

# Start-up Boards of Directors

## 10 rules for a well-functioning and robust board of directors

- 1 Select a board adapted to the phase and goals of your start-up
- 2 Pick the right individuals
- 3 Pick the right mix of individuals
- 4 Educate even "experienced" board members in start-up governance
- 5 Agree on the role of the board of directors
- 6 Avoid, mitigate, and manage conflicts of interest
- 7 Formalize the delegation to management and the governance principles
- 8 Build the team spirit during a peaceful time
- 9 Run effective and efficient board meetings
- 10 Manage and mitigate your liabilities

### The board of directors

- Provides the strategic direction
- Controls the company
- Ensures that financials are in line with the strategy
- Protects the company's interests

### The chairperson

Usually elected by the board, from among the board members. Should be the "boss of the board," by no means just an honorific position. Key interface between the board, the management, and the shareholders. Key role in managing conflicts of interest. Responsible for preparing and leading the board meetings and general meetings. Ideally, both experienced and independent.

### The investor representative

Their presence is part of the negotiation and reflected in the shareholder agreement. Should be able to put the company's interest before the investor's interests. Beware of them pushing for nonessential reporting for internal purposes in the investor firm.

Can also be an **observer**: attend the board meetings, but does not participate in the discussions and has no voting rights.

### The independent

A board member is considered independent when they do not have a management position in the company (nor had one in the past) and have no (or only minor) business relations with the company. Should be the chairperson. Number of independents and their qualifications should evolve with the stage of the company. Should have great negotiation and diplomatic skills.

### The secretary

Supports the chairperson in the organization of the meetings and writes the minutes. Very important because minutes become a legal document. Writing board minutes requires expertise and experience as board meetings are unlike other meetings. Usually a member of the board.

### The management team / founder representative

Usually, the CEO, in particular, if the CEO is one of the founders. However, the CEO does not have to be a member of the board; they can be a regular guest. In general, avoid having more than one member of the management team in the board unless this is of critical importance (e.g. two "equal" founders need to be part of the board).



Elect the board members

Reports to the shareholders

Reports to the board

Hires and fires CEO; delegates management

### The shareholders

- Set the company purpose
- Elect and remove directors and auditors
- Decide about increases in capital and (usually) the entry of new investors
- Approve fundamental structural or financial changes to the company such as a merger or liquidation

### The management team

- Develops the business strategy in line with the strategic directions provided by the board
- Executes the company's strategy
- Informs the board proactively of any critical risks and opportunities



Adapted from : Start-up governance in Switzerland: practical guidelines for founders and board members

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