Dear Club Leaders,

Merriam-Webster defines tradition as an “inherited, established, or customary pattern of thought, action, or behavior.” Tradition is a central theme in the club industry and we think of it as a positive part of the culture and identity of every private club.

Unfortunately, in a club boardroom, strict adherence to “inherited, established or customary patterns of thought, action or behavior” can lead to rigidity. There is always tension between tradition and change throughout society, but as Darwin said, “It’s not the strongest that survive, it’s those who are most able to adapt.”

This issue of Club Business paints a picture of private club governance and the adaptations necessary for it to thrive in the 21st century. It’s as simple as adapt or die. We believe the articles in this issue will spark productive conversations about the future of your own club and its governance model and the ability of that model to adapt for success in the 21st century.

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Success Story: Diablo Country Club members have approved a transformational three-phase project to enhance and revitalize this historic California club.

Club Business is published semiannually by Club Benchmarking and the National Club Association (NCA). Club Business is distributed to Club Benchmarking subscribers and NCA members.
Prior to joining Club Benchmarking as CEO in 2017, I enjoyed a wonderful career in club management that began in 1984. Along the way I had the benefit of many exceptional teachers, but when economic turmoil began to shake the club industry in 2007, I gained what was perhaps the most valuable lesson of my career.

Like most general managers, my duties included setting the agenda for the monthly board meeting. My approach to that task was typical for the industry and in keeping with my professional training. Topics covered at the monthly board meeting were mostly income statement items relating to the day-to-day operations of the club, with little if any time spent on the club’s balance sheet.

That was standard operating procedure until the day I was introduced to a newly elected treasurer, an individual who bought and sold companies for a living. Because of his background, he understood that growth was the most important indicator of health for any business and he had little interest in operational metrics like cover counts or rounds of golf. Seeing the club from his perspective was eye-opening and I quickly realized that the growth he expected me to report could not be found on the income statement.

The timing of that meeting was fortuitous as the Great Recession was bearing down on clubs across the country and many of us were wondering how we were going to survive. In the South Florida market where I was working at the time, many clubs were facing dismal options including filing for bankruptcy and revising or eliminating membership refundability policies. Initiation fees were dropping quickly and clubs were scrambling for new members to replace the stream of people resigning due to job losses and other financial woes.

That challenging period brought a fundamental change in the industry—a new membership paradigm. The male-dominated customer base changed to a more inclusive family customer base for many clubs. New members came with a different set of expectations and many clubs, including mine, were faced with the challenge of raising capital to invest in their facilities. We needed to create new facilities and enhance our current facilities to meet the needs of future members. At my club, the ambitious wish list included: a new resort-style pool, a new racquet facility, a new casual restaurant and a new wellness center.

The pressure of declining membership and the fresh perspective of the new treasurer forced my leadership focus and the board’s attention to items that we had never discussed before. How were we going to raise capital? Were we going to pay back membership refundability? Should we reduce our initiation fee or raise it?

This chapter in my career stands out as a major turning point, both in my relationship with the board and in my role as a general manager. I became a better business partner and more confident leader for the board.

Expanding the breadth of governance at your club begins with making changes to the monthly board agenda. That “new agenda” must minimize focus on today’s operations and direct attention to the future view of the club and the capital requirements necessary to realize that vision. Refocusing the monthly agenda is entirely within the control and purview of the manager and the club president or chairman of the board.
and my responsibilities as GM expanded to include part-time project manager, finance manager working with banks to raise capital, demographic researcher and market analyst charged with identifying the best-in-class facilities in and outside of our industry.

The monthly board meeting also changed as our focus turned to the improvements we were making and to membership growth. Because there were sizable investments involved, we spent more time talking about the club’s balance sheet. Instead of haggling over losses in food and beverage, the board’s sights were squarely set on repayment of the multimillion-dollar loan, the demographic makeup of our new members and reviewing project management updates. The Finance Committee took over responsibility for reviewing monthly operations, which freed up the board to adopt a more strategic view of the club. That strategic view was firmly focused on the future, not on last month’s results, and it put the club on the path to long-term, sustainable success.

The insights shared here are “Lessons Learned” during my career as general manager.

**Lesson 1: Refocus the Agenda**
Expanding the breadth of governance at your club begins with making changes to the monthly board agenda. The resulting “new agenda” must minimize focus on today’s operations and direct attention to the future view of the club and the capital requirements necessary to realize that vision. Focus the agenda on the club’s balance sheet and balance sheet key performance indicators that matter to every club. Refocusing the monthly agenda is entirely within the control and purview of the manager and the club president or chairman of the board.

**Lesson 2: Put the Income Statement in Perspective (and keep it there!)
Introduction of a new agenda should coincide with an effort to ingrain proper perspective on the club’s income statement. The majority of member-owned clubs (90%) set the income statement to break-even excluding depreciation and, by definition, a break-even outcome is not a financial driver. The income statement must be viewed as a vehicle for delivering services and amenities to the membership. The financial discussion related to it concerns making appropriate operational choices (hours of service, scope of services and amenities, level of service and quality) related to delivering membership value. Understanding the balance between operational choices and dues against the backdrop of member expectations is the proper view of the income statement.

**Lesson 3: Make Every Minute Count**
Invest in your club and your career by conducting an honest evaluation of the focus and format of your current agenda. How much time is the board being directed (or allowed) to spend on last month’s results or on operational issues like F&B results, green speeds and member discipline. Compare that to how much time they are given to envision, strategize and actualize the club’s future. For too many clubs, the distribution of meeting time is about 90% tactical and only 10% strategic. The board’s time together is extremely limited, and it is a resource that no club can afford to waste. A periodic review of your meeting agendas is the best way to ensure that the board’s valuable time is used to the club’s best advantage—in proactive preparation for the future.

Jim Butler is CEO of Club Benchmarking. He can be reached at jbutler@clubbenchmarking.com.
My first exposure to private club governance was as a board and committee member at my own club. I served for 10 years, the last three as president. That experience was the catalyst for launching Club Benchmarking, and it continues to inspire my work as an advisor to the boards of more than 450 clubs. Since 2009, I have been immersed in analysis of the annual financial outcomes of more than 1,000 clubs. That research, combined with first-hand experience, has led me to five conclusions about governance in the club industry.

1. There is a significant difference between “great governance” and “poor governance” and the vast majority of clubs are closer to “poor” than they are to “great.”
2. Governance is a process that can be dissected, understood and constantly improved, but few clubs do so.
3. A club’s approach to governance has a profound impact on its outcomes. Poor governance over an extended period of time can and will ruin a club and consistently great governance over time will foster a vibrant, healthy club.
4. Club members must identify as owners, not customers of the club. The collective mindset must be “we” rather than “us” or “them.”
5. Not every member will make a great governor.

Great Governance vs. Poor Governance
The characteristics that separate great governance from poor governance are easier to spot than they are to change.

The driving force in well-governed clubs is a laser focus on making the club better and more relevant in a constantly changing marketplace. That means adding services and amenities, keeping physical assets in top condition and constantly striving to meet member expectations.

Great governance is centered on a continuous cycle of setting and meeting a forward-looking vision, in increments of five years or so at a time. The consistent march to the next vision is the glue that binds one board, one president to the next in a constant stream of growth, change and strategic stewardship.

Great governors do not micromanage the operations, second guess the staff or drive a narrow agenda. Great governors ask questions more than they make statements (or demands) and they prefer to learn versus preaching. They don’t make assumptions and they understand the impact of societal trends requires the club to change to remain relevant. They understand where a governor’s role begins and ends. Great boards are strategic, forward-looking stewards who understand that the need for change and respect for tradition are not mutually exclusive.

Poor governance is operational, focused on “managing” the manager. It is tactical and short term. The topics of discussion are narrow (specific department issues, small financial matters most often food and beverage profit/loss)—a tedious dissection of what happened last month or last weekend. Clubs with poor governance are resistant to change. Members think of themselves as customers not owners and the chant “don’t raise the dues” is often heard.

The driving force in poorly governed clubs is typically an outspoken group of naysayers who resist change, second guess the staff constantly and who don’t see the link between societal trends and their impact on the club. Poorly governed clubs have groups of members without a
common vision, actively fighting over “what needs to be done.” The long-term trend is not stewardship but rather underinvestment in the asset base due to avoidance of a dues increase or a lack of understanding of the importance of investment. There is also a lack of continuity from one board and president to the next. Such clubs tend to be reactive and invest in one “pet project” at a time with very little context or strategy tying them together.

**Governance as a Process**
For decades, consultants and academics have studied governance in companies and organizations such as hospitals, universities and other nonprofits.

The common thread in all that academic and expert reasoning is this: Governance can be learned and improved in a way that adds value to the organization. A few simple questions will bring clarity to how your club is treating governance:

- Does the board seek outside facilitation and education?
- Is the board as intent on evaluating their own performance against specified criteria as they are in evaluating the GM’s performance?
- How does the board ensure that people with the proper demeanor and perspective become governors (as opposed to the most popular member or the club champion)?
- What materials are used to educate governors on the process of governance? Are they discussed consistently? What measures does the board use to assure it is constantly improving governance at the club?

The book “Governance as Leadership” (Taylor, Chait, Ryan) asks a key question: “How does the board add value to the organization?” Most club boards actually subtract value by making the club weaker. Two important statistics support that conclusion: 50% of clubs have net worth (member’s equity) less in real dollars in 2019 than it was in 2006, and 65% of clubs are growing net worth at less than the rate necessary to keep the physical asset base whole over time. The root cause of those statistics is poor governance.

Ask yourself this question: Does our board add value to the club? An affirmative answer manifests in three very specific ways:

- Increasing initiation fees that reflect demand from prospective members
- Broad and diverse services and amenities to attract the proper number of members
- Physical assets that are fresh and up to date

In poorly governed clubs the answer manifests just as clearly: stagnant/decreasing initiation fees; depreciating and depleted facilities; and narrow services and amenities unappealing to prospective members interested and able to join a club.

Your club’s initiation fee represents the intersection of supply and demand for entry into your club and its historical trajectory reflects how well your club’s governance engine has prepared your club for the future.

**How Governance Impacts Outcomes**
One of the greatest misconceptions in the club industry is the food & beverage (F&B) trap, which is characterized by hyper focus on financial

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**Fast Facts on Club Governance**

**THE EFFORT**

- 30% of clubs have 9 board members, 16% have 12 members and 34% have 11 members. The largest board in the Club Benchmarking database has 40 members.
- 28% of clubs reporting indicate they do not hold a board orientation and 70% indicate they do not hold an annual board retreat.
- 54% of clubs require board members as committee chairs, 38% may have board members chair committees and 8% do not allow board members to chair committees. The median number of committees is 9.

**THE OUTCOMES**

- 50% of clubs have seen Member’s Equity shrink since 2006 in real dollars.
- 25% of clubs are generating enough capital to meet both obligatory needs (repair and replacement) and aspirational needs (expansion and addition of assets). Only 38% are generating the capital necessary to fully meet future obligatory needs.
- 80% of the average club’s assets are found in the net book value of Property, Plant and Equipment (after depreciation). The median club’s Net to Gross PP&E ratio is 46%. Club Benchmarking recommends that Net to Gross PP&E be 55% or higher.
- 25% of all clubs are capital starved. Lack of capital ties to a lack of forward-looking, strategic governance. The link between forward-looking capital planning and strategic governance is mission critical.
results in the F&B department. Oddly, that same thinking is virtually never applied to golf, despite the fact that golf loses the most money of any department in the club. Industry data collected and analyzed by Club Benchmarking clearly shows the healthiest clubs financially in the industry are those that subsidize F&B the most, and the weakest clubs financially are the 20% that are driven to make a small profit in F&B.

The adage “be careful what you wish for” comes to mind here. For the most part (there are exceptions to every rule), clubs that make a profit in F&B govern the club to the myopic and short-sighted objective—don’t lose money in F&B. They achieve the objective, but meanwhile can’t generate the necessary capital due to inadequate initiation fees and a declining membership. Myopic focus on F&B (the F&B trap) compromises the board’s ability to concentrate on developing a proper, forward-looking vision for the club.

The board sets the agenda and the agenda will drive the outcome. Fortunately, when the agenda changes, the outcome will follow. It is simply an issue of opening the collective mind, seeing the entire playing field (including our constantly changing society), and thinking clearly about meeting the future with a relevant value proposition. An agenda driven by the naysayers threatening to leave if dues are raised will not produce the outcome necessary in 2020 and beyond. Set the agenda so the board is strategically focused on meeting the future.

Pick the Right People

Member-owned clubs are very democratic organizations. The true organizational power flows from the membership through the board. Aspiring board members must understand that successful governance requires process, education and a servant-leader mentality.

Know-it-alls, autocrats, and folks who make demands rather than seek knowledge can easily take a board, and thus a club, off course. There is no such thing as a purely objective human, but the purely subjective human does exist. A person who is cynical, always arguing, and always confident in their own view is doesn’t belong in the club boardroom.

People who are strategic in nature, strive to be open minded and objective, who understand governance (and ideally have been involved in governance), who are team-oriented and understand servant-leadership—these people make great governors. People who can step into the club boardroom, regardless of how much they are worth or how successful they have been in business, and who understand the club industry and its unique key success factors, make great governors. People who are by nature inquisitive and data-driven make great governors. People who can listen, as much or more than they speak, make great governors.

Owner Mindset Required

Every club has its own unique approach to governance which is rooted in the culture and history of the club and in the personalities and backgrounds of the members. A club’s current situation is ultimately the result of its sum-total approach to governance over its history, and as such, it is a defining issue. Great legacy clubs that appeal to today’s prospective members have a common characteristic embedded in their culture: Members who think as owners (not customers) and who are thus willing to invest to maintain and expand the club.

In clubs, as in any business, owners must be concerned with the growth of equity (aka net worth). Data shows that a club’s net worth grows over time through the contribution of capital (not operating dues) by the owner/members. The capital contribution from the member/owners comes in the form of initiation fees, capital dues and assessments.

The clubs with strong governance foundations have a culture of member-owners intent on passing the club to the next generation in better condition than it was found. They take pride in improving the club, even if it costs them money in the form of capital contributions. They take pride in preparing the club to meet the future and in maintaining the club as they would their own home.

The clubs with weak governance foundations lack that culture of stewardship. Requests for capital contributions are typically deflected with allegations of mismanagement or inefficiency.

One of the critical fiduciary duties of governance in a private, member-owned club is the governors must convince and constantly remind their fellow members that “we own the club” and that if the club requires capital to maintain itself to prepare for the future that “we as owners are responsible for providing that money.”

Embrace the Process

Once governance is recognized and embraced as a process, it can be evolved, improved and established as a foundation on which to prepare for the future. Great governance requires boards to understand the industry in which they serve and the key success factors that separate successful clubs from failing clubs.

Education is the key to maintaining consistent governance over time. Work thoughtfully and diligently to instill the owner mindset across the entire membership and select new board members carefully with the goal of building an objective team focused on strategic governance and committed to preparing your club for the future.

Ray Cronin is the Founder of Club Benchmarking. He can be reached at rcronin@clubbenchmarking.com.
As an avid student of organizational leadership, I’ve spent considerable time contemplating what makes some boards so successful while others flounder. Over the last three decades, I’ve reported to boards of directors as CEO of three different nonprofit golf associations and I’ve served as a board member for various companies both inside and outside of golf. I have seen firsthand the profound impact governance has on the success of an organization, and based on that experience, I have developed a seven-step framework for excellence in governance that can be readily applied to any type of organization.

1. Define the Leadership Roles
Before any type of meaningful work can be accomplished by a board and its chief executive, a precise and thorough understanding of all leadership roles must be established. There should be no confusion about the governance responsibilities of the board and the authority of the chief executive in carrying out the policies set by the board.

2. Identify Key Performance Indicators
Whatever the organization chooses to call them, both the board and the chief executive must have absolute clarity about what constitutes success.

These objectives must be measurable and agreed to by both parties, and they should constitute the top priorities of the enterprise. They should be reviewed regularly at board meetings to ensure ongoing focus on the key performance indicators (KPIs) of success. These KPIs should be strategic in nature and based on industry best practices. The board’s focus should be on the strategic KPIs, while management should maintain focus on operational KPIs.

3. Use Objective Data
Leadership should agree on which data it will rely on to both inform its decision-making and measure its progress. Besides the annual audit, membership surveys and the like, benchmarking against other similar clubs in key areas of financial performance should be a standard practice. Highly effective boards are in constant pursuit of the most objective, current and relevant data to drive their deliberation and decision-making. They often develop a dashboard of key metrics that are monitored on a regular basis. Making important decisions based on “feel” or “gut instinct” may be appropriate in individually owned businesses, but most assuredly are not best practice in member-owned private clubs where board members are acting as fiduciaries that requires, by definition, the use of objective data.

4. Communicate According to Plan
The board and chief executive should agree to a highly specific communications schedule that leaves no room for interpretation or surprise. Expectations for timely communication of items such as financial information, board meeting agendas and progress relative to KPIs should be clearly understood and adhered to closely.

The best boards and chief executives are on a never-ending journey toward excellence, as individuals and as a group. They regularly engage subject matter experts to assist with specific areas of need, actively participate with their peer groups and stay current on key trends in the club and hospitality industries. In short, they are perpetual learners and they are not afraid to invest in their own development.
5. Establish Accountability
A mutually agreed upon, written expression of how the board wants its chief executive to operate the club is imperative. Service standards, implementation of policies and other areas of operational importance to the board should be set forth in as much detail as necessary to ensure complete understanding of what matters most to the board from an operational standpoint. These standards should transition from one board to the next with minimal adjustments. In addition to KPIs, performance against the club’s operating standards should constitute a significant portion of the chief executive’s performance review. Boards should also participate in an annual self-evaluation in order to continuously improve the governance structure of the club.

6. Keep Learning
The best boards and chief executives are on a never-ending, mutual journey toward excellence, as individuals and as a group. They regularly engage subject matter experts to assist with specific areas of need, actively participate with their peer groups and stay current on key trends in the club and hospitality industries. In short, they are perpetual learners and they are not afraid to invest in their own development. These boards are driven by questions, as opposed to individual members making declarations that may or may not be supported by objective data.

7. Plan for Succession
Because board members serve limited terms, the development of a deep bench of qualified future board members must be a top priority for effective private clubs. Candidates for future board seats should be interviewed by the nominating committee to ascertain their motivation and ability to serve. Only candidates who express a desire to advance the long-term success of the club on behalf of its members should be considered. There is no room on any board for individuals seeking to pursue their own agenda.

Boards should be constituted in a manner that is representative of the club’s membership. Accordingly, future board member development should include serving on club committees, which allows the club time to involve future board members in the business of the club and provides opportunities for substantial member participation. Committee participation is usually an indicator of how a club member will function as a board member and as such it is an excellent tool for ensuring the best and brightest members make their way onto the board. With the board’s oversight and approval, the chief executive should also create a succession plan to ensure a smooth transition when his or her tenure with the club is complete.

Boards and chief executives that successfully focus on these seven areas help steward a club that is financially successful, operationally superb and exceeds the expectations of its members. While not easy to accomplish, it is a journey worth taking for any board interested in creating a sustainable club that provides a best-in-class experience for its members.

Steve Mona is Club Benchmarking’s Director of Governance & Leadership. He can be reached at smona@clubbenchmarking.com.
Since 1914, families in the San Francisco Bay Area have been drawn to Diablo Country Club (DCC) at the base of Mount Diablo, where the vistas of the Las Trampas Range are nothing short of stunning. The club is touted as the first to be uniquely family focused in the state of California, and generations of members have gathered there to enjoy sports and leisure activities in the company of like-minded folks.

As the club enters its second century of existence, DCC board members and management have banded together to transform the governance model and embrace a common strategic vision that will serve as a lasting legacy for generations to come.

“If you do not change direction, you may end up where you are heading.”
– Lao Tzu

A rich heritage and unique culture have always been central to Diablo’s identity, but like many clubs with impressive pedigrees and triple-digit histories, complacency can get in the way of progress. In 2016, with the club’s centennial in the rearview mirror, the general consensus among members and leaders was that DCC was doing just fine. Some things could use improvement or updating, but there’s a certain charm in a well-worn chair or a creaky floorboard … right? Proud of their “pay as we go” philosophy, the club had no debt and they were not suffering from low membership numbers or decreasing member satisfaction.

Enter Frank Cordeiro, CCM, who arrived at Diablo in 2016 as general manager/COO. Cordeiro describes himself as “thrilled” to be at the helm of such a prestigious and storied club. After all, the DCC membership roster reads like a “Who’s Who” of San Francisco business and society, and the club’s golf course has the singular distinction of being designed by two of golf’s renowned architects: Jack Neville designed the front nine before moving on to create Pebble Beach Golf Links and William Watson designed the second nine before going on to create the courses at The Olympic Club and Harding Park, among other notable courses.

As a seasoned club professional, Cordeiro was intentionally slow and deliberate in his approach to his new role, taking time to observe the operation, evaluate the club’s financial health and build a productive and friendly rapport with the club’s board and committees.
Fresh Eyes

Cordeiro could see that this club, like many others, had depreciating tangible assets that needed to be addressed—deferred maintenance on plumbing, HVAC and electrical systems, and overdue renovations to beloved, yet outdated facilities that would make club attractive to future members. Still, the new GM had more pressing issues.

Drawing on his knowledge of best practices, Cordeiro observed that the board, while well-intentioned, was mostly operational in their focus with a tendency to think annually or monthly at the expense of thoughtful long-term strategy and planning. The structure and systems in place encouraged micromanagement and there were process-related issues; board terms were too short and the meetings too frequent. The board wasn’t setting the agenda for the committees and the qualifications for service were not conducive to high-functioning, strategic leadership. He also noted that there was no measurable plan in place to improve facilities, replace or upgrade assets or build capital reserves—critical issues that would need to be addressed to ensure the health of the club for future generations.

Before he could tackle anything else, Cordeiro knew he was facing a challenging first step. The club would have to agree to a deconstruction of the existing governance model. Adopting a more efficient model was the surest way to achieve true strategic leadership, increase the board’s productivity and help them focus on their roles as stewards and owners of DCC’s history, mission, vision and brand.

“I was only 45 days into my new role,” Cordeiro recalled, “and although I knew it was a bit risky, I felt compelled to be transparent and clear in my assessment of the strategic direction of the club. Sure, we all know of clubs that have an archaic governance structure and a narrow focus that might be doing ok, or perhaps even thriving. But they are doing so not because of governance, but rather despite the governance structure. Shouldn’t the work and time of the board and committees support the mission of the club and maximize its potential rather than hinder it?” he asked. “I had infinite confidence in the club’s ability to thrive. I just had to clearly outline and articulate a path—objectively and without criticism—as to how we could get there.”

Cordeiro met with the board to lay out his vision for the first year, which included five initiatives:
1. Revamp the governance structure.
2. Attract and engage quality professionals in every department and replace those who would not meet the higher standards of performance.
3. Conduct a comprehensive fixed asset study to include funding and implementation of needed capital improvements.
4. Update the bylaws to reflect governance changes, ensure compliance and align with industry best practices.
5. Seek formal membership approval of bylaw changes and funding for the capital improvements.

First Things First: Restructuring the Governance Model

Private club management has changed significantly in recent years, due in large part to increased educational opportunities, a trend toward empowering the general manager as COO and access to third-party data.

RESULTS

Diablo Country Club General Manager Frank Cordeiro credits an improved governance model for leadership’s ability to quickly and efficiently tackle key issues and effect positive changes:

- Employ corporate best practices for leadership, including increased continuity, strategic thinking, empowering management to lead and guide the club through the long-range plan, develop initiatives based on the strategic plan not on whims or political pressure.
- Undergo a holistic strategic planning process, including member satisfaction surveys, focus groups, club industry benchmarks, capital reserves study, and the club’s fundamental principles of mission, core values and vision.
- Commit to using industry data and facts to drive decisions, the budget and strategy.
- Communicate effectively with members about the strategic plan and its value and the funding options.
- Approve a $31 million investment in the club, with $12 million allocated toward restoring its golf course, $19 million allocated toward restoring its historic clubhouse, and constructing a new state-of-the-art family wellness and activity center.

Phase one of the Diablo Country Club project, a $12 million golf course renovation, began in April 2019.
platforms and metrics. Ray Cronin, founder of Club Benchmarking and a trusted advisor to DCC, doesn’t hide his passion for governance and leadership models. “Every club is unique, and the club’s culture dictates a lot about how it is run. There is not one “silver-bullet” governance model that works perfectly across the board, but there are certainly best practices for board governance. As with any model, there are some methods that are better than other methods,” Cronin explained.

“Some clubs aren’t aware they should even be discussing the leadership structure or that they have the power to change and improve it. The conversation just isn’t on their radar. But once they are educated and enlightened, the philosophical shift toward high-level thinking and forward thinking begins to make sense.”

Fortunately for Cordeiro, Diablo Country Club leadership was receptive to his plan. The board was an impressive assembly of prominent business leaders who had experience on corporate boards and the transition from a socially oriented board model to a strategic board produced a powerful shift in focus and unleashed the group’s collective knowledge and wisdom. They dubbed the new approach “The Diablo Corporate Hybrid Model.” It is a hybrid model because it modifies best practices from corporate governance for the club environment to ensure strategic decision making, transparency and fiduciary behavior in the best interests of the membership, the employees and all stakeholders.

What Changed?
- **Board Size:** The board was reduced from nine to seven members.
- **Board Terms:** Board terms were increased from three years to four years. The continuity is critical to successfully implementing and executing a strategic plan because it allows the board to maintain its dynamic and institutional knowledge.
- **Meeting Frequency:** The number of board meetings was reduced to four per year.
- **Qualifications:** The criteria for service was changed to require board and fiduciary experience as well as demonstrated ability to collaborate, think analytically, and provide leadership and relevant professional expertise. The club’s Nominating Committee is charged with vetting members based on qualifications rather than on their ubiquity at the club, tenure on club committees or any number of other “social” reasons.

Cordeiro explained that the change in structure is designed to empower the board to think strategically and move away from the age-old pitfall of micromanaging the operation. Board discussions no longer veer from strategy to rehash previous talking points and thought processes for the sake of new directors or to operational minutia and pointless conjecture about food and beverage. With a smaller, more focused and more qualified board that only meets four times a year and a clear agenda set in advance; strategy is the name of the game. In this mode, the GM/COO avoids operating in the background and ensures operational excellence. The board propels the club forward as the steward of the club’s mission, vision and strategy.

**A Strategy for Success: Third-Party Experts, Data and Education**

Adoption of the Diablo Corporate Hybrid Model was a springboard for establishing a long-range plan that the board could advance together under the stewardship of Cordeiro as GM/COO. The next steps were to evaluate the club’s capital assets and create both a strategic and a master plan. Three months into his role at the club, Cordeiro reached out to
Cronin to discuss the challenges and opportunities inherent in the club’s governance and business model. The two agreed that having third-party consultants conduct the necessary research and present the data and facts to the board would be the most effective approach.

Cordeiro engaged the services of Paul Mueller, a recognized expert in capital planning services, to inspect and document the club’s physical assets, identify the remaining service life and establish the cost and timeline for replacement. While the club had no significant debt, an asset study had not been conducted in many years. The club was in need of a new irrigation system and had $20-$25 million in deferred maintenance and asset replacement that required funding. Mueller detailed the assets and charted an action plan for maintenance and replacement throughout the club. With data on his side and third-party experts on hand to objectively interpret that data for the members, Cordeiro made a recommendation to the board that they approve an investment of $31 million toward the goal of achieving long-term health.

Club Resources Founder and President Bob Bodman was also brought in to provide insight into the strategic planning process. He conducted several 90-minute member focus groups, an extensive strategic needs survey and member satisfaction surveys. He designed relevant surveys, interpreted the results and identified club directives that would bridge the gap with member needs. Bodman is currently overseeing the club’s new membership marketing and sales to support Diablo Country Club’s Master Facilities Plan.

Cordeiro recruited Cronin, who helped inspire the Diablo Corporate Hybrid Model, to educate the board about club business models, explain the differences between the club business and other businesses, and to address what the board’s role should be in the greater scheme of things. Over several meetings, DCC learned the strengths, weaknesses and opportunities of its business model and to demonstrate how that model correlates to financial health, operational success, capital assets and the long-range plan.

“Ray brought clarity to our board like no one else could have,” Cordeiro said. “They had already embraced the new governance model, but now they clearly saw that we needed to move forward with a strategic plan and a master facilities plan. Ray illuminated the path such that the board felt ready to focus on important strategic decisions, beginning with a $31 million investment to implement a member-approved strategic plan and master facilities plan.”

**Stewardship of the Governance Model and the Strategic Plan**

Cordeiro is closely monitoring the new governance structure so that it functions as expected and holds steady as a solid precedent for future boards. He said the continuity, quality of leadership, and focus on fiduciary responsibility and strategic thinking have made implementing the club’s new strategic plan a much smoother process.

“The strategic plan identified 32 initiatives that fall naturally into the purview of individual committees or management teams,” Cordeiro explained. “At the beginning of the year, the board uses operational data and industry benchmarks to set goals that further the established initiatives. Those goals are then sent to the committees or management teams to work on throughout the year. The committees meet only as needed and they only work on the goals we have explicitly identified.”

Agendas for the four yearly board meetings are set in advance at a multi-day annual board retreat. Goals for the coming year and an update on progress are shared with the membership for transparency and accountability. The committees at Diablo Country Club can be chaired by
members-at-large, which enables members who may not be qualified to serve on the board under the revamped nominating procedures to contribute to the club in a meaningful, even critical, way.

**The Member Benefits of Strategic Governance and Planning**

Reassured by the board’s data-driven approach to planning, members agreed to expedite funding for the entire transformation instead of stretching out improvements and enhancements incrementally over 25 years. As a result, DCC members will reap the benefits of fully renovated facilities and spectacular new amenities within the next three years.

**Phase One - The Golf Course Restoration**

Work on the golf course began in April 2019 and will be complete for the 2020 golf season. The $12 million course renovation will improve playability from end to end: Greens rebuilt to USGA specifications and seeded to bent grass; all bunkers rebuilt; addition of short-cut chipping areas; widening of fairways; improve and maximize practice areas and replacing manicured turf with drought-tolerant fescue grasslands in lesser-played areas as part of the club’s well-publicized plan to reduce water use.

**Phase Two - Family Wellness and Activity Center**

Construction on the new facility adjacent to the pool will begin in spring 2020 to provide a fitness and activity center for the entire family with massage rooms, group exercise classes, personal trainers, state-of-the-art equipment, locker rooms and a dedicated teen center with games and activities. Incorporated in the design are new full-length lighted bocce courts and outdoor seating areas complete with fire pits and comfortable lounge furniture, a casual restaurant with indoor and outdoor dining and bar, an exhibition kitchen and pizza oven, a grab-and-go deli and a childcare center. A new golf simulator building and lounge with roll up doors is being built next to the center where families can enjoy social events, league play, instruction and gaming. The building will also house the tennis office and lounge and a general store.

**Phase Three - 1881 Historic Clubhouse Renovation**

Construction will begin in spring 2021 to dramatically enhance the clubhouse entry, improve traffic flow, and update and modernize the decor. The members’ beloved Carriage Lounge will be revitalized to serve as a coffee lounge and cafe during the day and cocktail lounge in the evening, taking the best space in the club and making it the centerpiece of DCC’s historic and charming building. The main kitchen will be expanded for improved productivity, safety and capacity and a new casual dining space will feature a horseshoe bar and folding walls to open the indoors to outdoors.

Cordeiro credits the members, saying the club’s quick acceptance of his effort to improve the governance structure and adopt a strategic data-driven approach to leadership made all the enhancements possible. In addition to elevating the member experience, the club is also realizing other benefits. Members approved a bylaw change permitting capital dues which will produce $500,000 annually to ensure adequate funding for future capital needs, and in April 2019, DCC began revealing the approved master plan to the public. Excitement is high and although the golf course will be closed for several more months, 46 new memberships have been sold across all categories since that campaign began. Cordeiro said proceeds from those sales exceed $1 million.

On the club’s website, you’ll find a simple mantra: “To leave Diablo better than we found it.” That statement sums up the sense of ownership and commitment that embodies this historic club as it enters its second century. Board, members and management have embraced strategic, data-driven leadership and their vision ensures a better Diablo for generations to come. That is the ultimate legacy.

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A new golf simulator building and lounge with roll up doors will be built next to the Fitness & Wellness Center so Diablo Country Club families can enjoy social events, league play, instruction and gaming.
The Ideal Board Agenda Template

The agenda is an often overlooked but very powerful tool for shifting the focus of your board meetings from tactical and operational to forward-looking and strategic. Board meetings should be less than two hours, and the outline below breaks down how to make the most of that time.

I. Call the meeting to order.

II. Approve previous meeting minutes which should be disseminated well in advance, ideally immediately after conclusion of the previous month's meeting.

III. GM/COO Report (15 minutes or less): The GM's report should include a high-level overview of the operations of the club highlighting only significant variance from the board materials distributed before the meeting. The material distributed before the meeting should include a balanced scorecard overview, capital key performance indicators (KPI), operational KPIs, membership KPIs, strategic planning update, competitive positioning review, ongoing capital proforma model, account balances, budget directives, planning and committee reports and recommendations and the auditor's report when timing is appropriate.

IV. Consent Agenda: Move quickly through voting on recommendations from committees and action items from prior meetings.

V. Human Capital Report (10 minutes): The human capital report details the employee net promoter score (a metric used to assess employee loyalty and engagement), any staff issues, progress on staff evaluations (at appropriate time of year) and annual objectives related to staffing development, training and growth initiatives.

VI. Strategic Plan & Strategy Update (30 minutes): This time is dedicated to review and update the strategic plan and/or overall club strategic direction and objectives. It should be the primary topic of the monthly meeting and the most time should be allocated to this portion of the meeting. This segment of the agenda is the most important.

VII. Board Education (15 minutes or more as scheduled and necessary): Outside education on best governance practices is critical. Over the course of the year, visits to innovating and growing clubs should be scheduled so the board can look outward in search of best practices. Time should be allocated during the year for board member peer evaluations and board self-reviews. Time should be allocated during the year for outside experts to present pertinent topics for advancing governance and for basic governance education. Board education objectives should be set and progress tracked. Discussion and planning for annual orientations and retreats should also be considered.

VIII. Innovation (15 minutes minimum): Allow board members to brainstorm fresh initiatives and creative approaches to enhance member satisfaction and to focus forward on shaping a collective vision of the club's best possible future. Real out-of-the-box thinking is required to advance any club and the industry in the face of rapid social and demographic changes. The pace of change in the boardroom must be accelerated. Innovation is critical.
"Over the last five years, our relationship with Club Benchmarking has developed into a true partnership. They have really connected with our management team and the board, taking the time to understand our issues and to educate us on the most effective ways to apply data and fact-based insight into our planning and decision-making process. We have adopted their Strategic Monthly Dashboard and the annual Finance and Operations benchmarking platform, which have proven to be a phenomenal resource. I have also called on their expert support team to ensure that I am bringing the most relevant annual data to the forefront at our Townhall meetings, delivering the KPIs that our members would want to see. Over the summer, they worked with our HR Director to conduct a benchmark analysis of employee engagement that produced some helpful insights.

"Most recently, the finance committee and board have been working with Club Benchmarking on a comprehensive, forward-looking capital plan that will be supported by the CB Capital Strategies Modeling platform. While we expected that this process would deliver a clear quantification of our capital needs and capital resources, I could never have anticipated the powerful impact it would have on the focus and dialogue in our boardroom. Our partnership with CB has helped the board embrace data-driven, strategic leadership and it is exciting to see them so engaged in creating an outstanding future for our club.”

David Stocke, CCM - General Manager  
San Luis Obispo Country Club  
San Luis Obispo, California