The Posse Foundation: Implementing a Growth



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Agenda

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- Introduction
- Directors
- Board Structures
- Functions Of The Board
- Board Committee
- Conclusion

Conclusion

- Different board structures imply different power hierarchies
- The type of "director" defines the corresponding tasks and duties
- The board of directors has different dynamic functions to fulfill
- Committees play an integral role in ensuring correct dispersion of control accountability and due diligence
- Correct delegation of Tasks and function is crucial in CG.



Introduction







Why do directors get appointed?



 Re-appointment on the expiry of a director's term of office



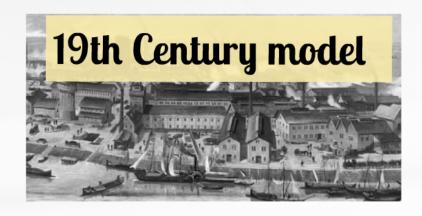
 Appointment to fill a vacancy arising on resignation, death etc.

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· The creation of an additional directorship

How do directors get appointed?





- Not feasible that the shareholders voted the directors
- Chosen by existing directors and routinely approved by shareholders
- Directors were chosen from small network of influence
- Founder/chairman/entrepreneur made suggestions
- Still the case in many private companies

- Only influential shareholders can have an influence on director appointment
- More INEDs are appointed
- Existing directors/management choose new members
- Networks still in existence but INED's counteract the problem a little
- Little influence for small shareholders

'Implications of the Election

Should CEO and chairman be the same person?

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Separated:

- Check and balance mechanism
- · Limits potential Abuse of power



Combined:

- One leader limits conflict (Historically Accurate)
- In the US combination of the two roles is common

Appointing retired CEO's as chairman

- Check and balance mechanism
- Limits potential Abuse of power
- In the US combination of the two roles is common

Appointing retired CEO's as chairman



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Pro:

- High level of experience, knowledge and connections
 Con:
 - Potential friction with new CEO's

Board Structures

Unitary boards

All-executive director board

- Top managers = directors
- · small firms, start-ups
- No duty distiction

- non-executive directors: in minority
- add expertise, new perspectives
- -> British public listed companies until 1970s

Majority-executive director board Majority non-executive director board

- non-executive directors > managers
- Managers make strategies
- · Management has too much power
- -> USA, UK, advanced economies

All non-executive board

- not-for profit entities
- Managers provide information only

Two-tier boards
Executive board and supervisory board -> Europe, Tatwan, China
Examples
Germany Two parts: Vorstand (management board committee Aufsichtsrat (supevisory)
Netherlands Three parts Representation of Capital, Employees, Society [