

# Relaxing Strictness: The Evolution of Rotary International

Mana Gana

Supervised by Dr Ian Smith



University of  
St Andrews



## Acknowledgments

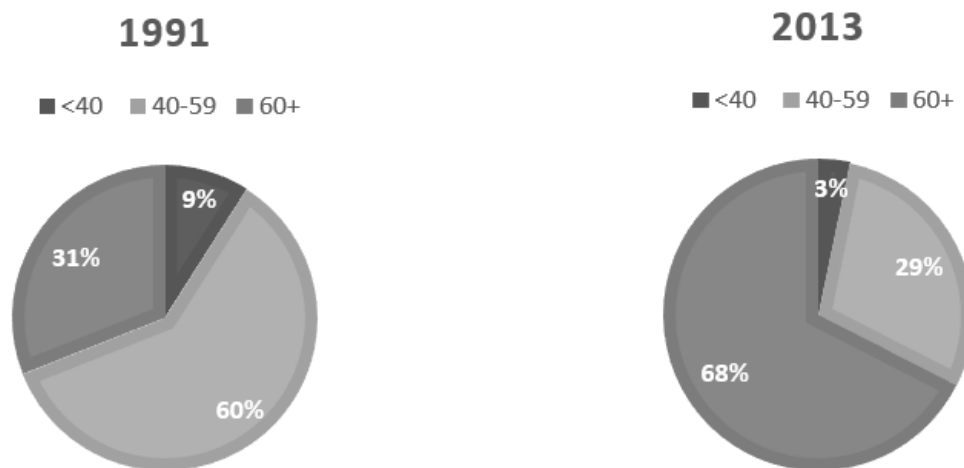
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## Abstract

This essay highlights my six-week research project on Rotary International. Together with my supervisor, Dr Ian Smith, I was able to understand Rotary International as an organisation, the reasons and causes for relaxing its strict conditions over the years and its impact on membership, participation, and exclusion. In addition, I studied the club good model and similar Economic models that provided a useful framework to mathematically understand the changes in Rotary. Although my research focused solely on Rotary International, the fundamental devices used to establish and maintain this successful organisation across the globe can be applied to clubs and organisations today.

## Introduction

Rotary International (RI) is a group of 46,000 clubs in 220 countries with 1.4 million members (Rotary International, 2022). This organisation was unlike most social clubs at the time of its inception; membership was exclusive, members were closely monitored, and high club participation was demanded. Even with these extreme restrictions and requirements, Rotary International grew rapidly and members actively participated in club activities. As strictness and exclusion relaxed over the years, clubs lost their prestige and the benefits to members decreased, which resulted in the slow decline of membership and changed the composition of members (see *Figure 1*). Although on average there has been a general decline of membership, some parts of the world are still experiencing rapid growth. Regions such as Asia, some parts of Africa and the Middle East still boast about new clubs and increased membership. Most Western countries, on the other hand, are experiencing a massive decrease in membership. A possible explanation for this disparity could be the larger and younger population in these regions. How and why was this organisation so successful and what caused its decline in recent years?



*Figure 1: Pie chart depicting membership composition of Rotary clubs in 1991 and 2013 (Henningham, 2016, p. 147)*

### Rotary's Inception

Paul Harris (1868-1947), a lawyer in Chicago, founded the first Rotary club in 1905. He aimed to create a club for business and professional men that mirrored the camaraderie they enjoyed growing up (Bahlke, 1956). At first, meetings took place "in rotation" at member's offices, restaurants, or private clubs (Bahlke, 1956,). By the end of the first year, 30 men benefitted from membership in the club and yearly membership fees were introduced. As the club grew, leadership roles were appointed to members and two goals known as "objects" were established. The objects stated that members of the Chicago club should promote the business interests of members and promote good fellowship and

other desirable traits of social clubs (Bahlke, 1956, p. 4). As the club's goals were focused on individual members, outsiders criticised the club and labelled its members as selfish and vain. This unexpected criticism however led these Chicago men to add a new object – “The advancement of the best interests of Chicago, and the spreading of the spirit of civic pride and loyalty among its citizens” – and engage in their first community project which involved building public toilets in the town hall (Bahlke, 1956, p. 6). This act of service was the first step of transforming this social club into a service club. In recent years, Rotary International and its clubs have been involved in numerous global and local projects such as aiding the local community after a natural disaster, Polio Plus and educational initiatives.

## **Organisation of Rotary**

### Council on Legislation

Rotary clubs grew as relatively autonomous clubs linked to Rotary International. In 1910, the first National Convention was hosted with 16 clubs in attendance; pressing issues were discussed, Rotarians (members of Rotary) were educated on Rotary's values, and legislation amendments were debated. As Rotary spread to other nations, Rotary Conventions were held internationally, and a function of this meeting was determining new policy and amending existing constitution documents. However, this task proved to take up more time each meeting, leaving no time for other essential convention programs. Consequently, in 1974, Rotary International's legislative responsibilities were delegated to their advisory body: the Council on Legislation (Henningham, 2016). Rotary's parliament met triennially for about three to four days to discuss the enactments (amending constitutional documents) and resolutions (policy decisions) that have been brought forward by district delegates. For changes to be made, there must be over a 50% majority vote for resolutions and over 66.66% for enactments (Henningham, 2016).

### Classification System

A main distinguishing feature of Rotary clubs was the use of the classification system. The classification system was a tool that ensured fellowship and avoided rivalry which was a priority for an organisation that promoted friendship and mutual aid (Henningham, 2016). A classification referred to a particular profession or type of business e.g., education, healthcare etc. However, a classification can further be divided into subclassifications such as healthcare -> doctor, surgeon, nurse -> family doctor, orthopaedic surgeon, intensive care nurse. The classification system limited representation of a particular classification to one member. Paul Harris noted that maintaining a diverse extensive network for its members and signalling high ethical standards in a society where businessmen were regarded as crooks were the main reasons for using the classification system (The Rotarian Age, 1935).

However, the obvious downside to this was a socially exclusive club with members at the highest point of their careers while excluding lower class individuals with blue collar jobs.

Some occupations however were not restricted to one member. As there are multiple religions and countries, one member was not sufficient to represent the classification of religion and diplomacy and therefore Rotary clubs made exceptions for multiple members to fill those classifications (Henningham, 2016). Rotarians also allowed multiple members of the press as it provided free advertisement of the distinguished group of men, expanding their influence in society. By 2001, clubs were allowed up to 10% of the club population to fill one classification and finally in 2019 the classification system was totally eradicated (Council on Legislation Report, 2019: p. 7).

### Types of Membership

Additional Active membership was first introduced in 1915 which allowed active members to propose someone from the same business or profession to also share in the representation of that classification. This was introduced to increase membership while maintaining the organisation's values of fellowship, friendship, and non-competition. Additional active members have the same rights, privileges, and responsibilities as active members but their membership tenure is tied to the proposer's (The Rotarian, July 1956, p. 56). In 1978, additional active members could be appointed from a different company as the proposer (The Rotarian, March 1978, p. 47).

As more Rotarians were nearing retirement, a new membership known as past service membership was implemented in 1930 to accommodate retired Rotarians who had served for five years (The Rotarian, August 1956, p. 55). Past service members had all the rights, privileges and responsibilities of an active member but did not have a classification. Therefore, the introduction of past service membership was vital for increasing membership to a younger generation while keeping long serving members.

In 1939, senior active membership provided a new form of membership with benefits to the individual and the club. As a senior active member, you maintain the same rights and responsibility as an active member but enjoy distinction associated with many years of active membership (The Rotarian, October 1956, p. 58). Also, unlike past active membership, senior active members could remain in their business and profession, but they will not be representing a specific classification. This therefore allowed the club to grow its membership by allowing a younger person to fill the classification which allowed for a balance of old and young members.

Honorary membership was not limited to Rotarians and usually given to members of the external community who have distinguished themselves by their generous acts of service. As the name infers, this was just a title and did not include an active membership. However, honorary members were allowed to occasionally attend some meetings (The Rotarian January 1940, p. 51).

Today, membership is limited to active and honorary membership and the reasons for this change will be understood in the following paragraphs.

### **Monitoring**

Although Rotary clubs were independent and free to make their own rules, they had to adhere to Rotary International's standards. This resulted in monitoring clubs and their members to ensure attendance requirements were met and regular meetings were held. Over the years and most notably in 2016, these strict rules slowly relaxed creating a club that suited the modern lifestyle.

#### Attendance

From as early as the 1920s, Rotarians were assigned a minimum attendance requirement of 60% in a Rotary year. This was further enforced by the introduction of attendance contests. Incentives were given for high attendance; every district had an attendance league table, and a trophy was awarded to the club with the best attendance, usually 100% (Henningham, 2016). Some clubs carried on this sporting element while monitoring the attendance of their own members and would deliver a yellow card when a member missed one meeting and a red card after missing three meetings in a row which could lead to immediate termination of their membership. In addition to monitoring attendance, the participation of members was closely followed to reduce "knife and fork" membership (idle members) (Henningham, 2016). Future changes to membership legislation resulted in lower attendance requirements but included minimum voluntary hours (see *Figure 2* for timeline of key changes).

#### Meetings

In addition to monitoring attendance, clubs had to ensure they met 52 times a year (Henningham, 2016). This was a difficult commitment for many clubs and its members which resulted in many clubs hosting sham meetings to meet this requirement. It was not till 1989 that clubs were finally allowed to cancel a maximum of three meetings in a Rotary year (The Rotarian, April 1989, p. 52). In 2010, clubs could cancel an additional meeting (Rotary Council on Legislation Report, 2010: p. 4) and with

the influx of radical change in 2016, clubs were only required to meet biweekly (The Council on Legislation Report, 2016: p. 6).

Further changes in 2016 included giving clubs the autonomy to decide their own attendance requirements and membership policies that enabled Rotary clubs to be more convenient for potential and current members. In 2001, RI launched a pilot program, e-clubs, which was targeted to business, professional and community leaders who could not attend in person meetings due to their busy schedules (Henningham, 2016). In 2016, the Council on Legislation agreed to remove the distinction between e-clubs and traditional clubs which allowed for clubs to have a mixture of online or in person meetings or 100% online meetings (Council on Legislation Report, 2016: p. 25).

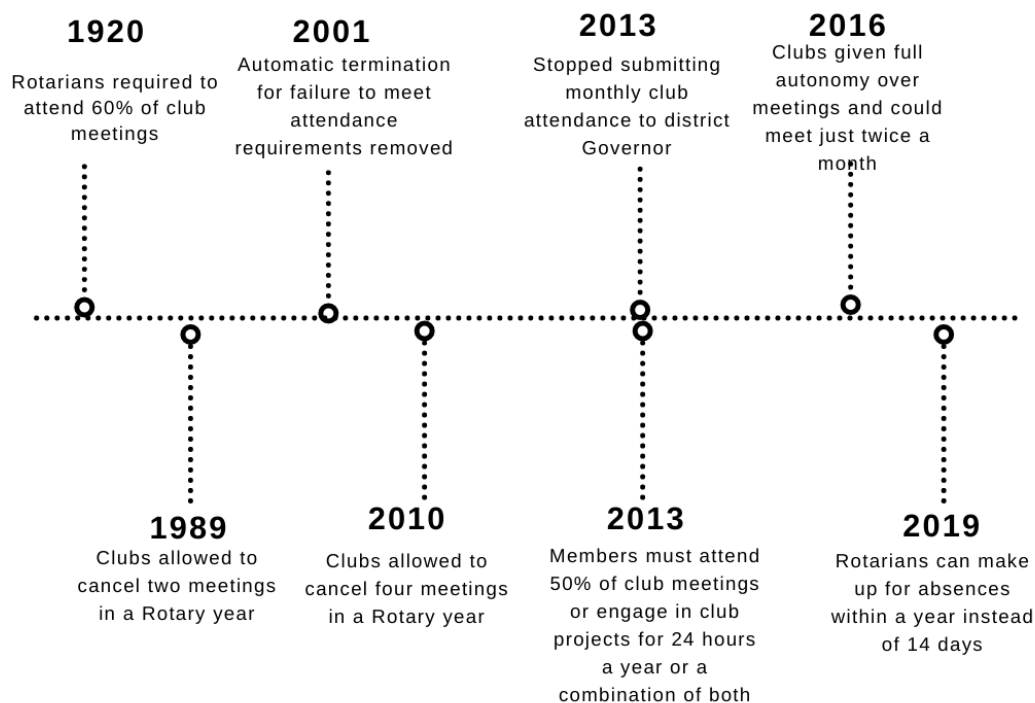


Figure 2: Timeline of Meeting and Attendance Rules (Henningham, 2016 and The Council on Legislation Report of Action)

## Exclusion

### Women

At Rotary's inception, women were not allowed to be active members; however, wives of Rotarians often helped with community projects and attended dinners. In the 1920s however, a request was made to include women, but this was rejected and instead a new club called the Inner Wheel was

created for female relatives of Rotarians (Henningham, 2016). By the 1950s, women were still not satisfied with being excluded and proposals were sent consecutively to the Council on Legislation which were all rejected as it did not meet the required 2/3 majority votes. In 1989, women were finally victorious with the help of a Supreme Court ruling in the USA that forbade discrimination based on sex (The Rotarian, December 1989, p. 32). In its next meeting, the Council on Legislation finally had a majority vote, and the Rotary constitution was amended to admit women.

### Retirees

The acceptance of women into Rotary gave rise to relaxing Rotary's strict membership rules. As a retired Rotarian, if you did not qualify for past service membership or senior active membership you will unfortunately have to leave the club. In addition, retired non-Rotarians could not join Rotary clubs as they were not actively working and therefore could not fill a classification. As these members did not have access to the club, they became lonely and idle. A Rotarian of Welwyn Garden, UK urged Rotary clubs to find a solution for this pressing issue. In 1966, another British Rotary club based in Caterham started a club called Probus that promoted fellowship among retired persons (Henningham, 2016). In the 1989 meeting of the Council, it was proposed that retirees should also be allowed to join Rotary. However, this proposal was rejected but in 1995 all retirees were admitted into Rotary regardless of whether they were Rotarians pre-retirement (The Rotarian, May 1995, p. 33).

### Other Amendments

Exclusivity was not limited to the composition of clubs but also extended externally to a club's location. Initially, Rotary legislation only allowed for one club in each city with the exception of New York City. By 1922, RI constitution was amended to allow an additional club in cities with a population of over a million or cities with big trade or commercial hubs (The Rotarian February 1953, p. 21). Many clubs were protective of their territory and believed an additional club was unnecessary and detracted from the prestige of the club. Due to this resistance, a new club needed the permission of the parent club before it could be established in the territory. In 1975, new clubs no longer needed the permission of the parent club and could share territory with another club if it met the requirements from Rotary International (The Rotarian, April 1975, p. 51).

Moreover, a potential member's residence and location of professional work or business affected their eligibility to become a member. At first, Rotarians had to reside and work in the same territory as the club. In 1968, the rule was relaxed, and a member could work in a different territory as long as

they resided within the club’s territorial limits. It was advised though that at least 50% of members in a club should work or carry out business within the club's territory (The Rotarian, April 1969, p. 60).

By the 21<sup>st</sup> century, Rotary clubs were completely different from how they were at their inception in 1905. Women could be members, retired people could remain and membership requirements were more flexible (see *Figure 3*). In 2013, Rotary ended the era of limiting membership to only professionals and businesspeople and extended membership to stay at home mums, caregivers, and people with less formal occupations.

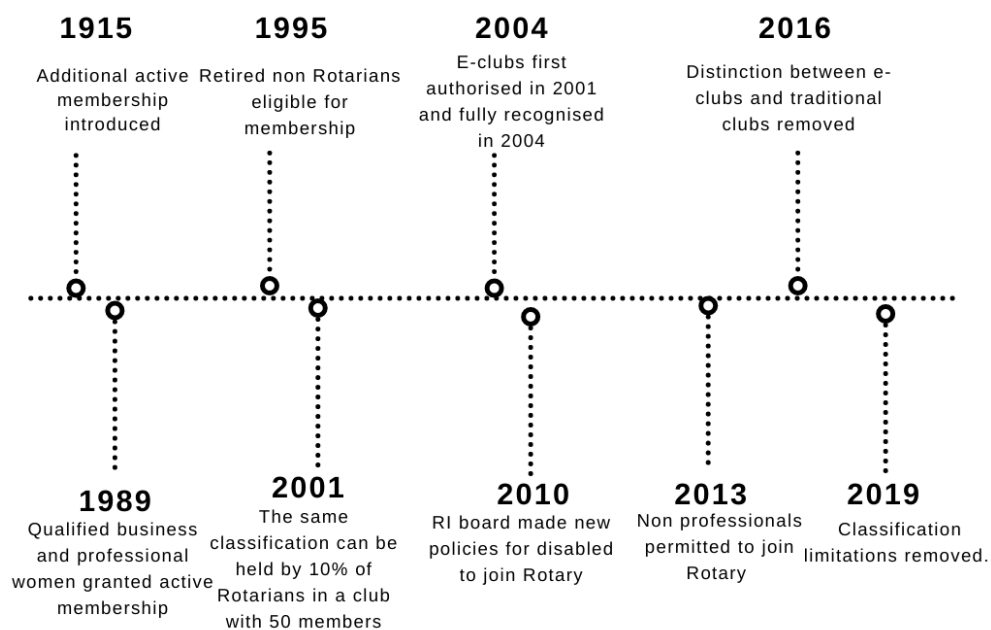


Figure 3: Timeline of inclusionary actions (Henningham, 2016 and The Council on Legislation Report of Action)

## Models

### Club Good Theory and Church Literature

According to Sandler and Tschirhart (1997), a club is a “voluntary group of individuals that derive mutual benefits from sharing one or more of the following: production costs, member’s characteristics or an excludable good”. Club goods of social clubs such as effort or enthusiasm are hard to measure, monitor and reward. In addition, limiting free riding (benefiting from the club without contributing) is another issue that clubs must overcome. Many clubs therefore try to increase participation and reduce free riding to ensure high quality benefits to all members. In McBride’s (2007) paper on the Mormon Church, he explains the best option although costly is to identify and selectively reward contributors

or alternatively stigma screening (used to identify high contributors from the onset by requiring stigmatising behaviour e.g. some monks are required to shave their head).

When considering Rotary International as an economic club, we can identify the monitoring measures used to maximise benefits to the members and the organisation at large. As mentioned above, monitoring members is a vital tool which RI utilised enabling its success in the 1900s. However, as monitoring decreased over the years, membership and participation declined leading to a reduction of active membership and available benefits.

### Biglaiser and Friedman's Model

Biglaiser and Friedman's (2004) model on membership diversity in club decisions provides a useful framework to understand Rotary's changes to become more inclusive over the years. It is noted that club policies are controlled by a homogenous group of insiders that determine who can join the club which is true of Rotary – The Council on Legislation. A potential member provides many advantages to a club such as more revenue, but this comes at a cost of diluting the prestige and exclusivity of the club. A simple model was created to calculate the utility of the decision makers as the sum of income and satisfaction of the social composition of the population mix (in this case the club's composition). The income equation is given as:

$$I = L_0 + \lambda_1 L_1 + \lambda_2 L_2$$

Where  $\lambda$  is the productivity of the "outsider" i.e., the amount of money per capita that can be extracted from the outsider group. In the case of Rotary clubs,  $\lambda$  can represent the money and time that a new member group can bring to the club. Note:  $L_0, L_1, L_2$  are just different type of workers in Biglaiser and Friedman's model which can represent different member groups in this adapted model.

The satisfaction of current members of the population mix is given by this equation:

$$F = -\frac{\theta_{11}L_1^2 + \theta_{12}L_1L_2 + \theta_{22}L_2^2}{L_0}$$

Where  $\theta_{11}$  is the extent to which the outsider group has undesirable characteristics and  $\theta_{12}$  measures similarity between both groups. In the case of Rotary clubs,  $\theta_{11}$  could be the extent to which the potential member has undesirable characteristics such as low social status and a limited network, while  $\theta_{12}$  represents the similarity of characteristics and values between both groups.

### Application of Biglaiser and Friedman's Model: Women

As noted earlier, the most significant changes to the Rotary constitution in the past 30 years include granting active membership to retired non-Rotarians, women and non-professionals. The inclusion of women can be explained using the framework highlighted above.

The utility function of decision makers (The Council on Legislation) is the sum of income and the satisfaction index:

$$u = F + I = L_0 + \lambda_1 L_1 + \lambda_2 L_2 - \frac{\theta_{11} L_1^2 + \theta_{12} L_1 L_2 + \theta_{22} L_2^2}{L_0}$$

For a positive decision to be made, utility has to be greater than 0 ( $u > 0$ ). Women with professional occupations and a high social status could generate more income for the Rotary club and offer their time for the club's projects. Therefore, income will be positive as  $\lambda > 0$ . But in the early 1900s, women probably lacked the necessary income and social status to increase  $\lambda$  (productivity of new member i.e time and money) and therefore could not increase the income part of the utility equation. However, as many men at the time viewed women as being on a lower social ranking,  $\theta_{11}$  (extent to which potential member has undesirable characteristics) will be greater than 0 resulting in a high satisfaction index. Note: to maximise utility according to this function, the satisfaction index needs to be as low as possible. Due to low income, and high satisfaction index, utility was probably  $< 0$  and decision makers did not have an incentive to grant women membership. However, as women got more leadership positions and climbed up in society,  $\lambda$  increased and  $\theta_{11}$  decreased enough to cause utility to be  $> 0$  and finally led to the decision to admit women.

### **Conclusion**

In summary, Rotary International has provided an environment for men and recently women to be part of a community that fosters friendship, builds their network and aids the community. But as lifestyles changed and people had less free time, strict attendance rules had to be relaxed and clubs had to be more inclusive to maintain and grow membership. However, as noted in the models discussed, monitoring and exclusion is necessary to limit free riding in social clubs and maintain high contributing members. Therefore, relaxing measures came at a cost of having less involved members. Although Rotary clubs in Western countries are struggling to get younger members, there is still potential for growth in the future. As the ageing population increases, many more retirees will need access to a community that can provide friendship and fun in their old age and Rotary clubs will be able to cater to them.

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