## A Leif Jensen and Associates

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#### Solutions Based Consulting & Certified Public Accounting Firm



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# Boards, What and Why?

We are a believer in the power of Boards. Whether they be a Board of Advisors or Board of Directors. Business owners, especially small business owners should not be making all of their own decisions. It will be beneficial to them and their business to get input from knowledgeable trusted advisors who have only their best interests at heart.



There are basic differences between a board of directors and a board of advisors. First is that the directors are a legal requirement and they have a fiduciary duty to the shareholders of the corporation (usually the single small business owner), these are defined and submitted to the Illinois Secretary of State on an annual basis on your Annual Report.

Advisors are not a legal requirement and bear no legal responsibility to the shareholders of the corporation. The board of advisors concept to which I utilize consists of people with specialized technical skills that I can draw on for their expert advice. These are people who can bring high level technical expertise that is not ordinarily needed on a day-to-day basis.

A board of directors is a legal requirement in any corporation, a board is not a requirement in a limited liability company, but if a client chooses to form an LLC, I recommend that they form a BOA.

A corporation is an entity that is not corporeal, or it has no body (but can make campaign contributions...). Therefore, the board of directors is the body of the corporation and has direct responsibility and fiduciary duties (such as the duties of care and loyalty) to the shareholders of the corporation. The same should be from the BOA members as well, but lacking the fiduciary responsibility.

A board of directors, however, does not manage it no say over the day-to-day functions of the corporation. Managing the day-to-day affairs is strictly a function allocated to.

BOA or BOD can consist of any size that the constitution or By-Laws dictate. I personally like smaller, but the size should depend on the outside skills and abilities needed to properly advise the corporation.



## **Governing Policy**

The governing policy is set by and authorized by the BOD. Policy at this level is directional in nature and provides management with a broad framework within which management should make its decisions. The policy needs to be clear on what is permissive, what is restricted and what authorities are delegated.

Management must abide by governing policy and any exceptions must be supported with clear and sound rationale and submitted to the Board for explicit approval.

Management policy is the policy that is set by and authorized by the CEO or company management. Policy at this level sets the nature of how operations will be managed. Management policy must be aligned with and support the governing policy. It should set clear parameters for staff to operate.

A single governing policy set by the BOD may require one or more management policies to provide sufficient direction to staff. Procedure are set by and authorized by management usually by the CEO.

Do you have any form of written governance policy in place for your business? Should you have policy standards in your start-up?



### Employees? Employee manual?

One of the things I work with m clients on is in regards to policies and procedures. One item that should not be overlooked if you have employees, is an employee manual.

If you do not have one in place, not to fear, you can tackle this task with ease.

The first question is one that I often ask prospective clients. The second question is asked

if the answer to the first question was an affirmative.

Then I am usually told that they do not have one in place. If they do have one, it is usually a generic one that was downloaded from the internet and never really implemented. Nor relevant to their business needs or adhering to Illinois concerns or probably Illinois law.

Using a template from the internet can be a good starting point, this is not a bad thing. You need to tweak the wheel, not invent it. But it has to be modified to meet the actually policies and procedures that you have planned to implement or have sprouted up in the absence of a basic policies or procedures.

My manual started out as a very detailed and industry specific policy. I needed to remove all sorts of inappropriate or irrelevant information. Such as the need to fingerprint and rigid dress code policies.

Once I finished the edit process, I submitted it to an HR attorney to review to make sure that what I added was legal and correct. Surprisingly it passed inspection and he was impressed with the quality.

I am working in a consultant basis with a couple of clients, who have had no job descriptions and a generic HR manual. They are looking to hold a couple of employees accountable for their duties. But the duties are not written anywhere, or spelled out. It is hard to hold someone accountable to a concept.

So I have them contacting their payroll service to see if they can assist with the job descriptions. These would be a starting point. Then they would need to be modified to meet the specific roles within the company. Once written they should probably be passed in front of an HR attorney, just to be safe. Then the HR policy needs to be fully addressed, it needs to be beefed up to meet the actual policies and procedures of the company. Starting times are all over the board, but management does not really want flex times. I don't know how you change that after a decade of flex as a reality.

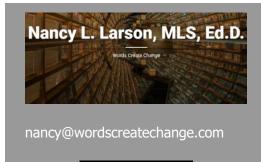
Your most important documents within the HR department should be reviewed by a qualified individual, probably an attorney.

If you need a referral give us a call.

#### Idiom of the Month: Hands down

Meaning: without a lot of effort; by far

**Origin:** Winning "hands down" once referred to 19th-century horseracing, when a jockey could remove his hands from the reins and still win the race because he was so far ahead.



Website

#### Featured Client: Words Create Change

Nancy Larson is a Blogger and a Librarian. In addition, she has written The PARDA Process: 5 Steps from Wishful Thinking to Sustained Change, and is busily writing more books.

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