

# The Challenge of Change

**T**here are many reasons to consider changing the way we see and react to issues we face in the modern private club industry.

Yes, many of the issues affecting the private club industry today are cyclical and true, and not all clubs are affected. Nevertheless, we must universally acknowledge that a continuation of unfettered facility growth and the lack of ongoing strategic planning processes can mean a much tougher road ahead for nearly all of us in the private club industry.

As the new president of CMAA for 2003, Joseph "JJ" Wagner will face many of the same challenges that clubs are experiencing: the difficulty in getting participation at events, sluggish membership growth and the subsequent belt tightening which normally follows economic downturns.

The universal question, of course, is: what are the problems, how likely are they to affect the private club industry, and is there anything that each of us can do to keep out of harms way?

A native of Minnesota, JJ began his career as assistant manager of the Ranchland Hills Country Club in Midland, Texas. In 1986, he received his Masters degree from University of Texas, Permian Basin and joined the Odessa Country Club as vice-president and general manager, where he served until 1993. From there, he moved to Oak Hills Country Club in San Antonio, Texas before accepting the position to provide leadership and direction for the Bel-Air Country Club in Los Angeles, one of country's most prestigious clubs. A past host of the 1976 US Amateur Golf Tournament, Bel-Air will be the home to the USGA's 2004 Senior Amateur Golf Tournament.

JJ has been a member of the CMAA since 1983 and received his Certified Club Manager designation in 1988,

becoming, at that time, the youngest CCM member of CMAA. Since then he has been re-certified three times and is a member of the prestigious Honor Society. In 1996, he was elected to the national board of CMAA, became vice president in 2002, and begins service as the new president of CMAA in 2003 at the CMAA Annual Conference in Miami, the second youngest to have achieved this station in the 76-year history of the CMAA.

In the following interview, JJ joins Anthony Chidoni, president of Bel-Air Country Club and managing director of Credit Suisse First Boston in sharing their unique perspective, insights and overview on the evolution of the private club industry.

**BoardRoom magazine:** What are the most critical issues impacting the private club and golf industry today, and how will they play out in the long term?

**JJ Wagner:** The primary issue affecting almost all clubs is the economy and the lack of consumer confidence that follows. For as long as history has been recorded, there have been ups and downs in the economy, but the economy has always recovered and enhanced itself beyond all previous indicators. Since July 2000, the stock market and economy have gone haywire and confidence has been lost. It's a global issue that is cyclical. The current implication is tough for second homebuyers and lifestyle decisions like membership, particularly if it is a second membership, but hopefully 2003 will see the beginnings of more positive economic direction.

The net effect is that new clubs have been hurt because of the new money involvement. Older clubs that were struggling before the downturn are in even worse shape.

COVER STORY BY RICK COYNE

Members have a lot of options today besides club membership or utilizing the club every day. As managers, we need to create reasons for members to come, to stay, and to beat their drums loudly about how important membership in their club is to themselves and their family. The only predisposition for a member to join is an existing friendship at your club. Plan your events and everyday offerings to create opportunities for members to showcase their clubs to friends and associates.

I'm optimistic. Everything has a reason. If this teaches us all to be better at managing, better at strategic planning and better at forecasting, then we still win in the long haul. We've overbuilt golf and in 1996/97 time frame we reached equilibrium of supply/demand and this too, has contributed to the downturn. Fortunately, this is more of a geographic issue, but could certainly become global if club facilities continue to be developed without appropriate demographic and impact analysis.

Almost everywhere in U.S. rounds are down from the year before. South Atlantic region is up .05 percent. South Central and Pacific are even. Two states Texas and California are up 2.2 percent and .08 percent, respectively. Everything else is down, overall by 2.7 percent according to Golf Business, October 2002.

**Anthony Chidoni:** I too am an optimist, but also recognize that several things have happened over the past few

years that can and generally do affect all businesses. First, the economy and interest rates have created the general perception of "wait and see" keeping some folks from making the decision to join right away. Second, there is the supply/demand issue, which seems to have reached some level of equilibrium over the past several years. Simple mathematics would suggest if the game is not attracting any net new players, but there are still new facilities being developed, then the effect is fewer players on more courses.

**BR:** Is there a long-term effect?

**JJ:** Too many golf courses is the long-range problem, but this is a smart industry. We are already rethinking and reworking our philosophies of operation. We are already educating the public as to responsible growth of new facilities and we are working as an industry to generate new and renewed interest in golf and the private club. Long term this is an industry that will not only survive but prosper. Clubs in trouble today may be the exception. Again, clubs are like any other business. They depend upon market conditions. When a market becomes overbuilt, the strongest survive. However, as I already stated, this is a more geographic issue at this time, and through responsible growth, should not affect the entire country.

**AC:** I agree with JJ and would simply add that, as managers and operators of private clubs we need to be more

clever in appealing to the various segments of the market including future potential members by the way we plan, organize and run the various events at the club. Additionally, we must be better planners. However, to plan better, we need to know what our constituency wants and this requires laying some groundwork. I recommend that clubs provide their members with an opinion survey every few years. This not only provides management with a sense of member's wants and needs, but also allows the members the chance to candidly feed back opinions to the club on various elements of the operation.

**BR:** How has recent legislation regarding taxation for dues, meals, affected the current downturn?

**JJ:** Business write-offs for meals and entertainment have hurt the overall food and beverage industry. We hope that current legislation brings it back to 100 percent deductibility. This will help all clubs, but most importantly the city clubs, which have really suffered as many companies, which formerly paid for both the city and the country club membership opted to cover only one membership. Naturally, most individuals chose the more expensive country club membership. Unfortunately, the dues deductions may be a very long way into the future, if at all.

**BR:** How critical will additional legislation be on the operation of clubs, particularly related to environmental legislation?

**JJ:** Water may be a continual issue in the long term and may force clubs to really look hard at using reclaimed water assuming it's available. I believe that the number of clubs using reclaimed water increases each year and is good for both the community and the club.

Personally, environmentally there has not been so much laid on us as an industry that we can't handle it. Clubs contribute greatly to the local economy in each and every location that there is a club. Employment and the consumer purchases they make possible, local buying of goods for consumption at the club, and the many philanthropic programs endemic to clubs are just a few of the examples in which clubs are good neighbors. Here at Bel-Air Country Club we have a tournament that's called the Friends of Golf, which raises about \$300,000 for school golf programs around the country.

Likewise, as we consider environmental issues we need to maintain the same attitude. If it's good for the community, it's good for all of us. Communities rarely come after clubs that demonstrate responsibility to the community. It's about being a good neighbor. Protection of one is protection of the other.



Photo by David Kawashima

**BR:** What, if anything, should the various industry associations do to educate their constituency regarding the current industry trends?

**JJ:** They all do a great job in educating their constituents. At the CMAA conference post 9/11, CMAA provided speakers to discuss security and how we could work through the issues of terrorism. Many of the individual CMAA chapters did the same things. Our associations keep us informed. I feel that this is true of all the professional associations, each in their own way, each in keeping with the overall responsibility of the respective personnel in the club's hierarchy.

Under my reign as president I hope to augment what is already being done by increasing our ability to network, to seek out the issues and together, create solutions for the good of the entire industry.

One of the greatest things our associations do for us is allowing us to network. I believe club managers and clubs will get through these times because we help each other. Even though new CMAA presidents do not come in with a "theme" or goal, my philosophy for 2003 is to get to know your fellow manager more. The networking between us is invaluable. I believe with just about any situation a club manager is confronted with another manager has experienced the same thing. I have always promoted camaraderie within CMAA. I also believe

enthusiasm for your position will take you further. I also believe, even the timid manager can be enthusiastic, just in a smaller way. These are traits, especially in these times, that will assist the club manager to prevail and, in so doing, the club will follow.

**AC:** We are very proud for JJ that he has achieved the level of success that he has within the CMAA. Clearly, each year that he participates with this organization, he learns more and is then able to utilize his ideas for the benefit of our club and our members. Association participation is a definite win/win relationship.

**BR:** What resources should the industry draw upon to more comprehensively understand the actual issues and potential ramifications?

**JJ:** As an industry, we need to rely upon our associations to keep us current on the strengths, weaknesses, opportunities and threats to all of us. Again, I think this is happening. We need to rely more upon the experts in the various fields. It is not a weakness to seek the advice and counsel of outside experts. In the process, you fulfill your fiduciary responsibility and you gain additional education each time new expertise is introduced to your Club.

Bel-Air recently underwent a strategic planning process, which is becoming increasingly popular, and

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which I personally believe is a great thing. We need to take a more factually based approach to where our club has been where it's going and where we want it to go. We also need to stay completely abreast of where our industry is going. This means concentrating on global and regional issues as well as only club-related issues.

At Bel-Air, we concentrate on outsourcing a lot of what we do including strategic planning. We recently contracted with Tarun Kapoor to oversee our strategic planning, we talk regularly and allow our board to hear and read the experts, such as the articles I provide them that you have written in BoardRoom magazine.

Listening is one of the most important things we can do. Coming from a large family (JJ has 150 first cousins) I learned a long time ago, that if my mouth was engaged my ears could do little work. As an age of electronic information makes itself available, as our industry continues to be blessed with extraordinarily talented experts and managers, we have no excuse to fail. We need simply to avail ourselves of what is already there in order for us to achieve long-range success.

**AC:** Again, I agree with JJ. Thinking strategically is critical. As in any business, looking ahead with a long range plan and strategy of implementation keeps those unwelcome surprises to a minimum. This is made even more important in the private club since the terms of board members and officers are very limited. Maintaining continuity from board to board can only occur if there is a long-range plan and a set of guidelines for each successive board to follow.

**BR:** What can we do individually and collectively to keep the cyclical and even non-cyclical issues from negatively affecting the long-term strength of the industry?

**JJ:** Bel-Air is so much different than my previous experiences. We don't have problems getting or keeping members, but, like almost all clubs, spending has decreased over the past two years or so. There is no one simple

answer. Just as each club is unique, so too are their members and the solutions that will work. While one club may suffer the downturn of the economy and stock market woes, another may have these issues plus an over competitive market to contend with.

The answer lies in hard data research and making decisions based upon facts rather than conjecture or opinion. We are executives; as such we must offer up a plan that addresses all of the issues, is strategic in nature, and provides for the tools to tactically implement the plan. I doubt that any executive for a Fortune 500 company would walk into a board meeting without hard data to support a plan. Neither can we. We need to recognize the value, the experience and the educational value of our boards and committees, but in order for them to understand and respect our experience and educational value, we need to earn it everyday in the professional efforts we put forward to keep our clubs strategically on track.

**AC:** I would simply add that communications with the membership is crucial to keep everyone informed, on the same page and supportive of the management team and the board.

**BR:** Given the affects to other industries of negative media attention, how should the industry posture itself for the media?

**JJ:** Overall, I believe that the private club is a private issue and that club members should be protected from negative or unwanted attention, however, as it relates to the industry and the media attention it is receiving I am not terribly concerned with the press the club industry has received thus far. I do agree, however, that too much negative press about the isolated problems within the industry could cause problems in the long term.

Our industry associations, our industry experts and our affiliation of club professionals, regardless of their professional bent, need to better understand the issues, engage in some of the grass roots programs

such as Golf 20/20, and support the overall growth of the industry.

We all have a stake short and long term. The issues transcend the professional associations and their individual members. We are all in this thing together. Individually we make a difference, but collectively, in individual pursuit of grass roots solutions, we make a statement. Our industry is strong and we are the gatekeepers.

On a more local basis, relative to media, Bel-Air is currently drafting a media management policy, taken from the National Club Associations program. As a private establishment, our business is our business. If there is reason for having a media response, we have a designated individual spokesperson to handle all media inquiries and interviews. I would certainly endorse this as a means of handling media inquiries at all clubs.

**BR:** JJ, in closing, what is your prognosis of the future of the private club industry?

**JJ:** As I said before, I am very optimistic. While we all agree that there are issues affecting us today that are difficult, adversity simply makes us all smarter. The competitive issue will be the single most difficult problem to overcome simply because it is not cyclical. Fortunately, the overbuilt areas are isolated geographically and with some concerted industry involvement my hope is that we can keep the problem from becoming more widespread through education and analysis.

On a more fundamental level, the various associations, which provide support to the club's professionals, have stimulated a professional growth that is unprecedented.

Golf professionals, superintendents, marketing directors and club managers have all benefited from the educational programs, the leadership and the networking capabilities of their associations. They listen to our issues and provide solid solutions. They prepare us to deal with not only the present, but also the future.

No doubt there are challenges, but like no other time in the history of private clubs, the professionals that make up the club's department head level staff are ready to meet them head on and continue to make progress. For my part, I welcome the challenges. It can only make me stronger.

## Conclusion

The challenge of change is a dynamic process. The more we view the club operation as the business that it is, the more we utilize analysis and hard data to make our decisions, the more we rely upon our club professionals to strategically plan and tactically implement, the more we support the associations that make our professionals strong, the better capable our clubs will be to withstand the dynamics of change.

An industry in trouble or an industry in transition? The choice is ours. BR