

# RSM! McGladrey

## Club Planning Tool for Turbulent Times

### *Purpose of the Tool*

This tool has been designed for use by the club's General Manager/Chief Operating Officer to facilitate a strategy meeting with the club's board of directors. The purpose of the tool is to help Clubs deal with the effect of the current turbulent economic times on their business activities. There is no single best way to use the tool, since each club's situation is different. It is recommended that the GM/COO distribute the tool to board members prior to the planning meeting, and assign a staff member to record notes, suggestions and responsibilities as the meeting progresses. The amount of time needed to address all of the items within the tool varies by club, with an average of 4-6 hours to cover all topics.

### *Business Strategy*

Questions	Notes	Suggestions	Responsibility
1. Overall, which of the following major strategic directions has your club decided to pursue during these difficult economic times and why did you select it vis-à-vis the other strategic directions? <ul style="list-style-type: none"> <li>➤ Wait it out and make a decision at a later point in time</li> <li>➤ Wait it out, reduce expenses and try to maintain current levels of service</li> <li>➤ Reorganize (downsize) club operations and reduce services</li> <li>➤ Evaluate the level of acceptable non-member activity</li> <li>➤ Make significant investments to position for the turnaround</li> <li>➤ Cease operations through sale or liquidation</li> </ul>			
2. Does the club have adequate plans in place to implement the change? For both the short- and long-term? <ul style="list-style-type: none"> <li>➤ Strategic planning</li> <li>➤ Consistent with core values and vision</li> <li>➤ Specific goals</li> <li>➤ Detailed action plans</li> <li>➤ Delivery and follow-up evaluation</li> </ul>			
3. What have you already done in response to the changing market conditions, and how effective has that been?			

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4. What are you most concerned your competitors (public dining and recreational facilities) might do to change the competitive landscape? What advantages does your club have over your competitors that you can emphasize?			
5. Have you identified your club's critical success factors (what you do well that solidifies your relationship with members)? How are you measuring our performance?			
6. Do you have systems and procedures in place to support your overall business strategy?			
7. Has the club identified strategic priorities, developed action plans to execute the priorities and developed financial and member satisfaction models to assess the outcomes?			
8. Stop the rumor mill: <ul style="list-style-type: none"> <li>➤ Provide transparency.</li> <li>➤ Get employees involved in the strategy process – especially your top performers.</li> <li>➤ Market your message internally. Tell your employees your club's recession-ready strategy.</li> <li>➤ When shifting business strategies, show the role that everyone will play and realign individual goals with the new strategies.</li> </ul>			

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### Financial and Risk Management

Questions	Notes	Suggestions	Responsibility
<p>1. How quickly can you measure changes in your cash flow and financial position?</p> <ul style="list-style-type: none"> <li>➤ Are weekly financial flash reports prepared (actual vs. budget in key areas)?</li> <li>➤ Are you using financial and non-financial key performance indicators (KPI's)?</li> <li>➤ Are you communicating key measurements to department heads on a regular basis?</li> <li>➤ Are you taking immediate action when KPI's are not acceptable?</li> </ul>			
<p>2. Are you accurately forecasting cash receipts, expenses and labor costs?</p> <ul style="list-style-type: none"> <li>➤ Do you have a rolling 18-month cash forecast?</li> <li>➤ Are you using "lead measurements" that help predict near-term financial performance (event cancellations, rounds of golf vs. anticipated covers, member dissatisfaction in specific areas)?</li> <li>➤ Have you reached the point where your annual budget is no longer valid?</li> <li>➤ Are you heading toward a financial "circuit breaker"?</li> </ul>			
<p>3. Have you reviewed your pricing structure to optimize it?</p> <ul style="list-style-type: none"> <li>➤ Menu prices, menu mix and/or portion sizes</li> <li>➤ Activity fees</li> </ul>			
<p>4. Have you reviewed your service/amenity offerings to identify inappropriate cost/member benefit items?</p> <ul style="list-style-type: none"> <li>➤ Costly venues that are rarely used</li> <li>➤ Costly gratis items that can be reduced</li> <li>➤ Extended hours of operation with minimal usage</li> </ul>			

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### Financial and Risk Management

Questions	Notes	Suggestions	Responsibility
<p>5. Does the club have adequate capital resources, including debt and equity, to survive the economic downturn?</p> <ul style="list-style-type: none"> <li>➤ Does the club have adequate borrowing capacity on its line of credit and adequate cushion on any loan covenants?</li> <li>➤ Have you evaluated the club's debt to equity ratio?               <ul style="list-style-type: none"> <li>• Does the club need to reevaluate its debt tolerance?</li> <li>• Does the club need capital infusions of either debt or equity to survive?</li> </ul> </li> <li>➤ Do you know what your off-balance sheet debts are, and what the committed cash flow is?               <ul style="list-style-type: none"> <li>• Operating leases</li> <li>• Deferred compensation agreements</li> <li>• Defined benefit plans</li> </ul> </li> <li>➤ Have you evaluated the financial impact of leases that are nearing their expiration?</li> <li>➤ Are significant capital investments needed within the next 1-3 years to maintain operations?</li> <li>➤ Does the club have the ability to adequately fund reserves for future major repairs and replacements, in compliance with applicable state statutes?</li> <li>➤ Has the club considered refinancing to potentially reduce interest rates or extend the life of debt to conserve cash flow?</li> <li>➤ Do you fully understand the cash flow and financial statement impact of entering into an interest rate swap agreement?</li> </ul>			

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<ul style="list-style-type: none"> <li>➤ Have you considered internal borrowing from designated funds to reduce interest expense and/or additional external borrowing?</li> <li>➤ Is the club constantly communicating with its financing sources (i.e. lenders and members) to ensure they understand the current business condition, business plan and financing needs or issues?</li> </ul>			
<p>6. Are club investments adequately diversified to minimize losses in an economic downturn?</p> <ul style="list-style-type: none"> <li>➤ Does the club have significant cash concentration exposure? Are such risks hedged?</li> <li>➤ Does the club have a formal investment policy?               <ul style="list-style-type: none"> <li>• Is there a procedure in place to monitor the investment values (weekly review)?</li> <li>• Should the policy be modified in light of the economic downturn?</li> </ul> </li> </ul>			
<p>7. Does the club have a process for identifying, assessing and responding to risks of fraud?</p> <ul style="list-style-type: none"> <li>➤ Has the club reviewed its internal control policies and procedures, and their effectiveness?</li> <li>➤ Does the club reconcile cash daily?</li> <li>➤ Are receivables reviewed weekly for non-collection issues?</li> <li>➤ Is the club's collection policy strict enough?</li> <li>➤ Is the club following the collection rules?</li> <li>➤ Is the club factoring projected non-collection of receivables into the cash flow projections and future budgets?</li> </ul>		CMAA's Club Financial Risk Assessment Tool	

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### Financial and Risk Management

Questions	Notes	Suggestions	Responsibility
<ul style="list-style-type: none"> <li>➤ Does the club perform credit checks on new members?</li> <li>➤ Is pro shop inventory growing faster than sales?               <ul style="list-style-type: none"> <li>• If so, is there a plan to modify purchasing to reduce inventory levels?</li> <li>• Can pending orders be reduced or cancelled?</li> <li>• Can purchasing be done on a consignment basis?</li> </ul> </li> <li>➤ Does the club have obsolete or slow moving retail inventory that should be considered for discounting to convert to cash?</li> <li>➤ Has the club contacted suppliers to negotiate extended payment terms? Are invoices paid at the latest possible date?</li> </ul>			
<p>8. Is the club subject to any new or anticipated accounting, statutory or regulatory requirements that could have a significant impact on the financial stability and/or profitability of the club?</p> <ul style="list-style-type: none"> <li>➤ State or local income tax rates?</li> <li>➤ Sales tax rates?</li> <li>➤ Environmental regulations?</li> <li>➤ FUTA/SUTA rates?</li> </ul>			
<p>9. Has the club undergone an assessment to determine any exposure to unpaid federal or state income taxes, or state and local taxes (i.e. sales tax)?</p>			

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### Operational Effectiveness

Questions	Notes	Suggestions	Responsibility
1. Is everything on the table and up for evaluation? ➤ "Sacred cows" (personnel, procedures and services) ➤ "Traditions"			
2. What has the club done to reduce and control both operating expenses and capital projects? Has the club instituted controls to ensure that unnecessary spending is minimized?			
3. Is the club utilizing all equipment to its full service life? Can new equipment purchases be delayed or cancelled?			
4. Has the club considered using slower times for updating safety and other training? Has the club considered innovative ways of utilizing excess labor capacity?			
5. Are all contracts and utility rates being reviewed and assessed for potential cost reductions?			
6. Have alternative uses of available capacity been considered to maintain volumes of work? Have you considered sharing staff with other nearby clubs?			

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## Club Planning Tool for Turbulent Times

### People

Questions	Notes	Suggestions	Responsibility
<p>1. Staffing – Ask the following:</p> <ul style="list-style-type: none"> <li>➤ What outside assistance does the leadership team need to navigate significant changes in the business model?</li> <li>➤ What are your staffing levels compared to forecasted demand?</li> <li>➤ Who are your top performers?</li> <li>➤ How will you balance short-term cash concerns with the long-term need to retain top performers and provide quality services once the economy turns around?</li> <li>➤ What is your collective management's financial IQ? How do you plan to protect it and increase it?</li> <li>➤ Have you considered using temporary staff or outsourcing as part of the talent plan?</li> </ul>			
<p>2. Compensation – Consider the following:</p> <ul style="list-style-type: none"> <li>➤ Consider modifying the reward system to have key employees share in some of the business risk (i.e. department heads with budget responsibility). Consider a higher percentage of compensation tied to achieving club budgets.</li> <li>➤ Make sure there is a retention plan in place for key staff based on a combination of compensation and non monetary rewards.</li> <li>➤ Consider enhancing the sales compensation program to foster the attainment of new or revised sales goals? (i.e. private parties, events, membership).</li> <li>➤ Monitor payroll costs vs. budget on a weekly basis (if not daily).</li> <li>➤ Review your philosophy and procedure for approving overtime.</li> </ul>			

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<p>3. Communication and Planning – Consider the following:</p> <ul style="list-style-type: none"> <li>➤ How do you plan to communicate the financial status and plans with your employees? Communication is critical in times of change or uncertainty. Research indicates that sharing as much information as you can is positive. Employee's perceptions may be based on fears and may be worse than reality.</li> <li>➤ Which employees do you intend to involve in your planning to address the downturn (buy in)?</li> </ul>			
<p>4. Employee Relations – Have you considered the impact the downturn may have on your employees? Some ideas:</p> <ul style="list-style-type: none"> <li>➤ Look out for signs of depression. Use an EAP if you are set up with one.</li> <li>➤ Look out for signs of financial stress on your employees.</li> <li>➤ Be aware that employees' significant others could be affected in their jobs.</li> <li>➤ Provide tips and resources (i.e. financial planning).</li> <li>➤ Still celebrate, but don't host elaborate employee parties, pare down, make things more simple.</li> <li>➤ Capitalize on employee-friendly but low-cost benefits (i.e. employee meals, discount programs).</li> </ul>			
<p>5. Reduction In Force (RIF) Issues – Are there short-term steps that can be used instead of a permanent workforce reduction?</p> <ul style="list-style-type: none"> <li>➤ Cut if you must, but with precision.</li> <li>➤ Focus on recruiting and retaining top performing talent.</li> <li>➤ Pay for performance. Don't make the mistake of spreading limited bonus or payroll resources across average or low performers.</li> </ul>			

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<ul style="list-style-type: none"> <li>➤ If layoffs become necessary, view them as your chance to optimize or rightsize your workforce – weeding out the low performers and letting your best talent grow.</li> <li>➤ Take advantage of other’s mismanagement of the layoff process. Lots of “A” players are getting cut from the workforce – hire them.</li> </ul>			
<p>6. Stop the rumor mill (repeated for emphasis):</p> <ul style="list-style-type: none"> <li>➤ Provide transparency.</li> <li>➤ Get employees involved in the strategy process – especially your top performers.</li> <li>➤ Market your message internally. Tell your employees your club’s recession-ready strategy.</li> <li>➤ When shifting business strategies, show the role that everyone will play and realign individual goals with the new strategies.</li> </ul>			