



GOVERNANCE VS MANAGEMENT

Hiring Your First CEO: The Turning Point Every Association Reaches

The governance and management line, tested at its most acute and highest-stakes moment

Every volunteer-run association that grows far enough eventually reaches the same fork in the road: the point where the board can no longer run the organisation with volunteer labour alone, and must hire its first paid chief executive. This is not simply a staffing decision. It is also the point at which your association becomes an employer, and it is the single event most likely to determine whether a board actually learns to govern rather than manage, the distinction the previous article in this series was built around.

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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Why This Transition Is Specifically Dangerous

Board Passages, Karl Mathiasen's framework published by the US governance body BoardSource to describe how not-for-profit boards evolve, describes this transition as one of the most destabilising in a board's life cycle. Directors who have personally built and run the organisation are suddenly asked to hand day-to-day control to someone they did not know a matter of months ago, while remaining legally accountable for the outcome. The tension this creates is entirely predictable: staff, and particularly the new chief executive, want more authority to actually run the organisation, while founding directors, who have never worked any other way, keep reaching for the operational levers they are used to pulling directly.

This is precisely the governance and management confusion discussed in the previous article, except at its most acute and highest-stakes moment. A board that has never had to draw the line between governing and managing is suddenly required to draw it under real pressure, with a real person's authority and a real organisation's operations both on the line.

Readiness Before Recruitment

Sector guidance is consistent that the most common failure in this transition happens before the recruitment process even begins: a board hires before it has decided what it is handing over. A board should be able to answer, in writing, before advertising the role, which responsibilities move to the new chief executive and which the board explicitly retains. Leaving this ambiguous, on the assumption it will sort itself out once the right person is found, is exactly how a board ends up with a new executive

frustrated by constant board interference, or a board frustrated by an executive perceived as overstepping, when in reality nobody actually defined the boundary in the first place.

This is also the moment to test organisational readiness, not just enthusiasm for the idea. A prudent marker is to secure funding for at least the first year of the role, including superannuation, leave, insurance and recruitment costs, before recruiting, since a new chief executive spending their opening months worried about their own position's continued funding cannot focus on the strategic work the board is hiring them to do.

Becoming an employer also brings legal obligations the board must oversee, some of which may apply for the first time. Before the start date, confirm the employment contract, award coverage, superannuation, tax withholding, workers' compensation insurance and work health and safety obligations. Get employment advice if the board has not done this before.

A board that hires its first chief executive without first deciding what it is handing over is not delegating. It is hoping the boundary sorts itself out under pressure, which is exactly when boundaries are hardest to draw well.

Why The First Ninety Days Matter

Guidance on executive transitions consistently stresses that the early working relationship between a new chief executive and the chair is critical. The chair's role in this transition is not to step back once the appointment is made, but to invest in that relationship while both are still learning how the other works.

A structured transition committee, distinct from the search committee that ran the recruitment process, reporting regularly to the full board through the new executive's first six months, is a useful practice even for associations with modest resources, provided it supports the chair and reports to the full board rather than directing the chief executive. Its job is not to manage the new chief executive. It is to actively manage the board's own restraint, checking in on how the handover of responsibility is going rather than assuming silence means success.

What To Build Before, During And After The Hire

- Before recruiting, document in writing exactly which responsibilities transfer to the chief executive and which the board explicitly retains, connecting directly to the governance and management distinction discussed in the previous article.
- Confirm funding security for at least the first year, so the new executive's early months are spent on strategy rather than anxiety about their own position.
- Before the start date, settle the chief executive's written delegations, who sets their remuneration and how their performance will be reviewed, and confirm your employer obligations with appropriate advice.
- Appoint a small transition committee, distinct from the search committee, with an explicit mandate running through the first six months and regular reporting back to the full board.
- Invest deliberately in the chair-executive relationship specifically in the opening months, since the early chair and chief executive relationship sets the pattern for the transition.
- Prepare the board itself, not just the incoming executive, for the cultural shift this represents, since founding and long-serving directors accustomed to operational control will need support letting go

of it, not just an instruction to do so.

Hiring a first chief executive is not the end of a board's operational involvement so much as the beginning of its governance career properly starting. Boards that navigate this transition well tend to look back on it as the moment their organisation grew up. Boards that navigate it poorly often spend years afterward untangling authority and trust that should have been built deliberately from the very first appointment.

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

Hiring Your First CEO: The Turning Point Every Association Reaches

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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