Basic Model of Corporate Governance for a Public Company

Shareholders are owners of the enterprise and hold the “residual risk” of the enterprise. They are generally shielded from direct personal liability arising from the activities of the enterprise. Their “only” risk is complete loss of their investment, just as they benefit residually from retained earnings. They do not manage, generally speaking. They appoint a **board of directors** to act in a *fiduciary* capacity. The board of directors oversees the shareholders’ investment in the enterprise and carries-out the purposes set forth in the corporate charter and in other governing documents. Board members are, generally, not employees or officers of the enterprise (although it is common for the CEO, CFO and/or COO to be on the board). **Executives**, as the word suggests, *execute* the plans of the shareholders as determined by the board of directors to be in their best interest. They have day to day authority over the contracts and operational divisions of the firm. **Managers** handle the day to day functional activities of operational divisions.