



PEOPLE, CULTURE & EMPLOYMENT GOVERNANCE

CEO Performance Review: The Board Failure Hiding Behind Every Departure

Many board and CEO breakdowns trace back to expectations that were never clearly agreed, not to underperformance

CEO turnover is costly for any association, and the reasons behind it often point somewhere most boards would not expect. There is limited published data on association CEO turnover in Australia, but in practice many board and CEO breakdowns trace back not to poor CEO performance, but to poor communication of what the board actually expected in the first place.

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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A Board Failure Often Misread As A CEO Failure

This pattern deserves to reframe how a board thinks about performance review entirely. A CEO departure attributed to underperformance is frequently, on closer inspection, a failure of the board to set and communicate clear expectations from the outset, discovered only when the gap between what the board wanted and what the CEO delivered had already become a relationship problem. Performance review done well is not primarily a judgment exercise conducted once a year. It is an ongoing communication discipline that prevents exactly this kind of quiet, compounding misalignment.

Why CEO Review Supports Directors' Duties

For registered charities, regular CEO review is good evidence that Responsible People are acting with reasonable care and diligence, one of the duties under ACNC Governance Standard 5, although the standard does not expressly require CEO evaluation. Directors of a company limited by guarantee have similar duties under the Corporations Act, and committee members of an incorporated association have duties under their state or territory Act and the general law. A board shows it is exercising reasonable care and diligence partly through evidence that it actually evaluates its own chief executive with rigour, not through an assumption that things must be fine because nobody has raised a formal concern. A board that only discovers its expectations were unclear after the CEO relationship has already broken down has learned the lesson at the most expensive possible moment, after the cost of departure, replacement, and organisational instability has already been incurred.

Building Expectations That Actually Prevent This

The standard, useful discipline for setting CEO expectations clearly is the SMART framework, specific, measurable, agreed between both parties, realistic, and time-bound. Critically, not every expectation needs to be quantitative. Boards in the not-for-profit sector have latitude to use qualitative, subjective measures where these more accurately capture what matters, provided the measure itself, quantitative or qualitative, is agreed clearly with the CEO before the review period begins rather than applied retrospectively.

- Agree specific, measurable expectations with the CEO before each review period begins, using the SMART framework, rather than evaluating against criteria clarified only after the fact.
- Use a mix of quantitative and qualitative measures appropriate to what matters, recognising that not-for-profit performance often cannot be captured through numbers alone.
- Conduct the review on a regular, predictable cycle, since irregular or ad hoc reviews are a common failure in practice that erodes the process's real value.
- Base the evaluation on real evidence, organisational performance data, financial results, stakeholder and staff feedback, rather than relying primarily on individual board members' personal impressions.
- Agree who leads the review, often the chair or a small committee, link it to the CEO's employment contract and delegations, and minute the outcome and any remuneration decision that follows.
- Treat any misalignment discovered during review as a signal to clarify expectations going forward immediately, rather than allowing it to compound quietly until it becomes a relationship crisis.

A rigorous CEO performance review process is one of the most direct ways a board can reduce its own contribution to the CEO turnover this series has identified as a costly and often preventable problem. The discipline this requires sits with the board at least as much as it does with the chief executive being reviewed.

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

CEO Performance Review: The Board Failure Hiding Behind Every Departure

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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