Avoiding False Economy in Golf Course Management

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THE UNITED STATES Golf Association was formed in 1894 by five member-owned private clubs. The last 20 years, however, has seen a rise of golf and country clubs owned by third-party corporations. This can, of course, present significant management problems.

In equity clubs, stockholding members elect a board of directors from among themselves to oversee the club's affairs. Typically, members elected to the board are respected professionals and business leaders in the community. Each has achieved a significant measure of success in his chosen field, and he brings to the board a particular philosophy he believes has accounted for that success.

On a typical eight-member board, one might find a doctor or two, a lawyer, perhaps an accountant, a banker, a retailer, a realtor, and an insurance agent. Like most successful people, these individuals have egos. Each approaches service on the board as an opportunity to put his personal imprint on the club and further demonstrate to the members that their confidence was well placed. Since they're not paid, members serve for the personal gratification of solving problems — and each board member comes to meetings convinced he has the formula for the club's success.

The problem, of course, is that none of these individuals achieved his success through owning or operating a private club. Just how much business experience of the butcher, baker, or candlestick maker can be transferred to the job of the board member is questionable. New board members, in their customary zeal, are fond of proclaiming that the club is "finally going to be run like a business" — as if no previous board had ever considered that possibility. The question, of course, is not whether the club is to be run like a business, but rather what *kind* of business. The retailer likens the club to a retail operation, the banker to his financial institution, the doctor and lawyer to the way each manages his practice.

The clubhouse at St. Andrews, where the game has always come first.

What results is a group of self-directed independent people from different backgrounds thrown together with no training or experience for the job they are to do together. Sounds impossible, doesn't it? The wonder is that otherwise intelligent, successful individuals can be persuaded to take such an assignment.

To some degree, each board member's point of reference has merit, but none fits completely. The truth is that a private club devoted to the recreational pursuits of its members is unlike any other business, except, perhaps, a resort. Since a board comprised of resort owners or operators is unlikely, board members must acknowledge the limitations of their own experience, and understand that their new assignment requires a different perspective.

At a minimum, board members must avoid believing in what may be called the false economy of club management. In particular, across those parts of the Deep South economically dependent on oil and gas, the last several years have brought difficult times for private clubs. Since membership in a private club is understandably considered a luxury, it is among the first things surrendered in times of economic hardship. Clubs in the region watched membership rolls decline precipitously after 1983. Faced with reduced dues lines and member purchases, boards had to cut spending.

The challenge for board members has been to determine where the cuts are to be made. Some prefer an across-the-board approach. In other words, if revenues are down 25 percent, then all departments are to be cut 25 percent across the board. Although it is simple and easy to administer, an approach like this ignores priorities.

Obviously some expenditures can be sacrificed more easily than others. Planned capital improvements can usually be scrapped more readily than maintenance. As obvious as this may be, experience has shown that board members find it difficult not to erect some visible sign, or monument, to their service, something they can later point to as evidence of their tenure. Deferring maintenance, however, frequently costs a club more money than it saves when

deteriorated equipment, fixtures, or golf course conditions later require more drastic remedies than would otherwise have been necessary.

There are variations to this approach, but it is a common failing of each to ignore priorities. The first priority of any business facing spending cuts is to protect its primary revenue-producing asset, *i.e.*, the goods or services without which the business cannot survive. Obviously, the golf course is the primary revenue-producing asset of almost every club. The golf course is what attracts members and their dues. The golf course makes it possible for members to buy golf clubs, balls, and clothes from the pro shop. The golf course brings members out to the club, where they make food and beverage purchases.

A member fundamentally dissatisfied with the golf course is soon to be an ex-member. A club with a reputation for having a goat ranch for a golf course has a dim future. On the other hand, members who enjoy the condition of the golf course are likely to play more often and spend more money on themselves and their guests. Clubs known for their excellent golf courses seem to be successful in attracting members almost without exception.

For these reasons, where revenues are limited, it is important to preserve the quality of the golf course if at all possible. Cuts in the golf course budget should be made after less essential budget items are cut, and with a proper eye toward what can be deferred without a serious compromise of the quality of the course without the risk of greater expense in the future.

For example, failure to maintain a poorly functioning irrigation system can produce widespread turfgrass stress, resulting in disease and permanent loss of turf. The cost of eliminating the disease and the resulting eyesore, not to mention the poor playing conditions, is usually much greater than whatever money was saved by not maintaining the system in the first place. The old maxim "an ounce of prevention is worth a pound of cure" may seem trite, but maxims persist largely because they are true. This maxim applies here as well as anywhere.

If despite its best efforts a club determines golf course spending cuts are necessary, it remains vital that reductions in expenditures be made judiciously. Most of the professional literature indicates that the average annual golf course budget for private clubs today across the Deep South is between $300,000 and $350,000. It is not uncommon for more prestigious clubs to have golf course budgets of $500,000 to $700,000. By comparing its budget with that of other clubs, a club can gain perspective in knowing what kind of golf course it can expect for the size budget it has, and for the reduced budget it seeks.

The club's greatest asset within its golf course maintenance program is obviously its superintendent. Unfortunately, his salary offers a tempting target for the budget paring knife. At a minimum, many board members may find it difficult to reward even the most deserving superintendent with a raise in the midst of a general belt-tightening. Ironically, it can be argued that the superintendent's importance is inversely related to his budget; the smaller the budget, the more important the superintendent becomes.

A club on a small budget cannot afford mistakes in maintenance that later require costly cures. A superintendent on a small budget cannot afford to apply the wrong chemicals or engage in other poor cultivation practices; he knows he lacks the money to correct problems he has failed to prevent.

At the same time, a superintendent with a larger budget often has the commitment of the club to do whatever is necessary to maintain its course in first-class condition. He suffers from no lack of the latest in chemicals and cultivating equipment, and while he must inevitably satisfy high expectations, his superiors understand what resources are required to do so.

It is another kind of false economy, then, to save a few dollars by withholding deserved compensation from a competent superintendent, who may consequently leave for greener pastures. Simply put, it takes a more talented superintendent to produce excellent conditions with a $250,000 budget than it does to produce similar conditions with a $350,000 budget.

A superintendent who keeps his equipment running well after its useful life, knows chemicals well enough to substitute less expensive variations intelligently, or has a talent for in-house construction projects on the course is producing real savings for his club that usually do not appear on any accounting documents.

In summary, a club riding out rough economic times must understand that a competent superintendent will help preserve and protect its most significant asset during those times, and later take better advantage of increased revenues when they become available. On the other hand, a golf course seriously neglected for even one or two years may take as much as five years to recover. In that time, the club will be lucky to retain its membership base, and will almost certainly have lost the opportunity to take advantage of improved conditions by attracting new members.

In reviewing golf course expenditures, the wise board member would do well to survey other clubs throughout the region for information regarding the compensation packages being offered superintendents. A superintendent whose compensation is competitive throughout his region will more gladly suffer manpower cuts or deferred equipment purchases knowing that his club understands his importance and the value of his expertise.

Deferred maintenance means more drastic remedies later.