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The Three Biggest Myths About Private Club Governance
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I was recently asked by a club president what common practices that I observe as I visit clubs would I correct if it were within my power. I told him that there were three typical behaviors that I call the "myths of good club governance."

The first is that the board needs to have an "Executive Session" at the end of every board meeting with the general manager excluded from attendance. Bad practice, terrible idea, and unsustainable in the long run if the club wants professional management!

Either the board believes they have a trusted partner in the management of club operations or they don't. You can't be half pregnant on this issue. Having a portion of each board meeting without the presence of the General Manager/COO signals to everyone in the club that there is a need for some "secret discussion" without the key paid leader present. There can be no good end to that story.

Most capable General Manager/COOs will begin to update their resume if that practice ensues in their clubs and with good reason. Why would someone want to work in an environment where there is less than full trust on the part of the Board? The private club is filled with "he said/she said gossip" and this type of practice feeds the rumor mill and gives fodder to the "barking dogs" in the club to undermine the General Manager/COO. Bad practice; get rid of it!

The second is that there should be multiple candidates for a set number of open Board positions. The days of the "popularity contests" should be over with in private clubs and nominating committees should present the same number of recommended candidates as there are open seats on the Board.

The model that almost every successful business has used in nominating their Board members has been adapted now by most of the successful private clubs we work with. This practice allows the club to benefit from the very best talent in the club rather than taking a chance on electing "barking dogs" to the Board simple because they have campaigned effectively for the position.

The third is expecting the club amenities to produce a profit for the club. I often quote Phil Newman from the McGladrey accounting firm who once said that "private club budgets need to be driven from the top down in the sense that there is a collected group of people with common interests who want to enjoy certain amenities and they decide what they are willing to pay to enjoy those amenities. Contrast that to a typical business where the budget is driven from the bottom up or totally reliant on selling a product or service to produce revenue."

Too often in private clubs the Board will expect that food and beverage or pro shop merchandise or swimming pool fees are going to "carry" the budget for the year and take pressure off the dues line. Very flawed thinking. If those amenities are able to contribute to the bottom line that is a bonus but don't plan your business or operational budget based on those departments producing revenue that should come from the dues line.

The club was not created for the purpose of making money; the reason for its existence is to provide certain amenities for like-minded people who understand that the financial basis for the club resides in the dues and fees charges, not in how much money the kitchen can make on a hamburger.

If I could only wave the "magic wand" and eliminate those three myths in the private club world I think we would see some clubs focus on what is truly important. Board members, General Managers/COOs and club members would all be better served if those three myths went away for good.