

Who's In Charge? The Right Corporate Structure Is Critical

By Laurence S. Tauber and Courtney Birnbaum

Recently, a business executive told us she wanted to give her employees a piece of ownership in her company as a way of retaining top talent and staying competitive. Also, if the business was acquired in the future, she wanted her employees to benefit. This depended on something many business owners do not address properly until it is too late: the company's structure and governance. This is just one example of how the right corporate structure can make all the difference.

Decisions about control of the business may be difficult to make and require delicate conversations, but they are crucial for avoiding significant problems later. Choice of structure impacts financing, investments, corporate taxes, joint ventures, and other day-to-day affairs. There is no one correct structure for every business. Every business needs to establish its goals and objectives, and then craft the governance and structure best for those goals.

Important
groundwork
for later
transactions.

In our corporate practice, we work with business executives and owners to understand these goals and establish the methods of control, voting, distributions, sales and acquisitions, dispute resolution, and other management mechanics that have the best chance of accommodating future events and allowing business to thrive.

Even if a business has already established its structure, business plans and markets change, so it is best to review corporate structure and documentation regularly and proactively. A well-managed business will have opportunities to thrive as it grows. The right corporate governance can facilitate success from those opportunities. Waiting too long to address structure and governance, however, can result in expensive delays when the stakes are high and an important deal is on the line.

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