

Title tips

Officer titles and their meanings

There should be a clear delineation of duties within a company that follow a natural hierarchy. A board of directors comprises a group of people elected by shareholders to oversee the business and appoint officers. While the board of directors sets a company's direction, the officers run the day-to-day activities of the organization.

Employees below the officer level have job titles and descriptions designed to meet the corporate goals and revenue targets set by the board of directors and implemented by the officers who are selected by the board.

All companies, regardless of sector or size, should make sure there is no confusion as to what is expected from a person bearing a specific title.

"Clarity on what roles are associated with a title across various departments in an organization is crucial," says Ashleigh M. Morales, an associate at Semanoff Ormsby Greenberg & Torchia, LLC.

Smart Business spoke with Morales about the difference between titles for officers and employees, how to avoid liability issues, and how to define expectations associated with titles.

How do corporate officers and rank-and-file employees differ?

Corporate officers are selected by the board of directors, managers or members, depending on the type of business entity and its structure. In a corporation, officers are appointed by the board of directors. In an LLC, either the members manage the LLC, in which case the members select officers, or the members appoint managers to manage the LLC, in which case the managers select officers. Typically, corporate officers include a president, vice-president, treasurer and secretary. Even if these specific

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titles are not required by law, it is often advisable to fill the role, and the same person can generally serve multiple offices. For example, one person can act as treasurer and secretary. Titles, however, are not just used for corporate officers but are often given to employees.

When similar titles are used, confusion may arise. There may be some overlap in the titles — for example, a vice president who is a corporate officer and a vice president of sales who is an employee — but there are clear differences regarding their duties (fiduciary duties of loyalty and care), authority, whom they report to and their exposure to liability, if any. It's important for employers to understand the difference and to make sure their employees and officers understand their roles and expectations.

How can a corporate officer protect against liability as an officer?

Corporate officers can be exposed to a greater level of personal liability than an employee of a company. To protect against such exposure, corporate officers should review the company's formation documents, which include articles of incorporation, bylaws, operating agreement, etc., to make sure the company's indemnification obligations adequately protect the officers. Corporate officers should also check the company's Directors and Officers Liability

Insurance coverage and make sure they are covered.

What is the process for termination of an officer?

A corporate officer is selected by the company's board of directors, members or managers, as applicable, so the company's bylaws or operating agreement would dictate how they can be removed. Removal as an officer does not necessarily mean the person is also terminated as an employee, although usually it goes hand-in-hand.

How should a company define roles and expectations associated with job titles?

It's important for a company to be consistent with employee titles. If there is a vice-president of sales and a vice-president of marketing it should be clear what is expected of each role. The differences between senior vice presidents and executives can have important implications as well.

Different companies have different viewpoints on titles. The title of vice president in one company may carry the same responsibilities as a senior manager in another company. And there are cases where a senior manager has the same responsibilities as a director in another company. Each business should pick titles that make the most sense for its organizational structure. ●