

## **Strategic Role of Board of Directors & Top Management**

A Board of Directors (BOD) forms the highest level of authority in the governance of a company and includes elected individuals who represent the interest of the shareholders.

They ensure that the strategic decisions of the Chief Executive Officer (CEO) best protect and benefit anyone who has equity ownership of the business.

Under the guidance and scrutiny of a BOD, the CEO strategically aligns resources to achieve the company objectives in the most efficient ways.

### **Fiscal Accountability and Financial Guidance**

- ✚ The BOD becomes fiscally accountable. It sets the amount of dividends paid to the shareholders and how much fund is reinvested into the company.
- ✚ BOD members need to ensure that the financial disclosures are accurate and truly represent the state of the company.

### **Responsibilities –**

- ✚ The BOD reviews the programs selected by the CEO that are most likely to achieve the financial objectives set for the company.
- ✚ This scrutiny includes the investment decisions made by the company's executive team, and the expenditures required to support the efforts.

### **Legal Duties –**

- ✚ A Board member is trusted with fiduciary responsibilities which encompass three legal duties: care, loyalty, and obedience.
- ✚ He must act in good faith and for the interest of the shareholders and the organization. He must also keep the good of the organization in mind and not base the decision on personal interests, and finally, he must obey the policies stated in the governing documents of the corporation.

### **Risk Management –**

- ✚ In light of the accountability to the shareholders, the BOD frequently weighs the company's risks of missing the corporate objectives and the consequences that this would have on dividend distribution, or financial return to the company.

## Role of Board of Director's

- ✚ Determine **mission and purpose**. It is the board's responsibility to create and review a statement of mission and purpose that articulates the organization's goals, means, and primary constituents served.
- ✚ **Select the chief executive**. Boards must reach a consensus on the chief executive's responsibilities and undertake a careful search to find the most qualified individual for the position. Support and evaluate the chief executive.
- ✚ The board should ensure that the chief executive has the moral and professional support he or she needs to further the goals of the organization. Ensure effective planning. Boards must actively participate in an overall planning process and assist in implementing and monitoring the plan's goals.

### 1. It acts as the Trustee of Shareholders –

The directors act as representatives of shareholders and work with utmost faith and degree of honesty in protecting the long-term aims of wealth maximization of the company.

### 2. Determining the fundamental objectives and policies –

The board of directors plays a vital role in long-range planning and sets the overall goal of the company within the framework.

### 3. Determining the organization structure and selecting the top executives –

It is the prerogative of the board to select the CEO and other top-level managers.

### 4. Approving financial matters –

These financial matters are related to two things namely, approval of budgets and distribution of the corporate earnings.

### 5. Maintaining adequate checks and controls –

In the final analysis, the board of directors is held responsible for the result of the company.

### 6. Statutory functions –

Directors are to perform certain legal functions which are mandatory on their part.