Family Business

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HOW-TO GUIDE FOCUSES ON A BOARD'S FUNCTION

The Balance Point: New Ways Business Owners Can Use Boards
By Cary J. Tutelman and Larry D. Hause

For family businesses in transition, an effective board of directors can be the factor that determines whether the company succeeds or fails. Yet authors Cary Tutelman and Larry Hause note that many business owners don't even want to discuss the possibility of forming a board. This resistance, the authors contend, stems from a misunderstanding of what a board is and how it can help.

In their book *The Balance Point*, Tutelman—a business consultant and owner of CJT Company—and Hause—a consultant to businesses and an attorney with the firm of Fredrikson & Byron—note that a board's essential function is to balance the business owners' interests with those of the company's managers. They prefer the term "balancing" to "governance" because, they contend, the latter "is a foreign word to business owners."

Tutelman and Hause write that the balancing function ensures "that decisions about such critical matters as dividends, debt and risk tolerance, growth rate, business culture, profit levels, diversification, acquisition and replication, philanthropy, and differentiation are made after considering the values, needs, and goals of the owners and the -business."

The book addresses the duties and responsibilities of owners, managers and directors. It also offers detailed advice on how to form a board: information to help business owners determine the board's composition (all insiders, a majority of insiders, a majority of outsiders, or all outsiders) and recruit directors. Also included are chapters on conducting effective board meetings and professional advisers' responsibilities to business owners.

The Balance Point's greatest value lies in its step-by-step focus on processes to help private companies resolve their toughest quandaries. Shareholders who jointly develop an owners' plan and an owners' manual, Tutelman and Hause suggest, are better able to speak with one voice. A long-term strategic plan and an annual tactical plan developed by company managers and approved by the board can enable management to work out many problems. Case studies—composite examples derived from the authors' practice—are included.

The authors’ explanations are detailed and comprehensive yet become repetitive as the text progresses. Though helpful, perhaps, for users who prefer to read the chapters out of order or on an as-needed basis, the repetition is off-putting for traditional cover-to-cover readers. Even so, there is a great deal of wisdom to be found here.

The book’s appendices and worksheets guide owners, managers and directors through each activity necessary to fulfill their respective responsibilities and work collaboratively. Among these handy back-of-book offerings are a glossary of commonly used governance terms; elements of an owners’ manual and an owners’ plan; outlines of management’s strategic plan and annual plan; sample formats for a board meeting agenda and meeting minutes; an annual board calendar; suggestions for training new board members; interview questions for prospective board members; and evaluation forms.

“If the balancing is not done effectively,” the authors write, “differences become open conflicts and the balance point becomes the boiling point.” Taking the steps they recommend can help a company perform this tricky balancing act.