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Kurt Welton, president/treasurer and chief executive officer of Welton Enterprises, uses an advisory board for his commercial real estate development and management company in Madison. "If you pick good people, you don't have to worry about what they are going to tell you to do," he says.

# Board provides guiding hand to family business

An independent board can give a family business a more professional image.

By **PAMELA COTANT**  
For the State Journal

Establishing a board is considered to be one of the best practices to help a family business survive to the third generation or beyond.

An independent board, which includes a limited number of family members, is recommended, said Ann Kinkade, director/faculty associate of the UW-Madison Family Business Center.

## IF YOU GO

What: "Family Business Governance: Boards - How They've Worked and Sometimes Haven't," a program on independent boards presented by the UW-Madison Family Business Center.

When: 8 a.m. to 2 p.m. April 22

Where: Monona Terrace

Admission: \$200 for potential members/guests of the center (fee is deducted when joining). Fee covers four employees from the same company and includes lunch. Register by April 7 online at <http://exed.wisc.edu/fbc>.

Yet many business owners don't create one - often concerned about being told how to run their company and fearing a loss of control.

"If you really understand how it works, you wouldn't be worried," said Kurt Welton,

president/treasurer and chief executive officer of Welton Enterprises, a commercial real estate development and management company in Madison. "If you pick good people, you don't have to worry about what they are going to

tell you to do."

To spread the word on the importance of family business boards, the UW-Madison Family Business Center is offering a program April 22 on the essential elements of boards and their benefits and challenges.

Boards can be set up as advisory or fiduciary as businesses want them to be, said Kinkade, who also is a family business adviser. A board of advisers is elected by those who want the advice. A board of directors is elected by the shareholders and is accountable to them.

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# Board

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With a fiduciary board, the business is legally bound to the board's decision-making. This type is less common with family businesses.

Kinkade said the best boards have members who "don't have any vested interest in guiding your business. They are there to make sure management goals and ownership goals are in sync."

"They're really there to provide strategic direction for the company," she said.

"They're also a really good sounding board for the CEO."

Independent boards also add accountability, improve the reputation of a business and add an element of professionalism, she said.

But there are challenges.

"It really does take time and thought, but the value of that should come back exponentially," Kinkade said. "If it doesn't, you're probably not managing your board very properly."

The business is responsible for paying board members and reimbursing them for travel expenses, she said. Compensation is often figured by tak-

ing the CEO's pay and coming up with a per-diem figure, or what the executive makes each working day, and paying board members at the same rate for their time.

Companies have different ways of selecting board members. Some, especially larger ones, use search firms. Others may ask a personal contact or they may seek people they respect in the business community either to serve or give recommendations. Sometimes members are executives in a similar industry but not competitors.

It's important that the members are supportive of the family values, Kinkade said.

John Wall, who is now chairman emeritus of the board at DEMCO of Madison, said when he became president of the company in 1968, one of the first things he did was set up an independent board. DEMCO supplies library products including furniture and equipment. He knew the benefits because he had indirectly worked with a board as vice president/general manager of Cook Electric Co. in Chicago.

Wall said he appreciates the objectivity and perspective of a board and the way members hold him and themselves accountable.

"They've saved my bacon more than once," he said.

Wall said he has had to decide whether it was more important for him to win a battle or his board. One time, the board voted to turn down a new business venture that had been in the works for two or three years.

Welton said he sees the members on his advisory board as mentors.

Business owners who may be afraid of an independent board need to realize that they have the option of overhauling the board if they don't like what the members are advising.

To make the board concept work, Welton made certain choices. For example, Welton Enterprises underwent strategic planning to focus its mission — a process the board oversaw.

But as soon as the plan was in place, all kinds of opportunities came up. The ventures, which included residential and mixed-use properties outside the company's market area, did not fit the company's strategy. While they were difficult to pass on, Welton said it didn't make sense to deviate from the plan.

"I didn't want to go to the board and say I want to do this. They would have thought I was crazy," he said.