

# The Balanced Scorecard Approach For Private Clubs

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## INTRODUCTION

While clubs have made great strides, many continue to lack a formal, objective tool in both measuring and compensating senior management for performance. Since I don't have empirical evidence or data, my guess is that clubs use a variety of tools, or metrics, to measure and pay for performance. It is very likely that many clubs do have some sort of a bonus system but may lack appropriate metrics. Others may have metrics, but those they have in place are not applied to measure performance. For most clubs, the predominant metric that determines senior management bonuses are financial results; and that's the rub. While most Boards talk about member satisfaction, many continue to reward management primarily for financial performance. In addition to member satisfaction, we must also focus on the satisfaction of our employees. Some GMs are so focused on providing a superior member experience that we completely forget that the very people who are responsible for providing that experience are the employees themselves. So, would it not make sense that we also monitor their satisfaction? I believe there is a strong correlation between happy employees and happy members. Finally, we also have goals and objectives that we need to accomplish, be it handed down from the Board, part of a Strategic Plan or simply goals that we have as leaders for our departments. So how does a GM blend these metrics to equitably determine bonuses for the leadership team? By developing and implementing a Balanced Scorecard (BSC). By no means is this a new concept. I was first introduced to this at Georgia State University as part of my MBA curriculum. This concept jumped out at me, and I decided to modify it and apply the principles in the private club space. Is this a tool for every club? Not really. As every club manager will tell you, it depends on the club. Just because it makes sense in the "real world," doesn't necessarily mean it make sense for your club. Before we embark on the Balanced Scorecard journey, let me first share with you the pros and cons, and then we'll explore the mechanics.

## THE GOOD

**Communicates your strategy** – The Balanced Scorecard makes it easier to communicate the way we talk about our strategy—but having a strategy and discussing it is only one piece of the puzzle. For our scorecard to be effective, we need to be able to execute our strategy, which includes managing it, making decisions around it, measuring it, and implementing it.

**Provides alignment** – When implemented correctly, all departments should align with a common strategy, and the Balanced Scorecard facilitates this process. With the BSC structure, we can link our critical objectives to the objectives of the Board, as well as aligning the objectives of our committees.

**Provides structure to your strategy** – The Balanced Scorecard is a logical, structured way to help the leadership team ensure that all areas of the organization are covered in an easy to understand way. It helps keep our goals at the center, uses specific measurements to track progress, and follows initiatives to track actions.

**Its objective** – The Balanced Scorecard is intended to remove the emotional aspect of paying for bonuses. The BSC focuses on facts, rather than the rumors or opinions of the boys in the card room, or the ladies on the tennis courts. Easier said than done. Emotions play a massive role in the private club world; bonuses are no exception. Many club managers, including myself, have received bonuses following a short meeting and a firm handshake from the club president, and it is not uncommon for presidents to bring up issues (both positive or negative) with little to no supporting evidence to back up their claim.

## **THE BAD**

**Can be intimidating** – Some areas commonly understood in the corporate world can still cause stress for some club managers and their senior team, like financial analytics, business intelligence, and implementing and applying appropriate metrics. In the case of the BSC, if the GM and the management team are not familiar with the concept, understandably, it can be intimidating and downright scary.

**Can be a cultural disaster** – Many great ideas have failed in private clubs because they don't fit the cultural norms found within clubs. Nowhere is the saying, "culture eats strategy for lunch" truer than in private clubs. Because club cultures are created by people, both by the ones that work here and those that play here, almost all initiatives pass or fail strictly on how they are perceived by one or both groups. Remember, even if an idea can save money, improve service, or prevent something from happening, it only matters if it appears that either group is negatively impacted. In this case, with the Balanced Scorecard, the group of concern is the leadership team. It's ironic how we might critique our members at large for not accepting change, but in all honesty, we, who govern might not be that different. This may be especially hard to embrace, initially, because to date, we have not had a system, process, or metric to measure, or pay, for performance. This is why it took three years to fully implement the system, using a measured and thoughtfully monitored introduction, education, implementation, and finally, a fully functioning process, once it was familiar, well understood, and put into practice.

**Can be perceived as too rigid** - Let's face it, as club managers we find a great deal of comfort in the gray; heck, many of us, myself included, thrive in this world of gray. There is a benefit to having loose goals and objectives with no metrics, especially in private clubs. While my team and I have lots of control over our operations, we don't have all the control. If it is not the Board deciding to implement a new policy that has a negative impact on the financial outcome, there is a high probability a committee will develop an idea that will further increase the likelihood of missing budgeted goals. And in the private club world, this happens often. Countless decisions are made without regard for the financial ramifications to the budget. I have made some accommodations to address this in the BSC approach.

## PURPOSE

A Balanced Scorecard is used to measure team performance across key areas of responsibility. The scorecard clearly defines established targets leading to an overall score, which drives future development and bonus potential. The categories below are what I use for my leadership team.

## CATEGORY DESCRIPTIONS & CRITERIA FOR SCORING

### 1. Membership Satisfaction – 30%

Ultimately, we are hired to make sure our members and guests are happy. But measuring happiness in clubs can be both difficult and confusing. We conduct an annual membership satisfaction survey that covers amenities and services throughout the entire club. Please note that we designed the survey to reflect the balanced scorecard. Stated differently, we determined what we wanted to measure first, then we asked the questions. The Balanced Scorecard incorporates results from the following:

**Membership Survey Score – Club-wide.** There is a single question that asks our members for their overall satisfaction as a club member. All leaders will receive the same score for this specific metric.

**Membership Survey Score – Departmental.** These are scores from the questions that are department specific. The overall average of department scores will be used for the departmental actual value.

**Membership Survey Score – Position Specific.** We asked members to specifically rate several members of the leadership team, including me. Personally, I have a problem with asking the membership to rate my team and not me. The average of the four questions is reflected here.

### 2. Staff Satisfaction & Professional Development – 20%

At Medinah, we firmly believe that we are a “family serving another family” and we are committed to taking care of our employees. Listening to their feedback is important in ensuring staff satisfaction. We “listen” through normal day-to-day conversations, as well as through structured communication tools such as the ones described below. As stated above, there is a strong correlation between happy employees and happy members. So, how do you measure staff satisfaction?

#### Employee Survey

We engaged a third party to create a specific employee survey called the Generally Accepted People Metrics™, or GAPM, to monitor staff satisfaction and employee culture health. The GAPM Employee Survey is conducted two times per year. The survey consists of 33 questions, divided into three sections, focusing on self, team, and leadership performance. The categories we measure include five Key Metrics regarding Structure, Productivity, Execution, Engagement, and Due Diligence. The survey is available in English and Spanish and is administered both online and on paper. All employees in the club are asked to participate, and results and trends are reviewed collectively and

by department(s). In addition, our employee Culture Teams plays an active role in providing feedback to the leadership team, as well as suggestions for improvement.

The results are based on an eight-point scale and are color-coded using the following key:

6.1 – 8.0	Strength
5.1 – 6.0	Positive Low Risk
4.1 – 5.0	Moderate Risk
0.0 – 4.0	High Risk

**Employee Survey Score – Club-wide.** This is the average overall score for the employee satisfaction from all employees.

**Employee Survey Score – Departmental.** These are scores tallied from all questions that are department specific.

### 360 Review

Like the BCS, the 360 Review is not a new concept. A key study found that 360-degree (or multi-rater feedback) has been used by approximately 90% of Fortune 500 companies. The popularity of 360 Reviews is undeniable. Popularity aside, if you have never conducted, or participated in, a 360 Review, you are in for a real treat – and not in a “great, I can’t wait” kind of way. I can tell you that the first time I had a 360, I cried like a baby. You can ask my wife, she will tell you. While it can be painful, a 360 is a very valuable tool for leaders. So, what is it? Basically, a 360-degree feedback process that includes feedback from an employee's subordinates, peers (colleagues), and supervisor(s), as well as an employee self-evaluation. The 360 Review is administered annually to our leadership team. Each leader completes a self-review. Their direct reports and peers also complete an assessment, as well as their supervisor (which in their case is me). Results are scored and used to identify areas of performance excellence and opportunities for continued growth and development. The 360 assessment consists of 31 questions, using a rating scale from “never” to “always” and “not applicable.” Two open-ended questions are also included to provide the assessed with personal feedback; however, this feedback is not reflected in the final score. The results are calculated based on the actual scores, and number of reviewers for each leader being assessed. The maximum blended score is 4.0. Please note that we did not apply the 360 metric during the first year we implemented the assessment, instead, we used it as a learning tool for the team to focus on how to improve and grow as leaders. Targeted scores may be different for different leaders. The 360 Reviews were created and conducted in-house and the results tabulated anonymously by our Human Resources Department.

### Monthly Communication Meetings

I have yet to be part of a club where the employees believe that communication is NOT an issue. Almost every club suffers from the lack of communication syndrome. Employees don't think managers communicate enough, department managers don't think other departments are communicating enough, and so on. In addition to our “all staff meetings,” where I communicate with

our entire staff, we also have mandatory monthly departmental meetings. The purpose is to keep employees informed and engaged. The meetings also provide a platform for reviewing goals and objectives, as well as discussing successes and challenges. Leaders are asked to discuss specifics involving safety, employee development, and general concerns. We use a specific form/template. The entire meeting is documented, and employees are asked to sign in. Once complete, the supervisor forwards it to the senior manager for review and signature, who ultimately sends it to me. This allows my leadership team and I the opportunity to discuss possible issues during our weekly 1-1 meetings. The first year, the leaders were asked to complete a minimum of six departmental meetings per year, and eight the following year.

### **3. Financial Performance – 30%**

If you ask any club manager where their Board or club focuses their attention, chances are finances will be the first or second priority. Given the declining economy over the past ten years, club Boards have been forced to focus on club financials, and as a result, there has been more pressure on club leaders to perform and meet, or exceed, club budgets. As leaders, I expect my team to be fiscally responsible, by diligently managing their budgets and reviewing their operating statements. In this area, we have two financial performance metrics, those being department specific and club-wide. My team must not only focus on how they perform individually, but also how we perform as a group. As a team, we either do well together, or we don't. This encourages the group to work as a team. The total value for performance in the financial category is based upon the fiscal club budgeted net operating results and the departmental net operating results. Final budget numbers are provided by the CFO at the end of the fiscal year following the completion of the audit. In the future, I will consider additional metrics. For example, for the Executive Chef, I may include food costs, for the F&B Director, beverage costs, and payroll expenses for some, or all, of my team members. I'll include metrics that I want my team to focus on. Remember, what gets measured, gets done.

**Club Budget - Net Operating Loss/Profit:** This the net results of the year end financials.

**Departmental - Net Operating Results:** This the net result of departmental budgets for year end. If the manager has more than one department, we can take an average or weigh them as we deem important.

So, what happens when Board or committee creates a policy that negatively impacts our operating budgets? For example, the Board may want larger and thicker towels for the pool, which will add to the cost of supplies. Or maybe they would like to increase the operational hours of a particular amenity, which adds to the labor expense. You get the picture. We document these decisions or create a "request to change the operating budget" form for committee chairs to approve before implementation.

**4. Operational Goals & Objectives – 20%**

Each leader is responsible for creating their goals & objectives for the fiscal year. The goals & objectives should align with the strategies of the Club and include the key initiatives for their areas of responsibilities. Leaders complete a goals & objectives template to document their responsibilities, including timelines, prioritization and significance and we review the document together on a quarterly basis. The ability to successfully adjust and complete goals is essential to achieving operational excellence. Goals & objectives also include the formal evaluation of their employees’ performance and their commitment to improving their skills and abilities. Learning and growing are two of our core values and leaders are expected to mentor and develop their teams. The individual leader’s development plan should also be included in their goals & objectives and should be based on results from their 360 Review and GM/COO coaching. Their scorecard results in this category correlate directly to the emphasis they put on positive improvement. Resources are available through a variety of methods, which will connect leaders with strong sources of future development.

Annual Goals & Objectives										
Year										
Name :										
Department:										
Goals/Objectives/Tactics	Alignment with Club Goals	Weight	Target Completion Date	Status	Status	Status	Status	Measurement	Additional Information	
<b>Goal: Lead the selection process for a new insurance broker</b>										
6.1	Objective: Provide the most cost effective and quality solutions for our employees		5%	Qtr 1	Complete					
	6.11 Tactic: Complete RFP process and manage broker for 2017-2018 plan year			Qtr 1	On-going	On-going	Complete			
	6.12 Tactic : Leverage Broker services			Qtr 2	Complete					

At the end of the fiscal year, the leader and I will meet to discuss their success in completing their goals & objectives, considering all factors that contribute to targeted outcomes.

## SCORING

Tying the overall scores to performance payout can be accomplished in several ways. The actual percentage of the BCS can be used to pay the exact amount of the potential bonus. A manager that receives a 92.8% score would receive 92.8% of their bonus. We chose a slightly different path. As shown below, I prefer the range method. The primary reason is that there are so many factors that are out of management's control, yet have an impact on the BCS. A Board policy on access to the tee can decrease the number of golfers renting carts, or a change in the guest policy will decrease the amount of guest fees collected. Weather can change and wreak havoc on the financials. These events cannot be controlled by the management team, and it would be inequitable to penalize them for something they had no control over. With the range method, these variables come into consideration. The other benefit of this method is that it takes the anxiety away from the management team.

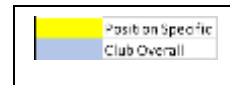
Bonus Potential	
Weighted Score	% Bonus
90 to 100	100%
85 to 89	90%
80 to 84	80%
75 to 79	70%
70 to 74	60%
65 to 69	50%
60 to 64	40%
55 to 59	30%
50 to 54	20%
45 to 49	10%

# APPENDIX

## Member Survey Scoring Guide & Scoring Logic

Survey questions as assigned to individual departments.

2017 Member Satisfaction Survey / Balanced Scorecard Guide										
Leader	Club	Accounting	Kitchen	Golf	Membership	Clubhouse	Communications	Grounds	Engineering	HR
Survey Question										
1										
2										
3										
4										
5										
5A				x						
5B				x						
5C				x						
6										
7				x						
8				x						
9										
10										
10A										
10B				x						
11				x						
12				x						
13				x						
14										
14A				x						
14B				x						
14C				x						
14D				x						
14E				x						
14F				x						
14G				x						
14H				x						
14I				x						
14J								x		
15										
15A								x		
15B								x		
15C								x		
16				x						
17										
18										
18A			x			x				
18B			x			x				
18C			x			x				
18D			x			x				
18E			x			x				
18F			x			x				
19										
20			x			x				
21						x			x	
22						x		x		
23										
23A	x									
23B						x				
23C		x								
23D					x					
23E										
23F						x				
24										
25										
26							x			
27							x			
28										
29						x		x		
30						x				
31						x				
32						x				
33						x				
34										
35	x	x	x	x	x	x	x	x	x	x
36										
37										
38										
39										
Average	x	x	x	x	x	x	x	x	x	x
Median	x									x



- Maximum Score = 5.0
- Target Score = 3.5
- Maximum points received for achieving target, 80% of points received for achieving a minimum of 80% of target, 70% of points received for achieving a minimum of 70% of target, 60% of points received for achieving a minimum of 60% of target, 50% of points received for achieving a minimum of 50% of target, zero points for achieving below 50% of target.



## Employee Survey Calculation Tool & Scoring Logic

### Survey Score Calculation Tool

Overall Club			Department						Totals		
		Green and Blue (4), some Yellow (3), some Red (2), Lack of Green or Blue (0)	Green/Blue (1) Some Yellow or Red (0)				Steady and Improved Scores / % change $\geq$ -5% needs to be > 50% (or All Green) ** (1)	Improved Participation / Most recent survey needs to be over 70% (1)	Total of Possible 10 points	Met Target of 8 points	
GAPM Group	Director(s)	Survey All	Key Metric Categories	Self	Team	Mgt	Sub-total	Consistency & Improvement	Participation	Total	Target
SAMPLE #1	NAME	4	1	1	0	1	3	1	0	8	Yes
SAMPLE #2	NAME	3	1	1	0	0	2	1	1	7	No
Department		Count	Percent	Score							
		# with 5% (or greater) decrease from previous survey	% of Total (33)	Points <50% (1)							
SAMPLE #1		13	39%	1							
SAMPLE #2		18	55%	0							

- Maximum Score = 10.0
- Target Score = 8.0
- Maximum points received for achieving target, 80% of points received for achieving a minimum of 80% of target, 70% of points received for achieving a minimum of 70% of target, 60% of points received for achieving a minimum of 60% of target, 50% of points received for achieving a minimum of 50% of target, zero points for achieving below 50% of target.

#### 360 Scoring Logic

- Maximum Score = 4.0
- Target Score = 3.0
- Maximum points received for achieving target, 80% of points received for achieving a minimum of 80% of target, 70% of points received for achieving a minimum of 70% of target, 60% of points received for achieving a minimum of 60% of target, 50% of points received for achieving a minimum of 50% of target, zero points for achieving below 50% of target.

#### Budget Scoring Logic

##### Club Budget – GOP

- No greater than \$50,000 variance receives maximum points, between \$50,000 and \$65,000 variance receives 80% of points, between \$65,000 and \$80,000 variance receives 60% of points, between \$80,000 and \$100,000 variance receives 40% points, greater than \$100,000 variance receives zero points.

#### Departmental Operating Results

- Within 1% over budget receives maximum points, between 1% and 2% receives 80% of max points, between 2% and 3% receives 75% of points, between 3% and 4% receives 50% of points. Between 4% and 5% receives 25% of points. Zero points for greater than 5% over budget.