

The Evolution of the Head of Finance in the Private Club



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The authors of this white paper are deeply involved in the study and management of private club finances, albeit from different vantage points. We came together to discuss the evolution of the role of the Head of Finance over time. We use the term Head of Finance to avoid implications associated with job titles such as Controller, Director of Finance, or Chief Financial Officer. For the remainder of this paper, we will use the acronym – HOF – Head of Finance as the label for the staff member responsible for handling finance and accounting matters in the private club.

Regarding the definition of a private club, we refer to clubs, including residential community clubs, that provide services and amenities to members who pay dues and entrance fees to access said amenities. While clubs may hold outside banquets or golf outings, the primary mission of the private club is to serve its members. According to the Club Benchmarking database, which houses comprehensive annual financial results for approximately 1,100 private clubs across North America, 78% of those clubs are not-for-profit member-owned, 16% are taxable and member-owned, and 6% are owned by a 3rd party seeking to make a profit.

The catalyst for this work was a discussion the authors had regarding the state of financial management in private clubs. To be frank, the authors are united in the belief that the HOF role is amid a necessary and significant evolution, particularly in the member-owned segment of the industry.

In the member-owned segment of the industry, clubs are governed by volunteer leaders selected from the membership at large to govern the club's affairs, which includes oversight of the club industry professionals, including the HOF, who manage the club's operations. One critical governing role is that of the Treasurer. The treasurer is typically a member of the Board who is well versed in accounting and/or finance, very often in their own professional career being a CPA or a CFO. While the Treasurer usually enjoys a longer tenure than most Board members, including the President or Chair, there is still significant churn in the Treasurer role. Most clubs would have a Treasurer in the seat for three to five years. While "on paper," the HOF reports to the Head of the Club (typically termed GM, GM/COO, COO, or GM/CEO), the Treasurer has much input and control over the HOF's performance and performance assessments.

Nearly every professional working in member-owned clubs would agree the constant churn in volunteer leadership is the most strategic challenge the member-owned club faces. It is undoubtedly the most significant challenge faced by the professional management team. The authors feel that churn significantly impacts the HOF's ability to discharge their responsibilities properly. When we came together to discuss our various perspectives on the HOF role, we simply and quickly came to agree on the following themes impacting the HOF role:

1. There is widespread misunderstanding of the private club's actual - as opposed to assumed - financial and business model.
2. Over the last two decades, the expansion of the services and amenities offered by clubs has driven a significant increase in the assets under management and a substantial increase in member activity and, therefore, the number of transactions occurring.
3. While most clubs can meet the tactical needs of producing an annual budget, rolling up the necessary monthly and annual income statements and balance sheets to measure against budget, overall, across the industry, there is much room for improvement as regards the strategic needs relating to long-term financial modeling, capital planning and ongoing education regarding the actual Key Performance Indicators (KPIs) tied to financial outcomes and financial health of the club over time.
 - a. The authors note that the Boards' and Treasurers' perspectives on KPIs and the financial "things that matter" often shift with the churn in volunteer governance leadership, particularly the Treasurer. (Author's humorous note...ask a room full of Heads of Finance if their report styles and methods change as Treasurers change, and you will get a room full of head nodding and nervous laughter in reply.)

A Bit of Context

Co-author Phil Newman is well known as a Managing Partner of RSM's private club auditing practice. RSM has been auditing over 300 clubs annually for over thirty years. Phil's efforts in the industry over the last three decades encompasses all aspects of auditing and accounting, including frontline auditing work, managing auditing teams, overseeing quality checks, presenting audit results to audit committees, finance committees, Boards, and as an industry leader educating finance professionals and volunteer leaders involved with accounting and finance across the industry.

Co-author Michelle Riklan has a front-row seat observing the evolution of the HOF as the leading recruiter of CFO's, Controllers, and Directors of Finance across the United States. Michelle is constantly working with Treasurers, General Managers, Presidents, search committees, and Heads of Clubs (HOC) as they fill the HOF role in their clubs. Michelle works at KOPPLIN, KUEBLER & WALLACE, the leading recruiting and consulting firm in the private club industry. Michelle hears in detail the challenges and opportunities faced by the HOF from both the HOF and HOC perspectives, as well as the volunteer leader perspective, particularly Treasurers and Presidents.

Co-author Ray Cronin is the Founder of Club Benchmarking. He had the idea for Club Benchmarking after becoming involved in governance at his club outside of Boston. Cronin noted the absence of data that was clearly needed to help volunteer leaders and professional managers assess their own club's results. The private club industry is a fragmented cottage industry. Since 2009, Club Benchmarking has gathered

comprehensive financial data (via the trial balance) from over 1,000 clubs and analyzed that data to unearth the fact-based view of the private club finance and business model.

A Few Industry Facts

There are approximately 3,900 clubs in the USA with over \$1 million in operating revenue. Club Benchmarking's database, including long-term balance sheet trends of approximately 2,200 clubs and annual financial results from approximately 1,100 clubs, is a statistically significant reflection of the industry. Within the industry, there are a couple of natural industry segmentations to consider. The table below presents statistics for those segmentations to assess the scale of the accounting and finance work across the industry. The table captures the "sweet spot" of the market, the 50% of clubs that fall between the 25th and 75th percentiles.

Table 1. Certain Industry Statistics by Market Segment (in 000's)

	Standalone Clubs with Golf		Clubs without Golf		Residential Community Clubs	
	25 th	75 th	25 th	75 th	25 th	75 th
Operating Revenue	\$6,900	\$13,900	\$4,030	\$13,410	\$8,100	\$17,500
Capital Income	\$1,700	\$3,375	\$360	\$2,150	\$1,300	\$4,300
Member Count (FME)	345	645	425	1,220	340	685
Total Assets	\$11,750	\$31,550	\$6,100	\$25,200	\$14,900	\$40,500
Total Debt	\$1,200	\$6,250	\$0	\$4,600	\$630	\$6,600
Gross PP&E	\$18,600	\$45,500	\$8,700	\$31,500	\$19,500	\$49,100
Total # of Clubs	567		167		310	

The Current Situation and The Evolution of the HOF Role

Most of the standalone (as opposed to residential community clubs) private clubs in the USA were established in the early 1900s, while most residential community clubs were established after 1980. Until the early 2000s, most of the clubs with golf were golf centric. They may have had two or three tennis courts and a small rectangular pool, but the non-golf sports and amenities were not extensive. Beginning in roughly 2005, a significant evolution began across the industry, with clubs evolving from golf-centric to full-service country clubs offering a wide array of services and amenities, including extensive racquet sports (platform tennis, pickleball), resort-style pools accompanied by poolside dining and bars, extensive fitness and wellness programs and amenities including spa, massage, physical therapy, golf practice areas and golf technology (i.e., Trackman and golf learning centers) and extensive food and beverage and dining options. Some residential community clubs offer 5-8 different dining venues and options within their community.

The evolution in services and amenities are the result of a shift from a mainly male membership to an entire family membership. The focus on the family caused the number of people accessing a given club's services and amenities to increase dramatically (say from the male of the household to two spouses and two or three children). The double "whammy" – broader and more services and amenities and three to four times the number of users served to dramatically increase the number of transactions, the number of club employees, and the scale and number of buildings and physical assets necessary to deliver all the new services and amenities. Naturally, that explosion of activity and transactions puts a greater burden on the HOF and their team to properly account for the transactions and the associated increase in revenue and expenses.

The increasing scale of the club business, the greater headcount in clubs, and the increasing dues members must pay for all the new services and amenities also naturally foster more scrutiny from members and volunteer leaders as revenues and expenses grow. More reports are requested to track the increased activity and flow of cash. More volume and increased scrutiny combine, of course, to put more burden and focus on the HOF. It is not enough to simply produce a budget and then roll up a monthly income statement and balance sheet compared to budget.

Ms. Riklan, the Search and Consulting Executive, sees this impact as she interacts with search committees and Heads of Clubs when there is a need for a new HOF. These new responsibilities extend far beyond accounting accuracy and timeliness, encompassing executive leadership and presence, mentoring, business intelligence reporting, activity analysis, gross margin and profit analysis, hourly labor and workforce analysis, and given the capital-intensive nature of the club business, a serious need to be competent at long-range capital planning.

Mr. Newman, the CPA, sees the impact of the evolution of clubs, particularly in Florida, where there are a significant number of residential community clubs that have become large-scale resorts with revenues over \$30 million, food and beverage revenue of \$10 million or more and physical assets that result in accounting for the depreciation and future replacement of PP&E valued well over \$100 million. With members in such clubs paying between \$20,000 and \$50,000 a year in dues and POA fees, there is intense scrutiny of everything, including accounting and financials.

Finally, Mr. Cronin, in his role of benchmarking the financial performance of clubs and constantly working with Boards and finance committees on such matters, sees the pressure on the HOF to explain properly the sources and uses of both operating and capital funds, which leads to the necessity of someone on the professional staff, likely the HOF, having to be able to clearly paint an accurate depiction of the financial model of the private club.

All authors agree that current industry dynamics are causing clubs to ensure they have both the correct number of people and the necessary talent on the finance team to meet the increasing demands cited. Larger clubs are now hiring data scientists, fixed asset

accounting specialists, professional human resource leaders, and IT specialists, many of whom report to the HOF.

Additionally, in striving for more continuity and consistency of thought and process, the HOF must have the confidence, knowledge, and executive bearing to sit at the table with the Treasurer and President as a peer. The HOF, in partnership with the Head of Club, should be the EXPERT regarding club finances and communicating the financial and business model of the private club. All three authors are clear that given the current scale of clubs and the size of the business, it is no longer acceptable for the volunteer leaders to “dictate,” based on preconceived notions or assumptions regarding the financial model of the private club. Much work has been done by all three authors in the last decade studying and communicating the real KPIs (and yes, F&B profit/loss is not the key financial issue in a club). Volunteer leaders must trust the HOF’s expertise and be willing to listen and learn. The Treasurer and volunteer leaders are obviously there to add perspective and experience, but as a peer to the HOF, not as a master. The HOF must have the confidence, knowledge, and gravitas to respectfully “push back” on rampant misconceptions in the industry (shall we say F&B profit/loss again).

Looking Forward

To flush out the various views of the HOF position from the perspective of the volunteer leadership, the Head of the Club, and the Head of Finance, an industry survey was conducted as a source of information and context for this paper. The survey results somewhat surprised the authors. Overall, the HOFs around the industry are meeting the position's needs. Those survey questions and responses are presented in Appendix A. While the authors sensed that the evolution was widely seen to be happening, the survey results were more ambiguous. While the issues posed in this paper can be seen in the results, they are not as widespread as the authors hypothesized at the outset of this effort. That being said, we would like to lay out our collective view of the high-level role and responsibilities we now see incumbent in the private club Head of Finance role.

- Executive presence and confidence that allows the HOF to sit at the table with the Head of Club, President, Treasurer and Board members as a peer. While many Presidents of clubs and nearly all Treasurers are finance professionals with a deep understanding of finance (mainly in other industries but expertise nonetheless), the HOF must instill the confidence to be accepted as a peer on all accounting and finance matters.
- The HOF must be able to easily demonstrate mastery of the fact-based, private club finance and business model. Volunteer leaders and the Head of the Club must have enough confidence in the HOF to be the person all look to when questions regarding the actual financial model arise (the industry is still widely hampered by assumptions rather than facts). The HOF must have the knowledge, bearing and gravitas to be the person responsible for clearly communicating the logic and the insight behind the known KPIs of the private club.

- The minimum “ante” for the effective HOF is to ensure that the monthly and annual financial statements are produced promptly and accurately. The HOF must take the lead in driving discussions and analyzing ongoing results, presenting information in a clear, concise, and actionable manner.
- The HOF must understand business intelligence and data mining to produce effective monitoring of the KPIs that the HOF has put forth based on their knowledge of the private club finance and business model.
- The HOF must be capable of sitting alongside the Head of the Club and possibly the volunteer leadership to engage the club’s bankers. The HOF must confidently participate or lead in loan structure negotiations, loan terms, interest rates, and covenants, ensuring sound and favorable financial arrangements are secured for the club.
- The HOF must be able to manage the finance team and often the IT and HR teams (in the larger clubs with \$20 million and higher revenue that may encompass up to 10 people).
- Given the capital intensity of the club business (\$3 of physical assets to produce \$1 of operating revenue) and the myriads of physical assets the clubs own (74% of the assets are the Net Book Value of PP&E and the average club has approximately 600 line items in the fixed asset register) the HOF must be adept at planning capital investment. The HOF must be familiar with the concepts of replacement cost, useful life (as opposed to depreciated life), capitalization, and depreciation policies.
- The HOF must earn the respect and trust of high-net-worth, experienced, C-level business executives who typically serve on the club’s Board and Finance Committee, establishing themselves as the club’s financial expert in the room. Beyond leadership, they must confidently navigate discussions, provide strategic insights, and respectfully influence decision-making to ensure sound financial stewardship.

Conclusions and Recommendations

As the demands of the Head of Finance (HOF) role evolve, it is evident that the position must morph such that a true thought partnership exists between the HOF, Head of Club and volunteer leadership, particularly the Treasurer and President. While this evolution is underway, the private club industry must overcome significant challenges to fully embrace this transformation's opportunities. Below are the author's conclusions and recommendations for advancing the HOF role and strengthening financial leadership within the private club industry.

Conclusions

1. Evolving Role of the HOF:

The HOF role has outgrown traditional accounting tasks and is now a strategic business and financial partner, capable of driving long-term financial planning, business intelligence, and operational excellence. However, not all HOCs and Boards understand or are prepared to leverage this shift.

2. Perception Gaps:

There are inconsistencies across the industry in how the HOF role is perceived and applied. While some HOCs recognize the immense value of having a strong financial executive as a management partner, others may feel threatened by the elevated profile of the HOF as more of a peer to the HOC in the eyes of the Board and membership.

3. Lack of Succession Planning:

The private club industry lacks a robust pipeline of talent for future HOF roles. There is no standardized career path or structure for developing junior finance professionals into the seasoned executives clubs will need.

4. Misunderstanding of Finance vs. Accounting:

Volunteer leadership often equates finance and accounting, failing to recognize that these are distinct disciplines requiring different skill sets. This misunderstanding can create challenges when clubs adopt a fact-based financial model (yes, as an example we must offer the F&B Trap again). It is critical for volunteer leaders to view and accept the HOF as a peer and strategic partner in financial analysis and insights that will drive the club's financial health and sustainability. This is very different from the tactical accounting skills of rolling up the income statement and balance sheet.

5. Inconsistent Standards Across Clubs:

The roles, responsibilities, and compensation for HOFs vary widely across the industry. At some clubs, the HOF is a true CFO; at others, they function as a bookkeeper. This lack of consistency and definition undermines the profession's credibility and effectiveness and feeds the volunteer leader driving the financial dialogue based on assumptions.

6. Training and Onboarding Gaps:

As clubs bring in talent from outside the private club industry, there is a lack of structured onboarding and training to help these professionals adapt to the unique dynamics of club operations.

Recommendations

1. Educate HOCs and Boards:

- Provide education on the benefits of a strong HOF who functions as a strategic financial partner.
- Develop training programs for HOCs and Boards to understand how to utilize a financial expert's skills effectively while fostering collaboration and trust.
- Highlight the differences between finance and accounting, emphasizing the need for both functions to be managed separately but cohesively.

2. Standardize the HOF Role Across the Industry:

- Establish clear, consistent job titles, responsibilities, and compensation structures for the HOF based on club size, membership, and revenue.
- Create industry-wide guidelines for accounting and finance department structures to ensure the right talent is in the right roles.

3. Invest in Talent Development:

- Build a pipeline for future HOFs by recruiting young professionals, offering scholarships for MBA programs, and providing continuing education opportunities.
- Establish mentorship programs pairing junior finance staff with experienced HOFs to build knowledge and confidence.

4. Assess and Restructure Finance Departments:

- Encourage clubs to conduct regular assessments of their accounting and finance departments to ensure they have the right talent and structure in place.
- Develop tools to help clubs identify gaps in staffing, skills, and succession planning.

5. Budget for Training and Onboarding:

- Create a reserve for onboarding and training new HOFs, especially those from outside the private club industry.
- Develop industry-specific onboarding programs to accelerate the acclimation of new hires.

6. Promote Succession Planning for the HOF Role:

- Clubs must adopt a proactive approach to grooming talent internally and externally for financial leadership.
- Introduce internship or rotational programs to expose young professionals to private club finance and operations.

7. Encourage the Industry to Embrace Change:

- Shift the narrative around the HOF role from transactional to transformational, focusing on how an empowered HOF can drive long-term financial health.
- Advocate for Boards to delegate operational financial decisions to the HOF, reinforcing their position as a trusted advisor and expert.

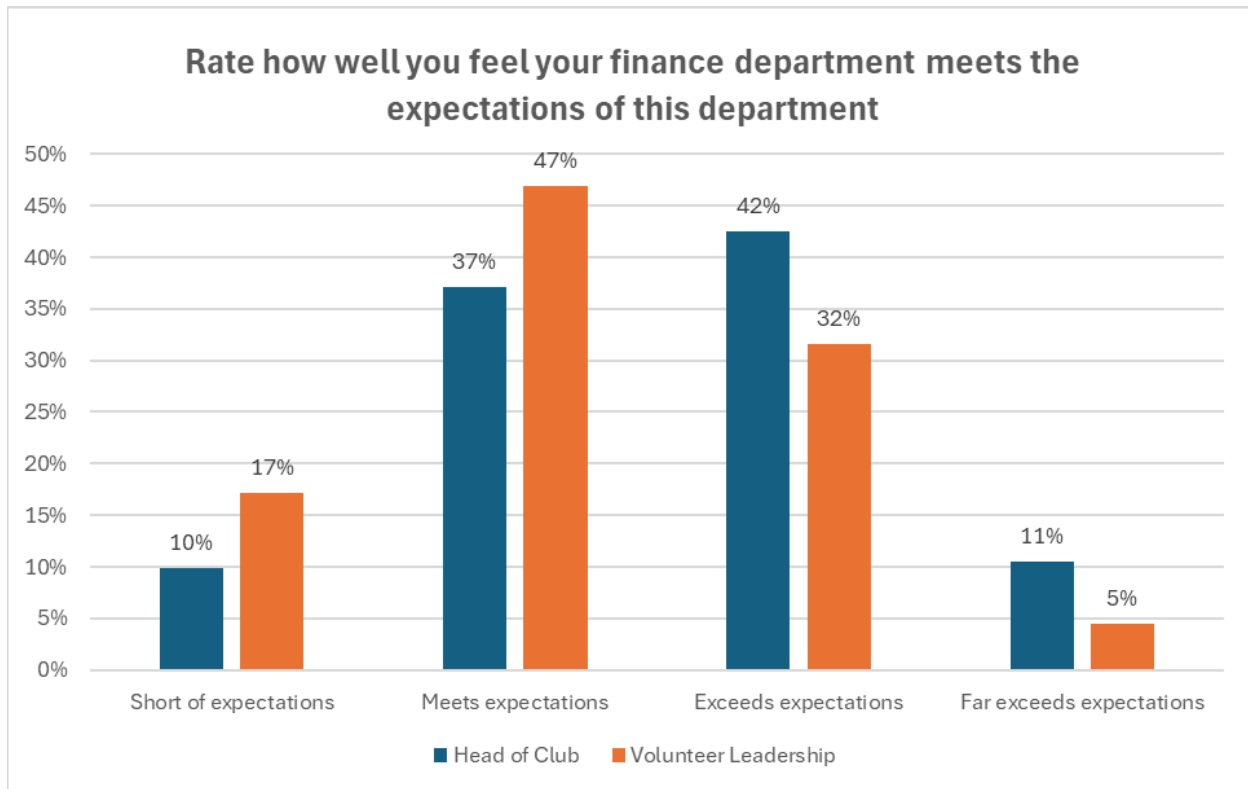
Call to Action

The private club industry is at a crossroads. To thrive in this evolving landscape, clubs must commit to investing in their financial leaders and fostering an environment where the HOF is empowered to drive strategic change in partnership with the Head of Club. By embracing these recommendations, clubs can ensure their financial operations are not only effective but also assure the club has the financial resources to meet the future needs of their members and communities.

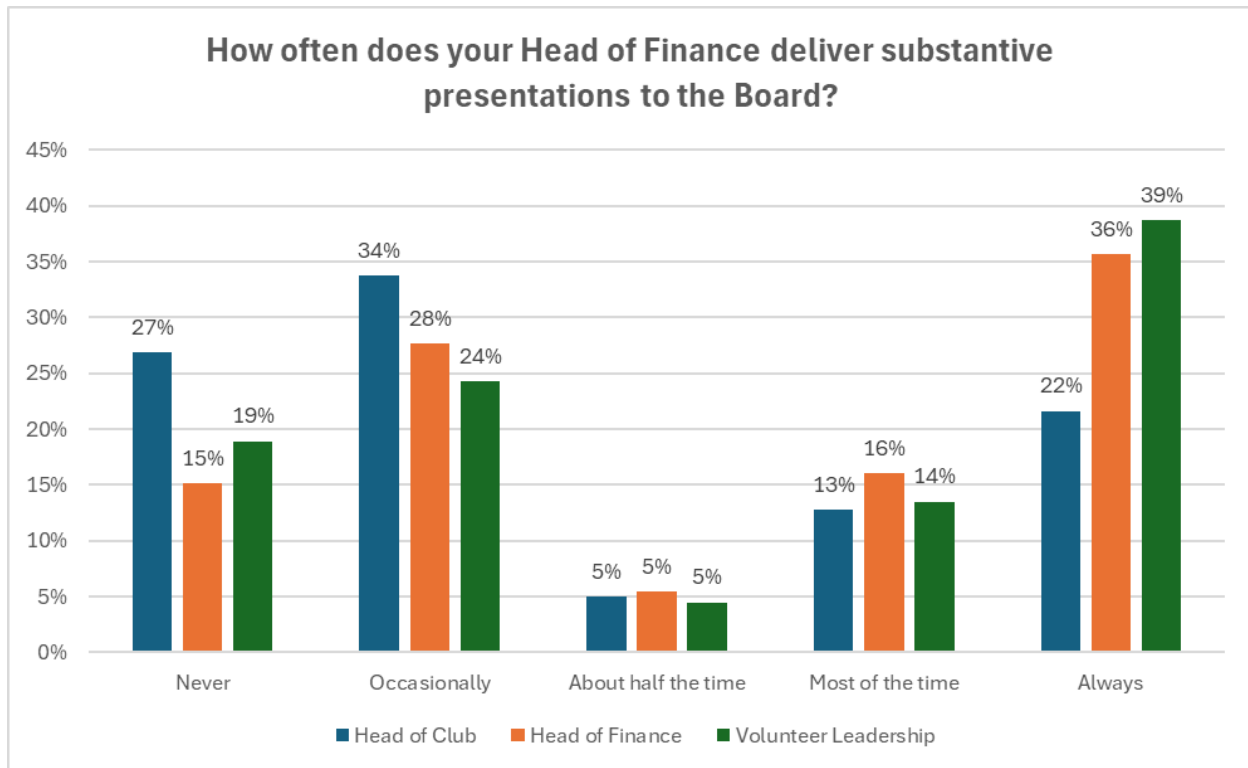
The time to act is now. We must educate, invest in, and support the HOFs who will shape the financial future of private clubs.

Appendix A

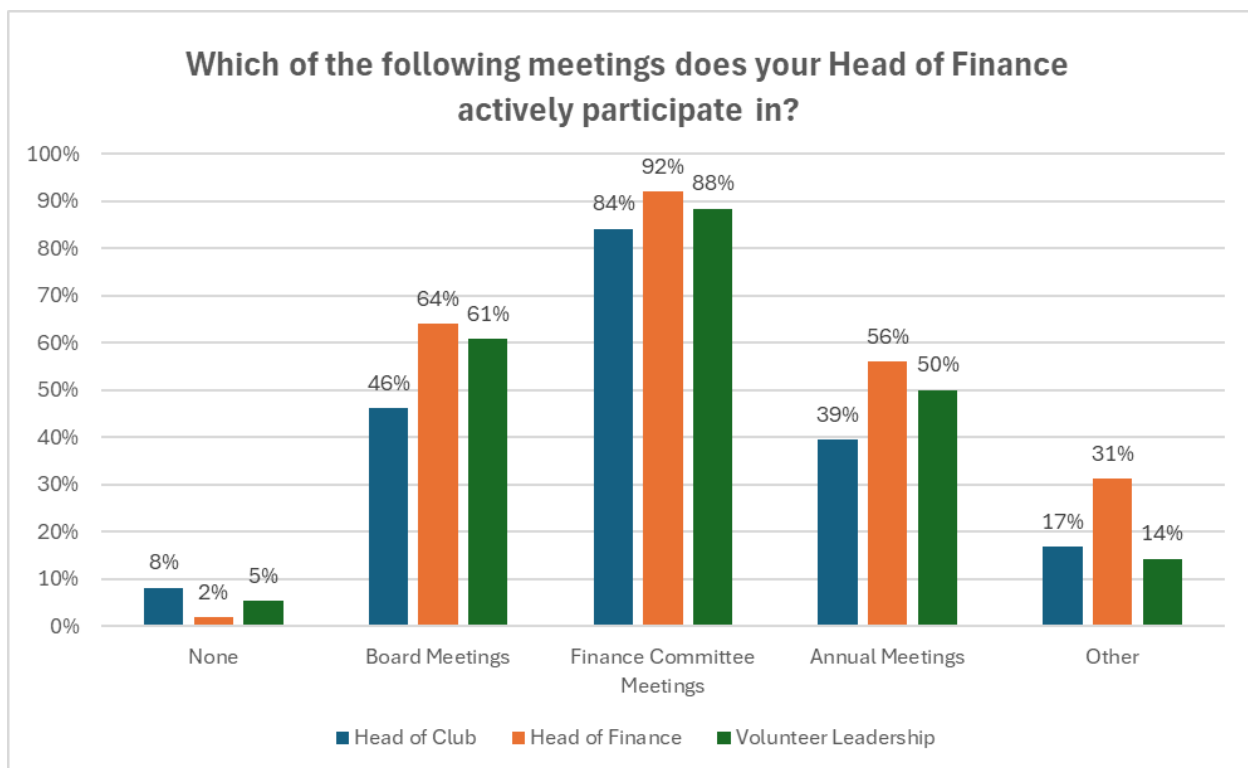
The responses in this survey came from 901 people at 749 clubs across the USA and Canada. Fifty-one percent of the respondents were the Head of Club (GM, GM/COO, GM/CEO), thirty-five percent of the respondents were the Head of Finance (CFO, Controller, Director of Finance, Other) and fourteen percent of the respondents were volunteer leaders (President, Treasurer or Board member).

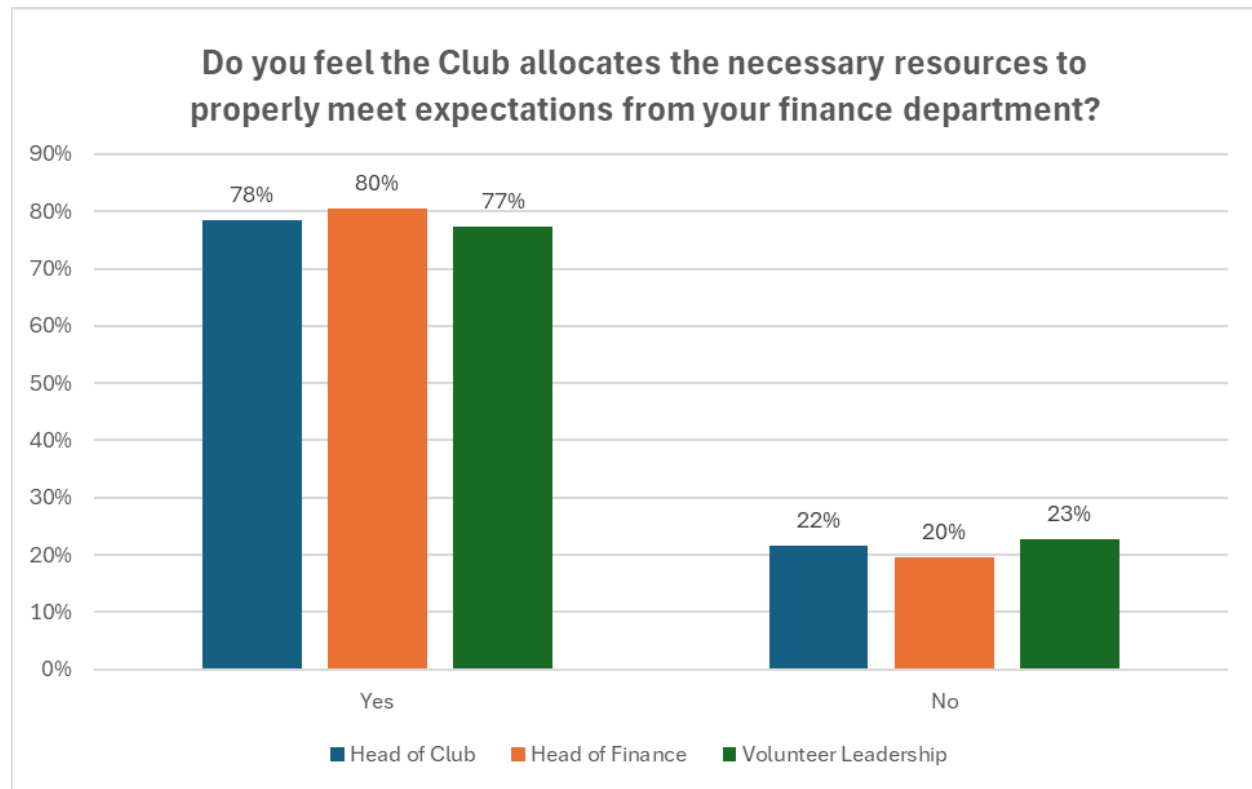


There is clearly a gap in perception between the Head of Club and Volunteer leadership.



Over or nearly half of all respondents indicate the Head of Finance does not regularly make substantive presentations to the Board of Directors – a clear area of opportunity/focus. The basis for this white paper.





The survey question presented to ascertain the following data was - **From your perspective, in regard to your own club, which are the five most important characteristics for your club's Head of Finance?**

There are three graphs each presenting the perspective of the Head of Finance, Head of Club and Volunteer Leadership respectively. In terms of the recommendations and the Call to Action, it is insightful to reflect on the differing responses from each perspective.

