

Guidelines for the GM Evaluation and Compensation Committee process

The current Club policy calls for the Committee to be appointed by the President and to consist of the Vice President, the Chair of the House Committee and the Treasurer. The Committee is to meet at least quarterly with the GM and prior to May 1st, deliver a report to the Executive Committee evaluating the GM's performance in the current fiscal year and his goals for the coming year. The committee also recommends a compensation program for the coming fiscal year, which is contained in a separate memorandum.

Although the Committee consists of two members, the House Chair and the Treasurer, who can serve in their offices and on the Committee for up to three years, the consistency of the Committee's approach can still be impacted by the turnover of its membership. The goal of this memorandum is to lay out a process for evaluating and compensating the Cosmos Club GM that gives Committee members guidance in carrying out their duties and improves the consistency of the Committee's deliberations over time. By following a process that relies on well-defined goals, a framework for discussing performance and adequate documentation of that process, Committee members with different experience and backgrounds should be able to engage in meaningful discussions with the GM on his/her performance and goals as well as reach a consensus on a compensation recommendation to the Executive Committee that reflects that performance.

Components of the process

A number of principles define the process: a) a common understanding by the Committee and the GM about how the process is designed to function; b) the process is to evaluate how effectively the GM applies the Club's mission and its strategic priorities in developing and implementing his/her operational plans and goals; and c) this is not an exercise in micro management or a coaching session, neither of which are the BOM's responsibilities. The BOM's responsibility is to set policy and direction for the Club and to hold the GM accountable for accomplishing them. This is an interactive process, initiated by a report from the GM outlining his/her accomplishments in the past year and his/her proposed operational goals for the coming year.

The GM should formally sign off on the Committee's report to the Executive Committee on his performance with the option for the GM to provide an addendum expressing any reservations about the report.

Role of the Vice President

Two of the Committee members, the House Committee chair and the Treasurer, will often bring experience in dealing with the GM to the process, but the VP may well not have had that opportunity. By serving as the Chair of the committee and leading the process, the VP will have opportunities to interact closely with the GM. The VP will also secure input from the Club president and any other relevant sources.

General GM management objectives:

1. To maintain and improve the Club's physical facilities so they offer a vibrant, warm and inviting environment conducive to intellectual and social engagement.

2. To create a food and beverage experience comparable to the best city clubs in the country, including multiple dining options for formal and less formal dining.
3. To create a memorable lodging experience for members, reciprocal club members and guests, with three distinct options: the Mansion, Hillyer House and the Annex.
4. To attract and retain an outstanding staff that is committed to the membership and dedicated to a high level of service and continuous improvement. To maintain practices that enhance employee morale and build institutional loyalty.
5. To maintain an atmosphere in which all interactions between staff and members are mutually respectful and cooperative. To maintain a relationship between Club staff and Club leadership that is respectful and productive.
6. To manage the Club's financial health by monitoring its financial condition and balancing revenues and expenses in order to provide the financial resources to maintain and enhance the Club's physical facilities and build reserves against unexpected contingencies.
7. To support the initiatives of the Club's leadership to increase the engagement of existing members in Club activities and to attract new members.
8. To support the activities of the Club by identifying and installing IT capabilities that incorporate among others: operational requirements, web-site functionality, mobile communications tools and facilitate programs for internal and external audiences.

Strategic goals:

The BOM, working with the relevant committees and the GM and his/her staff, is responsible for setting the strategic priorities and plans for the Club. The Club's strategic planning process has typically focused on four main topics: maintaining and improving the Club's physical facilities; preserving the Club's financial position; retaining existing members and attracting new ones and facilitating a variety of appealing programs and activities that engage our members. The GM and his/her staff play a crucial role in working with the BOM and the committees to develop specific plans and projects that carry out the strategic goals. The specific implementation steps for these plans and projects during the period under the Committee's review will ordinarily be part of the GM's operational goals.

Traditionally, the BOM's strategic initiatives are being pursued by separate groups in the Club. It is imperative that the Evaluation and Compensation Committee members inform themselves of the progress on the separate strategic initiatives so they can evaluate the GM's performance in this important area.

The GM's operational goals:

Proposing these goals is the responsibility of the GM but the evaluation process provides the opportunity for the GM and the Committee to agree on their potential to promote the mission of the Club and move it toward its strategic goals. The qualities of effective goals have been well-established and include the following:

1. They should have a meaningful impact on the Club's activities.
2. They should be manageable and achievable with the resources in or available to the Club.
3. They should be specific and preferably have actions and benchmarks.
4. They should have a measurable impact.
5. They should have a timetable that is achievable. They can have multi-year schedules.

The process for determining the GM's final goals should be collaboration between the Committee and the GM on items such as what goals are included, their priority, what resources are required and the amount of challenge they represent. One of the objectives of the goal setting process is a good discussion about the GM's thinking. The goals and the plans to achieve them are subject to unexpected events and changes in priorities and the quarterly Committee reviews are opportunities to discuss how the GM manages through them.

The GM's leadership role:

Evaluating the GM's leadership abilities and accomplishments is a more subjective and qualitative process than evaluating goal accomplishments. However, accomplishing goals often requires a full range of outstanding leadership and personal qualities. Evaluating these qualities can highlight personal weaknesses that undermine the GM's effectiveness and improving them can make an important difference in the GM's ability to do his/her job.

Important leadership and personal qualities are also well-established and include the following:

1. A habit of exercising emotional intelligence: trustworthiness, persuasiveness, perceptiveness and flexibility.
2. An ability to motivate others to exhibit commitment, a proactive attitude and a willingness to set and pursue goals.
3. An ability to pursue continuous improvement by building strong teams and encouraging innovation.
4. A commitment to recruiting, motivating, developing and retaining highly competent employees in general and managers in particular.
5. An ability to cultivate a culture of financial awareness by the GM's own financial knowledge and use of data along with a commitment to instill prudent financial decision making throughout the organization
6. A collaborative leadership style: good listening skills, an ability to deal with disagreement and to seek compromise, an ability to push toward resolution and implementation.
7. Persistence, presence and stamina: An ability to overcome obstacles and to be effective despite long days of being available and in control.
8. Outstanding interpersonal skills: an ability to develop solid working relationships with staff, Club members and Club leaders.
9. Professional and industry awareness: a commitment to personal professional development and identifying industry best practices that could be applied to the Club.

Good documentation:

One of the most useful tools for encouraging consistency of the evaluation process is maintaining good documentation of past GM submissions, Committee deliberations and analysis along with past reports to the Executive Committee and BOM.

Compensating the GM:

A GM compensation plan that is competitive, relates to performance and helps retain an outstanding GM is critical to the Club's ability to achieve its mission. The GM's compensation in a particular year should

be aligned with the results of that year's evaluation. The compensation plan has to be competitive within the context of industry and peer comparisons. Currently, the Committee uses data provided by the CACM, an independent association of City Clubs, that provides information that allows comparisons with comparably-sized city clubs across the country as well as locally.

The GM compensation level has to reflect any financial constraints on the Club. Due to developments beyond the control of the GM or Club leadership, such as a protracted economic downturn, the Club's leadership may decide to moderate the GM's salary increase or defer bonuses despite the GM's strong performance. For this reason it is essential for the Committee to review the past trend of the GM's compensation and project scenarios for its future growth in order to evaluate the Club's ability to afford the GM's compensation over time. Working toward a mutual understanding of a future compensation strategy is an important ingredient in retaining an outstanding GM.

Compensation plans can include various components which offer different incentives that can be combined to customize the compensation package in a way that meets a GM's particular needs and desires. Designing compensation elements and evaluating their tax implications can be complex and it may be appropriate for the Committee to consult with outside experts in compensation and/or legal advisors.