WHAT FOUNDERS AND BOARD MEMBERS NEED TO KNOW

Governance mistakes are very expensive, and the boardroom is high-stakes (slide 8) - but mastered once, this knowledge pays dividends for a career.

Having served on boards for 24 years since founding my first start-up at 24, I'm now pursuing Chartered Director (CDir) status with the IoD.

To help deep tech founders - and my own kids, if they ever step into governance roles - avoid runway-burning traps (and dilution), I'm exploring key start-up board questions in a 'builder field guide' series.

This week: **"Who is a Company Director, and what is their actual role?"**

Six things to know.

1. THE DIRECTORSHIP UPSIDE IS REAL

Directorship offers an unparalleled lever for impact.

Beyond the governance burden lies creation: guiding strategy, generating wealth (and tax), and scaling opportunities for teams and industries.

Yet the reward requires specific wiring - a genuine appetite for collaboration, personal accountability, and the pressure that comes with the seat.

2. THE DEFINITION OF A "DIRECTOR" IS BROAD

It isn't just about formal appointments.

By law, you can be deemed a director through your conduct (de facto) or if the board follows your instructions (shadow director).

Watch-out: Since 90% of technology start-ups fail, administrators must investigate what went wrong. They won't just look at formal titles - they will trace the actual decision-making trail to assign liability.

Note: EU uses civil law equivalents, and the US relies on the Bankruptcy Code's "Insider" and "Control Person" definitions, deploying "alter ego" doctrines to pierce the corporate veil.

3. DIRECTORS HAVE STATUTORY DUTIES

The law codifies 7 duties, including promoting company success, exercising independent judgment, and avoiding conflicts.

A director's primary duty is to the company - a critical rule for equity-backed start-ups with investor-directors.

Crucial note: In the ‘insolvency zone’- when a start-up cannot pay staff or creditors as debts fall due a director’s duty shifts to creditors.

Note: The 7 statutory duties are listed in Part 10, Chapter 2, 171-177 of the Companies Act 2006. Affirmed in Supreme Court precedents such as BTI 2014 LLC v Sequana SA.

4. DIRECTORS' RESPONSIBILITY IS STRICTLY COLLECTIVE

Directors cannot hide behind delegation.

While you aren't liable for past actions or unknown issues, you are personally liable for failing to supervise co-directors or officers.

Execution isn't solely someone else's job - every director must maintain active, independent oversight.

In the eyes of the law, passivity is complicity.

5. NON-EXECUTIVES SHOULD BE "NOSE IN, FINGERS OUT"

IoD NED definition: **"Provides creative contribution, independent oversight, and constructive challenge to executives."**

IoD Chair definition: **"Ensures board effectiveness in setting and executing strategy."**

Pro tip: Non-execs shouldn't micromanage, but three moments demand high-tempo engagement: CEO help requests, fundraising, and crises.

6. DIRECTORS FACE PERSONAL LIABILITY

Breaching statutory duties or operating while insolvent (wrongful/fraudulent trading) can result in personal financial liability, disqualification as a director, or criminal penalties.

Protect your start-up with Director & Officer (D&O) insurance, indemnities, or statutory relief under Section 1157 of the Companies Act 2006 for acting honestly and reasonably.

Note: Fraudulent trading is a civil wrong and a criminal offence under Section 993 of the Companies Act 2006 with up to 10 years' imprisonment, an unlimited fine, or both.

CEOs AND BOARDS AGREE: IT COULD BE BETTER

Only 22% of CEOs think their board is effective [1]

Only 30% of C-suite rate their board good/excellent [2]

Only 32% of C-suite believe in their board's skills mix [3]

20-35% of senior time goes to board prep [4] but 83% of board members rate their board packs as weak/poor [5]

Poor leadership and accidental managers cost UK businesses £84B/year or £120/day per employee [6]

Start-up boards offer massive leverage, but many lack the right mix of experience.

1. Stuart Spencer (2025)
2. Board Intelligence (2025)
3. PWC (2026)
4. McKinsey (2024)
5. Board Intelligence (2026)
6. OECD (2023)