Integration of governance in the European strategy for start-ups and scale-ups

ecoDa's paper – April 2025

1. Why governance is a fundamental lever for start-ups and scale-ups

Start-ups operate in highly uncertain environments, often facing limited resources, intense operational pressure, and the demanding pace of rapid growth. Amid these challenges, many founders lack a clear understanding of corporate governance—what it truly entails and how it should be effectively implemented.

Too many start-up failures can be traced back to non-existent, informal, or dysfunctional governance structures.

All too often, governance is perceived as a constraint or unnecessary formality. In reality, it can be a powerful enabler—providing clarity, enhancing strategic direction, aligning stakeholders, and ultimately accelerating growth.

What governance brings in concrete terms:

Effective governance offers start-ups tangible benefits that go far beyond compliance. It provides:

- A strategic framework for decision-making – offering a "helicopter view" to help founders see the bigger picture and make informed, long-term choices.
- Clarification of roles and responsibilities – clearly defining the functions of founders, investors, the board of directors, and the management team to reduce overlaps, manage gaps and ensure accountability.
- Support for stepping back and managing risks – creating space for reflection and proactive risk identification, essential in a fast-paced environment.
- Guidance for operational deployment – facilitating complex moves such as international expansion, fundraising, and talent acquisition.
- Preparation for scaling and future funding rounds – laying the groundwork for sustainable growth and the successful raising of Series B/C financing.

Comments:

Corporate governance (CG) is a powerful tool for managing uncertainty—particularly valuable in the fast-moving, high-risk environment in which start-ups operate.

However, it is essential to challenge the common stereotype that CG is too burdensome or rigid for young ventures. On the contrary, when implemented effectively, it becomes a strategic asset by providing:

- A helicopter view of the organization to support strategic decision-making.
- Clear role definitions, improving effectiveness and reducing confusion—especially important in start-ups where functions often overlap and gaps can lead to critical errors.
- Help in defining risk appetite, enabling founders to make bold yet informed choices.
- A solid foundation for structured growth and operational execution.
- A conflict-resolution tool, especially valuable in managing tensions between founders and shareholders.
- Transparency, a key factor in building trust with external investors.
- Access to broader expertise and capital, through professionalized governance structures.

The real challenge is not whether start-ups *should* adopt governance practices, but *how* to implement them effectively - tailored to their size, stage, and ambitions.

Supporting data can help make the case. Evidence shows that well-governed start-ups reach business milestones faster and are better prepared for scaling.

While founders are often focused on growth and innovation, investors look for transparency and risk mitigation. Good governance is the bridge between these two priorities.

Independent directors in start-ups play a deeper and more influential role than in mature companies, acting as a counterbalance to founders. They must have a long-term vision focused on stakeholder protection and regulatory compliance. Key requirements include a solid understanding of venture capital dynamics, start-up growth phases, and capital-raising tools like stock options, and work-for-equity schemes. They should also possess strong business acumen and grasp of emerging technologies, especially in sectors like fintech. A balanced generational mix between directors and founders enhances mutual growth and supports the start-up's development goals.

To further illustrate CG's effectiveness, it's worth comparing it to other support mechanisms—such as accelerator programs across the EU - to show that governance is not just complementary, but often more impactful over the long term.

2. Why is governance still not very present in start-ups?

Despite its clear benefits, corporate governance remains underutilized in many start-ups. Several structural and cultural factors contribute to this gap:

- Lack of education and training – Founders often receive little to no exposure to governance principles during their entrepreneurial journey. As a result, they may not fully understand its value or how to implement it effectively.
- Operational focus takes priority – In the early stages, attention is centered on product development, market fit, and fundraising. Governance is frequently viewed as a secondary concern, to be addressed later—if at all.
- Flexible legal frameworks – In France, for example, the SAS (Société par Actions Simplifiée) model does not require a board of directors, which can delay the formalization of governance structures.
- Limited pool of independent directors – Few experienced, independent professionals are actively available or visible to support start-ups, especially at early stages.
- Co-optation over competence – Board or advisory roles are often filled based on personal connections rather than on the basis of relevant skills, experience, or independence, which can weaken the quality of governance.

Bridging this gap requires greater awareness, targeted education, and the development of networks and tools to make governance more accessible and adaptable for young companies.

Comments:

In fast-paced, high-growth environments, CG plays a dual role: it is both a game changer and a safeguard. By clearly defining roles, responsibilities, and decision-making structures, GC helps prevent and manage conflict between founders, board members and shareholders by bringing in independent perspectives and expertise.
. It brings structure to power dynamics and reduces the risk of misalignment as the company grows.

Despite its value, CG is often overlooked by start-ups. There are several reasons for this:

- Limited awareness and education – Many founders are unfamiliar with governance principles and perceive CG as burdensome or unnecessary, much like early perceptions of intellectual property protection.

- Legal frameworks that don't require boards – For instance, France's SAS model does not mandate a board of directors, making governance seem optional rather than essential.
- Few European case studies or publications – Most existing resources and success stories originate from the U.S., often referencing Delaware law, leaving a gap in locally relevant guidance.
- Emerging networks – Promising developments are taking shape, such as Boardio in the Nordic and Baltic countries (boardio.com), which connects start-ups with independent board and advisory talent.
- Narrow recruitment practices – Start-up boards are often composed through personal networks and co-optation, rather than based on competence, independence, or strategic value.

Yet, when done right, governance enhances visibility, investor confidence, and operational clarity. It can even serve as a career accelerator—offering young professionals a path into board roles through start-up engagement.

Start-ups operate at different levels of maturity and in sectors with varying degrees of regulatory complexity. A practical tool—such as a maturity matrix—could help founders align governance practices with their stage of development and industry needs. In highly regulated sectors (e.g., fintech, healthtech), founders are typically more attuned to legal obligations.

Importantly, there is no strict requirement for implementing governance structures - this flexibility presents both a challenge and an opportunity. Digitalization and legal tech tools now make it easier and more cost-effective to formalize governance practices, lowering the barrier to entry.

To unlock the full potential of start-ups, it's time to reframe CG - not as a constraint, but as a strategic enabler of growth, clarity, and long-term success.

3. Recommendations for the European start-up/scale-up strategy

To effectively embed corporate governance (CG) in the start-up ecosystem, a dual strategy is needed—one that both stimulates demand (PULL) and creates structural incentives (PUSH). This balanced approach addresses the cultural, educational, and financial barriers to adoption.

PULL - Stimulate demand for governance:

- Train founders in governance through national startup hubs (training of trainers)
- Create reference units on governance within national institutes

- Distribute practical fact sheets, model shareholder agreements, board evaluation grids

PUSH - Make it a condition of access to financing:

- Encourage investors to demand a minimum of governance in order to invest
- Include governance guidelines in an 'EU Startup Investment Charter'
- Promote a progressive model: Advisory Board first, then Board of Directors

Comments:

For many entrepreneurs, the growth of their start-up comes with a looming concern: the potential loss of control and ownership. Corporate governance (CG), when implemented early and strategically, can actually help founders maintain control over their vision and their equity—by bringing clarity, structure, and credibility to the decision-making process.

Why Governance Matters – And When

In some countries, like Belgium, establishing a Board of Directors is a legal requirement. Elsewhere, many start-ups begin with an Advisory Board as a more flexible, informal step. While this phased approach can seem less intimidating, it is important to challenge whether it truly serves the company in the long term.

- Formal boards carry fiduciary duties—legal responsibility and accountability that advisory boards do not.
- Delaying formal governance may simply postpone necessary structure and oversight, rather than solving foundational issues.

Governance isn't just about control or compliance. It's about being surrounded by the right people—those who understand your industry, your rhythm, and your strategic ambition. A board should reflect your company's potential, not just its current size.

Shifting the Narrative: From Training to Empowerment

The language used to promote CG is key. Founders are driven, ambitious, and often already steeped in leadership. Terms like "training the trainers" can feel patronizing or out of touch. Instead, emphasize practical learning, peer exchange, and tools that respect founders' time and intelligence.

Focus on what resonates:

- Actionable insights, not theory
- Smart tools, like board evaluation grids or shareholder alignment frameworks
- A learning mindset, not prescriptive instruction
- "What's in it for me?", from a founder's perspective:

- Better investor confidence
- Improved risk management
- Clearer internal roles and faster decision-making
- Protection of long-term equity and vision

The Power of Storytelling and Community

To build trust in CG, tell real stories. Use narrative case studies to show how weak governance led to missed opportunities—or how clear governance prevented founder-investor conflict, enabled a successful Series B, or ensured international expansion stayed on track.

Look to best-in-class markets, such as Estonia, for inspiration. Emerging European and national start-up networks should be leveraged to exchange practices, build awareness, and promote a shared vision of governance—not as a checkbox, but as a strategic tool for scaling smartly and sustainably.

4. ecoDa's Concrete Proposals for a Stronger Start-Up and Scale-Up Ecosystem in Europe

As Europe shapes its next strategy for start-ups and scale-ups, corporate governance (CG) must be recognized not as a bureaucratic hurdle, but as a strategic enabler of sustainable growth, investor confidence, and global competitiveness.

To that end, ecoDa proposes the following practical and impactful initiatives at the EU level:

- **Integrate Governance into the Future EU Start-Up/Scale-Up Strategy**
    - Why it matters: Governance is often absent from entrepreneurial roadmaps. Embedding it in the EU strategy sends a clear signal that CG is a growth enabler, not an administrative afterthought.
    - How it helps: Clearer decision-making, reduced internal conflict, improved investor relations, and stronger resilience through scale.

- **Launch EU-Funded Pilot Programmes to Test Tailored Governance Models**
    - Action: Fund cross-border pilot projects in partnership with innovation hubs to prototype governance frameworks adapted to the unique needs of start-ups.
    - Why: Co-creation ensures solutions are practical, founder-driven, and reflective of real challenges faced in different sectors and maturity stages.

- **Create a European Start-Up Governance Label**

- Purpose: Establish a simple, scalable, and voluntary label that recognizes good governance practices adapted to the start-up context.
- Features:
  - Tiered recognition: from advisory board establishment to full board formation,
  - Emphasis on adaptability, not formality,
  - Designed to increase visibility and trust with investors.

➢ **Promote the Role of Independent Directors and Chairpersons as Catalysts for Maturity and support their trainings**

- Rationale: Independent board members bring objectivity, network access, and long-term vision—elements often missing in founder-led teams.
- Goal: Raise awareness and create incentives for start-ups to include external expertise early in their journey.

➢ **Support the Training of Founders in the Culture of Governance**

- Approach: Develop founder-centric, ambition-driven training programs that are practical, not theoretical.
- Key element: Introduce a European certification for governance trainers—prioritizing individuals with start-up experience, open-mindedness, and credibility to speak from real-world success.

Conclusions:

- There is no sustainable growth without solid governance. As start-ups scale, the absence of clear structures, accountability, and strategic oversight can become a critical weakness. Governance is not an option—it's a necessity.
- The time to act is from the seed phase. Introducing governance early helps founders protect their vision, navigate growth, and avoid costly missteps. Waiting too long can delay - or even derail - success.
- Governance is a key lever of European competitiveness. In the global race for innovation, Europe must match the agility of the U.S. and the scale of Asia - not only with funding, but with smart, strategic frameworks that build investor confidence and long-term resilience.
- Now is the time to make governance a pillar of the EU innovation strategy. By embedding governance into the core of its entrepreneurial vision, Europe can foster a new generation of start-ups that are not only innovative but built to last.

Document based on the work of GUBERNA (Luc Sterckx, documents 2024-2025 https://lup.be/book/corporate-governance-from-startup-to-scale-up/) and the Institut Français des Administrateurs (report 2021, barometers 2022 & 2024).

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