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What Are Your Costs?

By C. W. Parker

Uniformity in course accounting systems is requisite to establishing accurate cost comparisons and maintenance norms.

AWAY, way back in January, 1922, which is only eighteen years in time but in golf maintenance is almost a previous century, the first annual meeting of the Green Section of the United States Golf Association was held in Chicago. The proceedings of this meeting were published as a supplement to Volume II No. 2. of the Bulletin of the Green Section. These proceedings make interesting and valuable reading and are more timely than one might expect.

At that time, January, 1922, there was a country-wide economic condition that was being called a depression, though in the light of the past several years we today would hardly honor it with recognition as a slight recession. However; there was much viewing with alarm and shaking of heads over the future of golf and golf clubs and from it all came a slogan that has never died. This slogan, born in the early "twenties," languishing somewhat throughout the hearty late "twenties" and reaching maturity and permanency in the early "thirties" is, "Golf Is Costing Too Much."

In the report of the proceedings of the first annual meeting of the Green Section, considerable space is devoted to the cost of golf. Some of the reported discussion is serious and some is the good natured chaffing between two or more club officials, but whether serious or facetious the point is clearly made that not much can be done toward making an intelligent study of the what and whys of golf maintenance costs because of a surprising and deplorable lack of intelligent and trustworthy cost records. As one club officer from Toledo puts it: "He has challenged the gentleman from Detroit to a comparison of their respective course costs if the gentleman from Detroit will put his figures on a comparable basis." That was eighteen years ago and yet the situation has not changed insofar as it has been possible to determine.

This lack of uniformity in cost accounting methods for golf course maintenance has been recognized from time to time and yet nothing much has ever been done or even attempted that might lead to accepted practice that would correct this condition. In the early "thirties," J. M. Heald, at that time greenkeeper at the Greenfield (Mass.) CC, with Massachusetts State College and GOLFDOM co-operating, made a serious beginning for a study by collecting cost records from as many clubs throughout the country as would submit them. From these reports Heald attempted to set up a common denominator that might be fairly used in making comparison of maintenance costs.

It CAN Be Done

His common denominator based on the average cost of the routine operations that go to make up the total was expressed in terms of percentage. That is, he determined something like this: greens 35%, fairways 10%, tees 8%, and so on, with the conclusion that in the variations of total cost of golf course maintenance the split-up was as his percentages indicated and a basis for fair comparison was thus established. Heald's work was published in GOLFDOM but it is not recalled that the impact on the golf world was of any great weight. Whether Heald planned to go on from his preliminary study and publish further findings and conclusions is immaterial for he solved this problem, at least for himself, by retiring to the lucrative shade of his Florida orange groves where the least of his troubles has since been whether golf is costing too much or not.

Since that day any attempt at arriving at some common denominator from which a fair comparison of costs may be made and the setting up of a norm for costs has been looked upon with distrust and fear and little if any work along these lines has been attempted. Whenever the horrid suggestion of cost comparisons between two or more golf courses does come up it is immediately squelched. We greenkeepers have done a very thorough job of spreading the gospel that such comparisons are definitely and absolutely impossible. In this we have been half right. It is true just as much today as it was in 1922 that cost records vary in their methods and interpretations in direct relation to the number of reports being studied.

Study Dropped Too Soon

We have added further arguments to strengthen our stand by stating that differences in terrain, wage rates, standards of maintenance, etc., etc., cannot be converted into comparable figures, so that all in all the comparison of golf course maintenance costs is a whipped dog. Perhaps we greenkeepers might have better answers to some of our present day troubles, comparable with the more exact answers that we now have for our turf troubles, had we devoted some of our energy to finding out if it is possible to develop cost accounting methods and practices in such a way that intelligent comparisons will be possible instead of concentrating on selling the idea that it cannot be done.

"Golf Is Costing Too Much!" How do we know it is? How do we know it isn't? Is it that golf is costing more than clubs can afford to pay? That is quite different.

Another slogan has been introduced. "The Greenkeeper Is Faced With Prosperity Demands With A Depression Budget." Maybe. How do we know that? We are assuming that because our budgets are materially less than they were a few years ago the above is true. The other side of that assumption might be developed. Improved equipment, increased mechanization of operations, etc., naturally dictate a lower production cost with no falling off in maintenance standards. That is not the purpose of this article.

From authentic records at hand, it is proposed to make a few comparisons, comments and suggestions.

For the purpose of study and comparison here are the costs of three 18-hole golf courses back of which is sufficient information for intelligent interpretation.

A.	B.	C.
$17,373.	$13,814.	$12,047.

Three gross figures showing a spread of $5,000. Let us look behind the figures.

Courses B and C appear to be running pretty much in line and under present day practices the officials of these two clubs will decide that a satisfactory job is being done by all concerned. But! Rates of pay

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Mr. and Mrs. John Morley celebrated their golden wedding anniversary at a dinner with a group of their friends recently. The dinner was held at the Youngstown (O.) CC where Mr. Morley has been greenkeeper for 26 years. He is president emeritus of the GSA.

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in these two clubs are so close that no distortion can be laid to that factor but from there on the differences are definite and determinable. B is a busy metropolitan course with over 20,000 counted rounds of golf per year. C has a short season with a limited play amounting to a little over one fourth that of B. Course B has over ten acres more of fairway than has C. B has as much rough to cut as it has fairway while C's rough is not more than one-fifth its fairway acreage. B has at least three times the tee area that C has and the terrain of B is such that all maintenance operations will carry a high percentage of unavoidable non-productive labor hours. These few variations appear to put course C directly on the spot. The unreliability of unsupported figures.

Course C carries a large electricity charge for buildings on the property and for pumping water whereas B has no such charge. Water for B is purchased from a municipality and is carried as a general and overhead expense of the club as a whole. It is possible to segregate this water cost of B but it has never been handled in that way. What little electricity is directly chargeable to B course is impossible to determine because there is one common meter for the entire club. Deductions from B may be made for fairly extensive grounds and gardens, for tennis courts and house service that C does not have, but C does carry appreciable costs for golf house and caddie camp that club B separates into specific departments and rightfully does not consider them to be course maintenance costs.

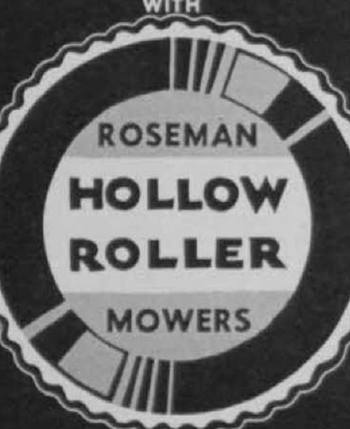
Why are these variations? Only because the accounting systems were originally set up that way and the respective accountants did not view the problem from the cost accounting angle. Since it is not intended that the respective operating efficiencies of these example courses is to be compared, no further points of variance will be given and we will move on to Club A. Here, too, rates of pay do not vary sufficiently to distort the picture.

Club A has less play than club B and more than club C. Of the three it has the mildest terrain and the design is such that the flow of labor should be very efficient. Tee area on A will approach B. Other areas are more nearly comparable with C but the cost appears to be the highest of all three. When we look behind the figures in an attempt to clear out this obvious inequality we find that A's \$17,373 is not solely maintenance cost, but is the total cost of operating the entire golf club.

The above is sufficient to demonstrate that with only the most superficial search behind the figures we arrive at chaos as far as sound comparisons between these three clubs are concerned.

What are the figures presented at the end of the year from which the officers must make their determinations and set up policies? Incidentally these figures will probably be the ones from which comparisons will be made. Club A remains at \$17,373. B has for a figure, \$14,337. C comes up with \$15,647. What has happened now? No black magic or sleight of hand, just the variations in application of insurance, taxes and depreciation. A, because of a peculiar set-up, does not include any of these fixed charges. B adds only a very modest depreciation charge. C slaps on all three. Simple, isn't it? Simply impossible to make intelligent or accurate comparisons. We are right back to January, 1922. "Golf Is Costing Too Much." Opinion! Hardly fact.

It is not too difficult to arrive at the reason for this lack of uniformity in accounting methods and practices. Many clubs operate under the direct supervision of accounting firms. Others have accounting systems set up for them but operate them with their own clerical staffs with only a periodic check and audit. Still other clubs operate under a Topsy system that has "just growed" from the days when the Treasurer's check book was the



only official record.

Golf club officials are interested, in the main, in final and complete figures only. How or where the individual items that go to make up the grand total come from, interests them little or not at all. That interesting and informative work is left to others to whom it is just another job in the daily grind and who know or care less about the correctness or accuracy of setting up charges as regards their effect on the production costs of the various departments. Whatever department head's OK appears on the charge, to that department it goes without question.

Depreciation is handled in weird and various ways, not the least ingenious being one sure-fire system of all bills for materials and supplies totalling $50 or over being set up in the depreciation account and all those less than that amount being charged to current expense. This practice helped current expense for several years until annual depreciation for golf course equipment climbed to the astounding figure of $6,000; then came the day of reckoning. There was a reason for this, to be sure. The club was prosperous and this department offered an easy place to write up costs so that profit, as shown in the consolidated statement for the members, was little or nothing.

'Boiling-down' Hurts Effectiveness

To return to the consolidated report and club officials. Obviously these men who are giving of their time cannot be expected to wade through a mass of detail. They must have their figures boiled down and condensed and from these figures conclusions are drawn and policies are set up. Unfortunately this boiling down is apt to be so thorough and complete that all that can be readily deduced from such statements is that the club has operated either at a profit or a loss. The how or why is not apparent from the figures. From such statements usually comes renewed belief that "Golf Is Costing Too Much" and orders come forth to cut down on the operating cost of the golf course. Nothing concrete. Nothing constructive. Just, "Hew to the line, let the chips fall where they may."

Another practice often noted of department heads is that when doubt arises over just which department shall absorb the cost of a particular job, they say, "What difference does it make; it all comes out of the same pocket?" There are many operations about a club where there is an overlap and the charge for this sort of work should be prorated among departments, but because this type of work is usually done by the golf maintenance department the entire charge is made against that department. If such a practice is questioned the matter is dismissed with "it all comes out of the same pocket," and the cost of golf is written up some more.

When we attempt to look behind the scenes at "depreciation" we find this to be a highly explosive little joker. When costs are studied from actual operation figures this item, that can put the figures completely out of focus, is not present. In the consolidated report of the type required by club officials, depreciation can and does throw the comparative picture completely out of line. There are as many different ways of computing depreciation as there are varieties of bent grass. Thus, information at hand indicates these rates: 6 2/3%; 20%; 25%; and just a plucked-from-the-thin-air amount. To go behind the amounts arrived at from these rates and attempting to reconcile the figures with the physical equipment on which the depreciation has been taken is hopeless and justifies, more than a little, the "plucked from the thin air figure." All too often the greenkeeper will be told that depreciation comes under the heading of "policy" and that policy is definitely and distinctly outside his province. It is forbidden ground.

Lack of Interest in Accounting

Why this chaos persists in the field of cost accounting for golf courses seems to boil down to a lack of interest on the part of key employees and committeemen. It has been much easier to take a firm stand that "it can't be done" rather than to even attempt a beginning at finding out. Why this is so is most confusing. It appears that all interested officials and employees should welcome the determining of a cost level or norm. Officials will be better equipped to make policy decisions and surely those who are responsible for production results will be working from a much firmer foundation than they now are.

It will be wise to interpolate here that it is recognized that many clubs have cost keeping methods that they believe to be quite adequate. It is not intended to indicate in any way that this is not so, as far as a particular club is concerned, but are their records fairly comparable with those of any other club? If as investigation seems to prove such records are not comparable how then is it possible to say that, "Golf Is Costing Too Much." Are our cost records just accumulations of figures or do they fulfill the real test of accounting, arriving at figures that mean something. Accounting has been defined thusly, "Accountancy is not the practice of dealing with figures as such but is the combining and breaking up of figures into forms that carry definite indications to interested people." Is that the case in the field of golf course accounting?

How Can Norm Be Developed?

Undoubtedly if one has progressed this far the question will be asked how can a norm be developed, and more than likely the question will be self-answered as being an absurd, ridiculous idea impossible of being developed. Perhaps it is but no one has ever demonstrated that a norm for golf maintenance cost cannot be established and until such an attempt is made no one can say with any foundation of fact that such a thing is impossible. According to the dictionary a norm as applied to statistics is a "quantative standard determined by the average median, or other measure, of the central tendency among varying individuals of a type or species." It is a standard arrived at by determining the average and must not be confused with "standardized maintenance." No one is necessarily expected to hit this average right on the head but it does offer a fixed point from which to start when studying, in our case, "Golf Is Costing Too Much."

Such an average will give governing boards and other club officials something concrete to base determinations upon. Whether a club is above or below the average will then be determined by conditions peculiar to a specific club. Whether a club can afford higher standards of maintenance or must expect and accept—with emphasis on the accept—lower standards of maintenance than the average because anything else is beyond a club's financial ability.

Before making final suggestions let us return to Heald's work with percentages.

It is quite evident that Heald was soon convinced that an approach to dollars and cents comparison was impossible due to the wide variations in the figures collected by him. His concept of percentage as means of expression was plausible and the results were interesting and informative but unfortunately did not present the picture in a light that was clear to club officials. To greenkeepers, Heald's figures were both interesting and challenging and it is too bad that the impact of this work was almost completely deadened by lack of official interest. Both green-chairmen and greenkeepers can well afford to spend the time, today, to consult the back files of GOLFDOM and acquaint themselves with Heald's work.

The work and expense entailed in developing a norm for golf course maintenance will require more than the interest of an individual or one group of interested men. It can come only from the cooperative interest and effort of greenkeepers and their associations, club officials and golf associations. Sponsorship by the USGA Green Section should result in the collection of a sum from all those who ought to be vitally interested so that the actual work can be turned over to qualified, competent accountants. If this work falls into the hands of accountants who have been described as, "men who have become dwarfed by the rites they perform," it will be doomed to failure—a failure that will be disastrous to personnel and to golf turf. If the problem is properly understood and appreciated, peculiarities and special problems of course maintenance costs will first be thoroughly studied and sound cost accounting practices and methods will then be adopted.

We will then have arrived at a point where it can be said with reasonable certainty that golf is or is not costing too much. And if, as it may be demonstrated in some cases, that golf maintenance has grown beyond its financial limits, we will have laid a firm foundation from which to work in bringing the cost of golf back into line.

WHAT'S NEW

The L. A. Young Golf Co., Grand Rapids, Mich., has its 1940 catalog of Walter Hagen golf equipment carrying, in addition to illustrations and data on the products, a series of instruction views of Hagen. Walter is shown making wood and iron shots and in stances for uphill and downhill lies.

Among the new features of the Hagen line are polo grips on the putters.

Mallinckrodt Chemical Works, St. Louis, Mo., at the recent greenkeepers' convention in N. Y. C., introduced a measuring glass which is to be used to measure Calo-Clor and Suspension Calo-Clor, the former for dry application, and the latter for liquid application to turf for brown-patch prevention. The