

Leadership 101

THE IMPORTANCE OF EDUCATION AND TRAINING

BY PHILIP NEWMAN

A recent survey asked private club general managers what club attribute is of greatest importance to members. The top answer: “Well managed.” While it may seem like a simple response, the challenge lies in determining what it actually means. Coming to a consensus on the definition of the term “well managed” among clubs, and even among the constituents of a single club, is nearly impossible—especially since what is considered “well managed” to one person can be completely different for another. As clubs seek a common understanding of the phrase, one area emerges as the optimal place to begin—the education of members, both current and prospective, on best practices and operational realities for private clubs.

Board members freely volunteer their time, skills and leadership simply because they are proud of their clubs and want to help them thrive. Especially in these difficult times, board member participation can be the difference between a club’s success and failure. In order to help board members successfully fulfill their duties, clubs should provide them with the tools for success. It has been proven time and time again that private clubs thrive when they are able to educate their current and future members about the realities and necessities of governance and management in the private club arena. And where better to begin the process than with the volunteer leadership at board and committee levels?

Club Governance and the Role of a Board Member

Understanding the role and purpose of serving on a board of directors can help to ensure effective board leadership and can prevent and preempt what could be disastrous boardroom conflicts later on. While a board member retreat or orientation is one obvious way to begin this educational process, clubs should really begin grooming potential board members long before they reach the nominating committee’s slate of candidates. The sooner potential applicants are introduced to the club’s governance philosophy and understand the expected roles and responsibilities of a volunteer leader, the less likely disruption of the board’s effectiveness

becomes. Clubs should have detailed job descriptions for board members, officers and committee members (See sidebar on page 22 for principal responsibilities of the board). These descriptions should not make light of the demands or expectations that surround this essential club service, as the earlier a volunteer understands the demands of leadership, the more likely that new leadership will continue to protect the strategic vision, mission and plan of the club and its membership.

The type of information that board members need to know includes:

1 GOVERNANCE REQUIREMENTS AND BEST PRACTICES FOR CLUBS

There’s a reason that best practices are called the best. These practices are tried

and true, industry-verified methods of club governance and management that help simplify and organize board strategy. Knowing how to best approach an issue can help streamline board procedures and ensure that board initiatives are carried out with practiced ease. Often times, well-meaning board members can unintentionally obstruct attempts by professional management to implement board strategy or membership wishes. Board and committee members are expected to bring their collective knowledge, experience and intellect to the effective setting of club policies, not to the minutiae of club operations. Board members can better understand their role through targeted educational sessions, focusing on the scope of board member duties and expectations.

2 PRIVACY & TAX-EXEMPT STATUS CONSIDERATIONS THAT AFFECT CLUBS

The economic challenges of the last few years have caused many clubs to seriously consider to what extent they can act like a business without jeopardizing either their private or tax-exempt status. Declining membership income has increasingly led clubs to open their doors to the public in a bid to generate other sources of revenue. Unless the board has been fully educated as to the ramifications of these actions, both perceived and actual, they risk dramatically altering the nature of the club and inviting many unintended consequences.

3 MEMBERSHIP MARKETING: SUCCESSFUL STRATEGIES FOR CLUBS

Clubs are in the membership business. Membership marketing has become an

Course Syllabus

Undoubtedly, it is a challenge to weave some of the educational items discussed here into the fabric of a board's thoughts and actions. It is, however, critical for clubs to discover vehicles to do just that. Here are some of the ways clubs establish education programming for volunteer leaders.

Required Reading: Consider this sampling of titles from the National Club Association's online store—*Club Director Reference Series; Best Practices for Club Leaders; Club Governance Guidelines; Guide to Strategic Planning; 2011 Trends and Issues—A Private Club Perspective*.

All of these make for an impressive reading list for a board member education syllabus. Your club may own one or more of these publications. On whose shelf is it sitting? Many of the most successful clubs have established these titles as required reading for potential and current board members.

Industry Meetings: How often do board members attend the various club industry conferences held across the country or educational webinars frequently broadcast online? Many times, we have remarked to industry groups attending one of our conference ses-

sions that the people who actually should be in the room are not in fact them, but their board and committee members. How often would the timeless question of "Why do we lose money in food and beverage?" be asked if board members were required to attend an educational session on the topic?

Board Retreats: Board retreats create great opportunities for board member education. Consider how many similar sessions are held for committee members, as well as how members are taught at those gatherings. What a tremendous opportunity to introduce experienced club consultants or industry representatives to tackling the perennial questions from new, or even repeat, members of club boards and committees.

Board Recognition: Finally, clubs should let the general membership know the efforts being expended to keep their boards fully educated in the changing dynamics of the industry, so that better decisions can be made to benefit the membership as a whole and strengthen the club. Board members should take credit for the hard work and time they invest in their clubs, and no investment brings as solid a return as being learned in the realities of private club governance.

industry in its own right, and membership specialists can often add tremendous value to board deliberations. Consultants can help educate the board on what has or has not worked at other clubs across the nation. Similarly, a thorough understanding of membership marketing strategies ensures that boards are prepared to market to their current membership to achieve desired retention levels.

4 FINANCIAL OVERSIGHT: RESPONSIBILITIES OF CLUB BOARDS

The ten-year anniversary of the enactment of Sarbanes-Oxley will be in 2012. An entire generation of current and future club leaders came of age during that time, and the concepts embodied in that monu-

mental legislation have become part and parcel of doing business in America today. Club leaders should understand how the practices forced on publicly traded companies have cascaded down to private entities such as private clubs. The heightened scrutiny on nonprofits as a result of the most recent changes to the IRS Form 990 further emphasize the importance of items such as codes of conduct and whistleblower policies.

5 STRATEGIC PLANNING: THE CLUB'S ESSENTIAL ROADMAP

Though discussed last, strategic planning is a quintessential building block for successful club boards. Every critical decision should be guided by the club's strate-

gic plan. Being able to appreciate the core values of the club, as approved by the membership during the strategic planning process, gives the board a robust framework within which to conduct its work. The club's strategic plan should reflect the desires of the members as a whole. Boards that are attuned to this will be able to skillfully lead their club through the current economic challenges and be prepared for their club's future.

Board Training

Regular and ongoing training keeps board members apprised of club industry changes. They should be aware of the seemingly endless flow of regulations >>>

Principal Responsibilities of the Board of Directors

The Board is responsible for:

- Formulating, reviewing and approving the club's major strategies, objectives and plans
- Helping staff identify and attempt resolution of significant issues facing the club
- Overseeing processes for evaluating the adequacy of internal controls, risk management, financial reporting and satisfying itself as to the adequacy of such processes
- Through its Nominating Committee, identifying nominees for the board so as to maintain and expand the highest-caliber volunteer resources and expertise available to assist the club in carrying out its mission
- Ensuring the structure and practices of the board provide for sound governance
- Hiring, providing direction to, and overall evaluation of the general manager

In order to render effective decisions, the club's officers and directors are expected to:

- Actively perform their responsibilities
- Regularly communicate with the general manager and other officers and directors, as appropriate, about significant matters involving private clubs
- Review the work and recommendations of the various committees of the board and provide guidance and timely responses to the recommendations of its various committees
- Be deliberate in making decisions affecting the organization and in reviewing and evaluating materials and information provided to the board for its consideration

- Accept, support and assist in implementing the board's decisions, including decisions made in an individual board member's absence
- Continue to provide an environment conducive to comprehensive analysis of issues and assessment of benefits and risk, in an open dialogue between and among board members and the senior staff of the club
- When feasible, participate in continuing education programs that enhance knowledge of club-related issues and/or expand expertise in areas that would benefit the club and its mission
- Review the social and financial aspects of the club as set forth in the club's bylaws and other club rules and review the members' compliance with those governing documents
- Communication with the club's members concerning the current and projected social and financial issues impacting the club

The club's board is responsible for assisting the club in carrying out its mission and goals. In discharging these responsibilities, the club's board will continue to exercise its best judgment, which it reasonably believes to be in the best interests of the club and its members, and will continue to do so with the highest standards of care for its members. To best serve this purpose, the directors have relied and will continue to rely, where appropriate, on the advice of professionals, including the club's senior officers, staff and outside professionals.

Specific duties of the Board of Directors and Club Officers are also found in *Club Governance Guidelines: A Path to Organizational Excellence*. See the NCA online store for details at www.nationalclub.org.

and legislation from Washington, D.C., and state capitals, as well as the latest information in F&B, operations and lifestyle trends. The club industry offers many excellent tools and resources to help board members make informed decisions. Board members need to own up to their responsibilities and "do their homework." Whether that means reading regular industry periodicals, such as *Club Director*, or subscribing to electronic newsfeeds, such as the McGladrey newsletter *eClubNews*, the fact remains that the onus should be

on each board member to keep current on key issues of concern.

Clubs that focus on club training often fall into several categories. They may be meeting for the first time, or the club may have many new board members—most of whom have never before served on a club board. Alternatively, the club board may have been in existence for a while, but members have never received any formal training on what kind of club board they want to be. Another common situation is that the board has been working together

for a while, but they could benefit from a "refresher" on some fundamental principles of club board effectiveness. Sometimes, the board is attempting to create something new or make a significant change and is seeking additional information to make informed decisions.

If the reason for pursuing board training is that the directors are unable to work well together, or are unable to achieve meaningful results, the club president should address this question before training is planned.

Private Club Economics 101

MEMBERS ARE CUSTOMERS AND CUSTOMERS GET WHAT THEY WANT

As noted earlier, board members and other club leaders have typically been successful in other walks of life. Though private club members can bring a wealth of knowledge to the boardroom, the most successful club boards hire competent professional management, provide strategic direction to that management, and offer management the leeway it requires to execute the agreed upon strategy. These clubs know that the economic parameters that govern success in other business or professional pursuits often do not apply or require modification for use in the private club arena.

One of the most challenging elements of club oversight can seem rather simple at a glance—everything starts and ends with what the membership wants. Impassioned board members sometimes demand to know the cost of a certain amenity or service. Before management develops this information, the board should know what it wants to do with it. They should consider whether they would ever remove that service or amenity without first asking the membership. If the membership indicates they are willing to pay for the offering, most clubs would dismiss the idea of shutting down unprofitable areas of club operation—a point that can prove challenging for some board members.

CLUBS ARE IN THE MEMBERSHIP BUSINESS

It is not about golf, food and beverage or fitness. It is about memberships. Membership counts at many clubs have dropped or remained flat through the last few years, and clubs have been forced to engage in some creative membership marketing techniques. Board members need to be reminded that the number one rule for membership marketing should be, “Keep

the members you have.” It usually costs much more to replace a member than it does to keep an existing one. Constant communication between the board and membership is a key component of the strategic governance process, and ensures ongoing member satisfaction.

Reports from the most recent U.S. Census make for interesting reading. Women and minorities will have an increasingly profound impact on the economy at large, as well as on private clubs. Tailoring amenity offerings, capital improvement plans and social programming to these and other membership demographics will be crucial to the success or failure of many private clubs in the days to come. The board that understands how to communicate and educate potential members about club offerings and the economics of club management will guarantee that their club is the one that flourishes in the coming years and decades.

On the topic of economic data, clubs should also pay heed to a word of caution about the importance of a balanced perspective. Goethe is credited with saying, “The first sign we don’t know what we are doing is an obsession with numbers.” Such an obsession can easily result in missing the larger goal or ultimate mission—member satisfaction. Far too many clubs have experienced this firsthand as a result of efforts to act like a business during the economic downturn; they managed solely according to numbers at the expense of the members’ wishes. Boards must appreciate and remain focused on the need to budget for the mission. Successful clubs do not change the mission to suit the budget. ■

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