The Governance and Management Line

A quick reference for directors and CEOs

The single most important concept in NFP governance is the line between governance and management. Most governance failures — and most CEO-board relationship failures — trace back to this line being unclear, ignored, or crossed.

The board governs	The CEO manages
Sets or approves the strategic direction	Develops strategy for the board to consider and approve
Oversees financial performance	Manages finances and reports to the board
Hires, supports, and holds accountable the CEO	Hires, leads, and manages all other staff
Sets risk appetite and oversight policy	Manages risks within the approved framework
Ensures legal and regulatory compliance	Implements compliance systems and processes
Approves significant decisions above the delegation level	Makes all decisions within the board's delegation
Monitors organisational performance	Drives organisational performance
Represents the organisation at governance level	Represents the organisation operationally

The working zone

The governance and management line is not a wall. Strategy, financial performance, risk, and CEO performance all sit in a working zone where both parties have a role — the board's is oversight and approval; the CEO's is development and delivery. This is not a problem. It is how governance works. The problem arises when one party crosses into the other's territory and stays there.

Warning signs the line has been crossed

low a reasonable delegation level

• Individual directors give the CEO direction outside of board meetings

for genuine review

• The CEO presents recommendations without surfacing genuine options

> *The most common trigger for CEO-board relationship breakdown is not poor CEO performance. It is board overreach — often well-intentioned. The CEO who cannot push back on overreach eventually leaves. The board that permits it eventually loses a good CEO.*