business registrations
- General Liability Insurance
- Directors & officers

Liability laws change—

## Stay Informed



# Other Types of Insurance to Consider

- Loss of income
- Life
- Disability
- Medical



# Lender or Investor-Required Insurance

When financing, a lender or investor may require you show insurance protecting:

- ← Business assets (building, property)
- ← Cash flow – provision for interruption of business (e.g., reconstruction, repairs)
- ← In the event of owner's disability or death





# “Key Person” Policy

Think about and respond to these discussion points.



1. Do you have a list the names who could run your business or that you would trust to do so, if you were ill for an extended period of time?
2. List who would take over your business in the event of your death.
3. Do you have a plan for your business in the event of your death?
4. Is there a family member or trustee named to liquidate the assets?

# Surety Bonds

A surety bond is issued by a third party, known as a surety, as a guarantee the second party will fulfill its obligations or meet certain laws. If the second party fails to do this, the bond covers the damages.

- Required for some licenses or permits (e.g., car dealer, construction contractor)
- Protection for consumers and for government
- “Bid bond” may be required to submit a bid to the government



# Location-Related Considerations

Business location affects type of policy

- Home-based – Add-on to homeowner's or separate

**Warning: Your traditional homeowner's insurance may NOT cover damage caused by your home-based small business!**

- Retail – one or more locations, inventory theft, credit card theft, personal vehicle for deliveries

# What Is Title Insurance?

## Do I Have to Buy It? Do I Want to Buy It?

- ▶ When you buy property (land or land with a building such as a home), the seller transfers the title to the property to you.
- ▶ Title to property means legal ownership of the property. Some problems with the title could prevent the seller from transferring the property title to a buyer or prevent a lender from issuing a mortgage loan.
- ▶ Title insurance helps to make sure the seller can transfer the title to you. It also may help protect you if a problem with the title comes up after you buy or refinance property.
- ▶ Source: Google Search [https://www.naic.org/documents/committees\\_c\\_cst\\_wg\\_related\\_la\\_spec...](https://www.naic.org/documents/committees_c_cst_wg_related_la_spec...)

# What Is Title Insurance?

- ▶ Title insurance doesn't guarantee there are no problems with a title. But it does guarantee that there are no problems with the title that would prevent a sale or refinance of the property.
- ▶ If you borrow money to buy a property or if you refinance your mortgage, you have to buy a loan title policy because the lender requires it.
- ▶ You pay the premium once for each new loan title policy (also known as a lender's title policy). This loan policy protects the lender. The loan policy stays in force as long as the mortgage loan exists.
- ▶ You don't have to buy an owner's title policy when you buy a property, but this policy gives you protection above the protection of the loan title policy. You buy (and pay for) an owner's policy once each time you buy a property, and it stays in force—keeps protecting you—for as long as you own the property.



# What Is Title Insurance?

- ▶ Premium discounts may be available to lower your premium. The most common discount is a refinance or reissue discount. Ask your title agent or title insurer about discounts.
- ▶ In Louisiana title insurers may charge different premium rates. Shop to find the lowest premium.
- ▶ The premium you pay for title insurance in Louisiana does not cover title search or examination. You will be charged a separate fee for these services in addition to the premium charged for the title insurance.
- ▶ While your lender may require you to buy a loan title policy, you always have the right to choose the title agent and title insurance company. If your real estate agent, attorney, lender, home builder or other real estate professional tells you that you're required to use a particular title agent or title insurer, that's not true, and you should report this to Louisiana Department of Insurance and the U.S. Consumer Financial Protection Bureau.

# What Is Title Insurance?

- ▶ The [Louisiana Department of Insurance](#) and the [U.S. Consumer Financial Protection Bureau](#) have more information about title insurance. They also will take your complaint if you feel you haven't been treated fairly.
- ▶ With title insurance, you get a title search, a title commitment and a title insurance policy. In a [title search](#), the title agent or title insurance company searches public records for any problems with the title, such as someone other than the seller having a legal right to the property.
- ▶ The [title commitment](#) is the insurance company's promise to issue a title insurance policy under certain conditions.
- ▶ The [title insurance policy](#) is the title insurance company's promise to try to fix some problems missed during the title search or to promise to pay your lender or you if the title problems can't be fixed.  
**Remember, a title insurance policy doesn't guarantee there are no problems with a title but the policy serves as a tool to resolve problems with the title that would prevent a sale or refinance of the property.**

# Selecting a Policy

Weigh the costs to insure the risk

- Does it make sense? Could you cover it without insurance?
- Consider policy costs with deductibles and coverage limits
- Is the coverage sufficient?
- Does the policy provide for growth?
- Are there time constraints on modifying coverage?





# Selecting a Company and an Agent



Compare quotes, coverage,  
deductibles and other details

- Stable and accessible?  
Check consumer and  
business reviews,  
network with others

Know what's **not** covered!

# What to Do After the Purchase

- Keep policies easily accessible
- Keep phone numbers readily available
- Maintain insurance-related procedures in business continuity plan
- Review policies periodically
- Meet with agent from time-to-time



Continued ...

# Key Points to Remember

- Insurance
  - Minimizes the impact risks can have on your ability to continue operations
  - Impacts continued financing
  - Helps retain employees
  - Provides protection from liabilities
- Your location, facilities, autos and type of business operations determines insurance needs