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# Are Private Club General Managers Set Up To Fail?

## IS THERE SUCH A THING AS JOB SECURITY FOR GENERAL MANAGERS OF PRIVATE CLUBS?

General managers seem to be on the move quite often and for a variety of reasons. In fact, statistics suggest the industry average tenure for general managers is less than three years, but as Frank Vain, president, The McMahon Group in St. Louis, explains this statistic needs to be better understood.

At the other end of the spectrum we'll find general managers who have achieved longevity...some with 25 years and more at the same club.

"One," explained Vain, "a lot of turnover happens at 'starter clubs' where young managers are getting their ticket stamped on their way to more affluent jobs.

"Few clubs grow their budget by more than inflation each year, so anyone under the age of 50 or so is going to be looking for more responsibility and money. No amount of strategy or structure is going to change that.

"Secondly, turnover at top level clubs is probably something like eight to 10 years on average. They have a culture of stability and they have the resources to keep a good manager around during their peak earning years. Thus, not all turnover is created equally, nor is it an indictment of the system. It just is!

"And at well established, top tier clubs, it is not a big problem," Vain added.

Why does a manager leave, either through resignation or firing? Is it personality differences, club culture, conflict with a board and staff, or a manager seeking career advancement?

Unequivocally some people suggest boards of directors set up their managers to fail, and they can enumerate the reasons why. At the same time, others disagree with this thesis. What's the truth and what lies in between?

Private clubs, as small businesses, can be unwieldy beasts, especially when considering club governance. Clubs, since their beginnings, have operated in many different ways. Many were founded as pet projects of patrons as bastions of servitude to where today they are small businesses.

And the owners, (members who are also the customers) historically have been involved in the club's governance, for

good or bad. That hasn't changed.

Yes, clubs hire paid managers to meet the demands and requirements of the members (and the owners)...but it is precisely this dichotomy that creates such a conflict – and a manager's good-before-date in the private club industry. And the evolution continues.

A common denominator for many private clubs today is a volunteer board of directors operating in tandem with paid management. One aspect of this board structure has one-third of the directors rotating with elections each year, so that the board has completely changed in three years.

Does this structure enhance the failure of a general manager? "No," is the unequivocal answer from Jim Singerling, CCM, CEO of the Club Managers Association of America.

"The governance structure you describe has been employed successfully in hundreds of club operations for many years. The key component is leadership. Who shall lead – the GM/COO or the governing board?" Singerling queried.

"That leadership needs to be offered by the GM/COO," he stressed. "However, that can be difficult during the first two to three years of employment as the very capable GM/COO gains the confidence of the club's leadership. The process is not one of cookie-cutter design. It will differ in most every operation. Ultimately, the club leadership should be provided by the GM/COO."

What about the roles of board members and the general manager?

"This varies between club operations," Singerling explained. "The role of the club's governing board should be one of developing club policy and the strategic direction for the club. Whom does the club intend to serve? What should be the make-up of the membership base? What level of service and facilities should the staff provide for the membership?"

"The role of the GM/COO should be one of vision and leadership," he exclaimed. "They (the general manager) should be feeling the pulse of the general membership and define the

resources – both human and fiscal – that will be required to satisfy the expectation of the club's membership base.

“Lastly, the GM/COO must provide the governing board and general membership with the historical exhibits of why the club is where it is today in an effort to prevent the club from making the same mistake twice.”

The general manager's turnover isn't quite so cut and dried for some industry experts, especially because of difference in governance style and in the end, its effectiveness.

*It's impossible for any GM to be greatly successful, if the club's or board president...As our experts espouse, a strategic necessary governance components and a clear vision*

“Private clubs, historically, are governed with a collaboration between paid professional managers and volunteer-transitional volunteers. This is doable if roles and processes are clearly defined and enforced,” commented Tarun Kapoor, managing director, Kapoor and Kapoor Hospitality and also dean of education, BoardRoom Institute.

“If not, it creates dysfunction and in many cases anarchy,” he stressed, which of course, leads to a litany of problems.

“I think general managers are set up to fail in a wide range of ways,” suggests Lee Hoke, professor of economics, Sykes College of Business, University of Tampa, and three-time past president of Buckhorn Springs Golf and Country Club.

“Since managers are well aware of the likelihood they will not be there two years from now they have no incentive to adopt a long-term time horizon but the club business is a long-run business. If this time horizon differential exists then there is a conflict between what is good for the manager and what is good for the club.

“Perhaps the best personal option for a manager is to ‘capture’ the board and do a great job of succession planning, populating the board with manager-friendly candidates and consistently pursuing the personal interests of a small group of powerful current and potential board members. As long as the manager can keep a majority of the board on side he keeps his job but he is not focused on the effectiveness and efficiency of the club.

“This may be the manager's best personal choice but it does not bring strategic management to the club,” Hoke expounded.

“The whole process of governance at private clubs is a receipt for disaster. All that has to happen to put a club back years in its strategic planning process is to elect a charismatic, well intentioned but misinformed president,” Hoke explained.

“ This person has been successful in their career, has the support of the membership as a whole and does not put much stake in what others think. He does not know what he does not know and directs the manager to work on creating his image of the perfect club, without regard to the external environment or the resource limitations of the club.

“This problem is bigger the larger the demographic divergence there is between the president and the target market,” Hoke added.

“In the past, there has been the idea of the ‘rotating door’ for the general manager as the board rotates,” explained

Crystal Thomas, principal of Crystal Clear Concepts. “Boards are either healthy or unhealthy. They either allow the GM to operate the club or they micromanage. They either respect their GM or they don't.

“If it is a healthy club, the general manager is not in danger (assuming the GM is performing at a high level). If it is an unhealthy club and/or the GM is not performing at the highest level, there is likelihood the GM will be replaced,” Thomas added.

Charlie Hoare, CCM, Richard M. Farrell and Scott McNett , principals with GSI Executive Search, Inc. feel that “the governance model embraced by some clubs certainly does contribute to a higher than necessary potential for the GM to fail.”

They suggest ‘continuity’ is a major factor.

“Fortunately, many clubs (typically the more established) have recognized this pitfall and addressed it by setting up a system that assures continuity over time by establishing committees – long range planning, compensation/benefits, etc. – that, as part of their purview, specifically address the issue over time.

“This precludes the criteria for judging performance from being dramatically altered with the ‘changing of the guard.’ It assures if structured properly, that some of the members who were on the board or search committee are involved beyond their three-year board rotation.

“Other clubs, newer or perhaps those with a more transient membership, have a higher potential to abandon the ideas and progress made by previous boards as egos rule over logic,” McNett et al, explained.

Frank Vain maintains “there is no doubt that the rotation of board members plays a hand in GM turnover, but this is more of a symptom of the poor club governance than an indictment of the system itself.

“Many clubs use the same system, but the top performers are able to maintain continuity in direction and leadership because they have a strategic plan to guide them and a culture that is respectful of the profession of club management.

“The directors at these clubs see themselves as stewards of the club’s mission and purpose as opposed to a group charged with setting out on a new initiative each year. They have institutional memory and they understand that the club is larger than the individual. They understand that their role is to work for the good of the entire organization, not their pet initiative or nit.

*goals and objectives are changing with every new board and accompanying operational plan is vital. Without these for the club, the general manager is being set up to fail.*

“The bottom line is this,” Vain exclaims, “most boards complain that management does not perform up to their expectations and most managers complain that their board micromanages operations instead of governing.

“The missing link here is that both parties are guilty of not demanding that their club do the hard work of 1) objectively assessing the club’s current position (i.e., membership desires and marketplace conditions) and 2) clarifying what type of club experience is going to deliver a sustainable competitive advantage in the future.

“Without this roadmap,” he explained, “the club is doomed to creating a series of annual plans that may or may not be on track for the realities the club faces and management is not going to have the clarity they need to put together an effective operating plan.

“Eventually, one of these parties is going to respond to the frustration inherent in this non-system, which means the board fires the manager or the manager quits.”

The GSI compatriots advocate the GM/COO model espoused by the CMAA and find that many clubs they work with have already ‘endorsed’ the model or ‘pay lip service’ to it.

“We encourage candidates to be ‘realistic’ as to the time it may take for their new club allow the model to work.

“On occasion, we do work with clubs who have no desire or willingness to change to the GM/COO concept. Under those circumstances, we diplomatically prompt them as to the advantages and encourage them to revisit the issue once the new manager is established. We have seen the model adopted after a year or two as the manager gains the confidence of the board, staff and members or the long time golf professional or superintendent retires or resigns,” the group said.

Skip Avery, GM/COO, Fox Chapel Golf Club, Pittsburgh, PA who’s seen both longevity and the short term is somewhat an anomaly.

“I believe there is job security even though after 20 months I had to resign from position in St. Louis not for job performance but because of the financial struggles of the club.

“As long as there is open communication with clear standards and expectation from both parties – the club’s board and manager – that the relationship can last. Before my position in St. Louis, I was the GM at Nakoma Golf Club (Madison, WI) for 13 and a half years.”

“General managers will fail if it is not a good cultural fit or if there is lack of mutual respect between the board and manager.”

This sets the stage for most other things that must happen...clearly delineated roles for each board member, and a clearly defined shared message to the club’s membership about the club’s governance model.

“There must be clear lines of communication, a strong delineation in the roles and responsibilities of the board and the GM/COO,” Avery maintains.

“Most of all there has to be a mutual respect and earned trust between the board, members and management. If these are in place then GMs will just not succeed but will thrive in that organization,” Avery said.

“Open, candid communication with the governing board, general membership and club staff must be maintained by the GM/COO,” Singerling explained.

“Transparency is a must with any successful club operation. The days of secret meetings and unilateral mandates from the board are a thing of the past. With the technology available today, clubs have access to good verifiable information and it should be used in the decision making process.

“Every successful operation will have a strategic plan or a roadmap for governing committees and board to follow. Plans can be specific yet must be flexible enough to accommodate the rapidly changing lives of the membership base. Orientation and communication should be the primary focus of the staff’s management team in every area of the club. The staff, the club members, committee members and governing board must feel informed and an inte-

gral part of the process. There should be no surprises for any of the previously named groups of the club's constituency," Singerling added.

"The role of the board is to set policy; the role of the general manager is to carry out operations' has always been the standard," maintains Crystal Thomas. For Thomas, "Really, it goes much further than that. A general manager working in a healthy environment is operating the club as if it is a business and is making recommendations that will create stability and sustainability for the club and clear value for the members.

"The general manager must be visionary, along with the board. In order to be healthy, it must be a true partnership," she continued.

"If roles are processes are not clearly defined and enforced, dysfunction exists," Kapoor injected. "Managers become administrators of board decisions as opposed to business managers."

There is a need, Kapoor stresses for "collaboration under the following guidelines.

"The board is 1) exclusively restricted to one of setting policy, 2) approving and enforcing a strategic plan, and 3) approving an annual budget and holding management or the GM accountable to that budget," Kapoor outlined.

"Anything more than these three will consciously or unconsciously fall into the arena of the manager's responsibility to run the club. And the manager is responsible to run the club once the budget is approved and the strategic plan is approved."

Kapoor suggested general managers are set up to fail because that the current structure and the processes in private clubs are archaic.

"Most clubs bylaws were written 50 plus years ago when clubs were younger and operating under different kinds of circumstances; when the manager was more of a maitre 'd and not a chief operating officer.

## Thoughts on Developing A Strategic Plan

Here are a couple of different opinions on developing your club's strategic plan.

### FRANK VAIN

An effective board focuses on issues that really matter to the club's success and puts in place an organizational structure to address these issues. The board members' roles are to guide the club, not "run it."

They take the time to identify and/or affirm the club's mission (basic purpose) and vision (its aspirations). They participate in the discussion of how the club will achieve these objectives and they establish strategic objectives that are to be studied and resolved by the volunteer leaders.

They set and respect clear boundaries between management and governance, and see management as a partner in this determination.

Once the vision for the club is set, it is the responsibility of the general manager to prepare an operating plan that

identifies the objectives, resources needs (i.e., budget), responsible party and the evaluation criteria that will be used to determine if the plan is working.

*A strategic plan is a must for every club. The old saw about, "if you don't know where you are going, any path will do" is indisputable.*

A private club needs a strategic plan and this plan needs to be updated every year. Every five years there should be a comprehensive review of the plan to see that it is still valid for the environment that exists at that time.

Once the club has a strategic plan, here is a very simple and effective solution that works:

1. About three months before the board rotates, conduct a satisfaction survey of the membership.

2. When the new directors are identified, provide them with the results of

the satisfaction survey and ask them to respond in writing to a series of questions about the club's recent performance (the good and bad of the past year) as well as feedback on the club's strengths, weaknesses, opportunities, threats and key issues for the future.

3. Conduct a one-day goal planning session where the retiring, continuing and new directors and the general manager discuss trends in the club industry, the results of their membership's satisfaction survey, the pre-session leadership input and other environmental factors. After this review, set goals and objectives for the club/board as a whole and specific committees for the year ahead.

4. Put all of this on paper, and pull it out at least once per quarter so the committee chairs/responsible parties can report on their progress.

“The result? Committees and boards were actively involved in not only strategic but also operational decisions,” Kapoor said. In other words, many fingers in many pies.

“Today’s club managers are professionally trained following industry practices, as developed and touted by organizations such as CMAA, GSCAA, and the PGA, so the need for operational decisions to be made by volunteers is no longer necessary.

“However, that does not even address the fact of whether or not volunteers are even qualified to make the decisions...and that’s a polite way of saying, ‘they’re often not!’” Kapoor emphasized.

So there is mutual agreement...that along with a ‘cultural fit’ and clearly delineated roles for the board and general manager, the key to a well-functioning governance process is a club’s long-range strategic plan...and subsequent operational plans.

### PUBLISHER’S FINAL THOUGHTS

Is your board involved in a ‘set-up to fail’ dynamic?

Certainly a board’s attitude and behaviors can cause or set up general managers with great potential to fail.

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As you can see, the membership survey serves as a report card on the club’s strategy and execution, giving objective answers to the leadership’s overall responsibility – are the members happy?

The retiring directors pass on their experience to the new group so there is some continuity and adult supervision, if you will, while the new group brings in energy to challenge or add to the discussion of the plan. The resulting initiatives give structure to the group’s activities for the year ahead.

If you invest the little bit of time and resources it takes to execute these steps, the directors won’t have the time or inclination to stray into operational issues, and management will have the clarity it needs – and the annual satisfaction survey results to affirm – that they are doing their job.

### LEE HOKE

When working with clubs, I draw a diagram with the mission, goals, strategies, and *assessment* listed at the top and *implementation* at the bottom and suggest that board members realize that they should never engage at the bottom of the diagram.

Their function is to develop the club mission and goals and work with the staff to develop strategies to reach those goals but the implementation of the goals is staff driven and sometime committee driven.

When a board member serves on a committee and does staff work they are no longer serving as a board member, and therefore not directing the manager in their role on the committee.

We probably ought to make board members wear two hats – one for when they are acting as a board member and another when they are performing his committee work.

This chart shows the approach I recommend. The primary customer is the member and the strategic plan starts with a well developed list of the member values.

When we match up what the members want with the resource capability of the club we create a mission and establish goals, which are aligned with the mission.

The process of developing the mission is critically important as it serves as a method of communication to the members. I use strategic planning

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groups of 25 member-at-large, board members and staff to create the mission and goals, meeting twice for all day retreats about six weeks apart.

Those 25 then spread the word to both the staff and to other members. (I use the Drucker Self Assessment tool to keep the retreat on track and to ensure that we reach consensus on critical strategic issues)

Before the mission and goals are published, town-hall meetings are held outlining the SWOT analysis as a foundation for the mission. All of this is a critical part of the process and necessary to build trust through transparency so that all can see that there is no personal agenda.

Once the mission and goals are determined the general manager, department heads and committee chairs develop time lined quantifiable objectives. The GM's objectives are then approved by the board.

The GM then presents the department head's objectives to the board and the committees present their objectives to the board for approval.

All of this creates the groundwork for accountability for the organization and ensures that the board is directing through the mission and goals. At intervals probably quarterly committees, departments and the GM report on which objectives have been achieved, which have been abandoned and why, and evaluations of the staff and bonuses are awarded accordingly.

To avoid end runs, any board member who comes up with a new idea must have that idea approved by the board. So the GM or a department head is only responsible for what is in the plan.

A board member attempting an end run has to ask the board's approval to add objectives or strategies during the course of the year. This approach reduces micromanaging and allows the staff to focus mission critical objectives.

Now what happens in real life is that board members are fired up at the beginning but the process of meeting and evaluating either quarterly or semi-annually to assess objectives is hard work and most would rather play golf on any given Saturday.

In most cases if the plan is a huge success with the early strategies the pressure is off and the strategic management process stops. I think there is a way to solve this part of the problem.

If there were a board accrediting body granting accreditation based on meeting the criteria similar to this one, the board would face the prospect of losing accreditation if it dropped the ball in any stage of the process. I think this reputation effect would be sufficient to encourage board members to at least:

- Meet annually in a one day retreat assessing strategic outcomes and creating the next year's strategy.
- Require committees, department heads, and the general manager to create annual objectives
- Result in at least annual evaluations for the GM and all department heads
- Allow the board to create reward based compensations packages for at least the GM and department heads
- Create a paper trail, which would make it more difficult to fire an effective GM or any member of the staff.
- Diminish the likelihood that general managers and department heads will be faced with personal agenda based strategies and objectives. **BR**

Your GM/COO is expected to see and understand the big picture and the health of the club rests firmly on their shoulders. Yes, your board, with your general manager, sets the club's vision with its strategic plan, but ultimately it will be your general manager's responsibility to develop sound operating strategies and techniques (in concert with department heads) that will result in success or failures of the club.

It is they who must execute the club's vision and strategic plan.

This is where I often see a bump in the road. Imagine, as the GM you have met with your board every month for a whole year. You believe, as a GM, you have an understanding what your directors want from you and what they expect for the club. But little happens.

Now a year goes by and it's time for a third of the board to be replaced – a new crop of directors, chomping at the bit with new ideas, perhaps staff changes and their version of what the club should be. Oh yes, you also a new board president.

Sound familiar?

It's impossible for any GM to be greatly successful, if the club's goals and objectives are changing with every new board or board president, because it generally takes a year – more or less – for a GM to successfully execute the board's plans, and now more change is coming.

As our experts espouse, a strategic plan and accompanying operational plan is vital. Without these necessary governance components and a clear vision for the club, the general manager is being set up to fail.

With a five-year strategic plan, your GM now has their marching instructions and it's your GM's responsibility to execute only that plan. Now, if the new board approves the essence of strategic plan, but would like to make some minor changes, which could well be brought on by membership marketing or economic reasons, that should be accommodated.

Have your board go through the proper process and approve the changes, update the

strategic and operational plan to reflect those changes, and now your GM can now work from the updated strategic plan. This prevents rogue presidents or directors from embarking on their personal agendas. Ultimately your GM's success is tied to their success in executing your board's plans.

In today's business environment, a strategic plan gives a clear path to efficient, effective and enforceable club governance; the days of haphazard, fly-by-the-seat of the pants governance is gone. And if it isn't at your club, it should be!

With a vision, strategic and operational plan your club can expect better management results. Your club stays on track with better controls, better and more effective integration of club's goals with a focus on direction, accountability and a more seamless transition from board to board.

Whether your general manager stays or goes should rest firmly in how well they've been able to achieve the objectives of your club's strategic plan.

A director's fiduciary responsibility is paramount, and this is sometimes a position we fail to realize.

As fiduciaries they may not put themselves in a position where their interest and duties conflict with the duties that owe to the club. The law takes the view that good faith must not only be done, but must be manifestly seen to be done.

So in my opinion, directors need to be focused more on the fiduciary side of the equation and minimally at all on the operational side. The GM/COO should have 100 percent of the responsibility of the operation.

Directors are part time volunteers, and sometimes an unfamiliarity or seeming need to interfere can make it difficult for directors to clearly understand their roles and minimize micromanagement.

You should have bylaws and regulation in place and up to date, and enforced, and clear instructions to all on the role of the club's directors. It's up to the board president to make sure each director has reviewed their roles and responsibilities and clearly understands them.

And yes, directors need to be accountable and must not be allowed to sit on the board without going through a clearly defined orientation process.

On the other hand, I'm not saying that all GMs are perfect, and yes, some probably should not be working at your club.

But the GM does have a responsibility to be informed, educated and trained; and the right to advance their career.

A general manager should aspire to stand head and shoulders above their peers; and should have a clearly delineated right to increase income potential and their professional credibility.

During my more than 20 years in this industry, I've met thousands of general managers and just as many board mem-

bers. The vast majority really cares about and works hard for their clubs every day to make them better business operations for the enjoyment of the club's members.

Unfortunately, many boards over the years have not been successful and it's the general managers who have 'paid the piper' and ended up losing their jobs.

Ultimately both the club and the general manager have paid the price for the lack of a board's insight, vision and planning.

So make it your club's goal to instill a vision and develop a strategic plan and operational plan this year. Your board's orientation process from the beginning is key. Certify your board, make sure the content is current and make board members accountable with the orientation process.

Your board and your members (and GM) will love you for it.

At least that's the way I see it! **BR**

John G. Fornaro, publisher

*If you have comments on this article or suggestions for other topics, please contact John Fornaro at (949) 376-8889, ext. 4 or 105 or via email: johnf@apcd.com*

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