



**Forming a board of directors can be a challenging task. Board members often serve as key assets for small and medium-sized enterprises (SMEs). So, how do you make the right choices? Here's some expert advice.**



Every corporation is legally required to elect a board of directors. As the company's supervisory body, it is responsible for deciding on major strategic directions and ensuring compliance with the bylaws and the law. However, board members can also be a valuable asset for business development. Experts additionally recommend focusing on diversity in terms

of profiles and genders, particularly to strengthen objectivity in strategic decision-making.

"In Switzerland, the law offers relative flexibility when it comes to the composition of a board of directors," explains Michael Hilb, President of the Board Foundation, a non-profit organization specializing in corporate governance, and of the Swiss Institute of Directors. This allows companies to leverage the experience, expertise, and external perspectives of their board members in strategic decision-making. Often, it's more cost-effective to bring on a skilled director than to hire external consultants. So, how do you choose the right board? Here are five expert tips.

### **1. Select skills based on strategic challenges**

The first step is to identify the key qualities that will benefit the company in the medium term. "For instance, during an expansion, a company might require specific skills, particularly in capitalization," explains Michael Hilb. "Having a clear and comprehensive view of the challenges ahead helps in determining the skills you need in a board member."

VRMandat.com, an online platform that connects board members with companies, offers over 70 specialized skills among the candidates listed on its site. The most common areas of expertise include strategy, change management, executive leadership experience, and digitalization. However, more niche specialties, such as blockchain, cybersecurity, and data protection, are also highly valued by companies.

### **2. Focus on personal values**

"The next step is to envision what the ideal board of directors would look like for your company," says Michael Hilb. Beyond just professional expertise, it's essential to focus on additional qualities. "Board members can, for example, leverage their networks and uncover new market opportunities for the company."

Behavioral skills (or soft skills) are also crucial. As Dominic Lüthi, founder of VRMandat.com, points out, "integrity, reliability, experience, and the ability to tackle future challenges are the core qualities of a great board member."

### **3. Aim for independence**

"In SMEs, it's still common for board members to be chosen from among family or friends," observes Dominic Lüthi. However, having board members who are independent of the management team, or even entirely independent, can be a significant advantage for a company. "Diversity in profiles greatly enhances strategic decision-making, reduces operational risks, and promotes more independent and objective viewpoints."

### **4. Take the time needed**

Given the flexibility of Swiss law in this area, it's wise to take your time when forming your board of directors. "In smaller companies, it might make sense to start by combining the roles of owner and CEO, at least initially," says Michael Hilb. "The other members can then be gradually added, one by one. It's important for the company to take the time needed to select the profiles that best align with its needs."

### **5. Look beyond your own network**

After identifying the strategic challenges and defining the ideal board member profile, the hardest part is often finding the right fit. "There are various ways to go about this: personal networks, executive search firms or online portals," explains Michael Hilb.

However, Dominic Lüthi notes that online searches are still relatively rare. "Despite increasing interest from companies, we estimate that less than 10% of board positions are currently filled through professional placement services."

---

## **Information**

### **On the theme**

#### **At least 30% women**

In 2021, Switzerland introduced a law requiring publicly traded companies to have at least 30% women on their boards. This "comply or explain" rule obliges companies to either meet this quota or provide a justification for not doing so. "This is certainly a step forward in promoting women to leadership roles. There are many qualified women, and they will become increasingly visible," says Dominic Lüthi, founder and director of VRMandat.com.

However, these regulations, which apply to less than 1% of companies in Switzerland, shouldn't be the sole drivers of change. "Other aspects of diversity, such as age, geographical origin and personality, should also be encouraged on boards of directors. For example, varied profiles enrich strategic decision-making. We hope that this development will come from the companies themselves, and not just from regulations."

## In discussion

[Obligations of the board of directors](#)

[Corporate governance](#)

Last modification 04.09.2024

## Newsletter

Exciting news and useful information for founders and entrepreneurs. Well-researched, informative and to the point.

[SUBSCRIBE NOW](#)

[https://www.kmu.admin.ch/content/kmu/en/home/New/monatsthema/2024/five\\_tips\\_for\\_choosing\\_your\\_board\\_of\\_directors\\_wisely.html](https://www.kmu.admin.ch/content/kmu/en/home/New/monatsthema/2024/five_tips_for_choosing_your_board_of_directors_wisely.html)