



How to form a Board of Directors

What is a Board of Directors?

The board of directors will be the primary body that oversees the governance of your business. Your bylaws, as well as government regulations, determine the authority and responsibility of your board of directors. Your board of directors is elected by the business's shareholders, but the number of directors required to sit the board vary on a state by state basis. The board is required to hold meetings at least annually, and the goings-on of these meetings must be recorded and documented.

Why is a Board of Directors important?

A board of directors can provide guidance and accountability for your business. They help steer your business to make sure it is on the right track. Ideally, your board will be comprised of professionals with loads of experience filled with a variety of personalities. Their experience and knowledge will help your company bridge gaps and present a strong showing to potential investors, instilling in them more confidence in your business. Board members typically handle the broad strokes of your company's big picture outlook and bear legal responsibilities.

Some examples of big picture governance can be in the creation of policies and rules for managing the company. The board also ensures that the business remains trustworthy and they attend to the wellbeing of all parties. Some governance is mandated by laws and regulations, while other components are more subjective regarding roles and interactions of shareholders, directors and officers.

How to choose your Board of Directors

Choosing a board for small business can be somewhat akin to getting the perfect bowl of porridge. Too few members and, through unforeseen circumstances, you may not have enough members present to hold a valid meeting. Too many board members and your risk being stagnated by too many individuals being apart of the decision-making. Small businesses should appoint around seven board members. In addition, an even number of board members ensures that a business can avoid draws in voting. This can

be the sweet spot for how many members should sit your board. As for choosing directors, you may want to consider directors with networks that could benefit your company. It is also important, as previously mentioned, to hire directors that help your bridge knowledge and experience gaps because you want someone who is well-versed in running a business to be at the helm of your corporation.