



# TRANSPARENCY IS THE BEST PATH FOR CLUB BOARDS

## Private Club Reporting - How Transparent is Your Board?

Why do club boards operate in such secrecy? Well, leaving aside the 20% of clubs with a waitlist and high joining fees, most boards fear sharing their financials and membership trends with their membership because they worry members might lose confidence and look for another club to join. Corporate boards have long faced the same challenge - what is the right amount of data sharing to keep shareholders happy? The best-run companies are known for the fullness and context of their disclosures. No surprise then, that the best-run club boards are also the ones who are most transparent with their members.

Everyone knows that membership trends are a combination of new member recruitment and member attrition. Net membership growth is the holy grail for clubs. But many boards just say, "We added 45 new members this year," and omit the attrition number and the overall net result for the year. (Why mention that we lost 55 members during the year, and are down 10 from where we started the year?)

Another common half-truth? Boards often announce new capital projects with great fanfare, but hide the planned projects which ended up on the cutting room floor. Wouldn't members want to know that our club had \$500,000 of projects in the works (to keep up with depreciation and what the capital reserve study calls for) but only completed \$200,000 of this agenda?

One top-ranked club in New England we know is currently projecting an \$800,000 operating shortfall this winter, but as of late October most of the Board is unaware - and the membership has no idea. How can this be? Corporate America publishes monthly financials internally and quarterly results publicly, so all stakeholders know the operating trends and the cash needs of the business on a regular basis. We have no Securities and Exchange Commission in the club business, and no reporting requirements, so many boards opt for secrecy.

**"YOU CAN'T KEEP PEOPLE IN THE DARK AND EXPECT GOOD THINGS TO HAPPEN"**  
- BRUCE ROBERTSON, CLUB PRESIDENT AT LAKEWOOD CC IN ROCKVILLE, MARYLAND

## Here's the situation facing a majority of club board members:

- ▶ You run for a Board position, or more often you are "drafted" because of your business acumen or prominence among the membership.
- ▶ You are elected for a 2-3 year term, and serve 1-2 years in a Board leadership position, effectively running the club.
- ▶ Your early months are spent drinking from a firehose of new information that you never realized as a regular club member.
- ▶ Full golf memberships are being replaced by lower-paying junior memberships; attrition among older members and infrequent users of the club persists.
- ▶ Your club does not have the cash to keep up with deferred maintenance and other nearby clubs are launching impressive new capital projects.
- ▶ Many of your fellow board members have different agendas and varying degrees of professional board experience.

So, we understand the perverse incentives that drive secrecy on club boards. What do the best-run clubs do? The opposite. "We decided that our members need to know what we are seeing as a board..." said Bill Daniel, Board Finance Chair at The Country Club of Roswell. "...So we showed them the capital needs and three ways of paying for it. Without that information, our club cannot make good decisions."

A similar approach was used at Lakewood CC in Rockville, Maryland, near Washington DC. "I sit on company boards for a living," says Bruce Robertson, Club President. "You can't keep people in the dark and expect good things to happen." Lakewood CC has laid out its strategic plan and funding needs for the membership to understand what lies ahead; members appreciate the honesty and did not blink at the most recent dues increase.



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