

Directors - Role of the Chairman/MD/Chief Executive

Chairman

The chairman's primary role is to ensure that the board is effective in its tasks of setting and implementing the company's direction and strategy.

The chairman is appointed by the board and the position may be full time or part time. The role is often combined with that of managing director or chief executive in smaller companies. However, the joint role is considered to be less appropriate for public companies listed on the Stock Exchange.

The main features of the role of chairman are as follows:

- As well as being chairman of the board, he/she is expected to act as the company's leading representative which will involve the presentation of the company's aims and policies to the outside world.
- To take the chair at general meetings and at board meetings. With regard to the latter this will involve: the determination of the order of the agenda; ensuring that the board receives proper information; keeping track of the contribution of individual directors and ensuring that they are all involved in discussions and decision making. At all meetings the chairman should direct discussions towards the emergence of a consensus view and sum up discussions so that everyone understands what has been agreed.
- To take a leading role in determining the composition and structure of the board. This will involve regular reviews of the overall size of the board, the balance between executive and non-executive directors and the balance of age, experience and personality of the directors.

Appointment

The first directors of a company are appointed at the time of its registration. Subsequent appointments are governed by the company's articles of association. Typically the articles will provide for the board of directors to fill any casual vacancies or to appoint additional directors up to the maximum number specified by the articles.

Summary

John Harper, formerly professional development director for the IoD and author of *Chairing the Board*, suggests that the essential tasks of a chairman are as follows:

- Providing leadership to the board.
- Taking responsibility for the board's composition and development.
- Ensuring proper information for the board.
- Planning and conducting board meetings effectively.
- Getting all directors involved in the board's work.
- Ensuring the board focuses on its key tasks.
- Engaging the board in assessing and improving its performance.
- Overseeing the induction and development of directors.
- Supporting the chief executive/managing director.

Managing Director / Chief Executive

The managing director/chief executive is the most senior full time executive of the company (except when there is an executive chairman). The role of managing director and chief executive are virtually the same. (The latter title originally comes from the US.)

The managing director/chief executive is responsible for the performance of the company, as dictated by the board's overall strategy. He or she reports to the chairman or board of directors.

Responsibilities include:

- Formulating and successfully implementing company policy.
- Directing strategy towards the profitable growth and operation of the company.
- Developing strategic operating plans that reflect the longer-term objectives and priorities established by the board.
- Maintaining an ongoing dialogue with the chairman of the board.
- Putting in place adequate operational planning and financial control systems.
- Ensuring that the operating objectives and standards of performance are not only understood but owned by the management and other employees.
- Closely monitoring the operating and financial results against plans and budgets.
- Taking remedial action where necessary and informing the board of significant changes.
- Maintaining the operational performance of the company.
- Monitoring the actions of the functional board directors.
- Assuming full accountability to the board for all company operations.
- Representing the company to major customers and professional associations.
- Building and maintaining an effective executive team.

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