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What is a Board of Directors and Does Every Small Business Need One?

A board of directors is elected by the shareholders of a corporation. The board makes the decisions that govern how a corporation is run. A board of directors is mandatory if you own your small business as a corporation. If you are the only shareholder, you can be the only member of the board of directors. If there is more than one shareholder, the bylaws of your corporation will state how many directors will serve on the board. If you have a board of directors, you must remember that all directors must act so that there are no conflicts of interests between the individual director and the corporation. The directors must act in good faith.

What if your small business is a sole proprietorship or a limited liability company (LLC)? Then, legally, you do not have a board of directors to govern the activities of your business. But, you may want to have an informal board of directors to help you make decisions and to advise you how to grow your business. Most business owners have some skills or a passion about the business they have created. They may not have all the skills that an entrepreneur needs to have – marketing, selling, customer service, finance, human resources, and strategic planning. If you know other persons, either family members, friends, or colleagues, who would want to help you grow your business, you should create an unofficial board of directors. You can meet with them once a month or once a quarter to go over how the business is doing, what is not working well, and what your goals are for the next few months. Your board members should be able to offer suggestions and strategies that they know will work. Having an unofficial board gives you other perspectives and allows you to tap into the competencies and vision of others that you may not possess.

As you get from one level of success to another, your board of directors may change. Either the people who started on your board may not have the time or inclination to help you, or you may need different people with other experiences and skills to help you get to yet another level of success. It's perfectly acceptable to change out the members of your board as your needs change.

Contact me at Rgronsky@Gronskeylaw.com or 201-251-8001 to find out how Gronskey Law can help your business in New Jersey with its legal problems. I return emails and phone calls promptly and answer all of your questions so you have peace of mind about your legal questions.