

Clearly defining the roles of board and CEO

BY CLAIRE RUSSELL

The relationship between CEO and board can make or break an organisation, so it is important that roles are clearly defined and understood by both parties.

JOB DESCRIPTION

As the nonprofit sector has increasingly professionalised, the demands that are placed upon the CEOs (or General Managers) of nonprofit organisations has increased in breadth and sophistication.

In law, the board carries ultimate accountability and authority. But in practice, it is the CEO who carries the can and wields much of the power and authority on a day to day basis.

The board 'governs' and the CEO 'manages'.

The fundamental way in which this government/management relationship can be observed, is by both the board and the CEO understanding the specific roles each has in the running of the organisation. In short, each should be aware of the boundaries of its responsibilities and functions within the organisational structure.

The following is the 'job description' of the board and the CEO, broken down into seven key areas of management responsibility.

1. Accountability

BOARD

The board must:

- ensure the organisation is serving the needs of the section of the community it was designed or established to serve; and,
- be aware of compliance issues, such as reporting requirements to regulators like ASIC or funding providers.

CEO

The CEO is accountable and reports to the board and must determine what level of detail the board should be provided with to equip it to fulfil its role.

This is often helped by a good agenda for board meetings into which the CEO has had some input.

2. Decisions

BOARD

The board drives the strategic direction of the organisation through annual business plans, policies and corporate strategies designed to achieve the mission of the organisation.

It must translate the mission into measurable objectives and goals and should take account of factors such as:

- financial projections;
- future Government directions;
- compliance issues;

- governance; and,
- the changing needs of the community.

CEO

The CEO must disseminate the mission, strategic direction and the goals and policies to the organisation's staff.

The CEO is responsible for carrying out and implementing the direction, goals and strategies designed and created by the board and report to the board on the outcomes. The CEO's planning includes operational and short term planning.

3. Policies

BOARD

The board is responsible for the ongoing process of establishing policies and ensuring compliance with Government requirements. It is the board who decides on the suitability of a particular policy.

CEO

The CEO is relied upon to implement and manage the policies. But, also, the CEO is well-placed to suggest policies to the board for consideration.

The CEO has daily contact with and involvement in, the operations of the organisation, and is more likely to be

aware of deficiencies in a policy. The CEO will also be more cognisant of areas where new policies could be implemented, for example, where there is a need in the section of the community the organisation is serving for which there is no adequate program.

4. Financial Reports

BOARD

The board's role is to analyse and review reports and monitor the financial performance of the organisation.

It is important that the board knows how the organisation is financially faring at all times. It is charged with:

- specifying key financial objectives;
- developing financial indicators; and,
- ensuring financial controls are in place.

CEO

The CEO prepares annual budgets and financial reports for presentation to the board. The CEO will also be asked to comment on the performance of the organisation and offer ideas or strategies as to how performance can be improved upon.

5. Commitment of resources

BOARD

It is incumbent upon the board to take a strategic perspective on all issues and work with the CEO to create and implement strategies to address those issues.

The board must consider which resources, finances and personnel will be required to implement its strategies. It is the board's responsibility to authorise the CEO to acquire any necessary additional resources.

CEO

The CEO has the role of managing and administering the board's decision by applying resources to the implementation of the strategy.

7. Training and performance

BOARD

The board should conduct annual reviews of both itself and the CEO. Training for members of the board should also be a regular focus, particularly in the areas of legal obligations and fiduciary duties.

CEO

The CEO should also undergo regular training to ensure that the organisation is operated as efficiently and as successfully as possible.

The CEO should also be recommending to the board the terms and conditions of employment of senior executives and other members of staff.

6. Succession

BOARD

The board must regularly review its structure and composition to ensure that it is keeping up with current governance practice. This will involve reviewing the constitution or rules, the number of board members and their term of office and the background of the members.

It must also consider succession planning for its CEO to ensure that the transition to a new CEO will be smooth and that its knowledge management policies are sufficiently robust to prevent loss of knowledge on the departure of a CEO.

CEO

The CEO should adopt a similar approach in terms of succession planning and implement a long term plan to ensure that good quality, trained employees are hired or are being hired for the short and long term needs of the organisation.the strategy.

WORKING PARTNERSHIP

What we see here is that the roles of the CEO and the board are distinct, yet the parties must work in partnership to fulfil the management needs of the organisation. It is therefore important that both the board and the CEO:

- know what each other expects of them;
- understands the differences between the roles of the two parties; and,
- appreciates the background and perspective of the other party.

The relationship between the board and the CEO is integral to the success of every organisation, and by allowing each party to carry out its respective functions, success will be easier to achieve. ❖

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