

Chief Executive Officer (CEO) and Board of Directors

The Board of Directors are either elected or appointed directors (also known as members) who together oversee the company's activities. They have decision-making and voting authority and will have individual or collective areas of responsibility. Not all of the department directors (e.g. Finance Director, Marketing Director, etc.) will automatically sit on the board, but they will report to it, either directly or through the Managing Director (also known as the Chief Executive Officer, CEO).

The powers of the board are determined by its by-laws (these are a set of rules written by the board when the company is formed or incorporated) which control matters such as how the board is to be made up and when it is to meet and vote, as well as setting the aims and objectives of the business. The board duties include:

- Determining the aims and objectives of the company and generally overseeing its running
- Setting annual budgets
- Ensuring that the company has good finances and allocating profits to shareholders (these are paid in the form of dividends which will normally be paid out twice a year).

Companies are considered legal entities which means they have legal rights and responsibilities. Control of a company is normally divided between the board of directors and the shareholders. **Shareholders** buy and own shares in the company, this gives them ownership of a percentage of the company, entitling them to 'dividend payments' if the company is making a profit.

The directors have a duty to the shareholders and the company to ensure that it is running properly and to a profit (i.e. making money). They also have a number of other legal duties and responsibilities, including acting in the interests of the company at all times (known as 'bona-fide') and not acting in a way to cause a conflict of interest (e.g. a director awarding a lucrative contract to a friend would be considered a conflict of interest and would have to be brought to the attention of the other directors before the contract was given to this friend). There are a number of rules that govern directors' actions, as a board director has a great deal of responsibility.



The members of the board will normally select one of them to act as the **Chairman**, their role is to preside over meetings and act as the board's representative, as well as resolving any conflicts that arise. They will need to be an excellent communicator and have good judgement in order to do this role successfully.

Board directors are split into Executive and Non-Executive Directors. An **Executive Director** is a full-time officer of the company who will be very involved in the company on a day-to-day basis, in all aspects of its business. It is the Executive Director/s that often decides how to run the company, making decisions on things such as staffing issues and company strategy. Whilst the Executive Director/s will listen to the advice of the board they are not obliged to take it.

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A **Non-Executive Director** is a part-time officer who will provide advice and support to the company but who is less involved in all of the day-to-day aspects of the business. Non-Executive Directors will not have been employed by the company at any time so can provide impartial advice.

Directors may sit on a number of boards but would not sit on the boards of companies in direct competition with each other. In order to become a board director that individual will have a great deal of experience in the industry (e.g. if sitting on the board of large car manufacturer that person would have worked within the motor industry for many years). They will need to understand the industry and the company very well in order to do their job well.

The **Managing Director** (MD, also known as the Chief Executive Officer, CEO) is the head of the company and this person is responsible for its day-to-day running, ensuring that it is running as it should, within the law and on budget (and also making a profit for most businesses). The MD will also be a board member and is legally responsible for the actions of the company, which means they will be held accountable for any wrongdoing such as a bad accident at work caused by faulty machinery. Reporting to the MD are all the individual directors of each department (e.g. Finance Director etc.). These directors report to the MD on matters such as their department's workload and performance.

Employability SKILLS

There are a number of skills needed to be a successful board member, including:

- Strong organisational and planning skills
- Excellent managerial and people skills
- A good team leader
- Honesty and discretion
- Good attention to detail
- A good understanding of the needs of the business.

A key employability skill is organisation. Working as a director requires a great deal of input and experience, so the ability to organise and prioritise work is paramount.