

The role of the Chief Operating Officer/General Manager

Club governance is complicated and delicate and nowhere more so than in the nominating process. That begs the question, if it can get political, is it a role the COO/GM should take on?

IN OUR SPRING ARTICLE, “The Nominating Process,” Dan and I debated the best structure for a private club Nominating Committee, noting that there is no single best structure for all clubs but that certain political considerations inherently may be the drivers. We subtitled the article “The Lynchpin of Great Governance” because by definition, a lynchpin serves as the essential element in a complicated or delicate system or structure. Club governance is complicated and delicate and nowhere more so than in the nominating process. That begs the question, if it can get political, is it a role the COO/GM should take on?

BOB: In our debates, Dan often accuses me of being too “old school” and risk adverse, which may be true as I tend to favor a more deliberate approach to change, looking for the unintended consequences. As it relates to the COO/GM serving on the Nominating Committee, I see far too deep a downside. If the committee is thoroughly doing its job, they are identifying several good candidates that they must screen and ultimately select for the slate that will best fill the needs of the board. The COO/GM has much vested in their selection but can easily get caught in the political fray of who gets chosen over whom and even worse, be seen as choosing sides if an opposition slate were to be proposed.

DAN: Bob, “a more deliberate approach” is code for “if it isn’t broke don’t fix it.” Our industry has seen far too many clubs close or get rolled up by private equity because they will not compel themselves to get off the dime and fix what ails them before it’s too late. If a club is looking at its

governance structure, it is likely because they see a need for change or an opportunity. We both agree that the Nominating Committee serves a critical role in good governance, but as I pointed out in our last Point/Counterpoint, it needs to be forward thinking and not bound by the undue influence of a preponderance of current directors. The Nominating Committee must reach out for fresh blood with new ideas and yes, some who will challenge the status quo. The COO/GM is an incredible resource for the Nominating Committee for identifying great candidates and providing insight as to how they relate to other members, the staff and the club’s culture, and how their leadership skills may be a culture fit.

BOB: I agree with some of your position Dan, but the COO/GM can provide those insights to the committee in an informal conversation with the chair, without sitting amongst the committee and sharing opinions and details on proposed candidates to their fellow members.

DAN: Many clubs have adopted the COO/GM structure, whereby the COO/GM becomes a partner with the board in the running of the club and strategic direction owned in partnership with the board and leadership team. Today, the COO/GM is not dismissed from the board meetings during executive sessions except when the purpose of the session is exclusively to discuss the executive’s performance, the related compensation and membership admissions. Otherwise, the executive remains a vital resource in discussions about members and membership issues as part

of the club's leadership team. The executive must have tough skin and accept that they are seen as a part of the club leadership and that includes being perceived as for and against certain club issues. If the Nominating Committee's work is not confidential, then everyone involved has a bigger problem.

All that being said, many of the readers on both public and nonprofit boards will agree, the COO has a voice in the matter. The club industry uses this title all the time but few in the role really fulfill it. How many COOs in *public* companies can't really interpret a balance sheet and cash flow? Zero. How many in our industry really manage strategically from the balance sheet? Few. This probably correlates with their potential role of having a voice in determining who gets on the board. I hate to admit you could be right in this instance, but thankfully for the wrong reasons!

BOB: Yes, Dan, I am very aware of how the general manager is being elevated to COO in many of the forward-thinking clubs around the country. And yes, I agree wholeheartedly that they should not be insulated or removed from the critical workings of the board. I am also aware that many clubs are adopting governance changes whereby the COO/GM is an ex-officio, nonvoting member of club committees, like the access afforded the president. This is a preferable approach than making the executive a bona fide member of the Nominating Committee. Depending upon the circumstances, the executive can exercise their best judgement given the circumstances at the time.

DAN: After more than 1,000 assignments in the private club space, I will grant you that it is very much situational. Our Cornell textbooks sit on the shelf along

with the governance plans we write if the plan is not shaped specifically for a club's history, customs, point in its business life and—sad to say—politics. One model does not fit all.

BOB: As usual, Dan, I don't see us finding a common ground, but I think we can agree that the debate surfaces many of the considerations that Governance Committees, boards and executives should raise in their debates over how to improve their governance model. The bottom line, segregate governance from operations; explicitly and on paper. Start there. **CD**



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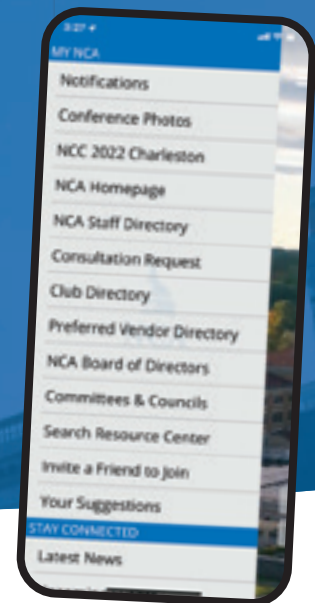
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