

Comparison of Corporate Executive Titles

By: Ivo Djambov, corporate counsel, McDermott International, Inc.; and
Charles D. Powell, partner, Fulbright & Jaworski, LLP



Ivo Djambov is in-house corporate counsel at McDermott International in Houston. He has also practiced in the EU and has spent several years as an international attorney with a large Houston law firm. His practice is focused primarily on US and international corporate and securities matters, commercial transactions and corporate governance.

[Chuck's info]

The US corporate tradition has established a certain roster of executive officers' titles such as chief executive officer/CEO, chief financial officer/CFO, and chief operations officer/COO. These are widely used by US corporations and their international subsidiaries and are universally understood by corporate insiders and their business counterparts to imply certain status and range of authority within the corporation. However, as corporate operations become increasingly global, business executives and their counsel have begun to encounter a substantial variety of corporate titles which do not conform to the US model. In many instances the US subsidiaries of European, Australian and Canadian companies would designate the title "managing director" for their principal executive officer. In a transactional setting, the usage of unfamiliar titles can cause some degree of confusion. The purpose of this article is to discuss and compare on a practical level the meanings of the most common corporate executive titles as used in some of the world's principal business jurisdictions in North and South America, Europe and Asia.

United States

Chief Executive Officer (CEO) – As the top manager, the CEO is responsible for the overall operations of the corporation and reports directly to the board of directors. It is the CEO's responsibility to implement board decisions, to maintain the smooth performance of the organization and to supervise the performance of senior management. Often, the CEO is also designated as the corporation's president and chairman of the board and therefore is also one of the "insider" directors on the board.

Chief Operating Officer (COO) – Responsible for the corporation’s ongoing operations, the COO looks after issues relating to marketing, sales, production and personnel. Typically more hands-on than the CEO, the chief operating officer supervises day-to-day activities while providing feedback and reporting to the CEO.

Chief Financial Officer (CFO) – The CFO is responsible for supervising the collection and analyzing of financial data, reporting of financial performance, preparing corporate budgets and monitoring expenditures and operating costs. The chief responsibility of the CFO is to maintain the corporation’s financial health and integrity. The results of the CFO’s work are presented to the board of directors and are released to shareholders and certain regulatory bodies such as the IRS and SEC.

Mexico

Mexican law does not define a term which is directly comparable to the term “officer” as understood in US corporate practice. The laws regulating the most common business company in Mexico, i.e. *Sociedad Anonima* (usually abbreviated *S.A.* or *S.A. de C.V.* depending on whether it has variable capital), provide no specific titles to attach to executive functions within the corporation. Instead, titles and corporate functions are assigned by the board of directors by a formal power of attorney which also defines the scope of corporate authority for the particular individual. As a general rule, Mexican corporations appoint “managers” rather than “officers”. The law makes the board of directors responsible for the legal representation of the corporation and allows liberal use of corporate titles within the directors’ discretion in delegating their duties to other individuals.

General Manager – The general manager, sometimes also referred to as “general director”, performs day-to-day business functions, consistent with guidelines set forth by the board of directors. Mexican law provides for several broad power of attorney categories, which could be assigned to a general manager in any combination and with any restrictions: 1. power of attorney for lawsuits and collections (*pleitos y cobranzas*), which includes judicial and administrative representation and collection of debts whether through judicial or extra-judicial means; 2. power of attorney for acts of administration (*actos de administracion*), which includes signing of contracts, carrying out of day-to-day operations, engaging in transactions in the ordinary course of business; 3. power of attorney for acts of ownership (*actos de dominio*), which relates to asset acquisition and disposition, including real and personal property; and 4. power of attorney for transactions in commercial paper, such as execution of checks, other negotiable instruments, bank drafts, notes, certificates of deposit. Effective from 2006, a new Mexican securities law applicable to public companies provides some clarity on the duties of the general manager or CEO – overseeing the business of the corporation, executing decisions made by the board of directors and carrying liability for maintenance of the accounting and control systems and disclosure of material information.

Special Manager – This is a general category which would include the functional equivalents of a US Chief Operating Officer and Chief Financial Officer.

Brazil

Brazilian law provides different management models for closely-held and public corporations. A closely-held corporation would have a one-tier management structure (board of directors or advisory board) with an option to adopt a two-tier structure (board of directors and board of executive officers or executive committee). Public corporations have to adopt two-tier management structures. Some confusion may result from the practice to refer to corporate executives as *diretoria*, which is often translated in English as “director”, whereas members of the board of directors (*conselho de administracao*) are the ones appointed directly by the shareholders and performing functions more comparable to directors of a US corporation.

Diretor Presidente / CEO – This is the legal representative of the corporation. The “diretor presidente” is responsible for the day-to-day management of the business and for the implementation of the general policies and guidelines established by the board of directors. There is a requirement in Brazilian law that the executive officers need to be Brazilian residents. However, unlike members of the board of directors, executive officers are not required to hold shares in the corporation.

Diretor Financeiro / CFO – The *diretor financeiro* is a member of the board of executive officers who reports on the corporation’s financial performance. The board of officers has to have at least two members, and it seems more typical for Brazilian corporations to appoint a *diretor presidente*, *diretor financeiro* and a number of other officers (*diretoria*) without specific title designations.

Diretor de Operacoes / COO – This could be a named officer or a member of the board of officers without specific title designation. The scope of his/her obligations would be established by the board of directors.

United Kingdom

The UK corporate model and naming conventions have had significant influence around the world and specifically on the UK Commonwealth jurisdictions. Below is a summary of some typical UK executive titles:

Managing Director – The role of the managing director in a traditional UK corporation is functionally similar to that of the CEO in the United States. The managing director designs and implements strategic plans for the company, leads the organization and develops its corporate culture. He/she is accountable to the board of directors and the shareholders. The managing director is legally responsible for complying with certain regulatory matters as prescribed by UK company law.

Executive Director – The executive director’s role is the functional equivalent of a US chief operating officer. The executive director looks after marketing, sales, production and personnel issues, and provides feedback to the managing director.

Finance Director / Chartered Accountant (CA/ACA) – The finance director reports directly to the managing director. His/her responsibilities are the same as those of a US chief financial officer.

The Netherlands

The Netherlands has a two-tier management model for large corporations. A management board performs day-to-day executive functions, while a non-executive supervisory board oversees the performance of the management board and acts as an intermediary between the equity-holders and the executives on the management board.

Managing Director – The person at the top of the executive pyramid is called managing director. The difference from a UK managing director is that his Dutch counterpart is typically part of a larger executive body, such as a board of managers or board of directors. Sometimes the office of managing director may be shared between two or more persons who would be “joint managing directors”. The managing director has statutory authority to represent and bind the company in its dealings with third parties. He/she also appoints other directors of the company to assist with the running of the daily operations.

Assistant Managing Director – The assistant managing director is appointed by the managing director with the approval of the board of managers. If the board chooses to create a position which is functionally similar to that of a US chief operating officer such position would most likely be vested with an assistant managing director.

Finance Director – The finance director reports directly to the managing director. The primary role of the finance director is to analyze and review financial data, to report on the company’s financial performance, to prepare budgets and monitor expenditures and costs. The finance director is required to present financial information to the board of managers and the supervisory board on a regular basis.

France

A notable feature of French corporations (*société anonyme* or S.A.) is that the authority of the main types of executive offices is set forth by statute and third parties are entitled to rely on a certain amount of implied authority, even if such authority is not provided for by the corporation’s internal regulations.

President/Directeur General – The President is responsible for the general management of the corporation and represents it in transactions with third parties. He/she enjoys the widest statutory power for acting on behalf of the corporation under all circumstances. The provisions of the company’s internal regulations, or the decisions by the board of directors restricting these powers, are of no relevance in relations between the corporation and third parties acting in good faith.

General Manager – The general manager is not necessarily a director and must always be a natural person. He/she is appointed and could be removed at any time by the board

of directors. There could be multiple general managers, depending on the corporation's capital structure. The principal duty of the general manager(s) is to assist the President in managing the corporation. The exact scope of such duties would be determined by the board of directors. If a French corporation chooses to appoint the equivalent of a US chief operating officer, such office will probably be vested with a general manager.

Deputy Statutory Auditor – The deputy statutory auditor is an internal financial and accounting auditor who works with the corporation's outside auditors to ensure agreement on the corporation's annual accounts. His/her duties include informing company management of his/her observations and conclusions, submitting a general report to the equity holders on the accounts of the previous fiscal year, preparation of reports on any agreements concluded between the corporation and its directors or other managers.

People's Republic of China

China has adopted a two-tier board structure for larger corporations. The board of directors (executive board) is the main decision-making authority. It oversees and assists management in strategic decision-making and in daily operations. A separate supervisory board is an independent assembly of shareholders and employees that monitors the corporation's financial affairs and the actions of the board of directors. It is empowered with statutory authority to overturn decisions made by the board of directors/executives. In recent years, the role of the supervisory board has been overlapping with the responsibilities of independent, non-executive directors required on the board of directors. The China Securities Regulatory Commission has adopted specific regulations on the qualifications and functions of such independent directors in listed companies. Overall, the Chinese corporate model is heavily influenced by US concepts of corporate governance and many Chinese companies assign executive titles and roles similar to their American counterparts.

Chairman/CEO/President – Traditionally, in Chinese corporations the chairman of the board of directors is also the principal executive officer, responsible for both leading the board and ensuring that it carries out its duties in a timely manner, and implementing the decisions and business strategies adopted by the board. However, many emerging large Chinese corporations, such as Lenovo, Air China, China Construction Bank, and PetroChina, have recently separated the roles of chairman and CEO.

Executive Director – Many Chinese corporations classify their next tier in top management as “executive director” or “senior vice president”. The rank usually includes the COO and CFO equivalents, but could also include the heads of various geographic and functional divisions.

Party Secretary – Another important member of the senior executive ranks in state-owned Chinese companies is the party secretary. The party secretary is appointed by the local committees of the Communist Party and his role is to ensure compliance with

government goals and policies, as well as the “proper” political alignment of the personnel.

Japan

Japanese law does not require any particular corporate officer positions. A typical Japanese business corporation (*Kabushiki Kaisha*) is directly managed by its directors, organized in a board of directors. The board can have its own hierarchy which often includes the following:

Representative Director (*Daiyou-Torishimariyaku*)/**Chairman** (*Kaicho*) – The representative director holds the corporate seal and has the implied authority to represent the company in transactions with third parties. The law holds that the representative director must meet with and report to the entire board of directors at least once every three months. In large international companies like Sony or Toyota, the representative director would also be designated as CEO. Often, functionally similar to the CEO is the “managing director” (*Senmu-Torishimariyaku*). The representative director could also be nominated as managing director instead of a CEO.

Executive Director (*Jyomu-Torishimariyaku*) – This may be the closest equivalent to a COO. The person in this position would normally be responsible for planning and managing major projects and new strategies, evaluating business processes and monitoring the organization’s operational performance.

Internal Auditor (*Kansa-yaku*) – This is a specialist officer who evaluates and reports on the corporation’s financial statements. The position is closer to that of a US outside independent auditor than to that of a CFO. The equivalent of the CFO function in a Japanese corporation is likely to be vested with any of the varieties of directors or executive directors. The *Kansa-yaku* is not an employee or director of the company and does not participate in formal decision-making. Very large corporations are required to have at least three of these internal auditors.

The following table summarizes the most common corporate officer titles in the above jurisdictions:

Jurisdiction	Title		
	<i>Principal Executive Officer</i>	<i>Principal Operating Officer</i>	<i>Principal Financial Officer</i>
United States	Chief Executive Officer (CEO)	Chief Operating Officer (COO)	Chief Financial Officer (CFO)
<u>Mexico</u>	<u>General Manager</u>	<u>Manager</u>	<u>Manager</u>
<u>Brazil</u>	<u>Diretor Presidente</u>	<u>Diretor de Operacoes</u>	<u>Diretor Financeiro</u>
United Kingdom	Managing Director	Executive Director	Finance Director / Chartered Accountant
The Netherlands	Managing Director	Assistant Managing Director	Finance Director
France	President / Directeur General	General Manager	Deputy Statutory Auditor
China	Chairman / CEO / President	Executive Director / Senior Vice President	Executive Director / Senior Vice President
Japan	Representative Director / Managing Director / CEO	Executive Director	Executive Director