

# Corporate governance in focus

The delegation edge: A guide to successful delegation and authority



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# Introduction

Amidst the rapidly evolving business landscape, effective governance practices have never been more critical to support transparency, accountability, and risk management.

At the heart of a robust corporate governance framework lies the art of delegation, a strategic tool that can significantly enhance organizational efficiency and optimize operational resilience. This resiliency – the ability to anticipate, prepare for, respond to, and adapt to a changing environment – is necessary in an increasingly complex world.

Though delegation poses some risk, thoughtful and tailored delegation supports efficient decision-making and acts as a risk mitigation exercise by assigning decisions to the right group or individuals. By carefully calibrating and transparently communicating the delegation and authority process, organizations can establish that the empowerment of their teams does not come at the expense of control and oversight.

This report delves into the complexities of delegation within the corporate governance framework, offering insights and strategies for mastering this essential skill. Through a comprehensive analysis and by leveraging September 2024 survey data from the Society for Corporate Governance (Society), we aim to equip directors and executives with the knowledge to harness the delegation edge.

## Advantages of effective delegation

Enhances efficiency and employee engagement

Aids in accountability

Improves culture and frees managerial time

Strengthens compliance and trust

## Risks of ineffective delegation

Potential for miscommunication and unclear roles

Possibility of delegations to inappropriate resources

Excessive discretion leading to integrity issues

Operational bottlenecks and decision inconsistency



*There is a dearth of resources on delegations of authority, which creates challenges for organizations seeking examples and guidance on considerations relevant to establishing clear decision-making frameworks*

**Randi Val Morrison**

*Senior Vice President and General Counsel,  
Society for Corporate Governance*



# What is a delegation of authority?

A delegation of authority (sometimes referred to as an authority policy, authority matrix, or DOA) is a fundamental component of corporate governance that outlines the specific powers and limits assigned to various roles within an organization. It serves as a mechanism for clarifying who within an organization has the authority to make which decisions. The benefits of a well-documented DOA are manifold; it not only supports compliance and empowers employees by providing clarity on their decision-making authority but also enhances organizational performance by eliminating confusion and potential bottlenecks inherent in business processes.

However, as with many tools, crafting a high-functioning DOA is not a one-size-fits-all endeavor. Developing an effective DOA requires a dedication of time and effort to understand the specific operational nuances, risk environment, and staffing realities of an organization; to determine the scope (breadth and depth) of the DOA; and to discern the appropriate levels of authority and responsibilities.

An effective DOA should be in harmony with critical governing documents – including bylaws, shareholder agreements, governance guidelines, and committee charters – enabling clarity in decision-making. Additionally, a DOA should align with the company's code of conduct, a document that outlines the ethical standards and expectations for behavior within the organization. Often, a DOA is itself designated a key control and, therefore, integrated with a company's internal control framework.

In other words, a well-considered DOA should not be viewed as burdensome, cumbersome or unhelpful, but rather a key component of a broader governance and control ecosystem. Its alignment with other governing documents and processes establishes that authority is exercised within the bounds of established rules and in a manner that supports the company's strategic objectives, manages risk effectively, and maintains operational integrity. This holistic approach to authority delegation is essential for fostering a culture of accountability and control that permeates all levels of the company.

## Questions to ask before developing a DOA:

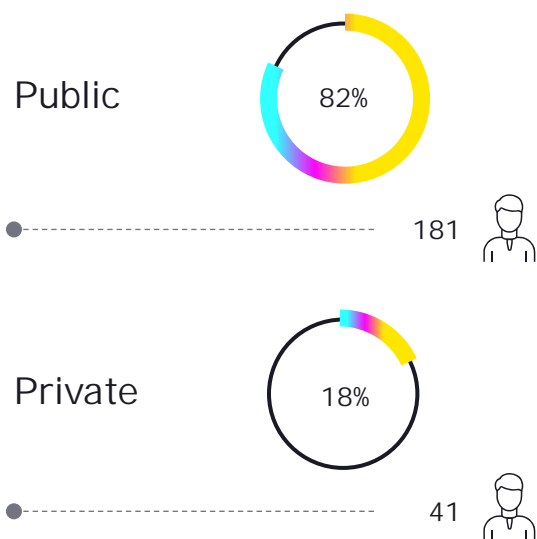
- What are the company's objectives and how does the DOA support them?
- What are the appropriate financial thresholds for different levels of management? Do we have newly hired executives where those thresholds should be adjusted?
- Are there decisions that should have consultative requirements or cross-functional impacts (e.g., legal commitments, brand and reputational considerations, executive hiring)? How do we currently address them?
- Do we have policies and procedures currently that outline power and authority? Are they aligned? How often are they refreshed?
- What decisions are reserved for board approval?
- How are we organized and how do we make decisions (by geography/region, product/service, customer channel, or matrix)?
- What level of decentralization do we need to support efficient decision-making?

Refer also to [practical considerations](#).

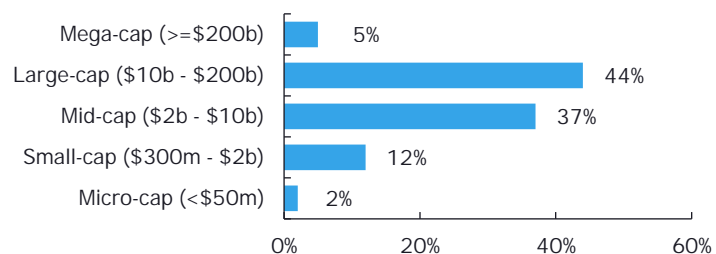
# Who responded?

[Almost 90% of respondents](#) to the Society's survey said their organization has implemented a DOA policy, formal or informal. Profiles of the survey respondents are included below.

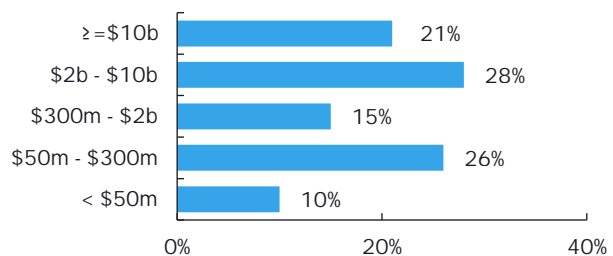
## Is your company public or private?



## What is your company's market capitalization (public companies)?

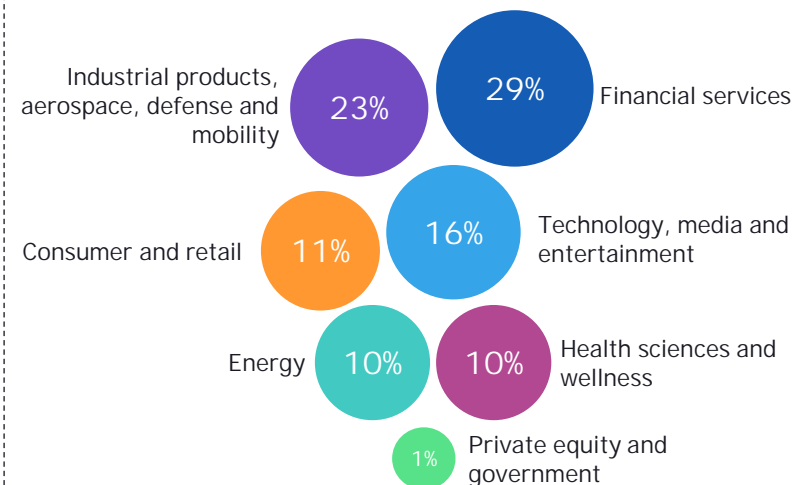


## How much revenue is generated by your company annually (private companies)?



b: Billion  
m: Million

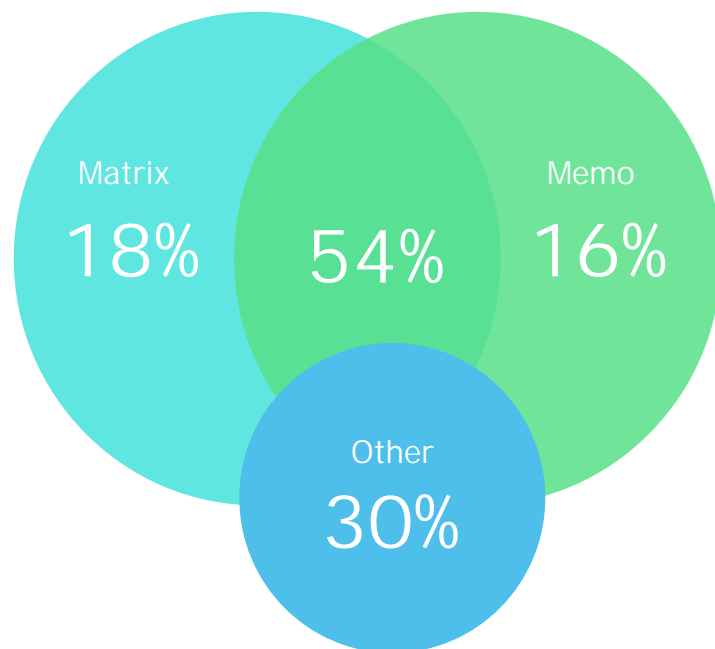
## What industry does your company operate in?



# What format is used?

There is no “typical” format of a DOA, as they can vary depending on the organization’s needs, size, and complexity. However, there is commonality among architecture supporting the DOA.

## Common DOA formats



Total percentage exceeds 100% as respondents could select multiple options. Other includes use of an IT system, various policies vs. a centralized DOA, and board resolutions.

## Key takeaways

Responses to the survey indicated that the predominant and preferred format for DOA policies is a combination of memo and matrix. The memo provides a narrative explanation of the authority being delegated, while the matrix visually depicts the specific responsibilities and decision-making powers assigned to various roles within the organization. Incorporating a RACI<sup>1</sup> (responsible, accountable, consult, and inform) model within a matrix vs. relying specifically on dollar value thresholds may also support transparency.

Utilizing a dual-format approach may enhance practicality by offering both detailed context and a quick-reference guide so that all stakeholders understand their responsibilities and the scope of their authority.

<sup>1</sup>RACI is a responsibility assignment matrix that clarifies roles and responsibilities by designating individuals as Responsible, Accountable, Consulted, or Informed for specific tasks or decisions.



# What is typically covered?

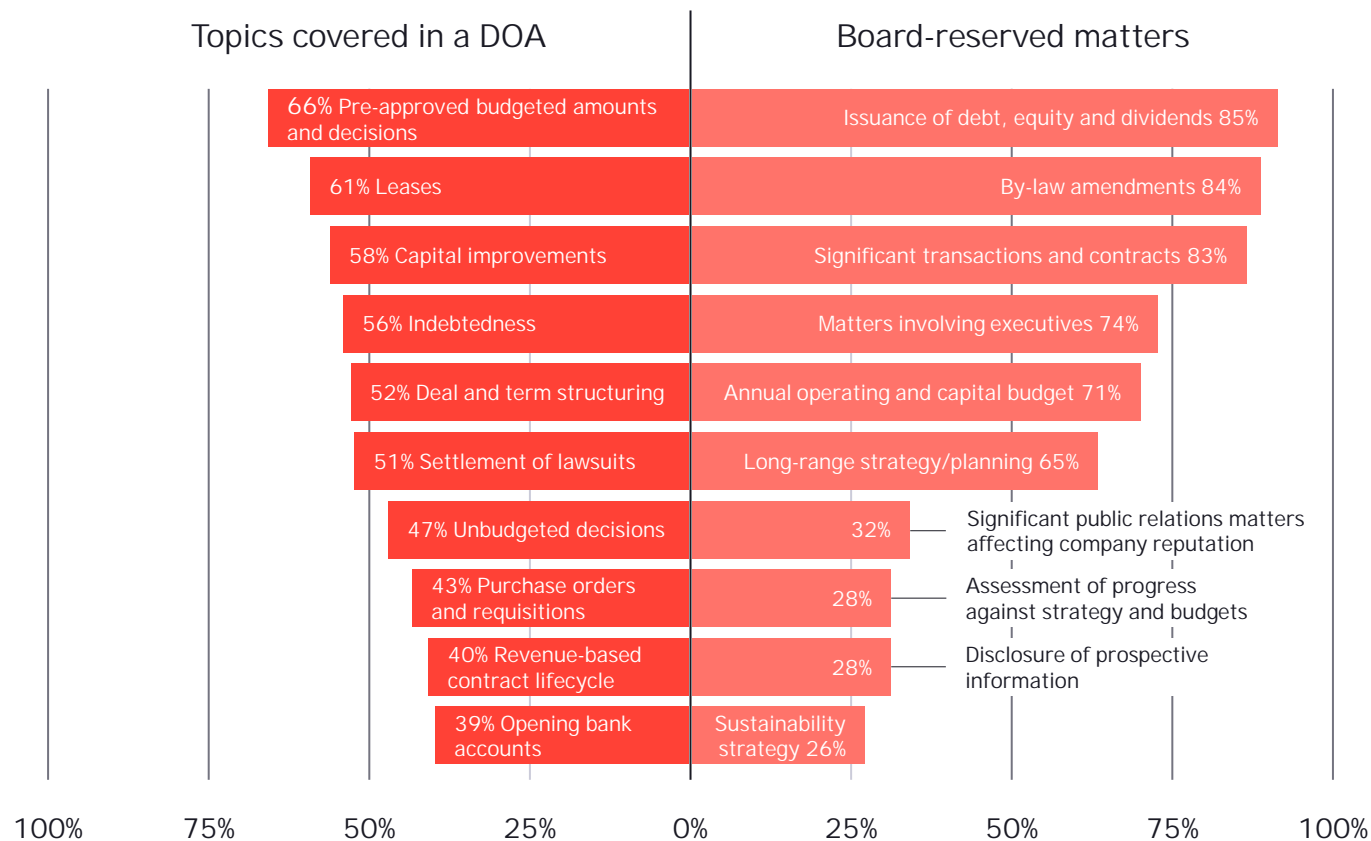
## Key takeaways

Outside of architecture, or form, the length and content of respondents' DOAs vary widely, with the majority (62%) of DOAs being 10 pages or less and 21% being 11-20 pages in length.

Most organizations prioritize the hierarchy of authority, starting with the board and cascading decisions and authority down through the various organizational layers.

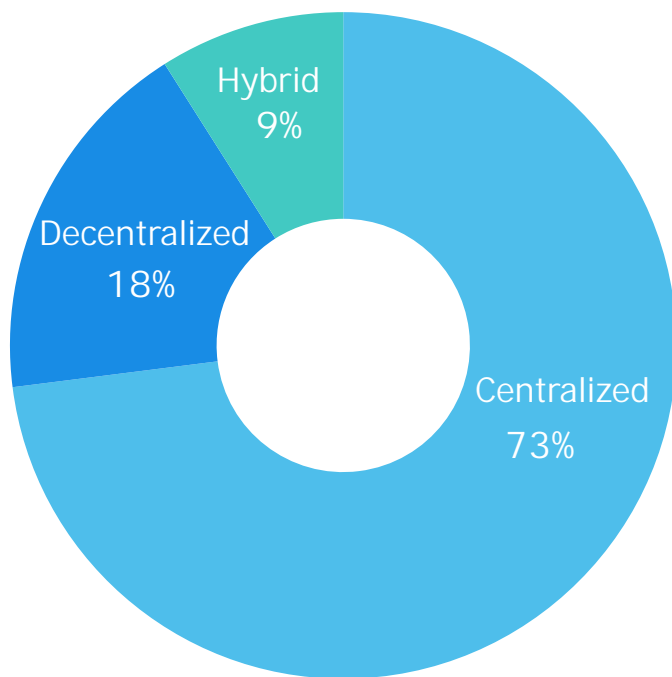
Board-reserved matters – or specific decisions that require board approval – are frequently driven by laws, regulations, the organization's governance documents, market practices, and organization-specific facts and circumstances.

## Top 10 topics

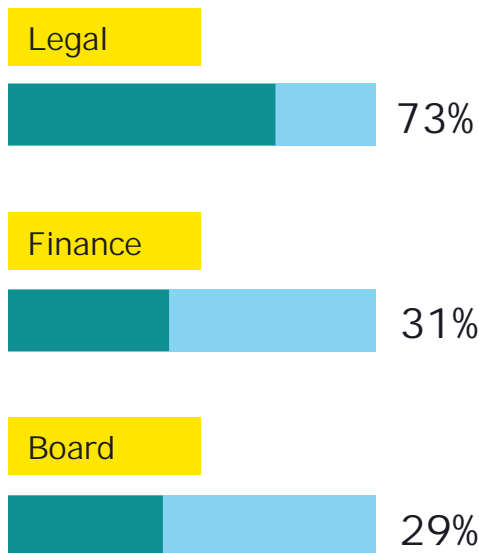


# How is it managed and which department leads?

Administering a DOA is a multifaceted process that involves various levels and departments of an organization and requires careful coordination, especially in companies that operate across different geographical regions and/or across more siloed functional departments. It is essential to tailor a DOA to fit the legal, cultural, and business landscapes of each region, often (in the case of multinational entities) involving a core global DOA supplemented by localized versions.



## Department leaders



## Key takeaways

Survey results reveal that most companies manage their DOA centrally, thereby streamlining governance across their operations. In this centralized model, three departments primarily act as custodians of the DOA: Legal, Finance, and the Board, with the Board playing a more prominent role in private and smaller public companies.





# How is training and accessibility handled?

As with any critical governance process, organizations should consider and adopt the most appropriate method and frequency for which to educate employees on delegations and authority across the enterprise. Corporate policies should also be centrally located and well-known to support version control, compliance, and accessibility.

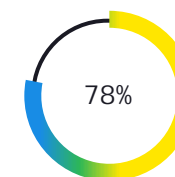
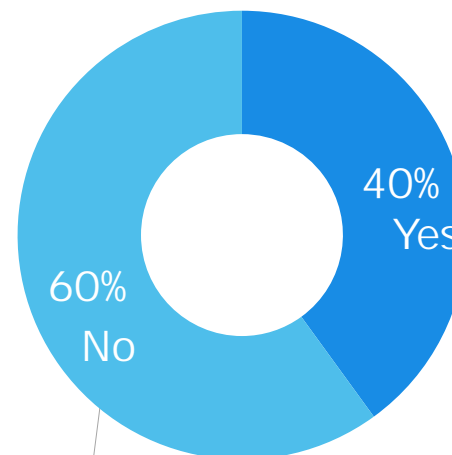
## Key takeaways

While periodic training on updates on a DOA policy is considered a best practice, of the organizations surveyed, only 40% acknowledged conducting regular trainings. Among the 40%:

- Only 10% noted annual training
- One quarter (21%) stated training was conducted, but less often than annually

While most (78%) acknowledged the DOA being widely accessible via company intranet, respondents indicated that one of the primary challenges is insufficient training, as further described on the [next page](#).

## Periodic training and location of DOA



A predominant percentage (78%) of respondents host their DOA policy on the company intranet.

### Call to action

Training represents a significant opportunity to address challenges in DOA implementation. Companies should evaluate their current education practices to confirm that they are fit for purpose and sufficiently responsive to current business dynamics.

# What are the biggest challenges?

Tailoring a DOA policy to a company’s specific needs can be challenging. Addressing issues such as training gaps, policy enforcement, role clarity, and updating procedures requires targeted training, automated tracking, clear roles, streamlined updates, and efficient document management to enhance the effectiveness of the DOA framework.

## Challenges

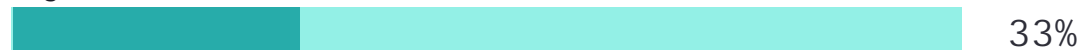
Shortcomings in training employees about the policy and its usage



Difficulty in tracking and enforcing the policy



Difficulties in understanding roles and responsibilities due to complex organizational structure



Time-consuming updates and modification processes



Difficulties in maintaining an updated version of the matrix or memo due to rapid organizational changes



## How to address

Develop training modules for employees on DOA policy application and relevance – Periodically refresh these trainings, as appropriate

Use software and technology for approval and tracking and leverage Internal Audit to monitor compliance and highlight unauthorized actions

Clarify roles in the DOA policy to improve understanding within complex structures

Create a routine process for swift DOA policy revisions with stakeholder input

Implement a document management system for real-time DOA updates

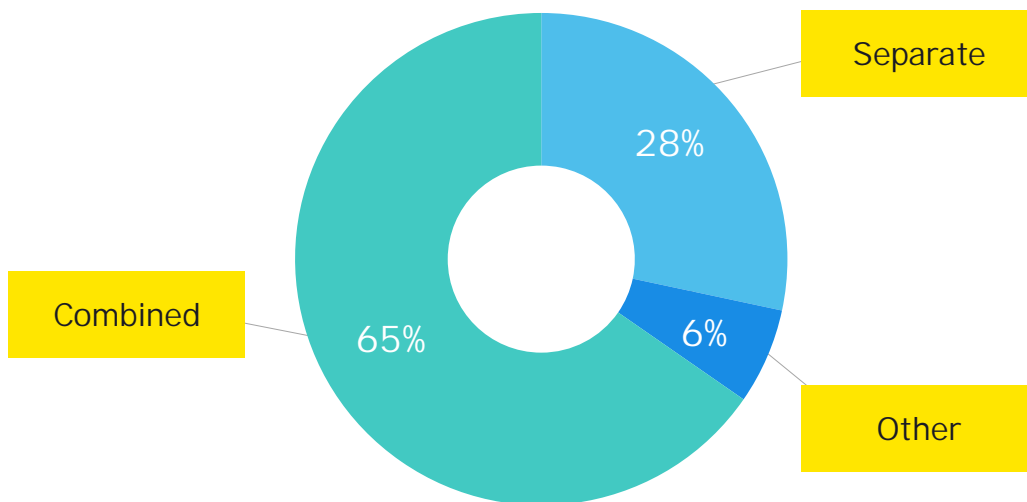


# What is the interplay of a DOA and signatory authority policy?

While a DOA outlines operational decision-making and authority, a signatory policy designates individuals authorized to sign legal documents and financial transactions on behalf of the organization. The relationship between a DOA and signatory authority plays a pivotal role in an organization’s governance and operational management. While serving distinct functions, they are inherently interconnected.

## Key takeaways

Including signatories within a DOA is more common than not, with 65% of companies centralizing both governance tenets. Integration streamlines processes, reduces the risk of unauthorized commitments, and reinforces accountability within the organizational hierarchy.



## Key takeaways

On the other hand, 28% of respondents note that signatory authority is not discussed within their DOA. If addressed separately, companies should include appropriate policy cross-references to clearly distinguish between the authority to approve decisions (DOA) and the right to obligate the organization (signatory).

Figures do not add to 100% due to rounding.

Other mainly includes partial combinations.

# How are thresholds established?

Determining what is “material” and outlining the appropriate level of materiality throughout a DOA – both quantitative and qualitative – is an evergreen process based on changes in the business and macroeconomic and regulatory shifts; it requires cross-functional coordination between the board and other stakeholders, including legal and finance.

## Top 5 practices in defining DOA thresholds

Correlated to the individual's role in the hierarchy



Influenced by board recommendations or executive management input



Aligned with operational and expense needs



Based on company's historical financial patterns



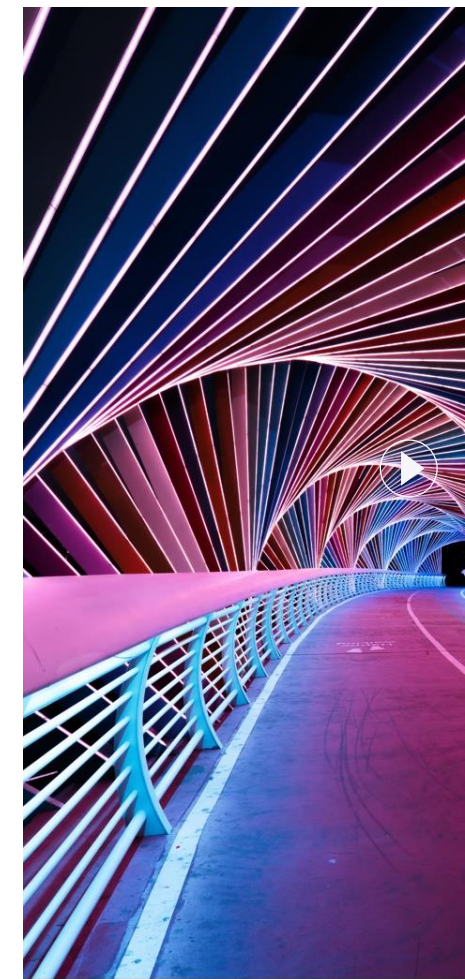
Reflective of department-specific demand



## Key takeaways

Nearly half of the respondents (49%) lack a formal materiality policy, resulting in a diverse range of practices tailored to specific organizational needs and risk appetites. The most common DOA threshold practices and influences are shown to the left.

Determining materiality and DOA thresholds, and determining and communicating alignment between the two, can be challenging as organizations must balance risk management with operational efficiency.





# Integrating a DOA within your governance framework

A well-functioning DOA will follow the unique decision-making structure that coincides with an organization's governance framework – specifically, a DOA should outline and consider:

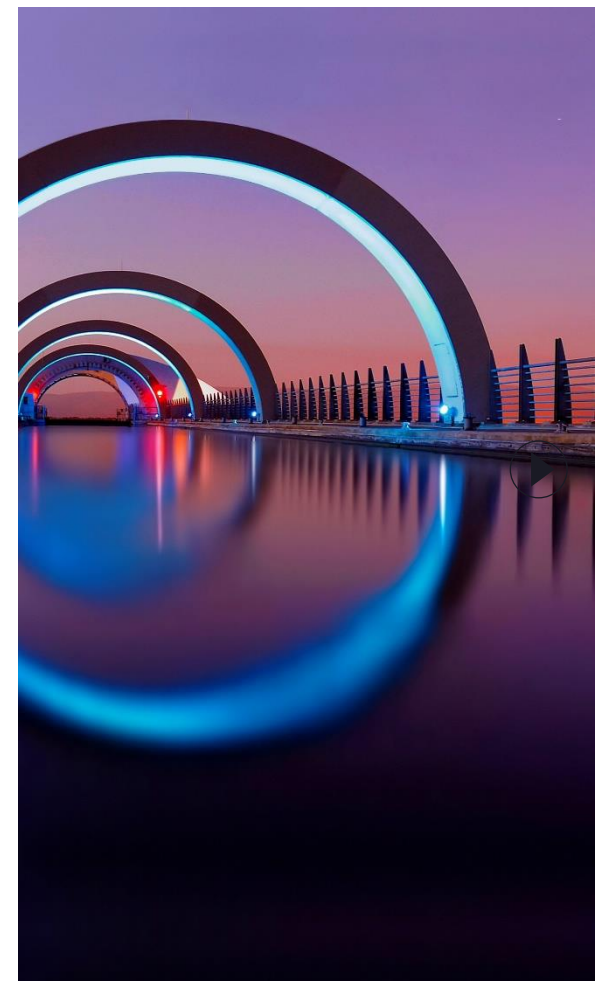
**Decision-making hierarchy:** Starting with board reserved matters, extending to items delegated from the board to its committees and the CEO (or shared among executives via formal management committees or informal executive leadership teams), and further cascading to groups and individuals across the organization.

**Business units/segments; geographic regions; legal entities:** A DOA should mirror how operational decisions are made. If there are unique idiosyncrasies applicable to portions of the business operating in different regions (i.e., regulatory standards, foreign currency), those nuances should be considered and accounted for.

**Functional department/key activity:** Whether a process involves finance, legal, procurement, talent management, or a combination thereof, the critical activities of each functional area should be understood and aligned within or in conjunction with a centralized DOA.

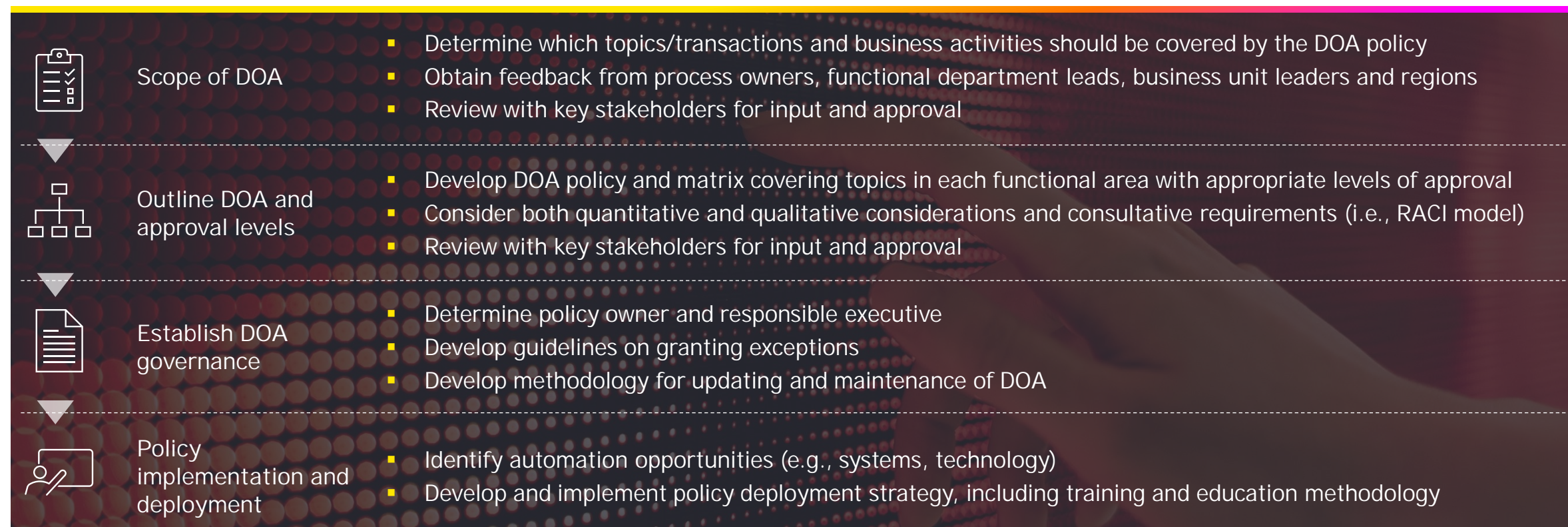
**Materiality:** Companies should perform a company-wide materiality assessment that considers both quantitative and qualitative considerations, and evaluate against appropriateness of thresholds, skills and experience of teams or individuals, and refine thresholds for any potential decision-making bottlenecks.

**Cross-referencing and consistency:** As the DOA is pervasive across the organization, companies should establish consistency within governing documents (e.g., articles, bylaws, charters, guidelines), codes of conduct, and other policies across the organization. If offline policies (such as signatories or local/geographic DOAs) exist, their dependencies should be clearly outlined and easily understood.



# How to approach developing or refreshing a DOA

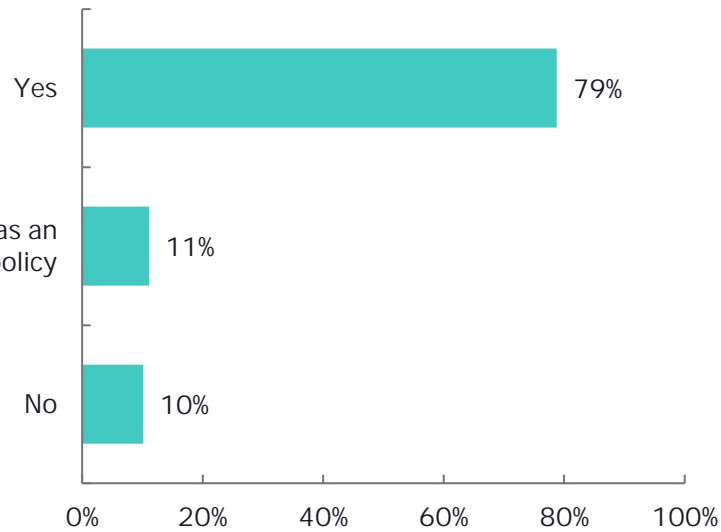
Developing or refreshing a DOA is often a complex and time-consuming process that requires planning and coordination. It involves aligning various functional areas, managing dependencies, and understanding compliance from a multidimensional perspective. Engaging stakeholders early and often is also crucial to achieve effectiveness. The following represents a structured approach an organization may adopt when establishing or revising its DOA:



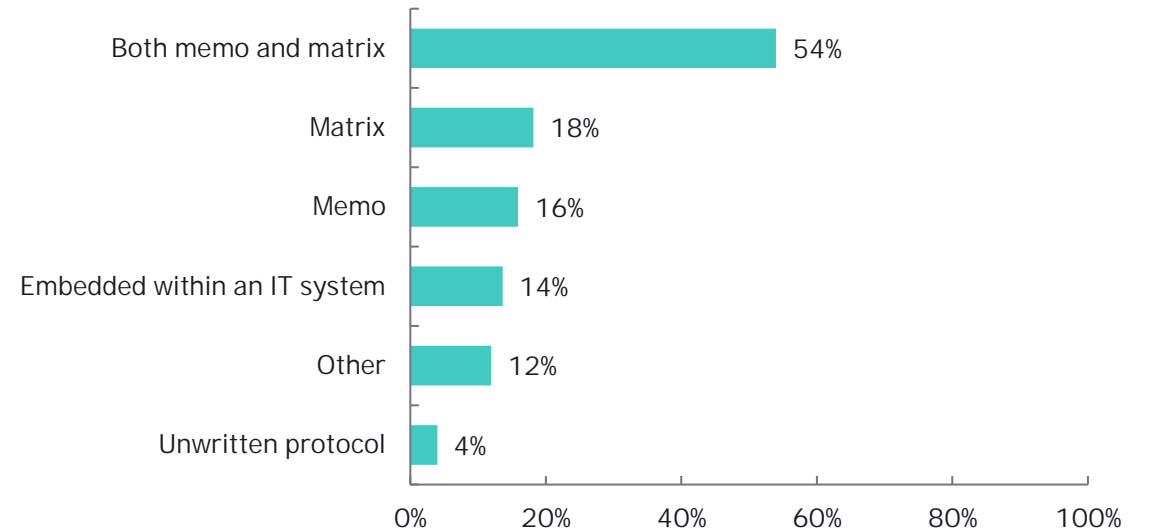


# Full survey data<sup>1</sup>

Does your organization have a formal and/or written DOA policy which describes approval thresholds and decision-making for enumerated items across the organization?



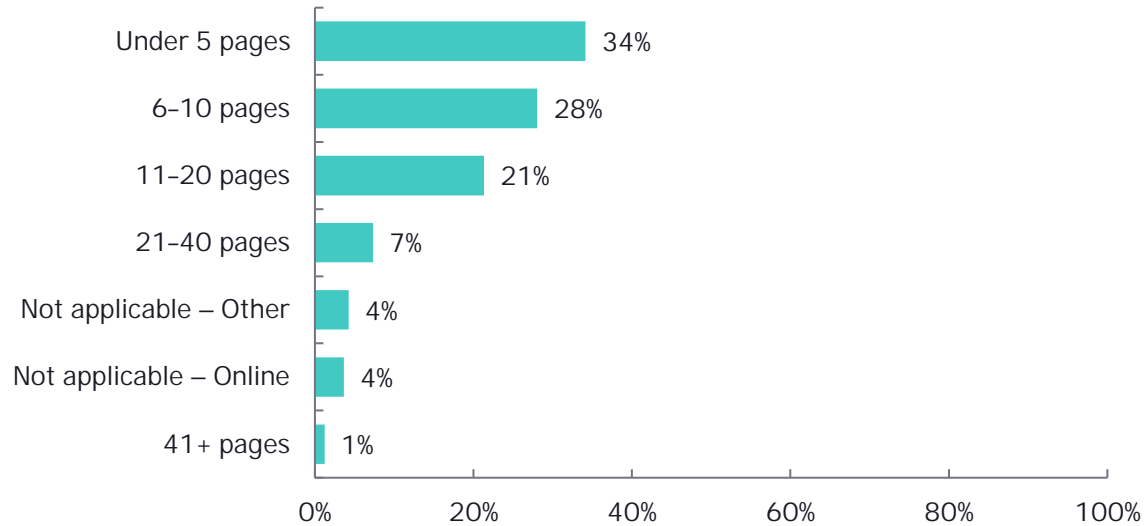
What format does your organization’s DOA policy take? Select all that apply.



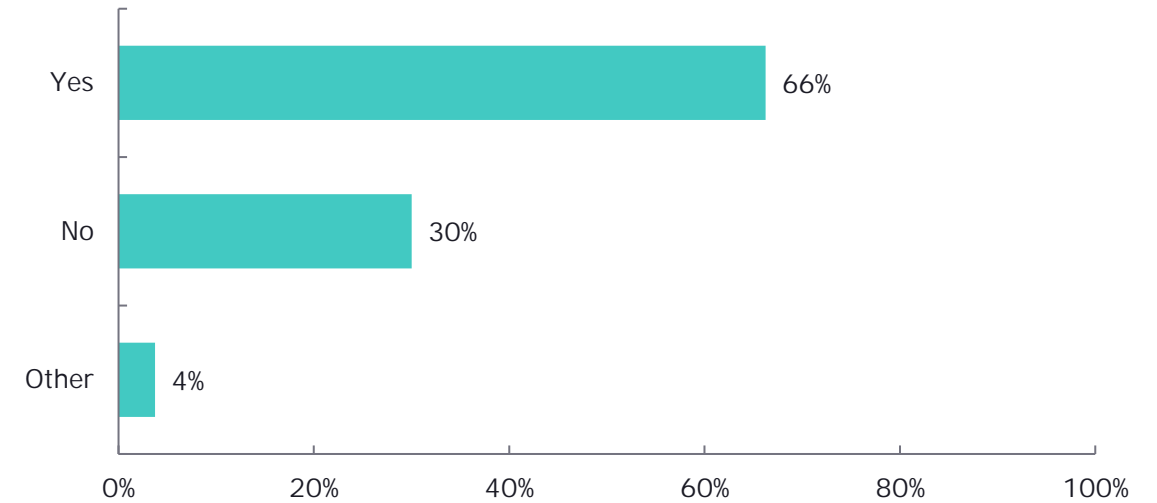
<sup>1</sup> This survey was conducted from September 5, 2024, to October 8, 2024. Members of the Society for Corporate Governance were invited to complete the questionnaire, resulting in a total of 222 respondents. The reliability of the information is limited to the individual responses of the members. For “select all that apply” questions, the total percentage may exceed 100% as respondents were allowed to select multiple options.

# Full survey data (continued)

What is the approximate length of your DOA policy?<sup>1</sup>



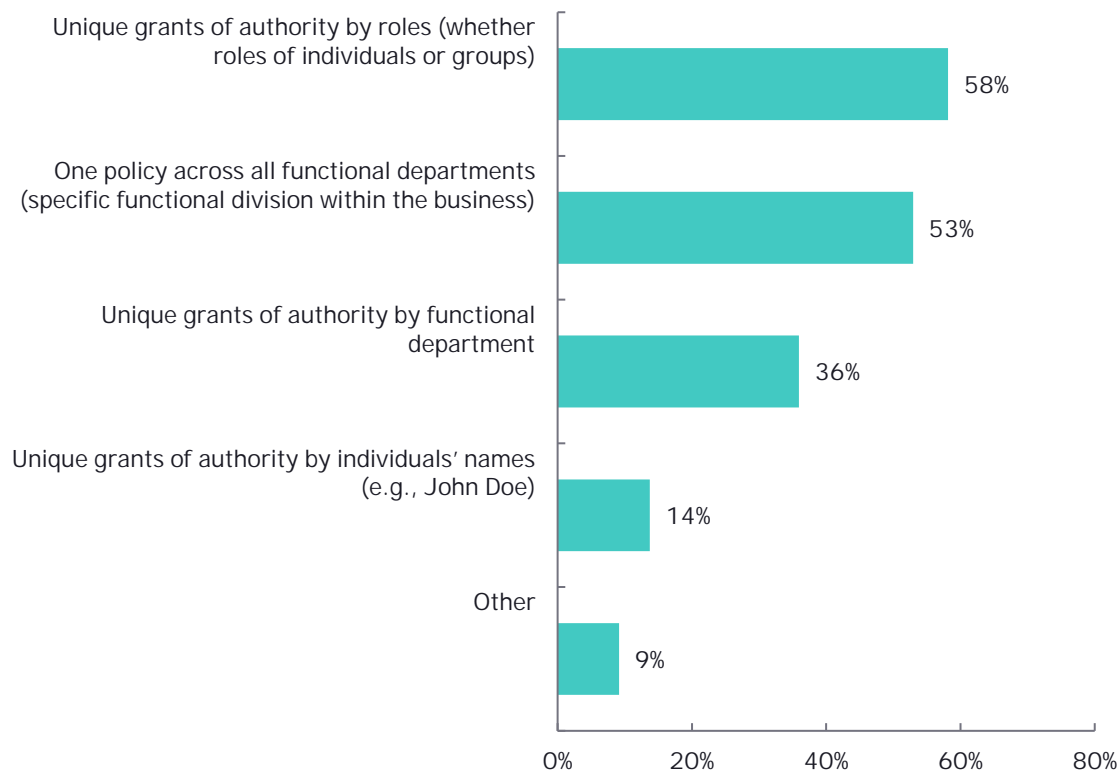
Does the DOA policy include an introduction/summary section (such as purpose and scope, executive summary)?



1: figures do not sum to 100% due to rounding

# Full survey data (continued)

How is your DOA policy structured? Select all that apply.



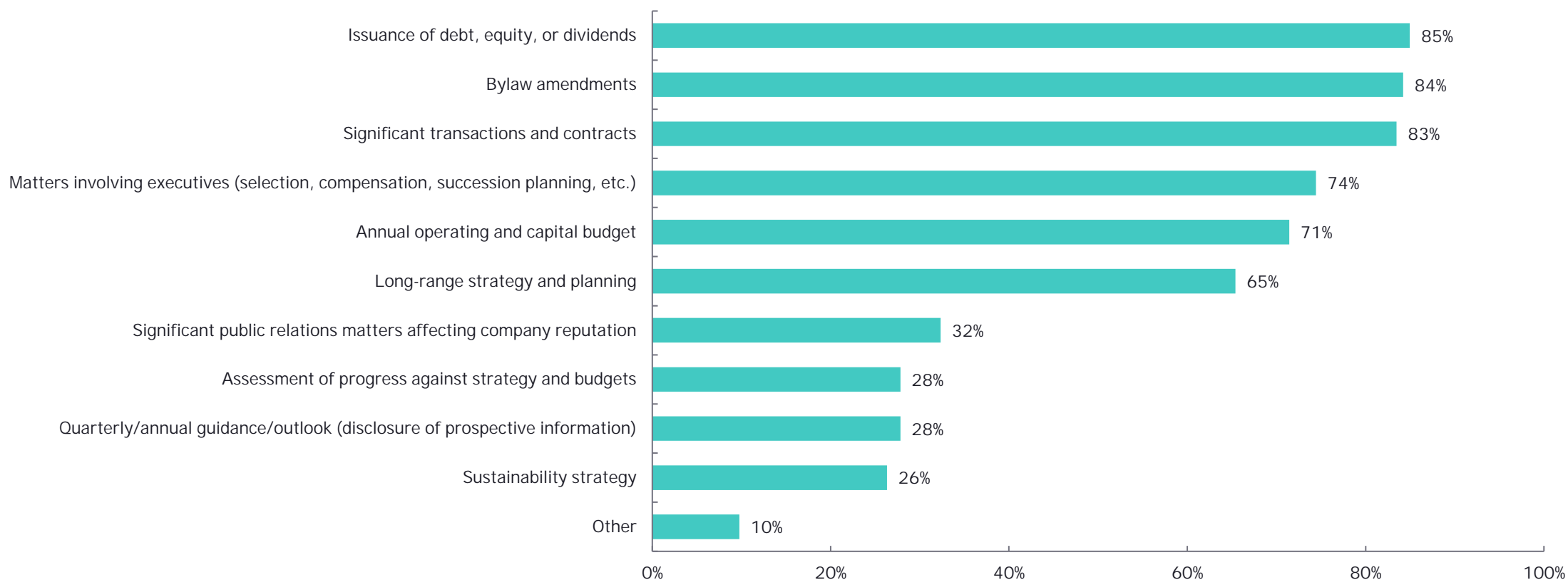
Which individual(s), department(s), and/or team(s) is (are) primarily responsible for maintaining/updating the DOA matrix/memo? Select all that apply.





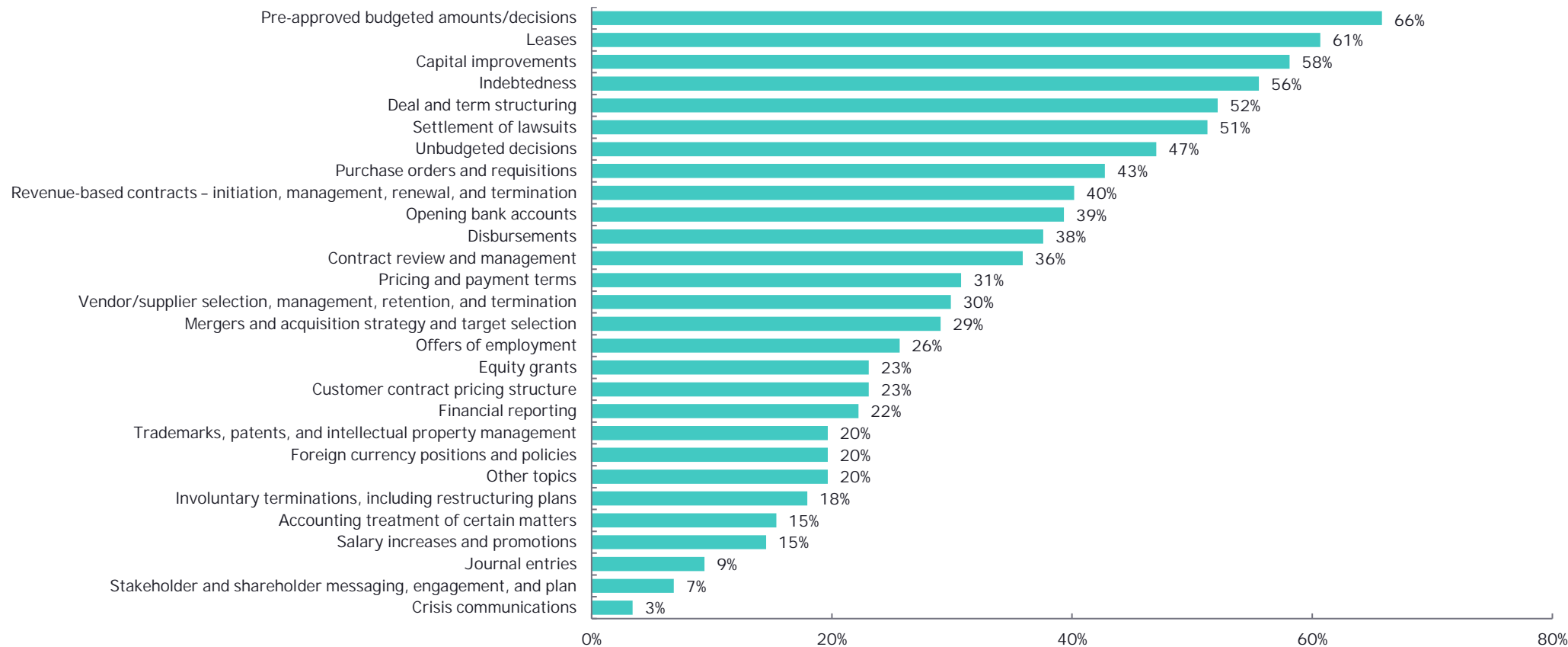
# Full survey data (continued)

What types of decisions are typically reserved only for the Board irrespective of quantitative thresholds (i.e., matters for which the board retains sole authority)? Select all that apply.



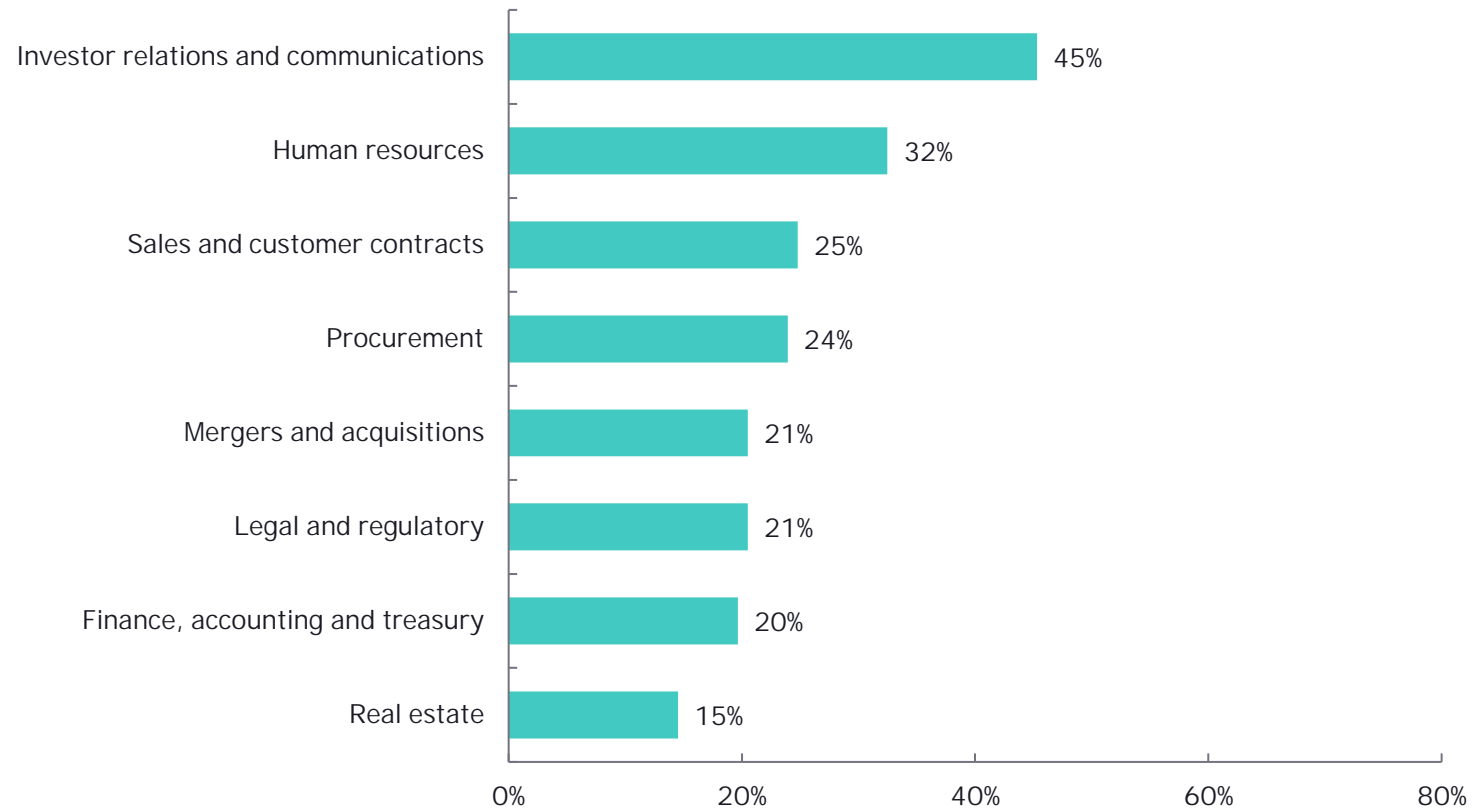
# Full survey data (continued)

The matters covered in a DOA policy can vary widely depending on the organization and its specific needs. What matters are covered in your DOA policy? Select all that apply.



# Full survey data (continued)

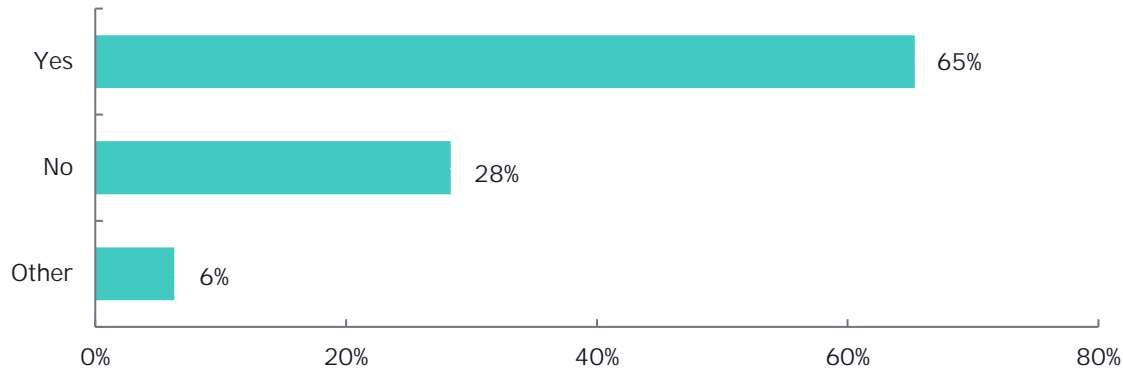
Which matters are either covered in a policy separate from the DOA or not covered in a policy? Select all that apply.



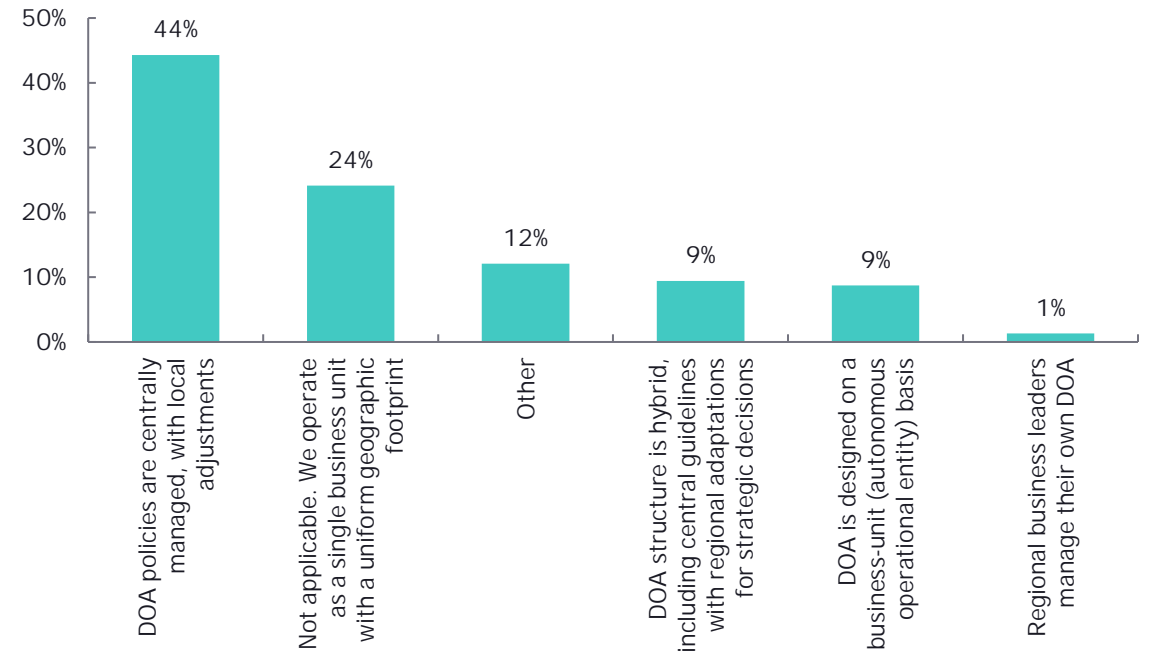


# Full survey data (continued)

Does your DOA also cover/discuss who is permitted to sign commercial documents, contracts, checks and other material documents?<sup>1</sup>



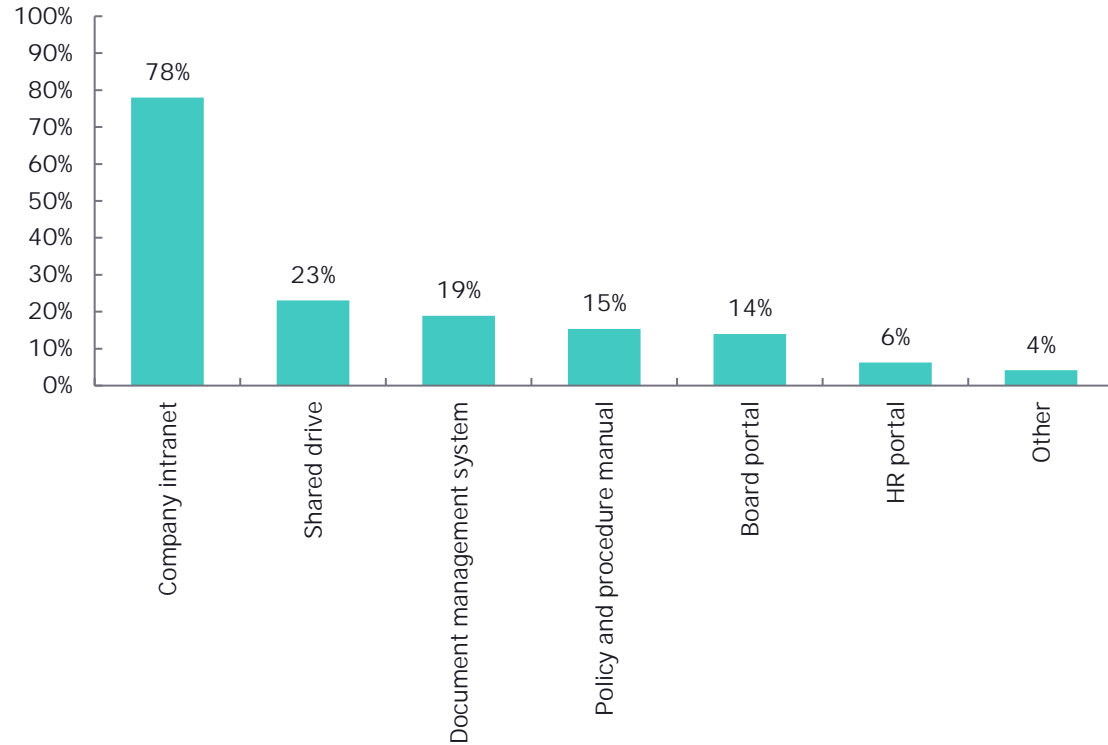
How is your organization's DOA policy administered across different business units and geographic locations?<sup>1</sup>



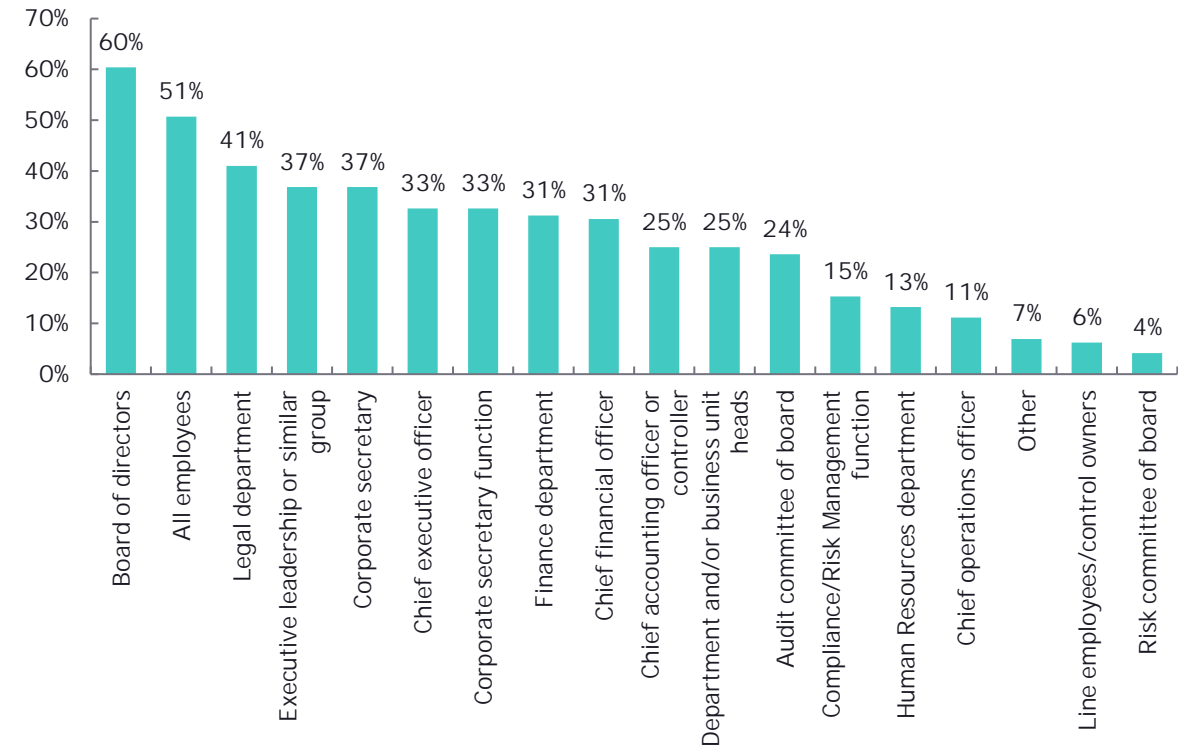
<sup>1</sup> Figures do not add to 100% due to rounding.

# Full survey data (continued)

Where is your organization's DOA policy hosted? Select all that apply.

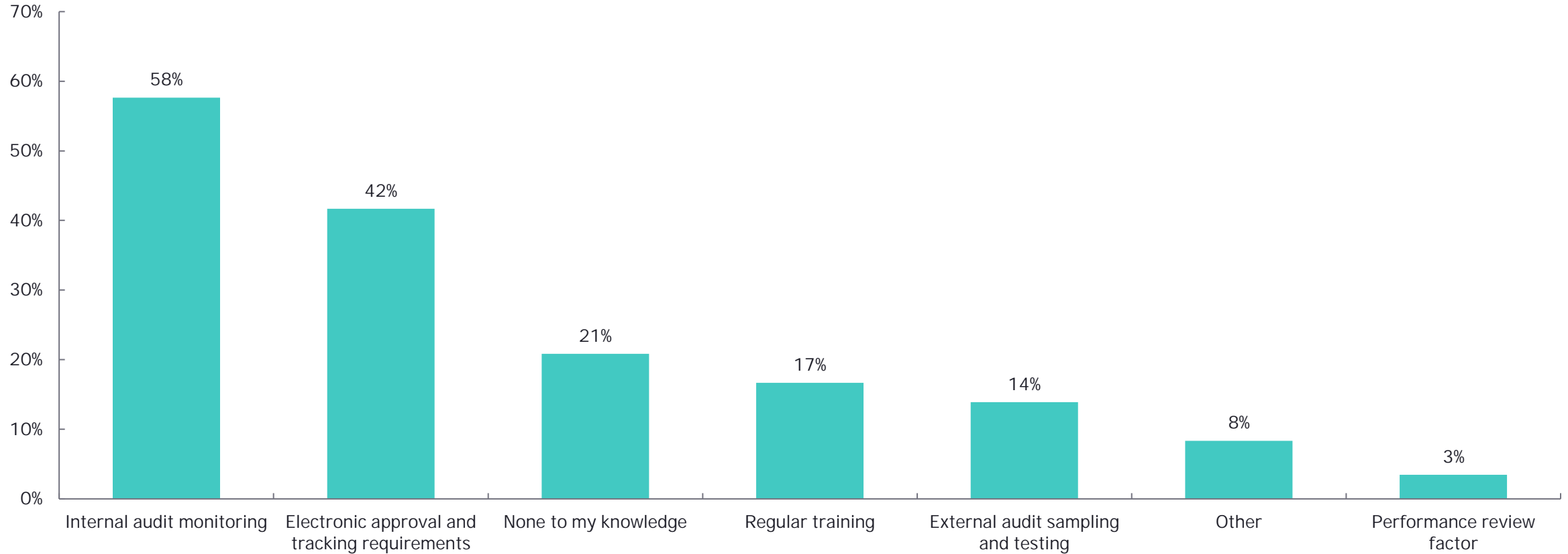


What stakeholders are informed of the DOA policy? Select all that apply.



# Full survey data (continued)

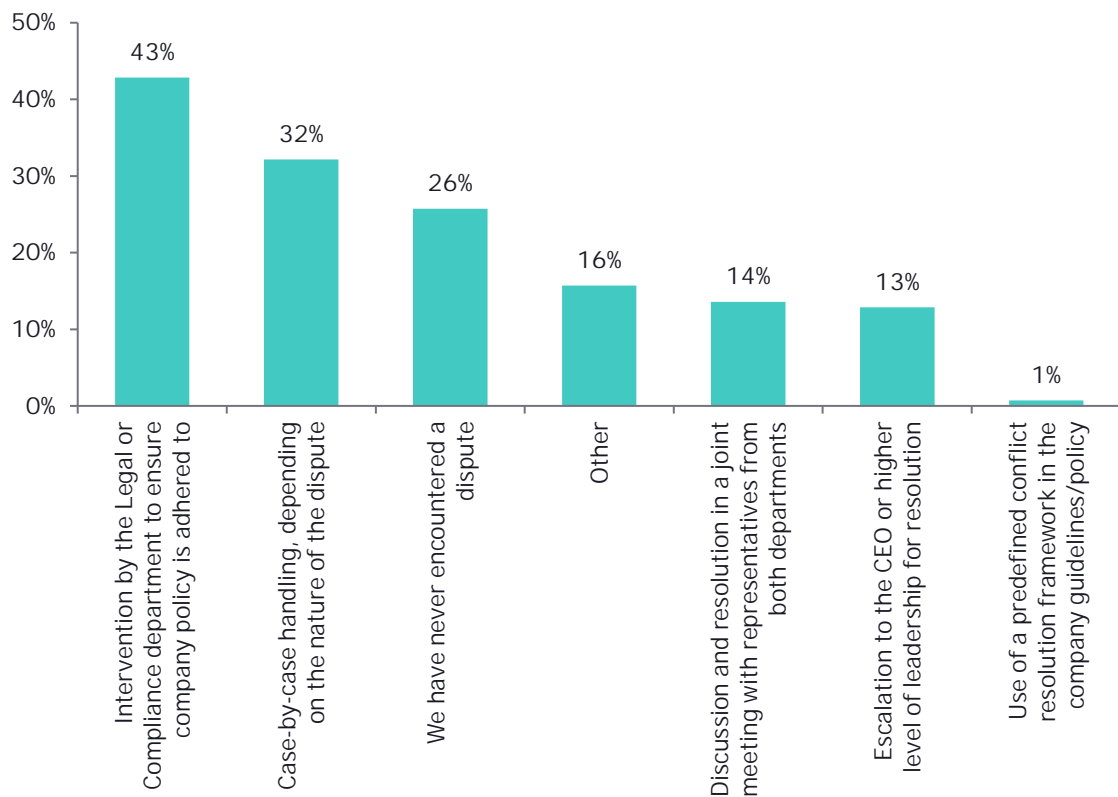
What mechanisms are in place to support compliance with the DOA? Select all that apply.



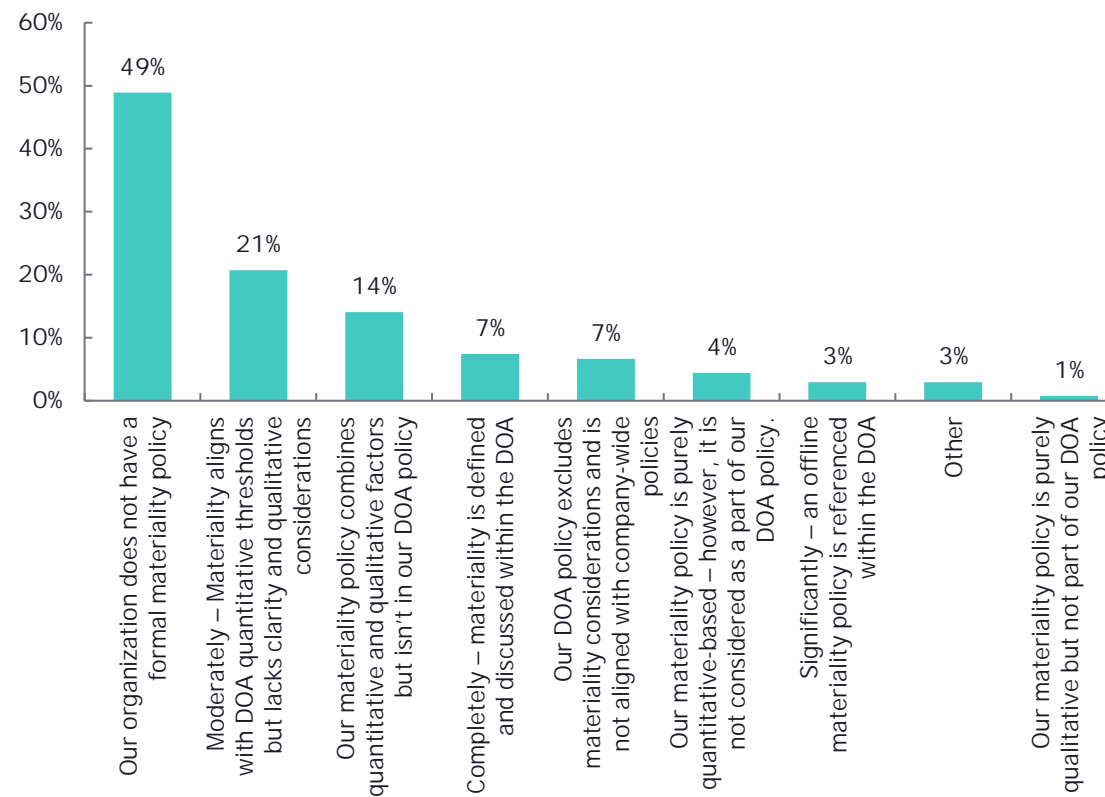


# Full survey data (continued)

In the event of a dispute between departments and/or levels over delegated authority, what is the typical resolution process? Select all that apply.

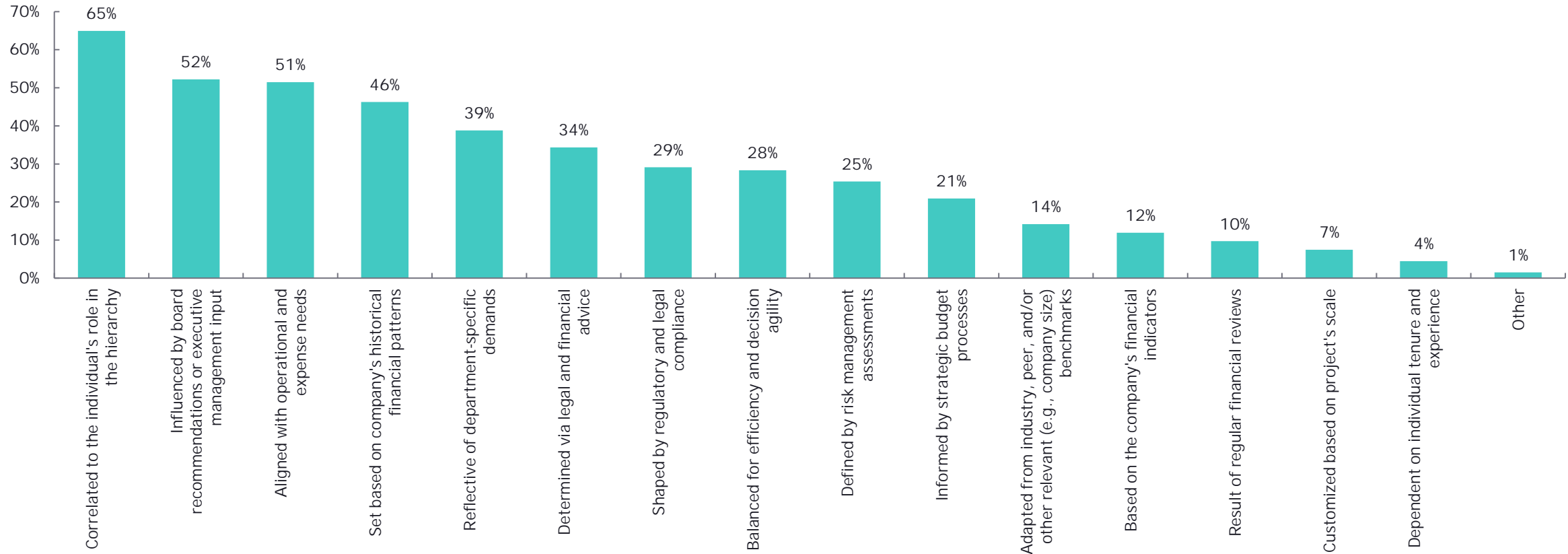


To what degree is your DOA policy informed and/or influenced by a company-wide, comprehensive materiality policy (covering both quantitative and qualitative considerations)? Select all that apply.



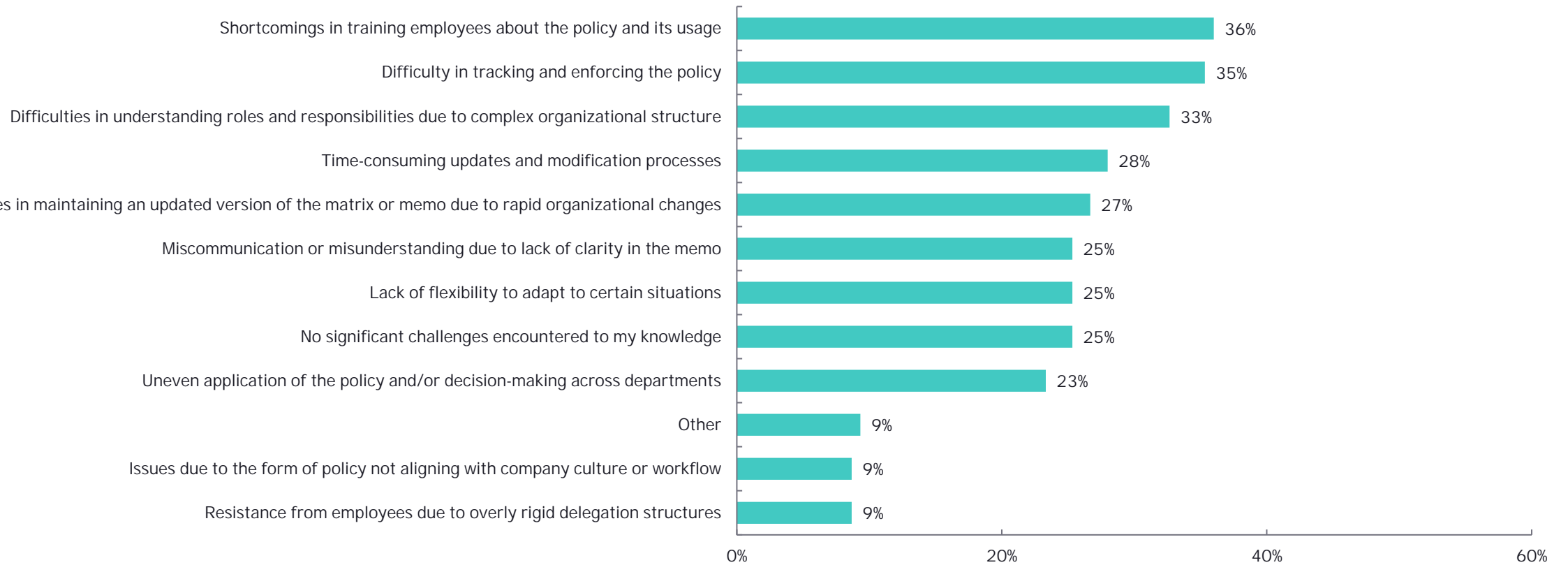
# Full survey data (continued)

How are your company's DOA policy thresholds established? Select all that apply.



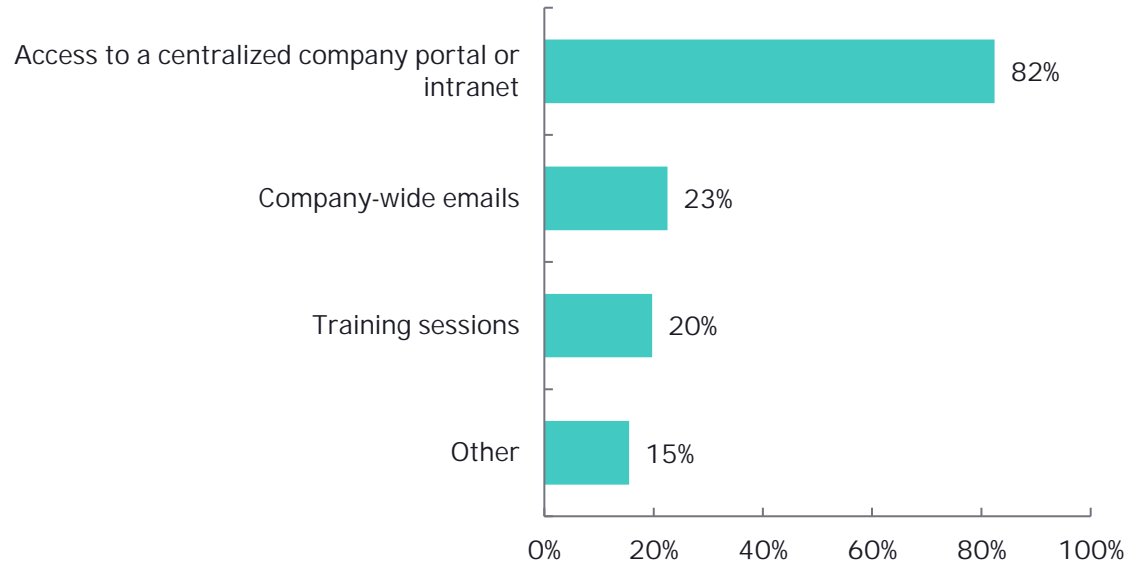
# Full survey data (continued)

What challenges, if any, has your organization encountered with your DOA policy? Select all that apply.

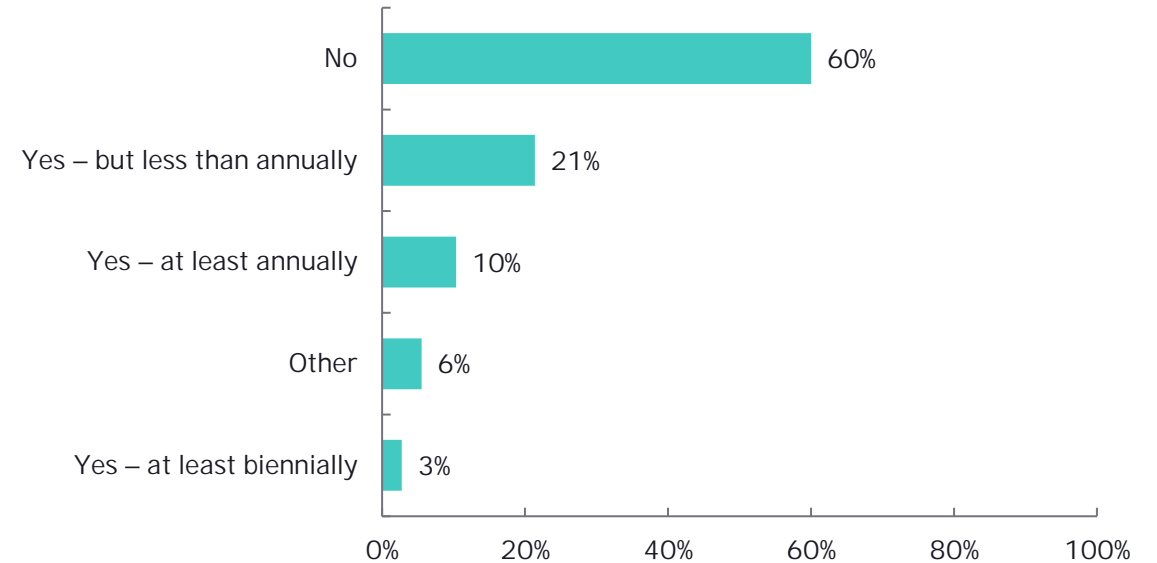


# Full survey data (continued)

How is your DOA policy distributed and communicated across your organization? Select all that apply.



Does your organization periodically train (e-learnings, workshops, etc.) relevant individuals on any updates to the DOA policy? If so, how often?





# Ernst & Young LLP (EY US)



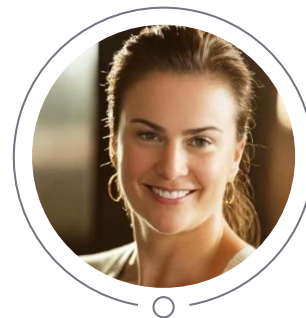
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## About the Society for Corporate Governance

Founded in 1946, the Society is a professional membership association of more than 3,700 corporate and assistant secretaries, in-house counsel, outside counsel, and other governance professionals who serve more than 1,600 entities, including 1,000 public companies and private companies and non-for-profit organizations of almost every size and industry. Society members are responsible for supporting their boards of directors and executive management in matters such as board practices, compliance, regulation and legal matters, shareholder relations, subsidiary management and sustainability. Visit [societycorpgov.org](https://societycorpgov.org) for more information.

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ED None

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