

# Club Director

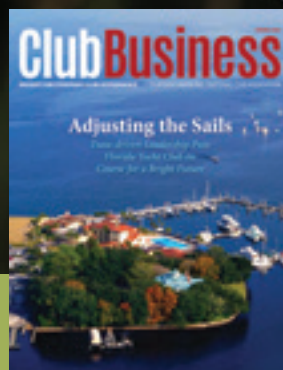
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PERSPECTIVES FOR LEADING PRIVATE CLUBS

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# How do club boards balance transparency and confidentiality?

**Today, we all cry out for transparency because we believe we have a right to know.**

**EVERYONE SEEMS** to be searching for the holy grail of best practices for a particular club issue or process, but how many times is there just one best practice? Most of these issues are situational—driven by that club’s culture, membership, economics, demographics, leadership skills, crises, etc. There is rarely one right answer, but getting to a better practice generally involves considering what other highly functional clubs do and debating and distilling down the options to what the club’s current leadership feels is most appropriate for their club.

Many club boards have become increasingly concerned about board confidentiality. Has anything changed or is this just an age-old problem that resurfaces time and again depending upon critical issues that boards must address? I suggest this is a growing problem exacerbated by society’s growing sense of entitlement, more than just a cyclical problem. Today, we all cry out for transparency because we believe we have a right to know. As Jack Nicholson proclaimed in a “Few Good Men,” “You want the truth? You can’t handle the truth!” Or consider, you want the detail? You can’t handle all the detail!

**DAN:** Or are members crying out for transparency because they don’t trust those who lead them? Is that rooted in lack of transparency of the board, too much confidentiality, lack of accountability or are these three legs of the same stool? We’re familiar with the expression, “Absolute power corrupts absolutely,” coined by English nobleman Lord Acton in 1857. The remainder of the sentence was, “Great men are almost always bad

men.” That would be a sorry state of affairs, but relating it to private clubs, I’ve met hundreds of club presidents in my 20-plus years in the search and consulting business and I don’t think I ever met one I or others believed to be a bad person—misguided sometimes, but not bad people. Regardless of their strengths or weaknesses, they are not immune to making bad decisions. But should club presidents be making any decisions at all? Isn’t it their role to be representing the board’s view?

**BOB:** To that end, we can reflect on the movement afoot to change the title of president to chair as the highest elected position in a not for profit. The thinking is that the title “chair” more aptly reflects that their role is to represent and manage the board, rather than exercising any kind of executive authority—that the role of the top elected volunteer in a club should be to run the board meetings to ensure that the work of the board is done. That person has no autonomous power, but does hold the responsibility of building consensus. They are accountable to the membership, through the stipulations in the bylaws and by the election process. They must earn the board’s trust to accomplish anything and retain their place on the board by earning the trust of the membership—or at least that is the thinking.

Personally, I think that makes sense for charitable and association boards, but not for organizations with an extensive volunteer corps. For most private clubs, there are two chains of command: the paid staff and member volunteer organizational charts. They are often overlaid to denote the advisory relationships of the volunteer



organization to the paid staff, but they are separate and distinct. The role in organizing and managing the volunteer corps is not unlike that of the GM/COO managing the staff, assessing the club's needs, recruiting talent, selecting, onboarding, developing and motivating. It is all well and good to formalize the roles and responsibilities of each level, from officers down to committee members in policies and charters, however, someone must be accountable for managing and making the system work. This cannot be done bureaucratically or by committee.

If you want another example of the complex role of the board leader, consider complaints from presidents about the amount of time they spend handling member disciplinary issues. Yes, we write into our president's charter that the president shall have no autonomous authority that is not specifically delegated to them in the club's bylaws or by the board of directors, but the president must exercise some autonomy in these and their other responsibilities.

**DAN:** Bob, I think you are throwing the baby out with the bathwater. Conceptually and perceptually, it is best for the industry that the board, members and staff understand that the primary roles of the board are:

1. Strategic direction.
2. Policy.
3. Fiduciary oversight.
4. Partnering with the club's GM/COO.

These roles represent the interests of the members as a group while directing the business and affairs of the club and that the president or chairperson is the agent of the board, regardless the title.

When a board's role expands beyond this fundamental construct, the decline of the business accelerates. Enough said?

**BOB:** Dan, we started this article off suggesting that confidentiality, transparency and accountability are each supporting pillars of a platform

on which the club's governance is built, which I believe we agree is trust. In one way or another, you and I agree that someone must be personally accountable to the membership for the business and affairs of the club and that the GM/COO must be responsible for the operations. However, how is this transparency and confidentiality dichotomy reconcilable in reference to accountability?

**DAN:** We have to approach this mostly as a matter of degree, and it might best be compared in the context of a scale. There needs to be a balance between confidentiality and transparency, with accountability as the stabilizing fulcrum of the scale. It may be a fine balancing act; the expectations today are that members are entitled to know, but realistically, they're not entitled to know everything. I think it is safe to say that any reasonable member would accept that personal information about fellow members and candidates for membership must be held confidentially. I think we can also agree that the same applies for employees' personal information, active litigation against the club and disciplinary procedures against a member. After these, clubs would be well advised to reveal as much about the club's operations as reasonable and do it on a timely basis. And when the details to be shared are important but sparse, it's better to communicate the bits and pieces often. In society today, most would agree there is too much information flow to a point where it's mostly just noise. A club is a microcosm of society. Noisy!

**BOB:** Sounds reasonable, but once again, when you dig deeper into the concept, there are many more reasons and areas to keep confidential or at least hold confidential until the case is closed or decisions are made. I feel for board members who must sign a confidentiality pledge not to reveal the discussions of the board until decisions are finalized and made public, but these pledges are necessary.

Too often, good ideas and decisions are derailed because directors leak too much information, and the board receives backlash of peer or political pressure from not fully informed, non-board members before the issue receives a full unbiased review. If considering a hot-potato issue the membership is somewhat aware of, boards would be well advised to handle the issue expeditiously and reveal as much as possible to the membership along the way, in the interest of transparency and building trust.

**DAN:** Far be it from me to assume the role of the devil's advocate, but confidentiality is the antithesis of transparency, and the scale should be significantly skewed towards the latter. While it may be a burden on a director to keep one's lips sealed on certain issues, most board meeting content should be open for discussion outside of the board. After all, the directors are the members' agents. Clubs should not make broad-brush policies, such as everything discussed in a board meeting is confidential until declared otherwise. The rule should be that everything in the boardroom should be transparent, except when specifically declared otherwise. It does put significant burden on the directors to be fully versed on what the issues are and prepared to explain them in a full and objective way when asked, but that is part of their fiduciary responsibilities as directors.

The question is, as Ray Dalio frequently says, "What is above the line and what is below the line?"

Even the best boards and GMs struggle these days to find this moving target, because it's situational. **CD**



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