

Wiley Finance Series

# Family Enterprise

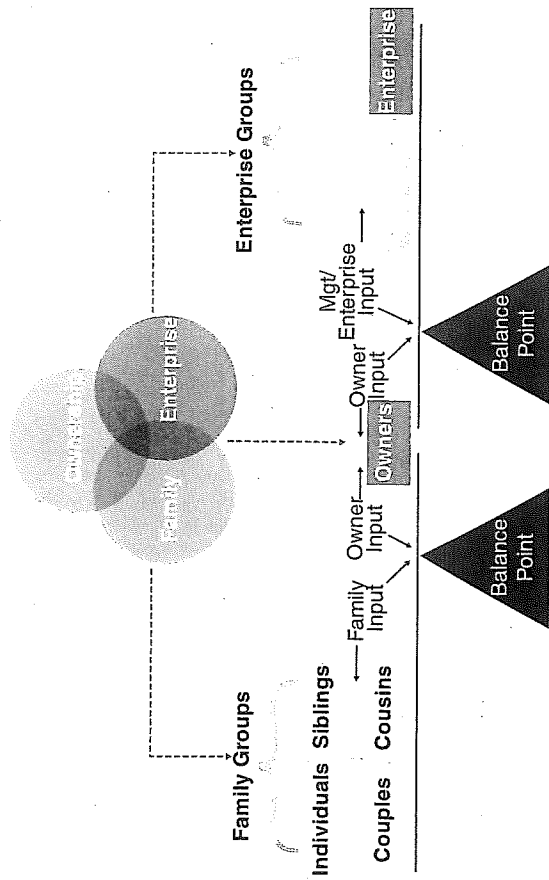
*Understanding Families in Business  
and Families of Wealth*

+ online assessment tool

THE FAMILY FIRM INSTITUTE, INC.

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## THE BALANCE POINT MODEL



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The balance point model is defined as an alignment or integration of the family, owners, and enterprise interests—as well as a balance of separation and integration.

Separation can help clarify roles, responsibilities, authority, and accountability. Separation can also help identify values, needs, and goals.

Interdependence is needed to integrate or align the values, needs, and goals of individuals and groups. This interdependence can occur if there are effective “balancers” and “balance points” within the family enterprise.

The three groups are separate from each other for three reasons. First, each group has roles and responsibilities that are separate and distinct from the other groups. Second, each group has its own structure, policies, and procedures (system) to assist group members to make decisions and interact to carry out the group’s responsibilities. Third, each group has its own values, needs, and goals.

In this model, to achieve the goal of balanced interdependence among the groups, the integration of the groups must be accomplished in a way that results in all of the interests being aligned or integrated. When this happens, the system is considered in balance.

Theoretical frameworks in family enterprise may take a number of forms. But in each case, the models must be able to accommodate and explain the complexity of family enterprise. Three models, in particular, are especially valuable. They are: the three-circle model, the developmental model, and the balance point model.

While the three-circle model focuses on the systems of the three groups common to all family enterprises and is typically used to identify the various roles, responsibilities, and possible role conflicts of individuals, the developmental model describes the developmental stages that the family enterprise systems go through. The developmental model also helps to illuminate the significance of those changes for the family enterprise system, as well as for the consultants’ and advisors’ work in and with that system.

The balance point model takes as its focal point the alignment of family enterprise systems as it seeks to identify the balance points within the enterprise. Establishing and maintaining alignment is crucial here, and an understanding of how to achieve this alignment is a useful skill for professionals.

Grasping and deploying these models is crucial to understanding and serving the needs of family enterprise. Indeed, family enterprises are at once interactive and dynamic, developmental, and in need of balance points.