# Delegation of Power to Executives/Officers

Company law gives the power to the board of directors to manage the company's business. Essentially, the board of directors is a main mechanism for running the limited company. In practice the directors may operate the company's business by themselves, or alternatively delegate the power to any of them to run the company. Any director or any officer appointed by the board to run the company is accountable to and reports to the board, so by and large, the board technically still has the final say on how the limited company should be operated.

One director may be responsible for the overall management of the company and such person may be called a managing director, an executive director, a chief executive officer, a president or whatever title. The board may fire or hire a CEO and any other executive as it wishes. An officer (i.e. CEO) does not necessarily have to be a director. Alternatively, looking beyond the internal candidates, the board may go for outsiders to run the company. Good reasons exist for this. The outside person may have special skills to run the business or otherwise is more qualified to manage the company than any of current board members. In this kind of management approach, the director does not have to be the owner of the company or holds any shares in the company.

While the control of the company is left with the directors, remember that the directors themselves are appointed by the shareholders, so essentially all directors, including the CEO and other executives, report to shareholders and owe a fiduciary duty to all shareholders. As the shareholders are the ultimate owner of the company, the directors should ensure that all managerial decisions be made for the best interest of the shareholders. You can say, the CEO and other executives serve at the pleasure of the board, while the directors serve at the pleasure of the shareholders.

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NARIT's Glossary

## Director's Fiduciary Duty

Director's fiduciary duty is a duty by virtue of being a director to a company, to act in good faith for the best interest of the principal, in this case the shareholders. A director has the moral duty to exercise his or her power that shareholders have entrusted in him/her, for the shareholders' benefit, and should not put himself/herself in the conflicting position with the interest of the shareholders. Two basic fiduciary duties are the duty of loyalty and the duty of care.