

Position description for an executive director

Duties of directors

Once the board has identified a need to appoint a new executive director, the next step in the recruitment process involves developing a position description for the role.

Executive directors have a dual role: that of company employee, usually a senior executive, and that of board member. Although they have the same duties and responsibilities as other directors, executive directors can add value to the board through their increased knowledge of the company's business and operations – including strategy, direction and competitive pressures – and having greater access to company information than non-executive directors.

The dual aspect of an executive director can lead to role confusion.

Boards primarily set strategy and monitor management. Management implements strategy and reports to the board. Therefore, an executive director is a governor and manager, and an employer and employee.

During board meetings, the executive director needs to focus on strategic issues rather than operational matters.

Clarification of the purpose of each role is important in developing the position description. The process may be undertaken by the board as a whole or through a board delegation to the chair, the nominations committee or a

smaller tasked group appointed by the board (which can include board and non-board members if desired). The drafting of the position description can be done in consultation with an executive search firm.

Points to consider

- Directors do not need to have the same level of expertise in every area (and it is unlikely that this would be the case on a diverse board). For example, although directors need to be financially literate, financial responsibility can be taught and may not be a necessary requirement for a board appointment.
- Executive directors already have a full time position; additional time commitments related to their board role must reflect their responsibility to their primary work.
- Executive directors are not usually present for board proceedings when the CEO's performance or remuneration are being discussed or for board meetings with the external auditor.
- Ideally, every board should have a policy for dealing with executive directors who hold multiple directorships, to ensure that all directors and senior executives are aware of the other imposts on the executive director's time.

A sample position description for an executive director

Role	[Executive Director]
Reports to	[The board of directors through the chair]
Location	
Current board	
Chair	[Name of current chair] [A brief synopsis of their professional background]
Non-Executive Directors	[Name of current non-executive directors] [A brief synopsis of their professional background]
Executive Directors	[Name of current executive directors] [A brief synopsis of their professional background]

The role

Company X seeks to appoint an executive director to the board. This role has the same duties and responsibilities as other director roles, however it is anticipated that this appointment will provide the board with greater insights and awareness of important business and industry issues and be able to appropriately and thoroughly examine their impact on strategy.

This is a newly created role. [or] This is created due to a vacancy.

In addition to management responsibilities, the role requires attending approximately 10 board meetings per year and may involve serving on at least one board committee. It may also be necessary to take part in monthly conference calls for management, financial reporting and general compliance issues. There may be exceptions to attendance where real or perceived conflicts of interest arise.

Competencies and skills (role related)

- **Knowledge of a director’s responsibilities** – includes an understanding of the role as well as legal, ethical, fiduciary and financial responsibilities involved and the ability to separate, where necessary, the role of director and employee;
- **Strategic expertise** – the ability to differentiate between operational and strategic matters, to review the strategy constructively and openly, and contribute to the effective decision making of the board;
- **Accounting and finance** – the ability to read and comprehend the company’s accounts, financial material presented to the board, financial reporting requirements and some understanding of corporate finance;
- **Legal** – the board’s responsibility involves overseeing compliance with numerous laws as well as understanding the individual director’s legal duties and responsibilities;
- **Risk management** – experience in managing areas of major risk to the company;
- **Managing people and achieving change** – experience in current management thinking on engagement branding, strategic vision and stakeholder communication; experience in executive remuneration and compensation;
- **Industry and company knowledge** – experience at the company, in the industry and any other experience relevant to the board’s composition.

Note:

The need for other skills, knowledge and experience will depend on the size and type of company, markets operated in and line of business.

Competencies (personal attributes)

- **Integrity** – fulfilling a director’s duties and responsibilities, acting ethically, appropriate independence, putting the organisation’s interests before personal interests. An executive director needs to be mindful of conflicts of interest and act accordingly;
- **Collegiality** – in most instances, an executive director will have detailed knowledge of the company and its issues, and greater access to information. The ability to reasonably share this insight with the board, and to raise matters for discussion, is an important aspect of this role;
- **Collaborative yet curious and courageous** – a director must be able to function as an effective team member but must also have the curiosity to ask questions, and the courage to persist in robust discussion with management and fellow board members where required;
- **Emotional intelligence** – as well as self-awareness and self-management, a director needs to demonstrate empathy manifested through strong interpersonal skills. A director must work well in a group, listen well, be tactful and yet be able to communicate a cogent and candid viewpoint;
- **Commercial judgment and instinct** – a director needs to demonstrate good business instinct and acumen and be able to assimilate and synthesise complex information;
- **Active contribution** – a director needs to be an active contributor with genuine interest in the company and its business.

Note:

The need for other personal competencies will be consistent with the composition of the board and its preferred working style.

Educational requirements *[if applicable; in most instances, it is assumed that an executive director has the necessary educational qualifications to fulfil their functional role in the business.]*

- Tertiary
- Australian Institute of Company Directors Course
- Other

Remuneration and benefits *[if applicable; in most instances this would be nominal and, in some cases, covered by the executive compensation associated with the executive director’s business role.]*

- Annual remuneration
- Travel and other expenses
- Other

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