



GOVERNANCE VS MANAGEMENT

The Governance/Management Line: Where Most Boards Actually Fail

The failure is rarely dramatic. It is a hundred small acts of well-meaning overreach

This series now turns from who sits on a board to how a board actually behaves once assembled, and no single failure shows up more often, or does more quiet damage, than a board that governs with its hands instead of its judgement. The line between governance and management is one of the most repeated phrases in the sector's literature and one of the most routinely crossed principles in actual boardroom practice.

Which rules apply to your association?

The law depends on how your association is set up. A **company limited by guarantee** follows the Corporations Act 2001 (Cth) and its constitution. An **incorporated association** follows its state or territory associations Act and its rules. A **registered charity** also follows the ACNC Act and the ACNC Governance Standards, and some Corporations Act rules are replaced for charities that are companies. Check your own governing documents, and get advice before decisions with legal consequences.

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The Legal Baseline Underneath The Principle

For a company limited by guarantee, section 198A of the Corporations Act 2001 (Cth), a replaceable rule most constitutions reproduce in substance, provides that the business of the company is to be managed by or under the direction of the directors, who may exercise all the company's powers except those the Act or the constitution reserve to members in general meeting. The words 'or under the direction of' are the legal basis for a board that directs rather than does. For an incorporated association, the equivalent provision is in your rules or your state or territory Act. This is the source of the board's authority, and it is also, properly read, the source of the governance and management distinction. The board holds the power to manage. It does not follow that the board should exercise that power by personally performing management tasks. For companies, section 198D, discussed in the previous quarter, is precisely the mechanism that allows the board to delegate day-to-day management to a chief executive while retaining the governance function, direction, oversight, accountability, for itself.

What The AICD's Own Framework Says

Principle 2 (Roles and responsibilities) of the AICD's Not-for-Profit Governance Principles, which are voluntary guidance, recommends that an NFP board define and document the roles, responsibilities and decision-making powers of the board, management, employees and volunteers, precisely because leaving this boundary implicit is where confusion, and eventually dysfunction, tends to enter. The AICD's broader guidance on the role of the not-for-profit board draws the distinction in plain terms: it is generally the board's responsibility to identify the organisation's direction and goals, and management's responsibility to decide how to implement them. The board delegates day-to-day management but

remains accountable for the organisation's overall performance, which is why the delegation needs to be real rather than nominal.

What Crossing The Line Actually Looks Like In Practice

The failure is rarely dramatic. It is a director who contacts a staff member directly to request something rather than raising it with the chief executive. It is a board that reworks the wording of an operational email before it goes out, rather than trusting the executive judgement it delegated that task to. It is a finance-savvy director who takes over preparing management accounts personally because they can do it faster, rather than holding the executive team accountable for producing them. Each instance looks like helpfulness in the moment. Collectively, they teach an organisation that the board does not actually trust the delegation it formally made, and they quietly undermine the chief executive's authority with their own staff every time it happens.

A board that manages does not have more control than a board that governs. It has less, because it has traded the ability to hold someone accountable for outcomes for the much smaller satisfaction of having personally touched the task.

The Test Boards Should Actually Apply

- Ask whether the matter requires board-level judgement, direction, strategy, risk appetite, oversight, or whether it is an implementation decision that has simply landed on the board's desk because nobody redirected it.
- In a volunteer-run association without a chief executive, where directors legitimately do operational work, be clear which hat you are wearing: decide as a board at the board table, and do the operational work as a volunteer accountable to the board.
- Ask whether raising a concern directly with staff, rather than through the chief executive, is necessary, or is simply faster and therefore tempting.
- Ask whether the board is monitoring performance against agreed outcomes, which is governance, or attempting to control the specific method used to achieve them, which is management.
- When a director has relevant expertise in an operational area, channel it as advice offered to management through the proper reporting line, not as direct personal intervention that bypasses it.

None of this diminishes the seriousness of board oversight, quite the opposite. A board that stays disciplined about this line is better positioned to hold management accountable, precisely because it has not blurred the relationship by doing management's job for it. The next two articles in this series take this principle further: what actually changes when an association hires its first chief executive, and how to write delegations of authority precise enough to hold this line under real pressure, not just in a governance document nobody has reread since it was drafted.

This is one of the practical governance topics built into our Board Director course, alongside the papers, tools and frameworks that turn the principle into your board's actual practice. [Explore the course](#)

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BOARDROOM ACTION WORKSHEET

The Governance/Management Line: Where Most Boards Actually Fail

Turn the resource into evidence, a decision and an accountable next step. Keep the completed record in your association's approved board records system.

1 What is the issue or decision?

State the governance question in one clear sentence.

2 What evidence do we already have?

Record the facts, source documents and stakeholder evidence available now.

3 What evidence is still needed?

Identify the legal, regulatory, financial, member or operational information still required.

4 What is the agreed next action?

Capture the owner, timeframe and how the matter will return to the board.

Action owner	Review date	Board decision or resolution

General education, not legal, financial, tax, clinical or governance advice. Confirm specifics at the relevant primary source or with your own qualified adviser. Nexus Leadership is operated by Lipstick Consulting Pty Ltd · ABN 15 619 120 482.

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