

4 Governance

Introduction

We are fond of reminding our students that no two clubs are alike. That said, clubs can be similar in certain ways, including the ways in which they are governed. This chapter discusses what governance is, why it is important and presents several different governance models.

What is governance?

Governance is defined as “the process of decision-making and the process by which decisions are implemented (or not implemented)”. (https://en.wikipedia.org/wiki/Good_governance). In clubs, this refers to the hierarchy of decision-making, how decisions are made and who makes them. John Kinner, CCM, adds “Governance is the framework, principles, and practices that a club employs to affect decision-making.”

In clubs, especially member-owned clubs, many people can be involved in decisions such as whether to embark on a capital project, whether to raise dues, and who to allow in as members. Clubs are complex organizations with a myriad of activities that need to be managed in the club environment.

While there is a large overlap between governance, administration and management, we believe that ‘governance’ is the preferred term when describing clubs, because of the fact that professional staff (paid) and members (unpaid) work together to make the organization function effectively.

Another way of saying this is that governance is the system used by clubs (and other organizations) to coordinate their activities. Commentators seem to imply that governance occurs only at the highest levels of an organization and is distinguishable from administration and management, which are left to lower echelon employees. However, governance, administration and management are all synonymous. Functionally, it would be challenging to draw lines between governance and administration or management. However, the term ‘governance’ is normally used when describing how private clubs are formally organized at all levels.

The greatest single driver of club governance is ownership. If a club is a member-owned (equity) club, it is usually operated differently than a club (nonequity) that has a profit or ROI (return on investment) motive.

The type of ownership has a direct correlation to how a particular club is governed and the policies that are created. An example would be a club's dining room operating hours. In an equity club, members can decide to operate the dining room for the convenience of the few members on traditionally slow nights and justify the expenses as shared equally by the entire membership. In contrast, in a nonequity club there would be a high likelihood the dining room would be closed during slack periods for economic reasons. Ownership might then advise the membership that dues might have to be raised to cover the unprofitable hours of operation.

Much of the club management literature to date has focused on and spoken to the operation of equity clubs, as equity clubs have dominated the club industry for many years. As clubs have evolved over the years, however, so too has the popularity of nonequity clubs. In fact, some members of nonequity clubs prefer them because, as members, they are devoid of any governance responsibility (such as serving on committees). They pay their dues and go home after their round of golf or dinner with their families.

Nonequity clubs are governed differently largely because they may have a single owner(s), or a corporate owner. There are even equity clubs that are managed by a management company, which would result in yet another governance model. The purpose of this chapter is to give the student an awareness that the club ownership is key to organizing/governing a club.

Why do organizations need governance?

Organizations have many facets in terms of personnel and activities, too many for any single person to be in all places at all times to ensure that everyone is working towards the same objectives. Governance addresses this problem by establishing a framework in which work can be allocated and coordinated. Furthermore, governance addresses the interaction and division or responsibilities between paid employees and volunteers. This is especially important in equity clubs which depends upon the employees and volunteers (members) working effectively together.

Ray Cronin, of ClubBenchmarking, in an April 7, 2015 presentation to the New Jersey Club Managers Association emphasized the following points about governance:

- Governance is a *process* that must be understood and continuously evolved.
- Governance as *leadership* requires the board to understand the business.
- *Fact-based governance* provides that understanding and a foundation that can transition from board to board.
- Governance as leadership requires the board to focus on what matters – and stay away from what doesn't matter.

Students and managers should appreciate that governance is continually evolving and that the ways in which clubs are governed has changed over the last generation as people, laws and regulations, have changed and new information has emerged.

In addition to ownership, two other primary factors that drive how a club is governed are: (1) its bylaws and (2) its organizational structure. These will be discussed in turn.

Bylaws

The Merriam Webster website (merriam-webster.com/dictionary/bylaw) defines bylaw as: “a rule adopted by an organization chiefly for the government of its members and the regulation of its affairs”. Within clubs, bylaws define the rules by which decisions are made and play a critical role in the long-term success of a club.

Bylaws are central to defining and maintaining a club's reason for existence. Bylaws dictate how members are selected; what standing committees exist; how officers are elected; how long their terms are; the different membership categories; rights and privileges of members; when and where annual membership meetings are held; when and where board and committee meetings are held and; how decisions get made.

How are bylaws developed? They can be drawn up by the founders of a club. They can also be copied from like-minded clubs who are anxious to share with fellow clubs. There are also excellent resources available from the National Club Association (NCA; www.nationalclub.org), and the Club Management Association of America (CMAA; www.cmaa.org). Whatever the source, the authors suggest a regular bylaws review by a competent attorney with prior experience in club governance.

One final note about bylaws – our students often confuse bylaws with ‘house rules’. Rather than dictate how a club is governed, house rules pertain more to what is allowed and what is not allowed, for instance, how members are expected