

BOARD OF DIRECTOR

## Major Duties of Board of Directors

Brenda Hanlon, in *In Boards We Trust*, suggest the following duties (as slightly modified by Carter McNamara to be “nonprofit/for profit neutral”)

**1. Provide continuity for the organization** by setting up a corporation or legal existence, and to represent the organization’s point of view through interpretation of its products and services, and advocacy for them.

**2. Select and appoint a chief executive** to whom responsibility for the administration of the organization is delegated, including:

- to review and evaluate his/her performance regularly on the basis of a specific job description, including executive relations with the board, leadership in the organization, in program planning and implementation, and in management of the organization and its personnel.

- to offer administrative guidance and

**“The Board should not micromanage the CEO and the management team. The relationship between the two entities should be creatively tense, but never adversarial”**

—Devdatt Bhangu, MBA

determine whether to retain or dismiss the executive.

**3. Govern the organization** by broad policies and objectives, formulated and agreed upon by the chief executive and employees, including to assign priorities and ensure the organization’s capacity to carry out programs by continually reviewing its work.

**4. Acquire sufficient resources** for the organization’s operations and to finance the products and services adequately.

**5. Account to the public for the products and services** of the organization and expenditures of its funds, including:

- to provide for fiscal accountability, approve the budget, and formulate policies related to contracts from public or private resources.

- to accept responsibility for all conditions and policies attached to new, innovative, or experimental programs.

DISCLOSURE AND TRANSPARENCY

## Disclosure and Transparency Matters

Disclosure and transparency are the partners of good governance. They demonstrate the quality and reliability of information - financial and non-financial - provided by management to lenders, shareholders, and the public.

Why disclosure and transparency matters?

- Empirical evidence indicates that high standards of transparency and disclosure can have a material impact on the cost of capital.
- Reliable and timely information increases confidence among decision makers within the organization and enables them to make good business decisions directly affecting growth and profitability.
- Information also affects decision makers outside the entity - shareholders, investors and lenders - who must decide where and at what risk to place their money.
- The information a company provides should show decision-makers and outside interests whether and to what extent corporations meet legal requirements.
- Disclosure helps public understanding of a company’s activities, policies and performance with regard to environmental and ethical standards, as well as its relationship with the communities where the company operates.
- Disclosure and transparency, as well as proper auditing, serves as a deterrent to fraud and corruption, allowing firms to compete on the basis of their best offerings and to differentiate themselves from firms who do not practice good governance.

**“Many countries in Africa, Latin America and Asia are very poor. they are not poor because they don’t have wonderful people, natural resources or infrastructure...they are poor because of corruption.”**

Peter Eigen  
 Transparency International

BOARD OF DIRECTOR

## Major Responsibilities of Board of Directors

*BoardSource*, in their booklet *“Ten Basic Responsibilities of Nonprofit Boards”*, itemizes the following 10 responsibilities for nonprofit boards. However, these responsibilities are also relevant to for-profit boards.

- Determine the organization’s mission and purpose.
- Select the Executive.
- Support the executive and review his or her performance.

- Ensure effective organizational planning.
- Ensure adequate resources.
- Manage resources effectively.
- Determine and monitor the organization’s programs and services
- Enhance the organization’s public image.
- Serve as a court of appeal.
- Assess its own performance.

Source: <http://www.nsba.org/sbot/toolkit/EfBoards.html>

## ACCOUNTABILITY

# What is Social Accountability 8000?

SA8000 is a standard for companies seeking to make the workplace more humane. Unlike many other codes, SA8000 is a global code that can be implemented in any country and in any sector. SA8000 is the first auditable standard on working conditions. The New York-based Social Accountability International (formerly known as the Council on Economic Priorities Accreditation Agency) developed SA8000, with the support of non-governmental organisations, trade unions, and companies. The majority of the companies adopting SA8000 are in the retail sector or manufacture clothing, toys and shoes. Interest is greatest in the sectors where there are well-known brands which need protecting. Interest in SA8000 is growing among the agricultural and electronics sectors. Companies adopting SA8000 have a combined annual revenue of \$106 billion. SA8000 certificates have been issued in 27 countries to over 120 companies.

**“Unlike many other codes, SA8000 is a global code that can be implemented in any country and in any sector”**

SA8000 draws on the conventions of the International Labour Organisation and other UN documents as well as the management systems of the International Organisation on Standards (ISO). By using key ILO conventions as a point of departure, SA8000 provides the necessary definitions and management systems to develop an auditable system, which can be checked by qualified auditors. Social Accountability International accredits certification firms and NGOs to audit and certify companies.

The question that SA8000 asks is that of how a company and /or supply chain can ensure that workers' rights are being respected. One of the strengths of SA8000 is that it is auditable. It also has management systems to embed the standard into the company culture. As with ISO standards, it is easier for large companies to adopt SA8000 than small and medium-sized companies.

## BOARD COMMITTEES

# Developing Board Committees

Board of directors are divided to form various committees in an organization of which these committees serve as their group to formulate their tasks and activities to help the organization achieve its mission.

Below are some guidelines in developing board committees from <http://www.managementhelp.org>:

- 1 Ensure the committee has a specific charge or set of tasks** to address, and ensure board members understand the committee's charge.
- 2 Have at least two board members** on each committee, preferably three.
- 3 Don't have a member** on more than two committees.
- 4 In each board meeting, have each committee chair report** the committee's work since the past board meeting.
- 5 Consider having non-board volunteers** as member of the committee (mostly common to nonprofits)
- 6 Consider having a relevant staff** as a

member of the committee as well

**7 Committee chairs are often appointed by the board chair**; consider asking committee members for a volunteer for committee chair.

**8 If committee work is regularly effective** and the executive committee has a strong relationship with the chief executive, consider having board meetings every other month and committee meeting between the board meeting.

**9 The chief executive should service ex officio** to the board and any relevant committees (some organization might consider placing the chief executive as member of the board--this decision should be made carefully).

**Note:** The above description is intended to portray various functions that are often conducted by board committees. It is ultimately up to the organization to determine which committees should exist and what they should do for the organization.

## CEO

# Major Roles of Chief Executive Officer

- ➔ **Leader**
  - Advises the Board
  - Advocates / promotes organization and stakeholder change related to organization mission
  - Supports motivation of employees in organization products/programs and operations
- ➔ **Visionary / Information bearer**
  - Ensures staff and Board have sufficient and up-to-date information
  - Looks to the future for change opportunities
  - Interfaces between Board and employees
  - Interfaces between organization and community
- ➔ **Decision maker**
  - Formulates policies and planning recommendations to the Board
  - Decides or guides courses of action in operations by staff
- ➔ **Manager**
  - Oversees operations of organization
  - Implements plans
  - Manages human resources of organization
  - Manages financial and physical resources
- ➔ **Board developer**
  - Assists in the selection and evaluation of board members
  - Makes recommendations, supports Board during orientation and self-evaluation
  - Supports Board's evaluation of Chief Executive

Source:<http://www.managementhelp.org/boards/boards.htm>

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