

Board of Directors – BoD

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The owners' extended arm



“The Board of Directors” is the company’s ruling body (sometimes abbreviated BoD). The Board of Directors is the company’s highest decision-making body for strategic and tactical issues, if we exclude the meetings of shareholders. It is charged with the duty of managing and developing the company in the best possible way so as to create value, in the first instance for the owners but also for other interests.

The Board of Directors is selected by the shareholders, and the independence of the members of the Board of Directors varies depending on business tradition and regulatory structure. In some jurisdictions it is considered that the members of the Board of Directors must be independent of the owners and not be employed in the company.

It can happen that not even the Chief Executive Officer is a formally elected, regular member of the company’s Board of Directors. In other jurisdictions (e.g., in some Anglo-Saxon countries) it is considered to be an advantage for the members of the Board of Directors to be close to the company and its situation. Here large parts of the Board of Directors may consist of the directors (the top management) in the company top management — from which the name “Board of Directors” derives.

Follow the law and the owner’s directives

The Board of Directors must follow the rules and laws which are in force in the country involved and be responsible for the company’s organization and the management of the company’s business. But the Board of Directors must also, based upon directives from the owners, see to it that the business plan is implemented at the same time as they take into account what is best for the company in the situation in which the company finds itself.

What should the Board do

The principal tasks of the Board of Director are, among other things, to:

- Continually keep track of the company's financial situation.
- See to it that the organization is structured so that bookkeeping, asset management and financial circumstances are monitored in a satisfactory way.
- Provide written instructions as to when and how reporting to the Board of Directors is to be done.
- Develop policies and guidance for the work of the Board of Directors.
- Appoint the CEO and develop instructions and guidance for the work of the CEO, which will govern the division of responsibility between the CEO and the Board of Directors.

Annual report

Another important role which the Board of Directors has in many jurisdictions is to see to it that taxes and fees are paid on time. The Board of Directors must also see to it that the annual financial statements are prepared and are provided in a timely fashion to the relevant governmental authorities.

Commitment

It is an undertaking of high responsibility to be elected to a company's Board of Directors. In many jurisdiction decisions of the Board of Directors are taken by majority vote, but each member of the Board of Directors also has an individual responsibility for the decisions that director agrees with and makes. In other words, as a member of a Board of Directors you will have joint and several liability in many cases.

Drive value

Having the right Board of Directors is utterly decisive for the development of the business. The Board should be composed of persons with different experience, competence and personality who are suited to the situation and phase in which the company finds itself. It is the combined strengths of the Board of Directors which is decisive for successful Board work. The atmosphere in the board must be open and respectful and allow all questions to be asked!