

Nature of Board Level decisions and the contribution of the finance director

The performance of any organization, may it be for profit or not for profit, heavily depends on the decisions that are made by the management of the organization. It is worth noting that decisions made in the organization differ greatly, depending on the position of those involved in making those decisions. The board is one body that plays a crucial role in determining the future of an organization, based on the nature of the decisions that they make. A board refers to a group of individuals who have been legally accorded the responsibility of governing an organization. Another key player in decision making is the finance director. Unquestionably, financial resources are one of the key resources for any organization, and for that reason, the contributions of the finance director influence the decisions that are undertaken or rather formulated by the board of directors. This essay seeks to critically analyze the nature of board level decisions as well as the contribution made by the finance director in the formulation of these decisions.

Composition of board members varies from one organization to another, depending on its nature as well as its objectives. Despite of these variations, the decisions made at the board level tend to be similar in one way or another. Being at the top in managerial rank in the organization, the nature of decisions that are made by the board varies a lot, as these decisions affect the organization in all perspectives, (Christopher, 2004). For instance, decisions made by the board influences the way the particular organization will be managed. The board is responsible for the selection and appointment of the chief executive, who is accorded the mandate to carry out administration duties in the organization. It is the duty of the board to determine how their organization is managed by for instance, reviewing and evaluating the performance of the chief executive on a regular basis based on leadership of the organization, planning and implementation of these plans, as well as management of the workforce. To some extent, the board also provides administrative guidance to the chief executive. Thus, one of the characteristics of the decisions that are made at the board level is that, these decisions influences the governance or rather management of the organization by the chief executive, (Bruce & Alexander, 2002).

Another characteristic of the decisions made at the board level is that, they influence the policies and objectives of the organization in general. Together with the chief executive, the board makes decisions on organization policies and objectives that are aimed at the general growth of the organization. They are also responsible for changing policies depending on the situations that the organization is facing. Some of the decisions made at the board level concerning organizational policies and objectives include assigning priorities as well as ensuring the capacity of the organization to undertake services/products/programs by a continuous review of its work, (Iti, 2009).

One of the responsibilities of the board is to ensure that there are adequate resources and that these resources are managed effectively. Therefore, another characteristic made at the board level is that they are always focused to resource acquisition and management. For instance, at one point the organization may be facing financial challenges which require considering alternative sources of funds. Some of the

available options may include using external sources of funds such as a loan from a financial institution, or using internal sources such as increasing the share capital, (Soo, 2011). The board is obligated to give the final decision on the best alternative, based on the short-term and long-term objectives of the organization. Besides making decisions on acquisition of resources, the board also has to come up with the best ways in which these resources are going to be utilized. Therefore, they must make decisions which will ensure accountability and efficient use of the resources.

Lastly but not least, the board is responsible for making final investment decisions. In almost all organizations, the board is mandated to review programs that have been proposed by the chief executive. This review incorporates investment decisions that are being proposed by the chief executive and his/her team, as well as the expenses that are expected to be incurred in implementing the investment program. The final decision on the implementation of investment projects lies on the board. The decisions they make in this case will depend on the financial position of the company, the expected returns, the costs to be incurred in the process, and more importantly, the risks that are associated with the proposed investment program. Based on these factors, the board may decide to support the investment or decline this proposal. Thus, the other nature of the board level decisions is that they influence the investment programs in their organizations.

Finally, as mentioned above, financial resources are very crucial in any organization, and the contribution of the financial director in decision making is very vital. The financial director is an individual who has been given the responsibility to manage financial risks of an agency or business. He/she is also given the mandate to undertake financial planning, reporting as well as record-keeping on behalf of the higher management. Therefore, the contribution of the financial director in decision making more especially at the board level decision making is very vital. Any investment and financial decisions to be made by the board are based on the financial reports that have been prepared by the financial director. Through these reports, the board decides whether to or not to ratify use of alternative sources of financing investments, as well as the impacts of any investment on the organization in general.

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