


Bobby Jones[®]
L I N K S

**CLUB GOVERNANCE
BEST PRACTICES GUIDE**

Dear Friends,

We offer this guide to assist you in the governance of your club. It is based on our significant experience over the years. **It is also a distillation of thoughts from the National Club Association, Club Benchmarking, and Global Golf Partners who write extensively on this subject.**

Today, with an average of 11 directors per club serving approximately 3,000 private clubs, some 33,000 people are working as volunteer leaders at their clubs. **Unfortunately, the vast majority have no prior formal governance training, club board experience, or understanding of the private club business model.** And since they cycle through their terms at a quicker pace relative to other industries, it's no surprise that the adoption of best practices have been slow or nonexistent at many private clubs.

So what is club governance exactly?

Governance is a board of directors coming together to make decisions about the direction and future of the club—duties such as oversight, strategic planning, high-level decision-making, and financial planning fall under governance activities. Volunteer leaders must understand that their commitment to serve on the board of a private club carries the same legal responsibility as would board service to any other entity. The board member has a fiduciary duty to act in the best interest of the club and its stakeholders.

The formula for exceptional club leadership is relatively straightforward. It is a matter of having the right people involved, equipping them with the proper resources, and focusing on what matters most. Boards that succeed in mastering this formula have the most successful clubs and happiest members.

Most importantly, thank you for your service to your club. It's a voluntary job requiring time and effort and often makes for difficult conversations with friends and fellow members. You should be applauded for this commitment.

Best wishes in your efforts to make a difference.

The Bobby Jones Links Team



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WHAT GREAT BOARDS DO AND DON'T DO



There are club boards and board members who have mastered excellent governance and deliver remarkable results and some that do not. Before we delve into the best practices of successful boards, what follows is a quick look at what to do and what not to do. If you follow any advice from this manual, you should at least abide by these.

WHAT SUCCESSFUL BOARDS DO

The following are some essential qualities of an effective and successful Board of Directors.

They Create A Compelling Vision. They know what the target is and how their club is unique and share it with the members.

They Are Committed. The Board members are not halfway in - they are all in. They do whatever it takes to get the job done.

They Argue For The Greater Good Without Making It Personal. The board members check their egos at the door. Candor is encouraged. Personal agendas are not.

They Rely On Data and Facts. They govern the club as a business. "In God we trust, all others bring data" is a common sentiment at a good board meeting.

They Challenge The Status Quo. It's easy for any business to become complacent. Given the traditional nature of many clubs, it's even easier to fall into this trap. An open mind moves clubs forward and keeps them relevant.

THEY WORK ON THE CLUB, NOT IN IT

They let the General Manager and the key staff manage the club. Boards and board members who meddle in the day-to-day operations do their club a disservice, render the club's staff ineffective and often cause them to leave.



They Focus On Capital Investment and Value.

Increasing the club’s net worth and value equation is paramount to them – it may be more important than anything else. They know the income statement is vital but not as important as the balance sheet.

They Follow an Orientation Process. All incoming Board members are introduced to the process and the rules of being a successful board member. Many great clubs have a *Board Policy Manual* that serves as their guide.

They Have Meetings With An Agenda and Time Limit. Their board meetings never run too long or out of control.

They Retreat Once Per Year. A good board knows that one or two days off-site each year can accomplish as much as a slew of monthly meetings.

WHAT UNSUCCESSFUL BOARDS DO

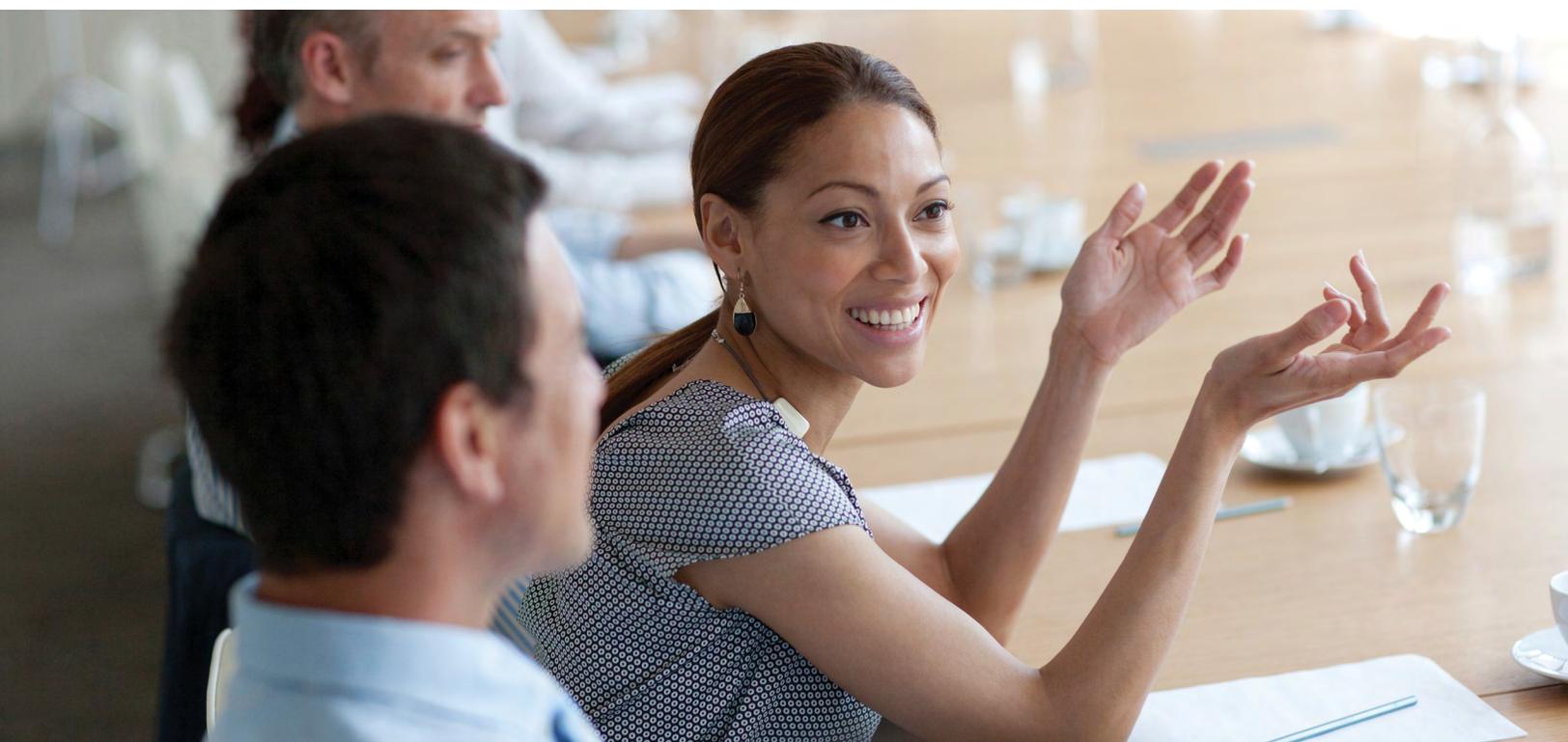
A dysfunctional board, and poor board member behavior, create more problems than solutions. Some common elements of these are:

They Have Personal Agendas. When board members push their agendas and personal preferences over what serves the club’s greater good and benefit the members, clubs fail. Do you really need to redesign the seventh hole? Or is it because *you* don’t like it?

They Micromanage. The board’s role is to focus on high-level issues such as vision, strategy, capital improvements, financial health, key policies, etc. Boards that major in minor things and don’t let the club’s management do their job are not boards; they are managers too. That’s a real problem.

They Have Poor Participation. Board members who miss meetings, arrive late, or fail to prepare for meetings render a board ineffective. They have to be fully engaged.

They Have Secret Meetings. This is a sure sign of trouble. When certain board members are left out of the decision-making process, disorder and distrust can quickly arise.





The Can't Keep of Secrets. When board members can't keep certain information confidential, problems follow. Certain issues must be for the board's eyes only.

They Have Poorly Run Meetings. A board meeting should operate from an agenda, have a set time limit, and be run in an orderly manner. Meetings that lack a time limit and structure are anathemas to board effectiveness well-being.

They Have Domineering Personalities. Board members who monopolize meetings, are condescending to their peers, or fail to listen to others' opinions should not be on a Board of Directors.

They Lack Respect and Trust. Board members must respect and trust one another, or it becomes a challenge to maintain a highly functional board that is also respected and trusted by the club's members.

They Fail To Innovate. The status quo is acceptable, and forward-thinking is non-existent.

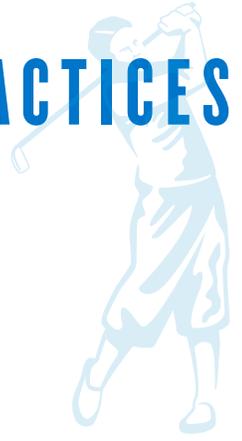
The Fail To Communicate. If the board is not transparent and constantly communicating with the members and club's employees, then distrust and suspicion develop. Sunlight is the best disinfectant. ■



If a board member is out of line or working against the greater good of the club, the club bylaws should have a mechanism for addressing "bad" board members. If not, the board president is responsible for disciplining or even removing individuals who exhibit some of the behaviors discussed here.



BEST PRACTICES



While there is no one absolutely correct way to structure and manage a club or its board of directors, there are common elements of the most successful boards. What follows are some of these best practices, distilled from our experience and the writings of our club management peers across the industry.

A DIVERSE BOARD IS ESSENTIAL

The starting point is assembling a board that represents the membership and offers different perspectives to the boardroom. Diversity in thought, sex, gender, and race is critical, particularly with the younger generations, future members, and leaders of your club. Boards that are neither representative of the membership nor reflective of their surrounding community will not serve the club well. Be intentional about developing a diverse profile of board members and ensure that your board policies support an environment where different ideas are welcomed, not discouraged.

AVOIDING THE STATUS QUO

Similarly, successful governance is not settling for the status quo. Most people join private clubs to be around people like themselves: people who look, talk and think as they do and represent a similar socio-economic profile. As a result, when clubs look to elect new board members, they can tend toward nominating candidates of a similar background or mindset.

Historically, this approach may have seemed innocent enough, even well-intentioned. But in a changing economic climate, its execution can reduce the board's openness to new ideas and hinder its ability to govern effectively. Directors become beholden to those who



invite them into the boardroom and tend to agree with their friend's beliefs on how the club should be operated and governed. Consistently aligning decisions with long-tenured board members can lead to organizational inertia, making the status quo the default option. **If your board is not trying to make the**

club better and defaults to the status quo, it will not advance and will most likely fail to thrive or even fail.

GOLF CLUB ANNUAL MEETING



"WHAT IF WE DON'T CHANGE AT ALL...
AND SOMETHING *magical* JUST HAPPENS?"

THE SELECTION CRITERIA

What are your selection criteria? The members will want to know how people get on the board and what skills and selection criteria are used. Clubs must be transparent about these criteria so that the members understand the rules and have an opportunity to serve their club.

Generally, the common criteria to be a board member are:

- Be a member in good standing for at least three years
- Be widely known as a person of integrity
- Have demonstrated the ability to work as a team member
- Have served on at least one club committee for at least one year

Furthermore, the following three required and desired characteristics, and skill sets, are paramount.

Required Characteristics

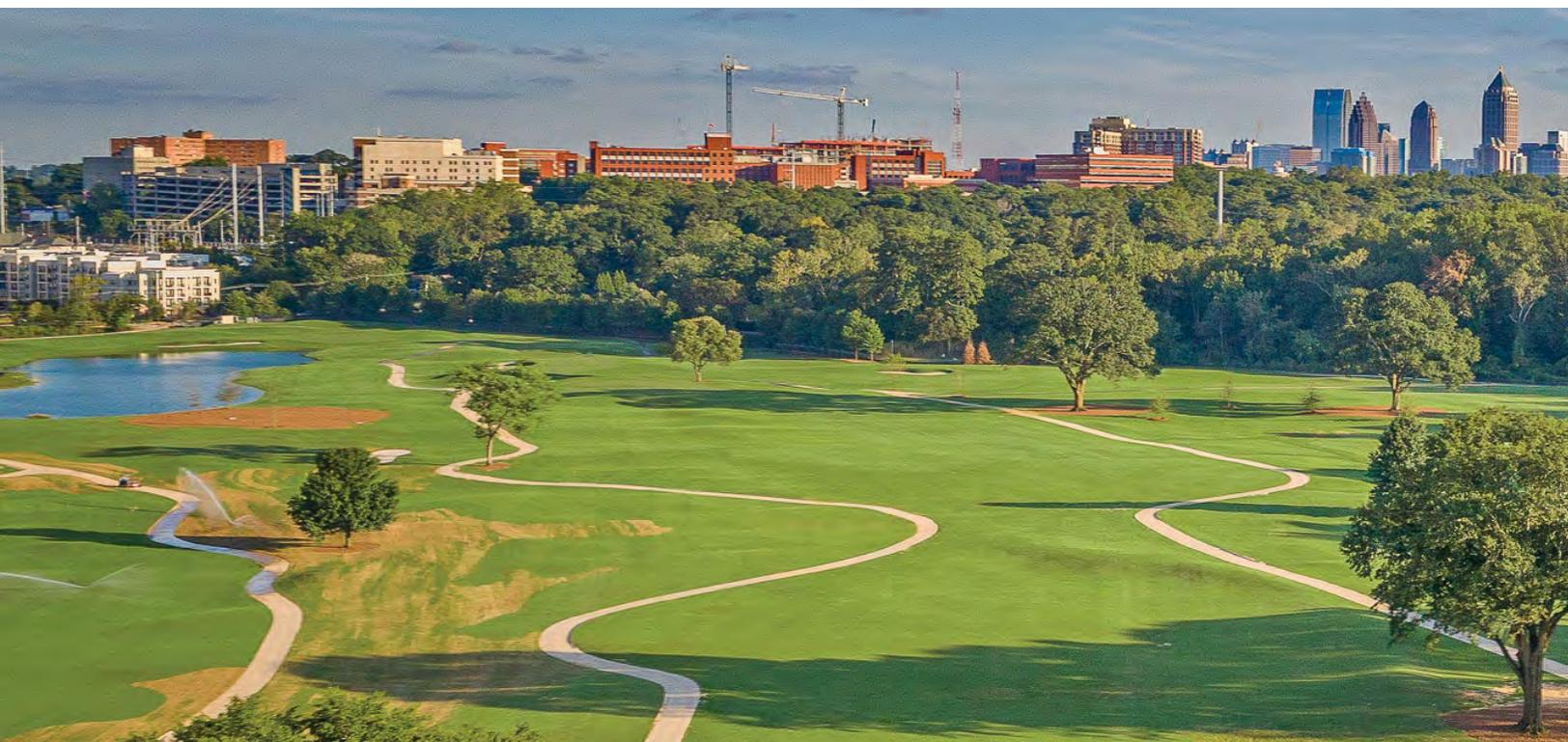
These characteristics are just that, required. Your by-laws may contain some necessary criteria, such as a candidate being an equity member, being a member for a certain number of years, or having served as a committee member. The board can expand the list of essentials to include qualitative features such as a candidate being known as a person of trust and integrity or being a team player. Although such qualitative features may seem hard to define, they are the most important of the required characteristics. Team players don't come with personal agendas; they listen to the views of others, and they foster the collegial culture you want on your board. Don't worry about the lack of a concrete definition of a team player. Your club's nominating committee will know what you mean.

Desired Characteristics

A club board should mirror its membership; here is where you make it happen. Club memberships are typically diverse, and you want your board discus-

sions to benefit from that diversity. This is not about quotas or diversity for the sake of political correctness; it is about seeking a full range of perspectives. Decide which points of view would be valuable to your governing body, such as different age groups, different genders, different interests in club activities, etc. You may want to be specific in terms of the number of board members in a particular category, for example, at least one from each age group, or you may direct the nominating committee to take the makeup of the board into account as it evaluates candidates.

Remember, you are seeking perspectives, not representatives. You want board members to bring insight and enlightenment, a commitment to the duty of loyalty, which puts the club's interest ahead of any personal interest. You don't need board members who consider it their responsibility to represent a particular age group or activity. Such an attitude leads to factions and cliques. Although board discussions and decisions benefit from the different perspectives around the table, you want decisions to be made in the club's interest overall. **In short, the debate as many; govern as one.**



Desirable Experience and Skill Sets

Along with the multiple perspectives you want at your board meetings, you also want various skills and expertise. Perhaps an accountant, an attorney, an engineer, a real estate expert, a marketing specialist, and members from other professions. The list will depend on your club type and the issues your board and club may face. In addition to particular skill sets and professions, you should consider time on a particular committee and the effectiveness of the prospective candidate as a committee member.

ESTABLISH AN INDEPENDENT AND OBJECTIVE NOMINATING COMMITTEE

Build your team by laying a firm foundation. Assemble a nominating committee that is independent and objective, a goal far easier to set than it is to accomplish. If your bylaws dictate the process of forming your nominating committee and you don't believe you can amend them, you are bound by it.

It is difficult to define an "ideal" process for selecting nominating committee members, but the

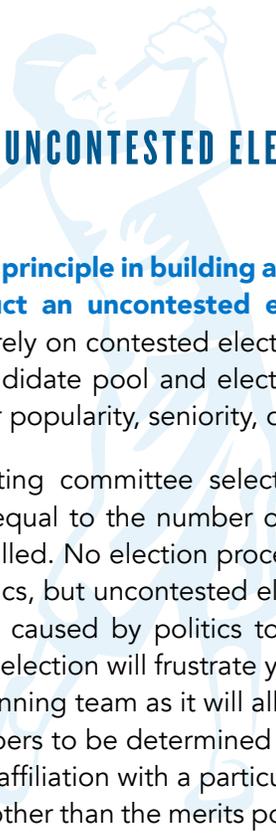
general advice is to keep it simple. Clubs devise complicated schemes for populating nominating committees in an attempt to achieve independence and objectivity. But the process can be overdone. They not only don't guarantee an independent, objective nominating committee but also add unnecessary complexity to the election process.

The most efficient approach is to select the chair of the nominating committee based on the highest standards of integrity and impartiality. Allow them to use the same standards to choose the other committee members and present them to the board for approval. While this may be the most efficient method of forming a nominating committee, some clubs rule it out as politically incorrect and undemocratic as it places too much power in one person. So, most clubs install methods such as having a nominating committee elected by the members, using a lottery to pick committee members, drawing on the immediate past president to chair the committee, and many other approaches. Your process will depend on your club's culture and the level of trust your members have in the board. Bobby Jones Links will be happy to coach you through the process of moving to this nominating committee approach.



THE SMARTEST PEOPLE IN THE ROOM?

Board members are highly successful and intelligent people. Many make the mistake that since they are good at what they do, they can oversee and manage a club just as easily. However, this is not the case, as club management requires unique skills and years of experience – just as a board member's business does. We counsel you as a board member not to fall into this trap and to work on the business of your club, not in it.



ADOPT AN UNCONTESTED ELECTION PROCESS

The guiding principle in building a great board is to conduct an uncontested election. Too many clubs rely on contested elections that can limit the candidate pool and elect board members on their popularity, seniority, or agenda.

The nominating committee selects a slate of candidates equal to the number of board positions to be filled. No election process is entirely void of politics, but uncontested elections keep the damage caused by politics to a minimum. A contested election will frustrate your attempts to build a winning team as it will allow your new board members to be determined on their popularity, their affiliation with a particular group, or some basis other than the merits posted on your board profile.

If your bylaws call for contested elections, try to change them. Even if you have an uncontested election process, your bylaws may allow for nominations by a petition signed by a certain number of your members. If so, ensure your ballot distinguishes between the nominees from the nominating committee and the nominees from petitions, and require voters to vote for the number of candidates equal to the vacant slots on the board.

BOARD ORIENTATIONS AND RETREATS

All new board members should go through an orientation process. It should be thorough, covering more than just basic legal responsibilities and a tour of the facilities. It is challenging to be an effective board member without a good understanding of the industry, the club's history and finances, and any current plans.

Relatedly, we recommend that every board hold an **off-site annual retreat** for at least one day to plan, strategize, reorient the team, and discuss major issues for the coming year away from the whirlwind of the club and normal distractions.





THE GOLDEN RULE

Deliberate as many - differences of opinion are welcome in the board room - but govern as one.

THE IDEAL BOARD SIZE

There is no magic formula for the number of directors on a club board. It is a trade-off between the speed and efficiency of decision-making with the distribution of board duties.

Generally speaking, while a board is more efficient with fewer directors, it also adds a burden per member. The most common board size is **nine** members, which is also the mean and median size according to industry data. Some bylaws will give a range to board sizes, e.g., from seven to ten. Having a range affords flexibility and, on its face, does not violate any principle of good governance. However, its use is infrequent, suggesting a greater member comfort in a specific number.

There is no ideal size for every club. However, nine members have been proven to be the best size to balance efficiency with the shared distribution of duties.

RECOMMENDED BOARD TERMS

The most common terms for board members are three years and four years. About half of the boards with three-year terms allow for an additional term. Clubs with four-year terms are less likely to allow an additional term. The issue with board terms is a tradeoff between allowing more members to serve and the benefits of a more experienced board member. Generally speaking, board membership quality improves with the service length. While allowing a board member to serve an additional term reduces the opportunities for club members to serve

on the board, it is a price worth paying for a high-functioning board.

Therefore, absent any other factors relating to board terms, offer a three-year term with the option of standing for election for an additional term. This recommendation rests on the requirement to stand for election, meaning that the board member's additional term is based on their performance during the first term.

RECOMMENDED OFFICER TERMS

Although the most common term for club officers is one year, it's common for clubs to allow officers the second year of service. Of course, officer terms tend to be linked to terms for board members. For example, if the term for a director is limited to three years without the option of another term, the term for officers is generally one year. However, if board members may be re-elected for a second term, officer terms are often two years (or one year) with an optional additional year. It's advisable to offer the optional second term for directors and the optional second year for officers—with the understanding that the officers will be reelected for the additional year based on their performance during the first year.

Good officers are hard to find. If they perform well for a year and are willing to serve another year, it is beneficial for them to serve a second year. Too often, however, an officer, particularly a club president, is burned out after a year and declines to serve the second year. Improvements in the governance process can reduce the load on the president and improve the chances of their serving the additional year. ■



BYLAWS AND POLICIES

The bylaws of a club are essentially member policies. They convey authority from the members to the board and typically describe the following:

- Types of membership.
- Qualifications and privileges of the different types of memberships.
- The organization that will govern the club (e.g., Board of Directors/Trustees).
- Size and terms of board members and officers.
- Process for nominating and electing board members and officers.
- The authority that is given to the board and the limits on this authority.
- Procedure for amending the bylaws.
- Other administrative matters, such as board member indemnification, member meetings, quorum requirements, etc.

Please note that the bylaws are separate and dis-

tinct from the club rules, which address issues such as dress code, tee time policies, etiquette, hours of operations, tipping policy, etc.

BYLAW LEVEL OF DETAIL

Bylaws vary considerably in length and level of detail.

For example, one set of bylaws may authorize the board to form committees. In contrast, another set will prescribe what committees are to be formed, how the committee chairs and members will be selected, the scope and authority of the committees, etc. Bylaws should contain only the basic information, such as the items listed above, allowing the board to detail in its policies how it will use the authority granted in the bylaws. **The more flexibility afforded the board, the greater its ability to adjust to changing situations. Putting restrictive policies into the bylaws can encumber the board's flexibility to govern efficiently.**

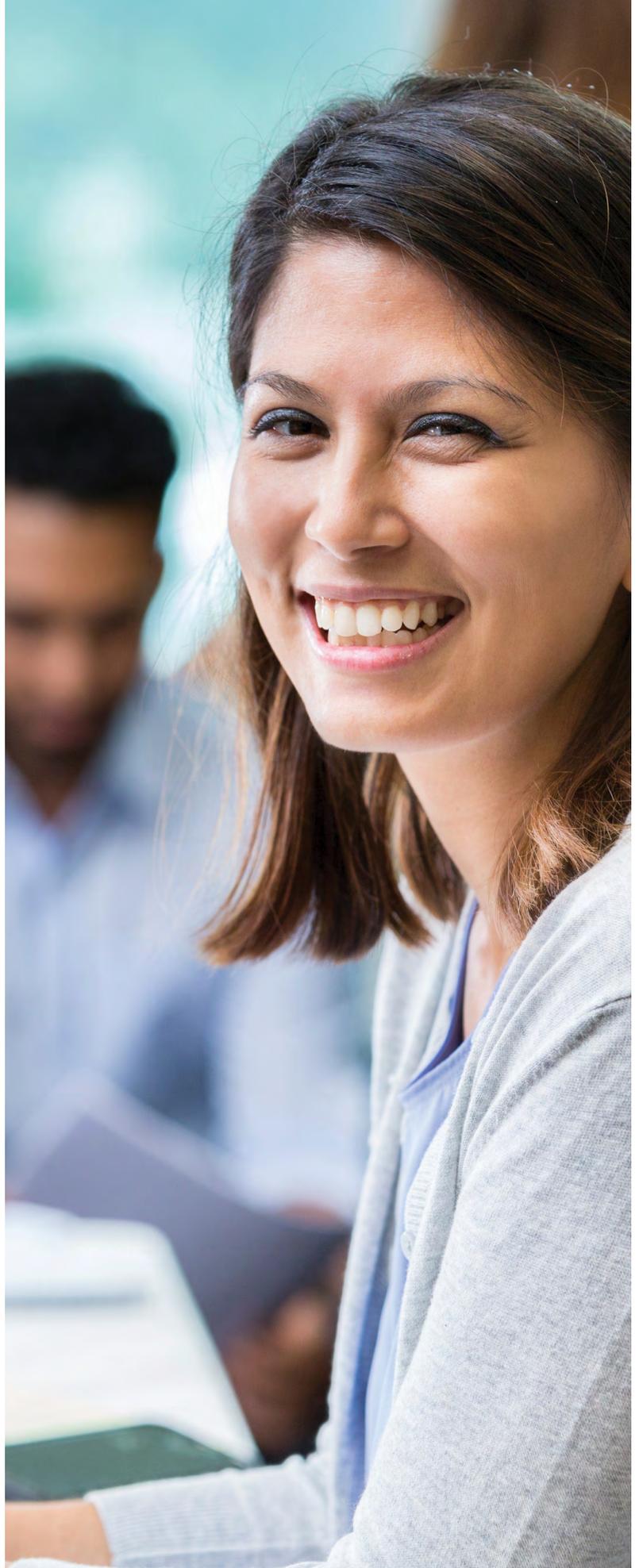
BOARD POLICIES MANUAL

Keeping the bylaws lean is advised only if the board takes action to develop and publish its own policies. Members deserve to know how the board will use the authority that the members delegate to accomplish the club's mission. **This is where a Board Policies Manual (BPM) is needed.** The BPM is a compilation of all standing board policies, which describe how the board will use the authority granted by the bylaws to carry out its governance duties. They address issues such as:

- Articulation and confirmation of strategic direction, such as vision, mission, values, and strategic planning.
- Expectations of the board as a whole, its commitment to transparency, civil discourse, strategic thinking, and club rather than personal loyalty.
- Expectations of individual board members regarding attendance, open-mindedness, committee leadership, and maintaining confidentiality.
- Committee structure, formation, and role in supporting the board and the General Manager.
- Meeting conduct, use of a consent agenda, premeeting materials, minuting, and resolution of differing views.
- Relationship between the board and the General Manager, the expectations for their performance, the annual evaluation process, and the scope and limits of the General Manager's authority.

Often a club's bylaws will dictate how the board will carry out the above duties, restricting the board's ability to adjust to changing situations.

Try to keep the bylaws lean, thereby giving the board latitude to develop its policies. Include in the bylaws the requirement for the board to develop a BPM. Unless the board is transparent in documenting how it will use the members' authority articulated in the bylaws, it invites the members to be more directive in its instructions. A BPM will encourage the members to give the board the license to develop policies that can be amended to changing situations without going to the members for approval.



DEVELOP A BEST PRACTICE MANUAL (BPM)

Just as the BPM delineates how the board will be structured, how it will operate, and what authority it will grant the General Manager, it also defines how the board will hold the General Manager accountable for exercising the authority to accomplish the club's mission.

The BPM includes a list of reports it expects to receive from the General Manager and their frequency. It also refers to the strategic plan and how the decisions by the General Manager are expected to align with the plan. Finally, a BPM consists of the annual goals or benchmarks on which the General Manager will be evaluated. Just as important as clearly documenting the transfer of authority is clearly articulating accountability, such as clarifying what is expected of the General Manager in utilizing their delegated authority. In this case, they are documenting means explicit written policies. Too often, boards operate on implicit policies, relying on word of mouth, tradition, or some other source for making decisions and not formally establishing policies in writing invites deci-

sions by people rather than rules that base policies on thoughtful discussions and deliberation, not by the highest ranking or loudest person in the room.

One of the most frequent complaints we hear from members is the perceived lack of transparency on the part of the board. Such a perception often leads to distrust and unwarranted criticism. Explicit policies appropriately cataloged in a BPM will not only provide a clear description of authority and accountability, but it will also communicate a posture of transparency between the board and the staff, as well as the board and the membership. A board that clarifies how it will employ its authority in a BPM displays openness to the members and accountability to them.

COMMITTING TO EXCELLENCE

An enduring fundamental principle of good club governance is a commitment to excellence. In a way, this is a catch-all principle that includes best practices, i.e., policies and methods that foster efficiency in governing, operations effectiveness, and community cohesiveness. Strategic plans must be reviewed and



GENERAL MANAGER OR COO?

We use the title "General Manager" in this manual. However, many clubs refer to this position as General Manager/COO, and in some cases, even CEO. It is clear that these club leaders are being given more authority and autonomy so the board can focus on the club's business and not in it.



refined as assumptions or trends change. Board policies will require additions, deletions, or amendments.

Responding to change must be orderly and not arbitrary or capricious. Good boards document their plans but are ready to alter them after considering the reasons for change. In the same way, good boards develop and publish board policies that they use as a governance management system and adjust them as situations change. Sustaining good governance is neither about rigidly holding on to current policies nor about making sudden changes in course.

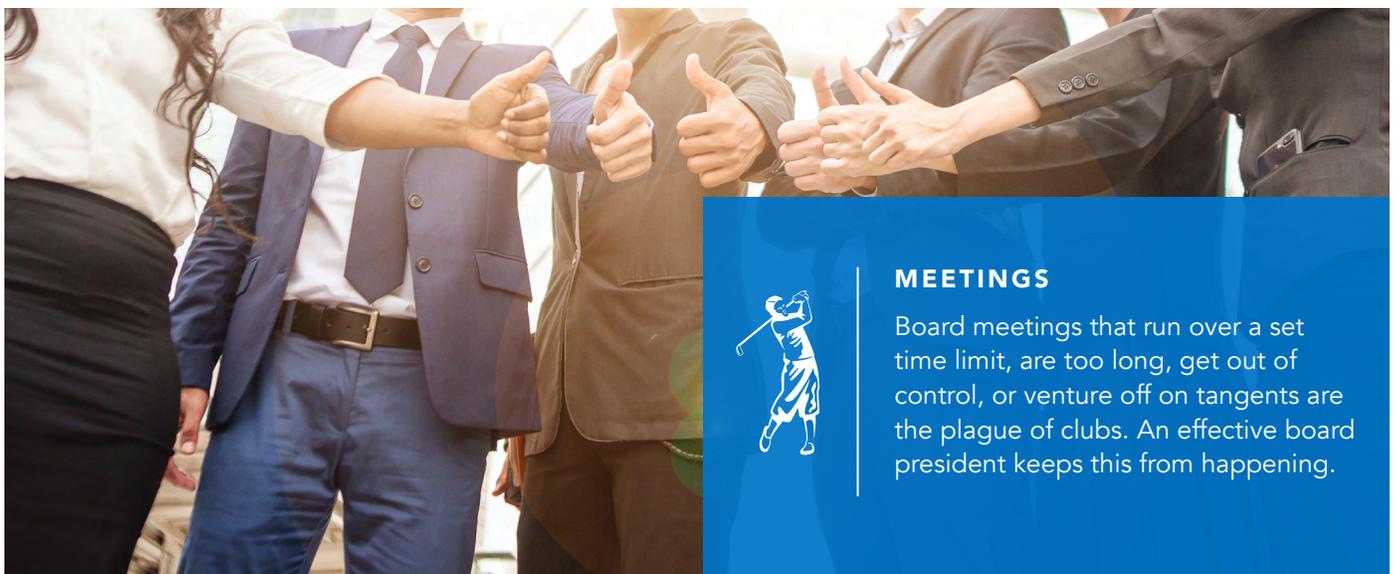
THE ANNUAL SPEED BUMP

Most clubs experience a change in board members and officers each year. The result is an annual adjustment period as the new president, new officers, and a board of several new members establishes themselves in their respective positions. Club bylaws often designate the president as the chief executive officer without spelling out what that means. Lacking any clarification, newly elected presidents are left to decide how much autonomy they will exercise over their term, which is often only one year. **The combination of a new president finding their way as the manager of the board and adjusting to new directors produces what our friends at Global Golf Advisors call “the annual speed bump,” which causes a slow up before the annual election and an adjustment**

to new leadership after the election.

The best way to reduce the impact of the annual speed bump is to use the Board Policies Manual (BPM) to set policies that can be amended only by the majority of the board. Even if a third of the board turns over, there will be two-thirds of the board to provide stability. A BPM also contains policies that clarify the role of the president. This doesn't mean that the president's role is diminished; instead, it is defined. For example, a BPM might specify that the president chairs the board, works closely with the General Manager, chairs the annual meeting, and serves as the spokesperson for the club. As the title implies, the president's primary duty is to manage the board and hold it accountable to follow its policies.

Although the annual change in officers and board members at a club will likely produce a speed bump, the impact of the bump can be dramatically lessened by developing a BPM that contains policies that will require the entire board to amend and policies that describe the role and authority of the officers—particularly the role and authority of the president. The function of the BPM is not to protect the status quo at all costs but rather to ensure that changes are made after due deliberation by the board as a whole. ■



MEETINGS

Board meetings that run over a set time limit, get out of control, or venture off on tangents are the plague of clubs. An effective board president keeps this from happening.





COMMITTEES



Committees are essential for the effective governance of a club.

The most effective boards have committees for strategic planning, finance, audit, and nomination a committees to support **governance** functions. They also leave the formation and management of **advisory** committees to the General Manager. This is in contrast to some private clubs that have all their committees reporting to their board, a practice we do not recommend as it can overwhelm the board's time and attention and result in board members meddling in day-to-day operations.

THE TWO TYPES OF COMMITTEES

Thus, we recommend two types of committees for your club:

1. Committees that **support board functions** and report to the board, such as finance, audit, communications, and membership, and
2. Committees that **support operational functions** and report to the General Manager. This can include the house, grounds, greens, and golf committees.

Unfortunately, history has created an inertia against adopting this much more effective dual approach. Most club bylaws state specifically or imply that all club committees report to the board, meaning that you may have to redefine these roles by amending the bylaws. Even if your bylaws allow for a restructuring, many boards are reluctant to effect the change. They fear that having operational committees report to the General Manager would diminish their role and prestige in the club, making it harder to recruit members to serve on these committees. They also are concerned that moving operational committees away from the board reduces the board's ability to be cognizant of what is happening in operations.

CREATING VALUE TO BE A COMMITTEE MEMBER

It is challenging to deny outright that service on operations committees will be less valued, adding to the difficulty in attracting quality members.

Yet experience shows that club members are more persuaded by the influence of a committee and the quality of its management than by the person or persons to which it reports.

Thus, the closer the committee is to the decision maker, the greater its influence and sense of value; whatever loss of status presumed by having operations committees report to the General Manager is more than offset by the relationship the committee enjoys with the person who is responsible for making the decisions it recommends. ■





CLUB FINANCE

Golf and country clubs are very capital-intensive. Building a brand new country club today could range from \$20 to \$50 million. Renovating just the entire golf course could cost up to \$15 million.

This significant nature of clubs, coupled with the increasing use of debt, requires a long-term financial plan and strategy for anticipated capital expenditures, replacements, and enhancements. Ideally, these investments are financed through operating surplus, initiation fee income, capital assessments, and the careful use of debt.

THE IMPORTANCE OF THE BALANCE SHEET

A club's income statement is not the only meaningful measure of club health.

It's only a gauge of a club's ability to deliver service and amenities to its members. The money flowing through a club is consumed by the members' every-

day use of the club. Many clubs aspire to break even operationally. That's okay, but it is not the real driver of long-term success.

The actual financial driver of success is a capital investment and a growing, strong balance sheet. Ray Cronin, one of the leading experts in club finance, calls this "net worth over time (NWOT)" and states it is the true key performance indicator. Using data from over 2,000 private clubs, Cronin found that NWOT was shrinking at 50%, stagnating at 15%, and growing at 35% of the surveyed clubs.

Thus, The capital ledger is strategic. The operating ledger is tactical.

Cronin states, "Don't look to simple answers like cutting price. **Focus on your club's value proposition and aim to ensure your club offers a compelling member experience. Create a forward-looking capital plan that is the root of sustainable financial success.**" This

includes one designed to retain and attract the newest members and keep the club's amenities current and healthy, not projects favored by just a few fueled by personal agendas.

We could not agree more and have been beating this drum for years. In the long run, clubs can't cut their way to prosperity. They can trim their way to efficiency. That's just good business. But, continually postponing investment can spark a disastrous downward spiral: less investment results in decreased member satisfaction and thus fewer members, which results in less dues and fee revenue, which triggers dues increases and assessments, which causes more attrition, and, well, you can see the train wreck coming.

The way forward is a strategic capital plan that engages the members in the process. Professional management and superb boards know how to make this happen.

BENCHMARKS AND LESSONS IN CAPITAL FINANCE

■ A club can never have too much capital.

The target for net available capital available for repair and replacement of existing assets, debt service, and funding reserves for future capital projects can range from 5% to 15% or more of total operating revenue depending on the age and condition of the club's assets, according to Club Benchmarking, another leading expert in club consulting.

■ Debt is unforgiving. If not used judiciously in the context of a long-term funded plan, it is the number one cause of club failures.

■ Clubs that reduce initiation and capital fees, critical sources of capital, have difficulty increasing them again. These sources of capital must be replaced.

■ You can't cut your way to success. Underfunding member services and amenities diminishes the member experience, resulting in fewer members and lower dues.

Club leaders should consider seeking professional guidance and education if there is uncertainty about the key metrics of club finance and how to address them. ■



CLUB BENCHMARKING IDENTIFIES THE FOLLOWING EIGHT FINANCIAL WARNING SIGNS:

1. Declining full member equivalents.
2. Dues revenue less than 50% of total operating revenue.
3. Capital base decreasing over time (depreciation exceeding capital expenditures).
4. Net worth decreasing over time.
5. Capital levies less than annual depreciation and debt service.
6. Total debt greater than annual dues revenue.
7. Debt amortization periods of more than 10 years.
8. Multiple occurrences of debt refinancing.



BOARD OF DIRECTORS SELF-AUDIT



The following is a list of questions a Board of Directors as a whole or individual board members can use to assess how they are doing in this often complicated arena of club governance. The questions address the critical issues and recommendations in this guide and some new ones for you to determine what you are doing well, and what may need improvement compared to the best-performing private clubs and board governance best practices. Obviously, the more “yes” answers, the better.

CLUB GOVERNANCE

1. Have we created a compelling vision for our club? Yes No
2. Does our board have too few members? Too many? Yes No
3. Have we clearly defined the selection criteria to be a board member? Yes No
4. Do we attract qualified and knowledgeable members to our board? Yes No
5. Do we have an objective nominating committee in place? Yes No
6. Is the process for members to run for the board fair and open? Yes No
7. Do we have an uncontested election process? Yes No
8. Are our board members fully engaged and participating in every meeting? Yes No
9. Do we have a manual delineating the roles and responsibilities of the board members? Yes No
10. Do we have a board with a diverse set of perspectives? Yes No
11. Do we communicate the club’s history, traditions, and culture to new board members? Yes No
12. Are our board meetings held professionally with a time limit? Yes No
13. Does the board argue and work for the greater good of the club without making it personal? Yes No
14. Do we distribute an agenda in advance of a board meeting? Yes No

15. Does the board president serve at least two years? Yes No
16. Do we have term limits for our board members? Yes No
17. Is our board forward-thinking and embracing new ideas and trends? Yes No
18. Are the club's bylaws current and relevant? Yes No
19. Are our bylaws flexible enough to allow the board to govern efficiently? Yes No
20. Does the board work "on" the club's business and not "in" it, avoiding micro-managing the staff? Yes No
21. Do we periodically review the club's rules, regulations, and policies? Yes No
22. Do we hold an annual board retreat? Yes No
23. Is the role of club committees clear and well-defined, with most playing an advisory role and not intruding into the club's management? Yes No
24. Is there healthy communication between the board and the committees? Yes No
25. Does the club have a long-range planning committee that develops and documents a strategic master plan for the next five to ten years? Is it shared with the members? Yes No

MEMBERSHIP

26. Is the board completely transparent with the membership? Yes No
27. Do we have an effective member survey, and is it utilized annually to measure member satisfaction? Yes No
28. Is our membership open to anyone who is socially compatible regardless of race, gender, or faith? Yes No
29. Do we have an orientation program for our new members? Yes No
30. Do we review the membership structure and pricing regularly? Yes No
31. Does the club actively encourage members to propose candidates for membership? Yes No

CLUB STAFF

32. Are we the employer of choice in our market? Yes No
33. Is our employees' morale high, and are efforts always made to improve it? Yes No
34. Do we have a high turnover (less than three years) of our General Managers and senior professional staff? Yes No
35. Is our club free of "sacred cow" employees – tenured but incompetent staff members protected by a handful of members? Yes No
36. Are our employees compensated competitively to attract and retain the best people? Yes No
37. Do we have a benefits plan that is competitive? Yes No
38. Is the club's senior management encouraged to participate in their respective professional organizations, such as the PGA, CMAA, GCSAA, and USTA? Yes No
39. Do our new employees receive an orientation during onboarding followed by continual training in their department? Yes No

FINANCIAL

40. Is the board focused on increasing the club's value proposition through continual capital investments and club improvements? Yes No
41. Do we have a forward-looking capital plan tied to our strategic master plan? Yes No
42. Does our available capital exceed annual depreciation and debt service? Yes No
43. Are our dues more than 50% of the total club revenue? Yes No
44. Is our total debt less than the total dues revenue? Yes No
45. Is our debt amortizing for periods of less than ten years? Yes No