By Dan Denehy and Robert C. James

Is stakeholder capital right for your club's future?

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Finally, with the tumultuous year 2020 ended, Dan and Bob appear to agree about something!

IN A RECENT ARTICLE, "The Case for Stakeholder Capitalism," McKinsey & Company postulates that the time has come for U.S. businesses to broaden the missions of their businesses to include serving their *stakeholders,* beyond just their *stockholders*. Major businesses in the U.S. are responding to what they understand their stockholders to expect—that the company's mission must be expanded to serve their customers, suppliers, workers and communities as well as their stockholders. This movement is growing, and given recent global attention to more humanistic issues, focus is being placed on a host of social and environmental movements, diversity and inclusion, transparency and sustainability. Society is more socially conscious and expects that behavior out of the businesses and organizations that represent them.

So, relative to private clubs, is this a track for the industry to follow as well? To improve their standing and trust in the public's eye and to better represent the expectations and mores of their memberships?

As usual, we have extensively debated this topic and found that we finally agree upon something, so there will be no point/counter point in this article. Clubs have been on this track for quite some time because the membership makes up the community; members develop close personal relationship with the staff and treat them like family members; businesses clubs are too small to do anything other than to work with and learn from their suppliers; and the members' businesses are embracing *stakeholder capital*. It is only natural to expect that from their club. Clubs may have a head start but to really meet future expectations of the membership, they will have to be more intentional and explicit.

There are five compelling principles for businesses to make stakeholder engagement a reality. We believe that they are incredibly applicable to the private club industry.

1. **Get the board on board.** Unfortunately, in many cases, club leadership intentionally tries to leave business at their businesses. Or they try to apply their business paradigms to clubs' unique sector of the hospitality industry, frequently a fruitless approach. The club is for recreation and socializing, and the board is there to sustain the culture and provide fiduciary oversight of facilities and operations. The focus of the club is clear and it's not about charity. That is where the problem often lies. This concept is not about charity. It's about engagement with the stakeholders, which will result in a stronger reputation with the community, vendors and staff—so to then benefit the club in many ways. Clubs that are good employers with a good reputation in the industry and community are better able to attract more talented and committed employees. Vendors that are treated well will speak well of the club in the community and treat the club as an important customer. A positive reputation in the community is essential to attract a quality membership. These three areas are essential to the success

of the club and should be foremost on the board's agenda.

2. **Set and track environmental goals.** Sustainability is more than just a buzz word and while golf clubs invest heavily in labor and energy saving equipment, and some clubs have achieved Audubon Sanctuary Certification, there are many more initiatives that clubs can undertake that benefit their community as well as the club. Setting environmental goals should be a priority for management and tracking their accomplishments and celebrating those in a thoughtful, public way is an important element of their own annual performance reviews.

3. **Work with suppliers to build capabilities and skills.** Successful mid- to large-size companies invest heavily in staff training and have more specialized staff than do clubs. Most clubs don't have an adequate training budget, nor believe they can afford to train their employees as extensively as they may do in their own companies. As a result, department managers depend heavily upon their vendors for new product advice and training. This runs the gamut from health insurance brokers to grounds equipment salespeople. Most clubs recognize the need to partner with their vendors; particularly when they are too small a customer to get competitive bids or to split orders between vendors.

4. **Serve consumers long-term needs.** Truly stepping back from viewing a club as a brick-and-mortar entity and considering how its services, amenities and programming affect its members and their families' lives creates an incredibly powerful perspective. As a stakeholder capitalist, it is our responsibility to think holistically and to be the visionary beyond sports and dining to factor in how those sports impact wellness, self-reliance, empowerment and successes, not only in sports but life. Dining in many clubs goes well beyond the menu to include teaching young adults how to cook to feeding members intellectual needs. Examples include simple lecture series to wellness programs that involve full, private, in-house concierge style medical care. Clubs that embrace not only lifestyle, but also lifecycle planning and programming, make the club indispensable to it membership and makes the business durable over the long term.

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5. **Treat your employees with respect and invest in their future.** Labor is not simply a cost to be managed. Especially in hospitality, and distinctively in our industry sector where the customer becomes uniquely well known to employees, the principle that employees are human capital needs to be at the core of business DNA. Our learnings through nearly 1,000 assignments in the private club and resort business points to one key reality—the best clubs in the country behave like teaching hospitals where learning and training is explicit, celebrated and rewarded by not only management but also staff and members. In reviewing hundreds of club budgets, the clear majority miss one expense line in most departments: Training. A key metric at companies that are viewed as the "best companies to work for" is that new hires are generated from the existing employee community. This has been proven to be the best way to organically adopt and grow company culture. These approaches breed stakeholder capitalism, which ultimately empowers the entire staff, top to bottom, giving responsibility and autonomy and demonstrating trust at all levels. When this occurs, the organization breeds a culture where employees act like owners, owning the member and guest experience at both the strategic and the transaction level.

Stakeholder capitalism is significantly easier to instill in the start-up or early-stage business, yet the challenge is not insurmountable in traditional clubs, easily considered fourth stage businesses. The paradigms and customs enjoyed by many and viewed to be critical in the private club industry are what all of us enjoy and keep us coming back. Yet the industry would be well served with an approach that goes beyond simply endorsing these five principles and actualizes them throughout the organization. This past year has been a disruptive catalyst for the best and brightest to step up and take advantage.

Will your club be one of them?

While Dan and I open the year in peace and harmony, you can be assured we will not continue 2021 in agreement!

Buckle up Bob, get ready for our next debate! CD

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