

Are Clubs “Businesses” in the Business Sense?

YES

Clubs should employ some best business practices but that does not equate to running the club like a business.

NO

The best hotels and resorts are clear: They are in the entertainment business.

Bob’s Point of View: No

James Collins, author of “Good to Great” in his nonprofit sequel, “Good to Great and the Social Sectors,” postulates that social sector organizations are not businesses in the business sense. In my opinion, he is spot on! Generally defined, a business engages in organized efforts and activities to produce, service and sell goods and services to earn a profit. Their bottom line is the profit motive. Social sector enterprises, such as private clubs, have as their primary objective to provide valued services and amenities to their members/constituencies.

Clubs should employ some best business practices but that does not equate to running the club like a business. After all, most best business practices came out of social sector institutions, such as the early Chinese military who first implemented the organizational chart or the French government’s bureaucracy that kicked off the Mercantile Age with their imposition of structure to business practices. Neither the military or government are considered businesses but many of the practices from them and other social sector organizations are being used in businesses today, and vice versa.

This is not just semantics; much of a representative style of governance does not lend itself well to efficiency and resource optimization that is the cornerstone of modern business management. Modern management should also not be confused with business management. We manage much more than businesses and clubs should be focused on the best practices that provide genuine hospitality, personalized services and community. Clubs cannot obsess about the numbers: The members want good food and bev-

erage, not a 36% food cost or great golf, not \$90,000 cost per golf hole.

It would be dangerous to set as an objective that the club be run like a business because of the risk that it be taken too far and lose the true purpose of the club for the sake of efficiency and bottom line. We need to maintain and create clubs where your members and staff are truly passionate about the club and get joy from being a part of it. If you do, the business end will take care of itself. That’s the way I see it!

Dan’s Point of View: Yes

Well Bob, your view clearly fuels the proliferation of management companies and private equity rolling up underperforming clubs left and right. If clubs are not run like businesses, they underperform and when they approach failure, they become targets to those who will run them like businesses.

Unfortunately, your view further drives the paradigm where a number of those in club management are not accountable to financial performance. The committee system seems to “round their edges” of many in club management. It inherently defuses accountability: “The House Committee made me do it,” “It was a board decision,” “They wanted to handle membership recruitment.” Should I go on? This threshold of performance, and to some degree accountability, would never be tolerated in the hotel business. Ever hear about Earnings Before Interest, Depreciation and Amortization (EBIDA)? Many club managers haven’t either.

You open an interesting debate referring to generally outdated military practices. I wonder if Walt Disney or Horst Schulze, long-time president of the mod-

ern-day Ritz Carlton Hotel Company ever studied militaristic leadership? Trust that both organizations consistently found and currently find the balance between humanistic leadership while producing profits for their stakeholders. Some clubs get it, many do not.

Creating an analog between government and the club business is more entertaining. The big difference is when government overspends with little accountability (like many clubs until 2008). They can print money for escalating debt, kicking the can down the road for another administration to address it. The club industry is the same, without a printing press.

You are correct, the metrics you note above should not be dwelled upon, but most clubs do. Few clubs understand much less focus on the key metrics five-star hotel groups obsess on: Behavior analytics of their consumers, trend analysis, productivity metric vs. labor cost . . . I could go on.

High quality, high-end hotels and resorts have been creating memorable, sophisticated experiences that have evolved year-over-year for a long time while producing sufficient profit to fuel the required reinvestment in their assets and generating reasonable profits to their owners and investors. The best hotels and resorts are clear: *They are in the entertain-*

ment business. Only recently has the private club industry begun to fuel thoughtful capital programming to play catch up. Maybe the private club industry can move away from the “We’ve never done it that way” business toward the entertainment business. Because it is a business. [CD](#)



Dan Denehy, CCM, CHA, is president and **Robert C. James**, CCM, CCE, CHE, is vice president, DENEHY Club

Thinking Partners, a full-service executive search and management consulting firm serving the private club and boutique resort industries at more than 300 clubs and resorts on more than 700 projects. They can be reached at dan@denehyctp.com or bob@denehyctp.com. Learn more at denehyctp.com.

WHERE BUSINESS, LAW AND POLITICS CONVERGE.

Brownstein Hyatt Farber Schreck is proud to be an executive partner with the National Club Association.

When the stakes are high. When your reputation, business or industry is on the line. When waiting on the sideline is not an option. Our integrated approach combines sensible business solutions with a Capitol Hill perspective to drive results and connect business leaders to the information they need to make decisions. Because today, successful outcomes require more than just practicing law.

50 YEARS | **Brownstein Hyatt Farber Schreck**

[Learn more at bhfs.com](http://bhfs.com)