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A Preliminary Investigation into Australia's Registered Club Industry: Issues of Corporate Governance and Government Review

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Abstract

Title: A Preliminary Investigation into Australia's Registered Club Industry: Issues of Corporate Governance and Government Review

Keywords: Corporate governance – Boards of directors – non-profit – for-profit – isomorphism – government regulation Australia

Category of paper: Research paper

Purpose of the research/paper: This paper discusses the initial results of an ongoing longitudinal corporate governance research project being conducted by Southern Cross University, New South Wales, Australia in association with the peak industry body, the Club Managers' Association of Australia (CMAA). The target organizations comprise non-profit registered clubs and associations in Australia. These organizations are currently under review by the Independent Pricing and Regulatory Tribunal (IPART) that suggests, in its February 2008 draft report, that corporate governance is a substantive issue in the registered club industry and, as a result, registered clubs and associations are under increased pressure to adopt what are, essentially, generic corporate governance principles.

Methodology: The research is utilizing a modified version of an instrument developed by Mercer Delta Consulting (2005) and summarized by Nadler, Behan and Nadler (2006).

Findings: The results confirm that the adoption by the clubs of generic corporate governance principles is well advanced and the distinctions between registered clubs as non-profit entities and the for-profit sector are rapidly evaporating in relation to corporate governance.

Implications for theory and practice: If a process of convergence is occurring it suggests two possibilities. If commentators such as Steane (2001) and Mason, Kirkbride and Bryde (2007) are right, then the process is one of deformation whereby the fundamental perspectives and values of these organizations are somehow compromised or distorted by a process of convergence with generic corporate governance principles. The second possibility is that these fundamental perspectives and values are themselves changing.

Value of the paper: This process raises some key issues in relation to the validity and appropriateness of this process of isomorphism for non-profit entities which are discussed.

Number of pages: 21

Number of tables/figures: Six Table and 1 figure

Section headings: Introduction, literature review, methodology, results and discussion, conclusions.

Introduction

This paper presents the preliminary results of a longitudinal corporate governance research project being conducted by Southern Cross University, New South Wales (NSW), Australia in association with the peak industry body, the Club Managers' Association of Australia (CMAA). The target organizations for the study are registered clubs and associations in Australia which are currently under review in NSW by the Independent Pricing and Regulatory Tribunal (IPART), an independent body established by the NSW government to oversight a number of key industries. The draft report (February 2008) of the tribunal is, in part, suggesting that corporate governance is a substantive issue in the registered club industry.

In Australia, registered clubs (as defined in the state of New South Wales under the *Registered Clubs Act 1976* as amended) are often an integral part of local communities (Hing, Breen and Weeks 2002). These not-for-profit organizations provide lifestyle services such as sporting facilities, accommodation, gaming machine venues, food, drink and other related services. They vary in size from small associations with very few members to clubs with over 50,000 members and often form one of the economic pillars of local communities not only through the process of service delivery, but also as a direct result of the creation of employment opportunities (Hing, Breen and Weeks 2002).

The regulation of clubs in NSW is complex. Registered clubs are subject to Commonwealth legislation directly relating to corporate governance (*Corporations Act 2001*) and State legislation including that concerned with regulating the sale of liquor and the operation of gaming machines (*Liquor Act 1982* and *Gaming Machines Act 2001*).

Following the draft IPART report (February 2008) in Australia, registered clubs and associations are under increased pressure to adopt 'best-practice' corporate governance principles. In response, the peak employer body in Australia, the CMAA, has sought to develop corporate governance training programs for directors and chief executives of registered clubs.

Certainly, there is inferential evidence suggesting that corporate governance practices within the club industry require closer scrutiny as to their appropriateness and efficacy. These concerns are, in part, summarized by the IPART report on the industry.

However, there is some debate within academic discourse as to whether the concept of 'best practice' in corporate governance is, in fact, a process whereby non-profit organizations such as registered clubs in NSW, are subject to a process of conformity which is not necessarily appropriate for non-profit organizations. Furthermore, it has been suggested by Steane and Christie (2001) that it is possible that a process of 'isomorphism' may occur in these organizations whereby, in part, they *mimic* the shape of for-profit corporate enterprises in order to conform to the requirements of regulatory bodies. Steane and Christie (2001) have explored the notion that a fundamental difference between for-profit and non-profit organizations in part relates to them taking a *stakeholder* as opposed to *shareholder* approach to key issues of governance. More recently, Mason, Kirkbride and Bryde (2007) have extended this exploration to include an examination of 'stewardship' and neoinstitutional approaches.

The perceived fundamental differences between non-profits and for-profits suggest that the process whereby non-profits are subject to a broader corporate governance regulatory agenda, represents, in fact, a process of *deformation*.

This paper seeks to determine whether there is evidence within the registered club industry in NSW that this process of isomorphism is taking place. It does this through presenting the preliminary results of a longitudinal study of NSW registered clubs. These clubs participated in a four day corporate governance workshop that was developed as a direct result of the concerns expressed in the IPART (2008) report.

Literature Review

Hoye and Auld (2001) note three major themes of empirical studies that engage with issues of Board performance in non-profit voluntary organizations. In relation to the first of these themes, they cite Taylor, Chait and Holland (1991), Fletcher (1992), Wood (1992), Bradshaw, Murray and Wolpin (1992), Kearns (1995), Dart, Bradshaw, Murray and Wolpin (1996), and Holland and Jackson (1998) as investigators concerned with the factors that 'influence the ability of the Board to perform their roles effectively' (Hoye and Auld 2001, p.109).

The second theme identified and cited by Hoye and Auld (2001), that of developing evaluative tools, is supported by Jackson and Holland (1998), Herman and Renz (1997, 1998, 2000) and Slesinger (1991).

The third theme identified – the attempt to 'establish a causal link between Board performance and overall organizational effectiveness' has been the concern of Provan (1980), Green and Griesinger (1996), and Herman and Renz (1997, 1998 and 2000).

It is interesting and important to note that these themes are similar or identical to themes that pervade commentary that engages with issues of corporate governance across all sectors. The concerns regarding Boards performing effectively, Board evaluation and causal links between Board performance and how an organization performs are central to generic corporate governance discourse. Since 2000, relatively few researchers have pursued the differences but most significantly include Steane (2001), Steane and Christie (2001), Hoye (2004), Brown (2005), and Mason, Kirkbride and Bryde (2007).

Ranged against these assertions of difference is a seemingly unassailable body of empirical research and regulatory mechanisms and reviews that assume convergence and, in doing so, serve to naturalize the notion that there is no useful distinction between for-profit and non-profit sectors in relation to corporate governance. Where the arguments are articulated, it is to further enforce notions of convergence or, in the case of Waters (2001) for example, to make the point that the non-profit director has 'the potential for significant legal exposure' similar, if not identical, to that of a for-profit director.

Recent interrogations of this convergence have centered upon the notion of isomorphism (Steane 2001; Steane and Christie 2001) and, most recently, an examination of this convergence in relation to corporate governance theory (Paton 2003; Mason, Kirkbride and Bryde 2007). Steane (2001, p.15) argues that government have an expectation of convergence between the non-profit sector and the broader corporate community. This 'gradation toward unitarism' (Steane 2001, p.15) fails to take into account crucial differences between the sectors that can be demonstrated empirically and include a greater diversity in terms of Board representation and a differing ideological or value framework. The central point here is that if this isomorphic convergence is assumed within government policy, then 'mechanisms to standardise expected director behaviour are likely to fail' (Steane 2001, p.15).

This argument for divergence has been significantly extended by Mason, Kirkbride and Bryde (2007, p.293) who have argued that the different orientation of non-profit social enterprises in the UK 'should not be expected… [to] develop similar governance structure to [for-profit] corporations'. In arguing this case, they evaluate both stakeholder and stewardship approaches to corporate governance in the non-profit social enterprise sector and explore the veracity of neoinstitutional theory. It is, finally, an argument for divergence with regard to how non-profit organizations should be governed and regulated.

In relation to this paper, it is Steane and Christie's (2001) insights with regard to isomorphism that are of most interest. In a global context, the current mechanisms of convergence are easily identified. Sarbanes-Oxley and other regulatory frameworks are recognized by Stein (2008, p.1001) as 'pervasive mechanisms of disclosure, surveillance and power, and an insurance rationality designed to manage the new and significant risks of corporate governance'. In Australia, the *Corporations Act 2001* stands as a major mechanism of convergence. Registered clubs in NSW are strictly regulated by a plethora of both State and Commonwealth legislation, in addition to the *Corporations Act 2001* (Hing, Breen and Weeks 2002). This Commonwealth Act provides a comprehensive regulatory framework for incorporated bodies in Australia (Baxt 2002) and significantly blurs the distinction in a regulatory and governance sense between for-profit and non-profit organizations. In effect, registered clubs in NSW are, in the main, expected to comply with the standards of operation and governance of any other incorporated body in Australia.

The potential for isomorphism is further strengthened in the registered club industry by the development or endorsement of codes of practice by peak bodies such as the Club Managers' Association of Australia and ClubsNSW (ClubsNSW 2008). These codes serve to further strengthen and homogenize corporate governance not only across the sector but also between sectors since the principles articulated in these codes are fundamentally generic in nature. They are drawn from both State and Commonwealth legislation that seeks convergence. In mirroring and amplifying this legislation, the peak bodies themselves become mechanisms of convergence.

It is clear that the agenda of regulators with respect to the NSW registered club industry is to ensure that the mechanisms of good governance within the industry reflect those of the wider corporate community. As we have argued, the very fact that registered clubs fall under Commonwealth Corporations Law in Australia and, as can be seen below, that the NSW IPART draft report (2008) cites the Australian Stock Exchange principles of good governance as applicable to clubs in NSW, means that regulators have facilitated and continue to facilitate convergence.

This agenda underpins the IPART draft report. Acknowledging that the 'differences between clubs and commercial enterprises create different corporate governance challenges' (IPART 2008, p.170), the report goes on to identify an example of these differences as follows:

> A club's members do not directly benefit from the club improving its profitability in the same way as shareholders of publically listed companies do from increased dividends or rising share prices (IPART 2008, p.170).

This appears to be an acknowledgement of a key difference between for-profit and non-profit organizations identified by Steane and Christie (2001, p.56) where 'non-profit Boards can mimic some aspects of a *shareholder* approach to governance' but, in fact, have priorities and activities that indicate 'a *stakeholder* approach to governance'.

However, the IPART draft report takes the position that despite the recognition that 'there is no single model [of corporate governance] that is appropriate for all organizations', it is possible to recognize generic 'examples of effective corporate governance' (IPART 2008, p.170). These examples with respect to organizations comprise the following:

- specifying the respective roles and responsibilities of its Board and management
- having a Board of an effective composition, size and commitment to adequately discharge its responsibilities and duties
- establishing a sound system of risk oversight and internal control (IPART 2008, p.170).

In identifying these 'examples' the IPART report authors cite the Australian Stock Exchange (ASX) publication *Corporate Governance Principles and Recommendations* (2007, pp.10-11), a publication predominantly aimed at listed Australian companies.

The ASX , whilst acknowledging that the 'nature of matters reserved to the Board and delegated to senior executives will depend on the size, complexity and ownership structure of the company, and will be influenced by its tradition and corporate culture, and by the skills of directors and senior managers' (ASX 2007, p.13), suggests that a Board would 'usually' be responsible for the following:

- overseeing the company, including its control and accountability systems
- appointing and removing the chief executive officer, or equivalent

• where appropriate, ratifying the appointment and the removal of senior executives
• providing input into and final approval of management's development of corporate strategy and performance objectives
• reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct, and legal compliance
• monitoring senior executives' performance and implementation of strategy
• ensuring appropriate resources are available to senior executives
• approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures
• approving and monitoring financial and other reporting (ASX 2007, p.13).

This list of responsibilities, as we would expect in a convergent context, is very similar to that articulated in the ClubsNSW Code of Practice (ClubsNSW 2008, p.46):

> a) Providing strategic direction to the Club by constructive engagement in the development, execution and modification of the Club's strategy;
> b) Appointing the Club manager and approving succession plans;
> c) Monitoring the performance of the Club manager and approving senior management remuneration policies and practices;
> d) Reporting to members and ensuring that all regulatory requirements are met;
> e) Providing advice and counsel to management on a periodic and ad hoc basis, adding strategic value;
> f) Ensuring appropriate compliance frameworks and controls are in place;
> g) Approving policies governing the operations of the Club;
> h) Monitoring financial results on an ongoing basis;
> i) Ensuring the Board's effectiveness by operating as a team;
> j) Ensuring the Club's business is conducted ethically and transparently; and
> k) Overseeing strategic risk management (ClubsNSW Code of Practice 2008).

It appears that despite assertions of difference in the IPART report, registered clubs in NSW are being required to adhere to generic governance frameworks and processes that support Steane and Christie's (2001) notion that a 'mimicking' or 'isomorphic' process of convergence is occurring in the non-profit sector in Australia.

Arising from the literature and in order to direct the research, the following research questions and hypotheses were posited:

> **Q1** – In respect to a list of identified potential Board corporate governance issues, what is the current and ideal levels of engagement by the registered club Boards, as perceived by the Board directors?

Board members were asked to rate the level of the current and ideal engagement of the Board in several corporate governance categories. This question is designed to elicit the absolute level of engagement by the Board in each of the corporate governance categories.

> **Q2 -** In respect to a list of identified potential Board corporate governance issues, is there a significant difference between the current level of Board

engagement and the perceived ideal state of Board engagement, by the Board directors?

It was expected that on most issues of corporate governance, the Board members will not perceive what they are doing now and what they think they should be doing in an ideal state as significantly different. Accordingly, in order to test this expectation, the following hypothesis was also posited:

H01 *– There will be no significant differences between the current level of Board engagement and the ideal state of Board engagement, as perceived by the Board directors.*

In addition to the above research issues specific to each Board, a general research question is also raised to enable the researchers to generalise the findings to the club industry.

Q3 – Is there is a divergence or convergence of views in respect to corporate governance issues between regulatory authorities and the industry itself?

That is, whilst regulatory authorities seek to impose what is essentially for-profit governance standards upon the club industry in NSW based upon a perception of inadequacy, does the club industry, as represented by the CEOs/GMs and the Board members, see a significant problem?

3. Methodology

The current study, which is in its earliest phases of development, limits corporate governance to a consideration of areas of potential Board engagement. The research is utilizing a modified version of an instrument developed by Mercer Delta Consulting (2005) and summarized by Nadler, Behan and Nadler (2006). The instrument has been used by Nadler et al. (2006) as an initial stage of a much wider evaluative process. However, the current study is not designed to measure Board performance as such. Rather it is designed to provide initial indications as to whether isomorphism is occurring within the NSW registered club industry.

Nadler's et al. (2006, p.21) research identifies ten areas of potential Board engagement and presents an instrument whereby a Board's perception of its current engagement can be contrasted with what it sees as a desired state. The areas of potential engagement included in the current study are as follows:

- Strategy
- Strategic Transactions
- Operations
- Policy
- Human Resources
- Financial Management
- Risk Management

- External and Internal Relations
- CEO Effectiveness
- Board Skill Development

The ten areas are measured on a scale from 'No' engagement to 'Very high' engagement.

Deployed across several Boards in the NSW registered club industry, this instrument can serve to indicate the degree of satisfaction with a Board's functioning from a specific role perspective.

The two perspectives chosen for the current study are those of a member of the Board and the CEO/General Manager. For each club in the sample, the CEO/GM and a Board member were asked to contrast and compare perceptions of Board engagement.

The questionnaire was administered after two days of intensive exposure to generic corporate governance principles drawn from the ASX (2007) *Corporate Governance Principles and Recommendations* and the IPART report (2008). During these two days, what constituted 'ideal' levels of Board engagement were repeatedly articulated and, according to the data, had a high degree of acceptance by the cohort.

Some data on the profile of each Board and on the personal backgrounds of Board members was also collected in the questionnaire. By collecting this information, it was possible to identify any demographic differences between the groups of respondents.

Prior to administration, the instrument was piloted to determine any difficulties in understanding or comprehension. When the survey had been completed by the respondents and returned to the University, the data was processed using a statistical computer software package, namely, the Statistical Package for the Social Sciences (SPSS).

Results and Discussion

The demographic analysis of the data revealed the following issues identified in the Tables that follow. The gender of the respondents to the survey is shown in Table 1 below:

Table 1 Gender profile of respondents

	Percent	Cumulative Percent
Female	6.2	6.2
Male	93.8	100.0
Total	100.0	

As shown in Table 1 above, over 90% of the respondents are male and this percentage is expected to approximate the gender balance of Board directors across the sector.

The age of the respondents are detailed in Table 2 below:

Table 2 Age group of respondents

Age groups	Percent	Cumulative Percent
40-49 years	18.8	18.8
50-59 years	37.5	56.2
60 years and above	43.8	100.0
Total	100.0	

As shown in Table 2, approximately 80% of the respondents are over 50 years of age and bring to the position of director considerable life experience.

The position held on the Board by the respondents to the survey is shown in Table 3 below.

Table 3 Position held on the Board by the respondent

	Percent	Cumulative Percent
Chair or Deputy Chair	43.8	43.8
CEO or General Manager	50.0	93.8
Board member	6.2	100.0
Total	100.0	

As shown in the table above, the respondents are roughly equally distributed between chair or deputy chair and the position of CEO. Board members responding to the survey not holding executive positions on the Board amount to only 6.2%.

The time served on the Boards by the respondents is presented in Table 4 below.

Table 4 Time served on the Board by the respondents

	Percent	Cumulative Percent
0 to 2 years	6.2	6.2
3 to 5 years	31.2	37.5
6 to 10 years	12.5	50.0
Above 10 years	50.0	100.0
Total	100.0	

The table above shows that approximately 45% percent of respondents have been directors on the Boards for at least 3 years with 50% having over 10 years experience. Having respondents with lengthy experience on the Board adds validity to their perceptions of actual Board behaviour.

Having now analysed the demographic data, attention is turned to the data analysis of the data for the research questions and hypothesis.

Research Question 1 raised the issue of the current and ideal levels of engagement in corporate governance issues, by the registered club Boards, as perceived by the Board directors:

> **Q1** – In respect to a list of identified potential Board corporate governance issues, what is the current and ideal levels of engagement by the registered club Boards, as perceived by the Board directors?

In order to calculate the current and ideal levels of engagement, frequency tables were developed and the level of engagement in each category determined by the majority ratings of the respondents.

Table 5 below summarises the results:

Table 5 Current and ideal levels of engagement by Board on engagement categories

Potential Board engagement categories	Current level of engagement	Ideal level of engagement
Strategy		
Strategic direction	Moderate to high	High to very high
Strategic planning	Low to moderate	High to very high
Strategy implementation	Low	Moderate to high
Strategic transactions		
Major investments	High to very high	Very high
Significant expenditures (over $5000)	High	High
Operations		
Marketing	Low to moderate	High
Catering	Nil to low	Low to moderate
Event organizing	Nil to low	Nil to low
Day-to-day operational decision-making	Nil to low	Nil
Policy		
Policy development	Low to moderate	High to very high
Policy review	Low to moderate	High
Human Resources		
Staff supervision	Nil	Nil
Recruitment of Senior Managers	High to very high	High to very high
Recruitment of Middle Managers	Nil	Nil
Recruitment of other staff	Nil	Nil
CEO-compensation	High to very high	Very high
Other Senior Executive compensation	Moderate to high	Moderate to high
Middle Manager compensation	Nil	Nil
Other staff compensation	Nil	Nil
Staff training need identification	Nil	Nil

Table 5 continued Current and ideal levels of engagement by Board on engagement categories

Potential Board engagement categories	**Current level of engagement**	**Ideal level of engagement**
Financial Management		
Financial strategy	Low to moderate	High to very high
Liquidity management	Differs widely from low to very high	Moderate to high
Financial reports	High to very high	High to very high
Day-to-day financial management (overall)	Nil to low	Nil to moderate
Day-to-day financial management - expenditure	Nil	Nil to low
Audit reports	Moderate to high	Very high
Risk Management		
Long-range, high level risk management	Differs widely from nil to very high	High to very high
Short-range, low level risk management	Differs widely from nil to very high	Moderate to high
Understanding legal frameworks	Differs widely from nil to very high	High
External and Internal Relations		
Brand integrity	Low to moderate	Moderate to high
Member relations	High to very high	High to very high
Community responsibility	Differs widely from low to very high	High to very high
Environmental responsibility	Low	High
Staff relations	Nil to low	Low to moderate
CEO Effectiveness		
CEO performance appraisal	Differs widely from nil to very high	High to very high
CEO succession	Differs widely from nil to very high	High to very high
Board Skill Development		
Board member training opportunities	Moderate	High

Source: Developed for this research

From the table above, it can be seen that in most of the engagement category areas under the current level of engagement column, there is a reasonable degree of coherence in the views of the directors in terms of the level of engagement in each category. The current level of engagement column maps the current practice and focus of the Boards in respect to corporate governance.

As might be expected, the directors are moderately to highly engaged in the areas of strategic direction, decisions on major investments, CEO compensation, financial reporting and member and community relations, while less engaged in the areas of operations, policy, human resource management, and day to day issues. The views of the directors in these governance categories appear to accord with the governance principles articulated by the ASX (2007) and ClubsNSW (2008).

Of interest however, are the widely differing views of the directors when it comes to the current level of engagement in the areas of:

- liquidity management
- risk management, and
- CEO performance appraisal and succession

where the views of the directors were not consistent and ranged from 'no' engagement or 'low' engagement to 'very high' engagement. Without additional qualitative data at this stage of the research, it is not possible to indicate why there is such a variation of opinions in these areas. It may be that the directors are unsure or confused about the appropriate level of engagement in these areas or perhaps do not understand the specific nature of governance in the categories. Further research will be conducted to determine the reasons behind the variability.

After the Board directors were exposed to generic corporate governance principles and the IPART report itself throughout the four day corporate governance workshop, there were some changes to the level of engagement as expressed by the directors in the ideal level of engagement column.

Generally, the directors expressed the need to increase the level of engagement in the areas of strategy, policy, financial management, and external and internal relations while seemingly satisfied with the level of engagement in the areas of operations and human resource management.

Of particular interest is that where the current level of engagement in the areas of liquidity management, risk management, and CEO performance appraisal and succession were not consistent among the directors, it appears that the four day corporate governance workshop focused the attention of the directors on these specific areas. Subsequently, the directors' expressed ideal level of engagement in these areas was both unified and significantly higher than the current level of engagement.

Such a change in the consistency of the expressed views of the directors would seem to demonstrate some convergence with the designated responsibilities of Board directors as outlined in the ASX and ClubsNSW Codes of Practice.

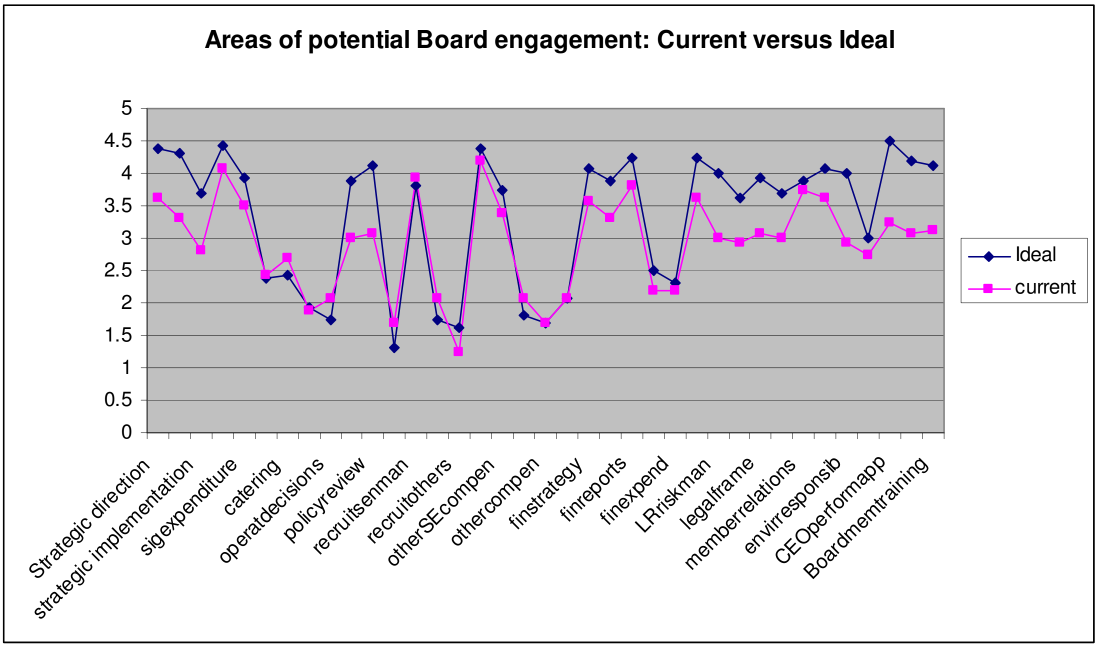
Research Question 2 investigated any differences between the current level of Board engagement and the perceived ideal state of Board engagement.

> **Q2 -** In respect to a list of identified potential Board corporate governance issues, is there a significant difference between the current level of Board

engagement and the perceived ideal state of Board engagement, by the Board directors?

Having established the absolute levels of engagement by the Boards both currently and in an ideal state, it was then possible to measure the degree of convergence or divergence between the perceived 'current' state of engagement and the 'ideal' state. Figure 1 below charts the current and ideal state of engagement over the governance categories.

Figure 1 Areas of potential Board engagement; Current versus ideal



As can be determined from the figure, it was found that there was a strong convergence of current practice with what was considered to be ideal states in many areas including strategic transactions, operations, human resource management, and member, community and staff relations.

However, the areas of significant divergence – representing areas that the directors' believed needed further development – gives some insight as to how far the process of convergence has to go in the club industry.

In order to determine if the divergent areas were statistically significant, a paired 'sample t test' was conducted. Table 6 below highlights the categories where significant differences were found.

Table 6 Significant differences between current and ideal states of engagement

		Mean	95% Confidence Interval of the Difference		t	Sig. (2-tailed)
			Lower	Upper		
Pair 1	strategicdirection - idealstrategicdirection	-.750	-1.163	-.337	-3.873	.002
Pair 2	strategicplanning - idealstrategicplanning	-1.000	-1.550	-.450	-3.873	.002
Pair 3	strategyimplementation - idealstratimplementation	-.875	-1.486	-.264	-3.050	.008
Pair 10	policydevel - idealpolicydevel	-.875	-1.347	-.403	-3.955	.001
Pair 11	policyreview - idealpolicyreview	-1.062	-1.661	-.464	-3.782	.002
Pair 21	finstrategy - idealfinstrategy	-.500	-.775	-.225	-3.873	.002
Pair 22	liquidman - idealliquidman	-.562	-.996	-.129	-2.764	.014
Pair 23	finreports - idealfinreports	-.438	-.871	-.004	-2.150	.048
Pair 26	auditreports - idealauditreports	-.625	-1.236	-.014	-2.179	.046
Pair 27	LRriskman - idealLRriskman	-1.000	-1.674	-.326	-3.162	.006
Pair 29	legalframe - ideallegalframe	-.875	-1.517	-.233	-2.907	.011
Pair 30	brandintegrity - idealbrandintegrity	-.688	-1.228	-.147	-2.711	.016
Pair 33	envirresponsib - idealenvirresponsib	-1.062	-1.661	-.464	-3.782	.002
Pair 35	CEOperformapp - idealCEOperformapp	-1.250	-2.087	-.413	-3.184	.006
Pair 36	CEOsuccession - idealCEOsuccession	-1.125	-1.875	-.375	-3.195	.006
Pair 37	Boardmemtraining - idealBoardmemtraining	-1.000	-1.435	-.565	-4.899	.000

Note: ά = 0.05

As identified in the table above, a number of categories of Board engagement emerged where there are statistically significant differences between the current level of Board engagement and the perceived ideal state of Board engagement. These are in the critical governance areas of:

- Strategy
- Policy
- Financial management
- Risk management
- CEO effectiveness

Therefore, the directors, having received the four day corporate governance workshop, are now aware of a gap in the level of engagement by their Boards in the above governance areas. The directors' perceive that there needs to be a greater emphasis and convergence in these areas towards the governance principles as espoused by the IPART report.

Accordingly, the hypothesis:

> **H01** – *There will be no significant differences between the current level of Board engagement and the ideal state of Board engagement, as perceived by the Board directors*

is rejected. There are significant differences in the current level of Board engagement and the ideal state of Board engagement as perceived by Board directors particularly in the areas of strategy, policy, financial management, risk management and CEO effectiveness.

Finally, Research Question 3 examined whether there is any divergence or convergence of views in respect to corporate governance issues between regulatory authorities and the industry itself.

> **Q3** – Is there is a divergence or convergence of views in respect to corporate governance issues between regulatory authorities and the industry itself?

Using the IPART report as a vehicle for perceived change, the regulatory authorities seek to impose what are essentially for-profit governance standards upon the club industry in NSW. The research found that there is a strong convergence of current practice with what was considered to be ideal states in many areas including strategic transactions, operations, human resource management and member, community and staff relations.

However, when the directors were exposed to best practice for-profit governance standards at the four day corporate governance workshop, significant areas of divergence emerged particularly in the areas of strategy, policy, financial management, risk management and CEO effectiveness.

Accordingly, the club industry, as represented by the CEOs/GMs and the Board members, see a need to move to best practice for-profit governance standards in these critical areas of divergence.

Conclusions

The results of this investigation suggest that the process of convergence within the registered clubs industry in NSW is already well advanced. Current Board engagement significantly reflects that of the corporate sector generally as expressed within the ASX publication *Corporate Governance Principles and Recommendations* (2007) and the IPART draft report (2008). The areas of divergence related to strategy, policy, financial management, risk management and CEO effectiveness whilst critical aspects of Board engagement, in general are recognized as areas which require further work and alignment.

It is apparent that the club directors are attentive of the thrust of the IPART report and in particular, the emphasis in the report on governance issues around strategy, risk management, senior management performance and financial reporting and control.

The data suggests that the 'risk management' area of governance does not currently have a consistent approach by club directors across the industry. Some club Boards currently have no engagement in this critical area and other club Boards regard the level of engagement by the Board as very high. It may be that club directors generally do not have a rigorous understanding of what is regarded as 'risk issues', and perhaps this area requires special attention in the future training of club directors.

That this process of convergence is occurring suggests two possibilities. If commentators such as Steane (2001) and Mason, Kirkbride and Bryde (2007) are right, then the process is one of deformation whereby the fundamental perspectives and values of these organizations are somehow compromised or distorted by a process of convergence with generic corporate governance principles.

The second possibility is that these fundamental perspectives and values are themselves changing. The registered club industry within NSW is clearly under a number of pressures which include demographic and economic changes. In tracing the historical development of clubs, Hing, Breen and Weeks (2002, p.4) note that they provide 'a barometer of changing social values, of fluctuating economic conditions, and of different political environments'. They go on to assert that:

> The club industry has some interesting challenges ahead in continuing to meet the opportunities and constraints of the ever-changing competitive, social, and legislative environments (Hing, Breen and Weeks 2002, p.10).

It seems plausible that the adaptive response necessary to meet these challenges might include fundamental changes in perspectives and values. That is, is the process of 'isomorphism' affecting only the expectations and behaviours of club directors, or is a more fundamental change of values occurring in the industry?

Further research is necessary to investigate whether there is a change in the fundamental values of the industry from a stakeholder or stewardardship view of the role of the Board to more corporate and 'shareholder' values. Certainly peak organizations such as the Club Managers' Association of Australia are taking decisive and clearly effective steps to facilitate exposure to the increasingly regulated corporate governance environment of Australia. The extent and depth of the change that this environment requires will, it seems, further blur the distinctions between for-profit and non-profit organizations.

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