

## EXPERTS' CORNER

### BUDGETING

# Can you still afford to be all things to all members?



Robert C. James

**GOVERNORS** nationwide are cautiously phasing in the business and services that can reopen. As of the end of May, most private club golf courses are open, but it may still be weeks or months before other facilities open. In some regard, that is fortunate because it will take considerably more planning and preparation to reopen the rest of the facilities, once club leaders decide when, how or if they should reopen.

Planning should include rethinking what your priorities will be after the crisis and how they must compete in the new normal. Most experts now agree that the V-shape recovery is more likely to look like the check mark, a more gradual improvement over several years, much like 2008.

During the recessionary years following 2008, many private clubs went out of business or turned their keys over to club management companies because they were unable to recover from membership losses, had accumulated stifling debt and were no longer able to operate efficiently. How can management companies successfully run the club and generate a profit while member-run clubs struggle to breakeven? Beyond the economies of scale, the secret is in their focus on the core business. Their promise to the client club is that they will meet or surpass their base expectations—but they do not

promise to *be all things to all members*. This fundamental tenant of marketing is lost on member-run private clubs that are not bound by the profit motive.

No one knows how soon and strong the recovery may be so leaders are evaluating the services and amenities that they have traditionally provided and postponing or eliminating those that are not necessary. In crises, club leadership can reforecast using true zero-based budgeting: considering every need and cost center and allocating funds accordingly. To hold dues in line but continue to progress, the services and amenities with the least overall value must be cut to reallocate resources to new ones. The old norm was that once you provide a service or amenity to a member, you were rarely able to take it back. That must change.

In 2009, *Forbes* published an article by Dr. Saj Joni about what great leaders can do to move decisively forward in an uncertain world. He begins with a quote by Rahm Emanuel, “Never waste a crisis.”

“First, figure out how to survive, do you have a plan that allows you to move fast, faster than before?” Moving fast is not the club industry’s forte but it must be part of the new norm for club governance. More responsibility and authority must be delegated down to management to become nimbler.

“Second, ask yourself what you can do now that you couldn’t do before. How can you position yourself now, so that you will be better off than you were, once the crisis is over?”

We are now looking at the third “new normal” since the phrase was coined after

the 9/11 terrorist attack. After each of the two previous crises, clubs reacted but most did not make any real structural changes.

Now, clubs must refocus their operations on core businesses: golf, racquets, aquatics, spa, boating, guest rooms, card rooms, social events and food and beverage. Is more, truly better? The answer must be no when we spread our resources too thin. How many beverage stations do we need on the course for the heavily subsidized golf member guest? How many dining areas need be open at the same time? Most clubs cannot realistically compete with their local restaurant scene. Maybe it is time to reduce dinner service and focus on lunch, with a realistic menu. For ideas, form a task force of club leaders and management; department managers have a particularly good sense of what is unnecessary or wasteful.

Going into the pandemic crisis, many clubs were surviving on the margins and many more were struggling to maintain a full dues base, raise capital fees and hold dues in line. These clubs are at risk, but even the most well-heeled clubs must be concerned about the prospects of losing members, reduced operating revenues and their ability to continue reinvesting in their property and FF&E. It is time for your club to take decisive action and reposition itself for a secure future. **CD**

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