

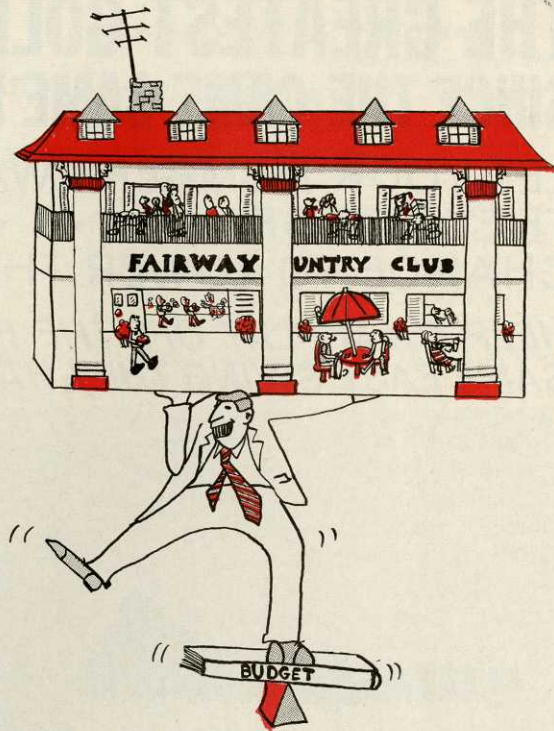
# Budgeting & planning for the clubhouse

By JOHN P. JAEGER

The beginning of a new year is said to call for resolution. We resolve to stop smoking, to stop worrying and take things a little easier. We resolve to correct bad habits, to make a fresh start, to do better next year. Most of our resolutions are false promises—carried out for a few days, or weeks—and we're right back again in the same old rut.

I would like to suggest a resolution for the New Year—a resolution to make your position as club manager a little easier. The resolution is, "I resolve today to do something about a budget for my club for the forthcoming year—to adopt budgeting procedures where none now exist, and revise antiquated budgeting methods where updated revisions are called for."

None of us would, I'm sure, embark



on an extended automobile trip without knowing in advance the route that is going to take us to our destination. True, we may alter our plans as we progress, but our fundamental route is predetermined. Isn't it equally foolish to begin operation in the new year without a predetermined destination and route?

Your club is an ever more important unit in the social life of your community. It is spending hundreds of thousands of dollars to fill the needs for services, recreation, sports, pastimes, entertainment. It is a vital institution in our current mode of living.

To fulfill its function efficiently, it must employ management methods in keeping with the size and scope of its increasingly complex operation. An effective budget procedure is one of the de-

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vices which modern management has developed to properly fulfill its function in the handling of the large scale enterprises. Clubs are now big business and they should therefore use the management methods of big business.

To this day, however, few club managers have done a really effective job of using budgeting techniques—planning and forecasting and setting of standards of performance—to improve the control and results of club operations. Those managers who do adopt present-day budgeting techniques can show better operating results.

These are changing times in club management and we must set new targets—strive for new goals. Club management generally must do a more effective job in the control of payroll and materials cost and of other controllable expenses than in the past if clubs are to survive and prosper. One of the most effective methods of controlling costs and of improving efficiency is budgeting.

The size of the club has little bearing upon the necessity for planning and budgeting. There is scarcely a club that could not use a budget to advantage.

Too often, the "small club" manager has considered budgeting unsuited to his requirements. Although he may be convinced of its merits, he has believed it to be too involved or too time consuming. Intelligent planning, in clubs large or small, requires careful study. Although the required budget procedures are fundamentally the same in a small or a large club, they are much simpler in their application in the small club.

As I see it, it is the duty of club managers to apprise your Boards of the value and necessity of financial planning, to dispel the misconception that budget procedures are complicated and unworkable and to encourage their adoption.

Projection of a cash budget to determine what funds will be required, when they will be needed, and from what sources they will be derived is an important phase of budgeting, especially when working capital is limited.

#### What Budgeting Means

Some look upon budgeting as guessing—a mere setting down of figures which are subsequently compared with actual figures to determine how accurate the "guess" was. A budget is much more than that. It is a plan of operation.

Estimates of income and expenses are made by carefully weighing past performance, current trends in business, prospective higher prices and taxes, increased labor costs, and other pertinent data to determine their effect upon past, present and future operating results.

Having determined these factors as accurately as possible, a plan of operation is mapped out which utilizes this knowledge to the best advantage in order to produce satisfactory operating results.

A budget which is properly constructed and carefully thought through is rewarding in many ways. It provides *definite objectives* with regard to future operations. At the same time, *management policies* for the future are formulated and clarified. The budget is a convenient yardstick for measuring *efficiency of operations*, both general and in detail. It fixes the *responsibility for achievement* of each estimated result on some individual or department.

Employees are encouraged to attain the objectives set by the budget. There is no better method of co-ordinating financial, sales and operating results than through budgetary control.

No attempt will be made to cover all the detailed methods which may be used in developing a suitable budget. A thorough study of various individual prob-

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## Budgeting for the Clubhouse

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lems involved must first be made and those principles applied which best meet the specific requirements of the club.

However, here are some of the fundamental methods and procedures which have been tested and proved effective.

How do you establish a budget? As the first step in the development of a sound budget program, the club manager, as a manager, should produce for his Board a program estimate of his operating plan for the entire group of operated departments for which he is responsible. This must be a technically competent plan containing the following fundamental information:

- An estimate of revenues should be made by months by operating departments with clear explanatory reasons for changes from what past experience records.

- Planned cost and expense ratios to sales should be disclosed representing

management's established pre-standards.

- The expected profit or loss realization is projected from the individual and total of all operated pay-service departments.

These are not guesstimates but a complete detailed projection of planned results. Club management prepares, submits and recommends this part of the get as the first and initial step toward the over-all budget program.

Secondly, management should recommend capital improvement projects which are required or contemplated for the fiscal budget.

For changes or new equipment, the cost of which can be justified in savings, the cost and savings should be worked out in detail and demonstrated. For changes or equipment where the cost can be justified in added gross profits through increased sales or revenue, these increases should be illustrated. The new equipment or changes which are recommended solely on the basis of improved service must

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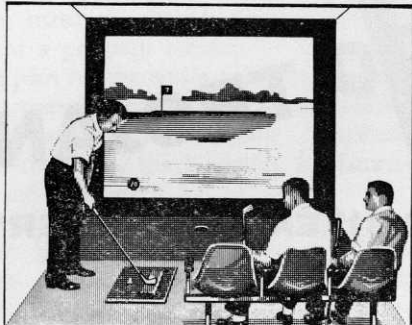
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## **Budgeting for the Clubhouse**

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be illustrated and planned on this basis.

In all cases, carefully prepared estimates of the cost of each project or item of equipment should be obtained and submitted.

The next step in our budget program is the submission by management of expense estimates for all non-revenue departments under its control and responsibility. The basis of these estimates must be the historical costs of prior years strictly pursuing the established policies of operation.

As a final step, management recommends projects which can reduce costs or expenses or improve efficiency.

### **Organizing Budget Committee**

The club manager, with his intricate knowledge of the club's operations, should offer his counsel and advice as to the proper composition of the budget committee. The budget preparation is a business and financial plan and should be handled by a small committee, which will precut red tape and steer it through to final ratification by the Board of Directors or Governors.

The preferred makeup of the committee is the Chairman of the executive or finance committees, the treasurer and the first vice-president or chairman of the house committee, whoever occupies the most commanding position in the club. This is to be a permanent standing committee of the club.

Assisting the budget committee is the club accountant who prepares forms and gathers estimates and assembles figures, the CPA's who are consulted in an advisory capacity and the club manager who is consulted upon invitation of the committee.

### **Schedule of Budget Meetings**

The budget committee, automatically constituted upon the annual election of directors and officers, should meet shortly after the annual meeting to start preparation of the new budget. The committee issues requests for budget estimates

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from all officers or committees authorized to control and expend club funds.

Requests would go to the chairmen of all activity committees, and to the committee chairman in charge of property, building, special functions, etc. The club manager is called upon for his projected budget of the revenue operated departments, as well as for the overhead expense groupings. The club accountant is directed to prepare forecasts of all financial and fixed charges such as insurance, taxes and interest.

The chairman of the membership committee is asked for a proposed quota of membership by classes in order that anticipated revenue from membership dues can be ascertained as well as new membership initiation and transfer fees.

Should the club have a committee for capital additions and improvements, its chairman is directed to submit his bud-

get for new building, revisions, land acquisition or other capital expenditures.

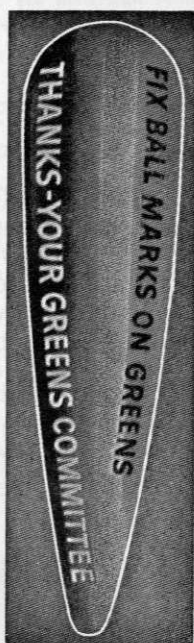
The assembly of budget requests, their digest and the formulation of the budget plan is the direct function of the budget committee—the club manager and accountant to assist only to the extent requested by the committee.

The budget should be formulated in two separate parts, the operating budget and the capital funds budget. No set form is required but it should be kept simple and understandable.

The budget defining the responsibility for each section is the key to successful planning and execution. After finalizing the budget, the budget committee recommends the approval of the budget plan by the Board of Directors.

Your Board of Directors or Governors is the final authority and approves the budget for the ensuing year as submitted or amended. You now have your operational map for the new year—your des-

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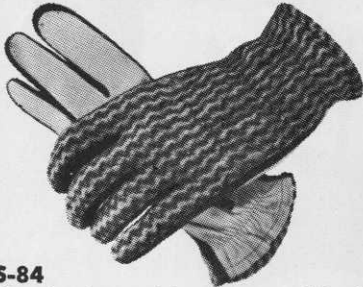
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## Budgeting for the Clubhouse

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tionation has been determined and your route for arriving there has been laid out.

The budget is a plan, not a law. It is an instruction to the several responsible operating and administrative heads as to the program to be executed and the results, in financial terms, which they are expected to produce.

Since you have had an active part in the formation of the initial projection for the new year, your position as club manager becomes easier as your predetermined goals are set for you.

### Budgetary Control—Follow-Up

Usually, the budget program will not effectively serve as a control or measuring stick for month-to-month operations. It is customary for the budget committee to review actual performance in income and expenses and departmental results on either a quarterly or seasonal period operation.

In either case, the annual budget is broken down into quarterly or seasonal periods, and a report is prepared comparing the actual results with the budget program.

As far as the club manager is concerned, the field for which he is responsible is clearly defined. His performance will be rated as he meets the policy objectives set up in the budget.

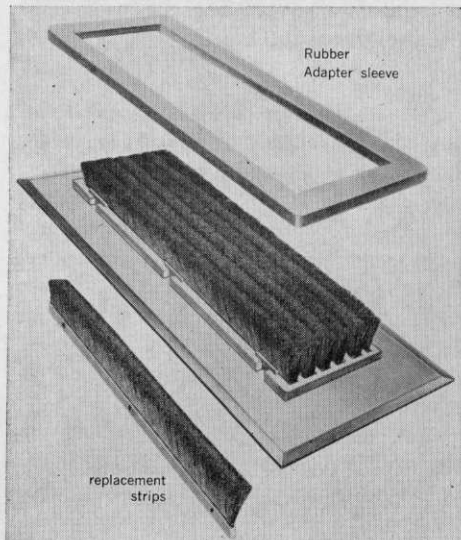
Over-performance is as open to criticism as under-performance. The aim is to adhere to the standards set.

Your club accountant will advise the status of their actual expenditures from time to time, as compared to budget authorizations, and will report to the budget committee any excess of actual commitments or actual expenditures over authorization as soon as the information comes to his knowledge.

Your club accountant has no control powers over expenditures, nor has the budget committee. Where control action is desired, it must be exercised through the Board or officers to whom power is delegated.

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## Budgeting for the Clubhouse

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### Function and Value of the Budget Procedures

It would be well to point out that a budget is no positive restriction on expenditures, nor is it an instrument for actual control over management or committees. What then is the function and value of all these elaborate procedures in preparing and making the budget?

The function and value of budgeting procedures can be defined as follows:

(1) The budget is an instrument through which the increasingly diverse and complex operations of the modern club are brought into coordination and over-all planning in order to develop policies and a program for the club's operation on a sound business basis.

(2) It is the means of setting out the organization structure and the relationship of authority within that structure in assigning the conduct of various operations and departments to the club manager and to the various officers or committee chairmen.

(3) It defines the areas of responsibility for each of the three—the club manager, officers and committee chairmen.

(4) It is the principal medium for effective communication in an organized way, between the director body and the active operating personnel—particularly between the club manager and the Board.

(5) It assumes an annual review and examination of all the activities and operations of the club and opens the way to the orderly, systematic consideration of changes, new ideas and improvements.

(6) It is the means of solving the recurring problem of educating the incoming new officers and directors into an understanding of the whole scope of the club's operations—it's purposes, organization, finances and the constantly rising new problems.

(7) It enforces planning—particularly long-range planning, as a necessity to in-

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telligent club management.

(8) It creates a bulwark of protection against unsound fiscal policies.

(9) It provides a measuring stick for period checkup of actual against desired performance.

(10) It brings to focus all the new problems which are rising and being created in the rapid expansion of the club and its wider ramification into new activities and fields.

There are, of course, many refinements which are necessary in an effectively functioning budgetary control system. However, the thought in this presentation is to review only the basic techniques or fundamentals inherent in club operations' budgetary control.

The changing role of the club manager requires him to play an important part in aiding equity management in forecasting, planning, controlling and

improving operating results. It is in these fields the manager meets his greatest challenge and the greatest opportunity for the exercise of his talents. •

## Merchandising Tools

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1) Wording on signs should be informative, yet concise and "alive."

2) Signs should look professional in their layout and lettering.

3) Signs should never look soiled or marred. This could quickly spoil the customer's image of the merchandise.

4) Change signs often to keep them up to date.

5) Make signs sell the customer benefits rather than merely "things." Signs for apparel should emphasize neat appearance, style and attractiveness.

## Lighting

Lighting primarily makes it possible for customers to see the merchandise, but it also should serve a dramatic function.

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