



# **From Finance to Strategy**

Enhancing Communication, Accountability and Execution

# Why We Did This Research

- Are clubs at an evolutionary inflection point as regards change the Finance function?
- Where does the Financial Power in the club reside? Who determines the financial model of the club?
- An overarching theme....Finance ~~=~~ Accounting
- Four perspectives
  - Scott Hetzer is the President of The Country Club of Virginia (CCV) – Richmond, VA and is also a past Treasurer and was a Senior VP and Treasurer of Dominion Energy for 17 Years
  - Kirsty Taylor is the CFO at The Oaks Club in Osprey, FL, an experienced Head of Finance in clubs, and a Chartered Accountant.
  - Michelle Riklan recruits the Head of Finance for clubs across the country for KOPPLIN, KUEBLER & WALLACE.
  - Ray Cronin and the CB team are involved in financial benchmarking and capital planning for 1,000 clubs
  - All four perspectives will be applied to understanding how the Finance Function can be effectively managed.

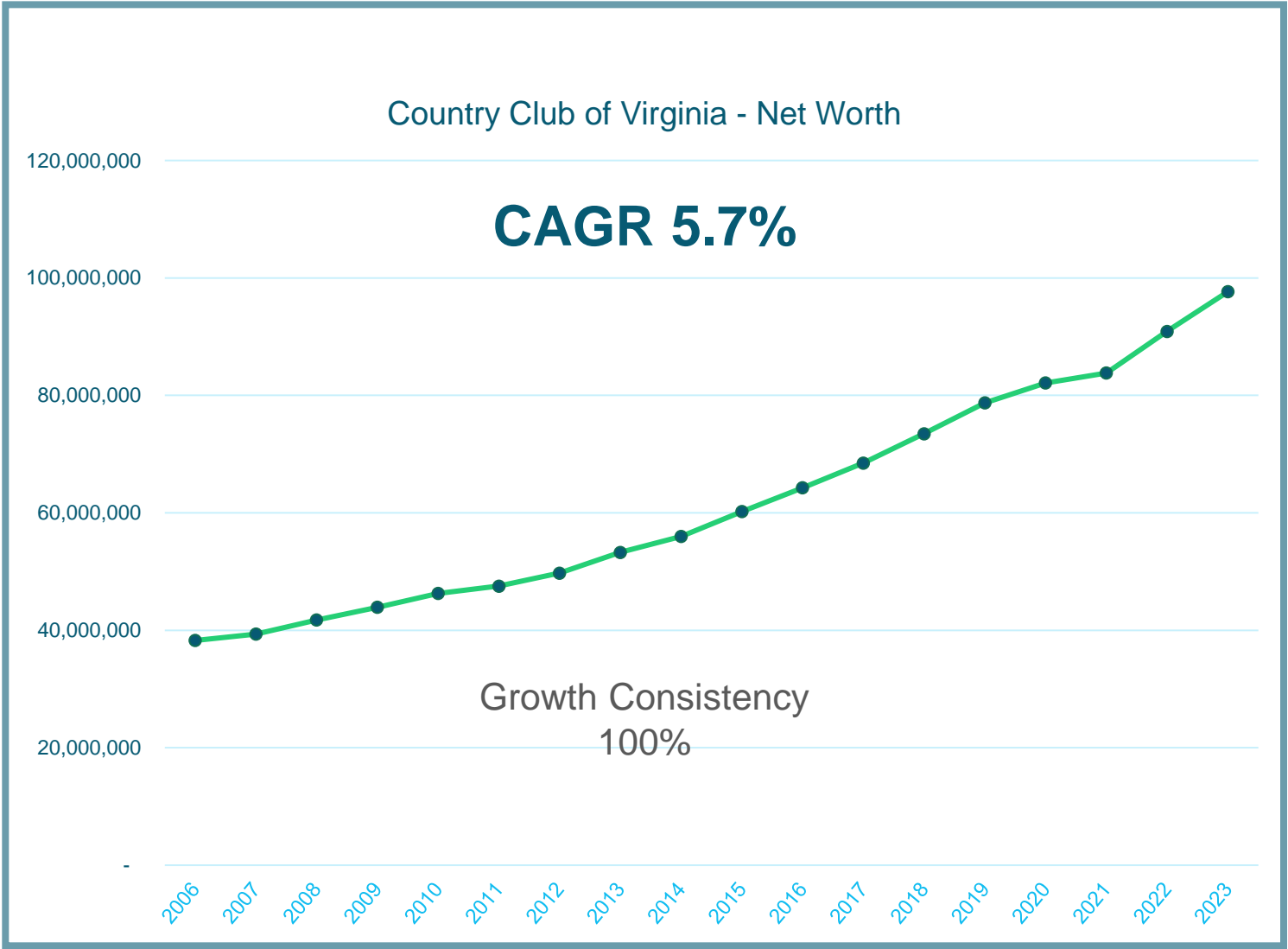
# Setting the Stage

- The difference between Accounting and Finance
- **Accounting** is historical, accounting for what happened in the past (month or year typically). It is a CRITICAL business process, but it is tactical in nature.
- **Finance** is forward-looking – It is a CRITICAL business process that is strategic. Finance addresses
  - Management of Assets, Liabilities and Equity and their future growth
  - Looks forward to plan the growth and acquisition of assets
  - Links the Business Model to the Financial Model of the Business which fosters predictability of financial outcomes.
- Finance is the Language of Business
- There is a “unfair” fight in the club Boardroom – as a high proportion of the finance committee and Board are financial “Gurus.”
  - If the Head of Finance and Head of Club aren’t the financial experts on Private Club Finances – who is?

# Setting the Stage

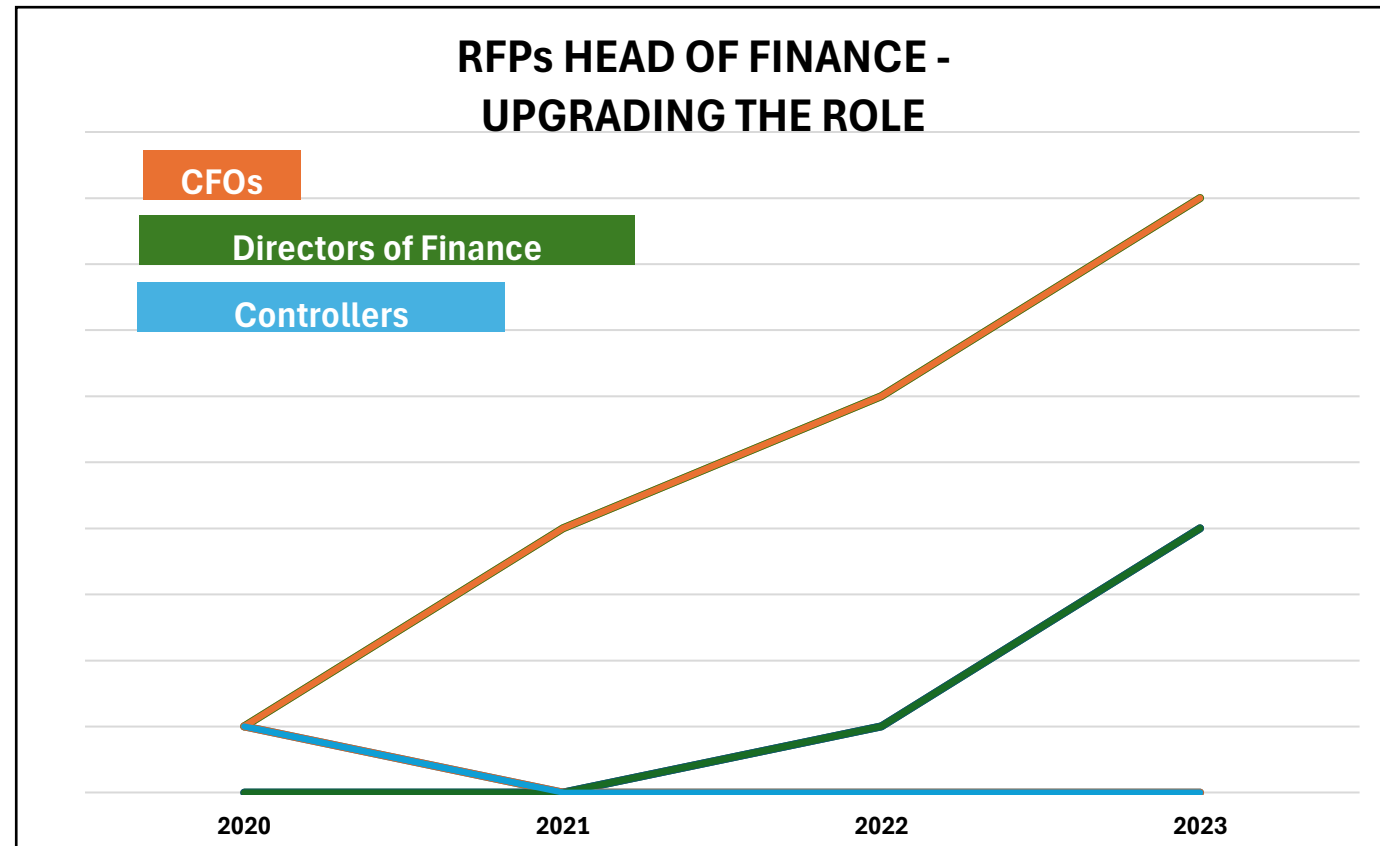
- The Views around the Table

# The Big Picture



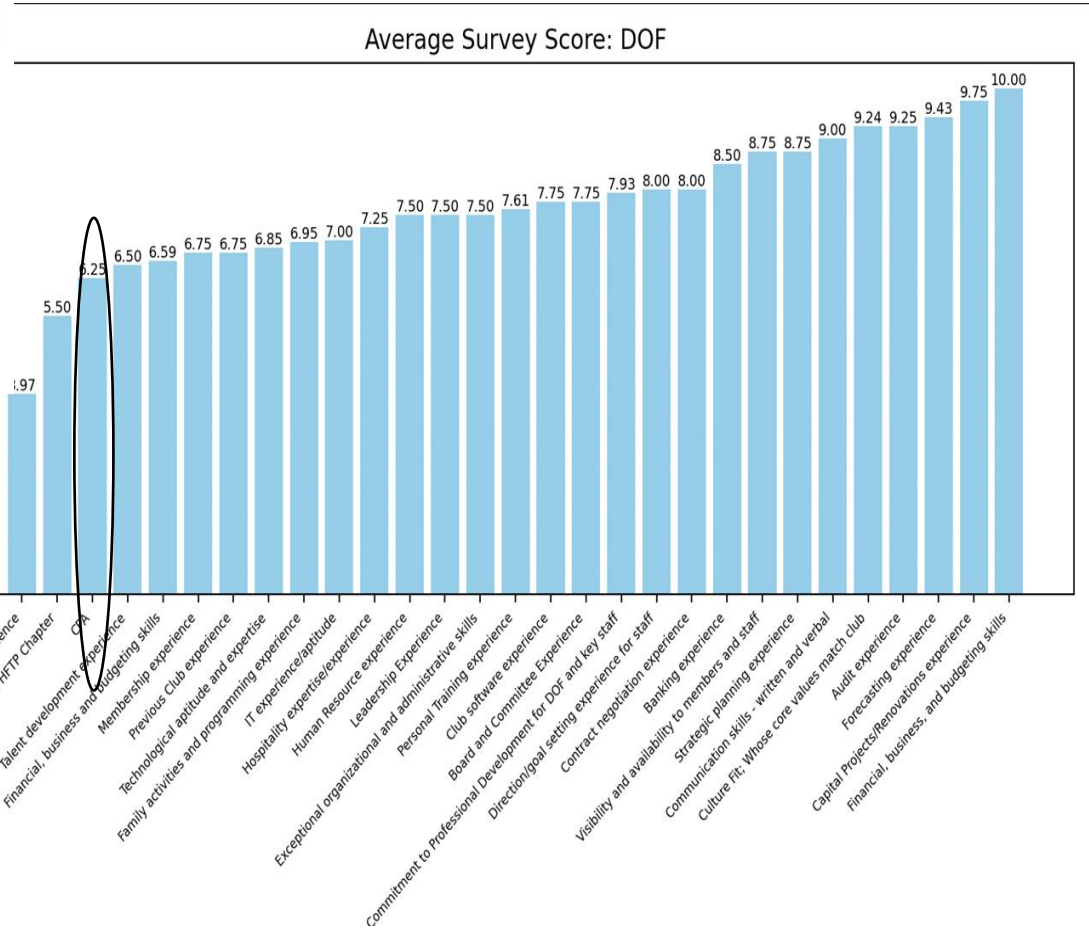
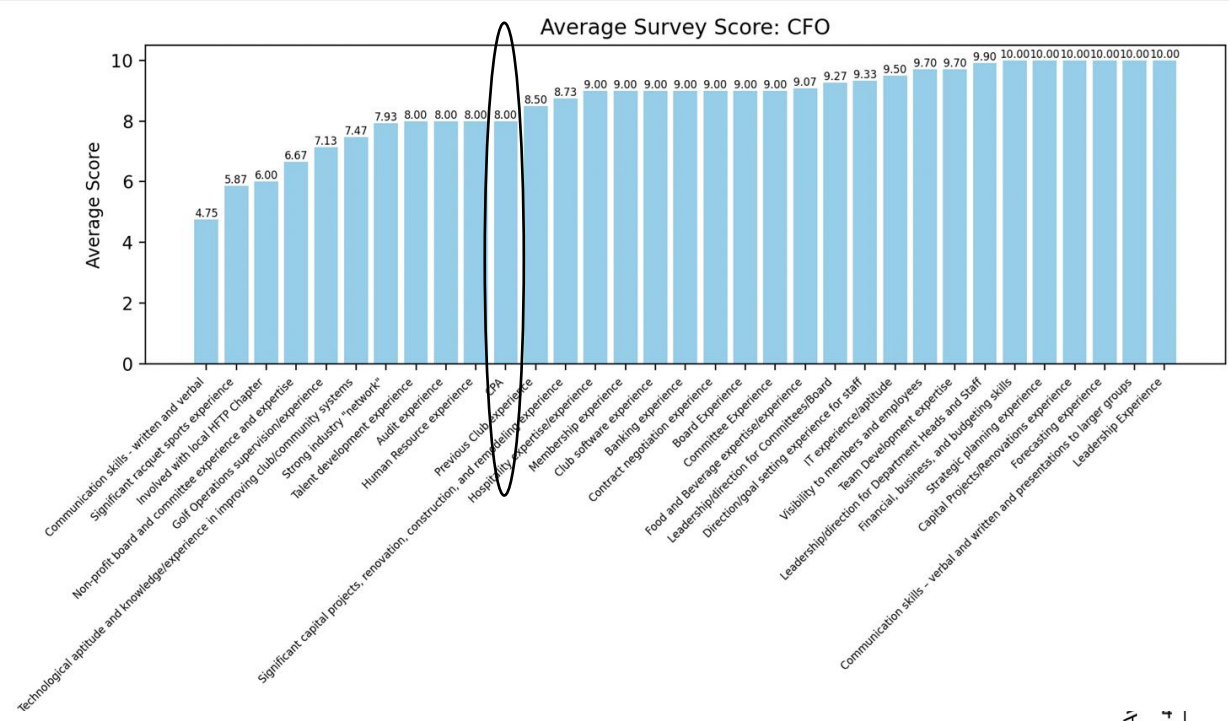
# When Clubs Make a Change

What does your club have?  
What does your club want?  
What does your club need?



29% of clubs wanted to upgrade position – trending upward

# When Clubs Make a Change



# When Clubs Make a Change

## Controller Top 5

1. Financial, business and budgeting skills
2. Communication skills
3. Club experience
4. Technology aptitude
5. Experience as a Controller

## Director of Finance Top 5

1. Financial, business and budgeting skills
2. Capital projects/Renovations experience
3. Forecasting experience
4. Audit experience
5. Fit with club culture

## CFO Top 5

1. Leadership experience
2. Communication skills (present to large groups)
3. Forecasting experience
4. Capital projects/Renovations experience
5. Strategic planning experience



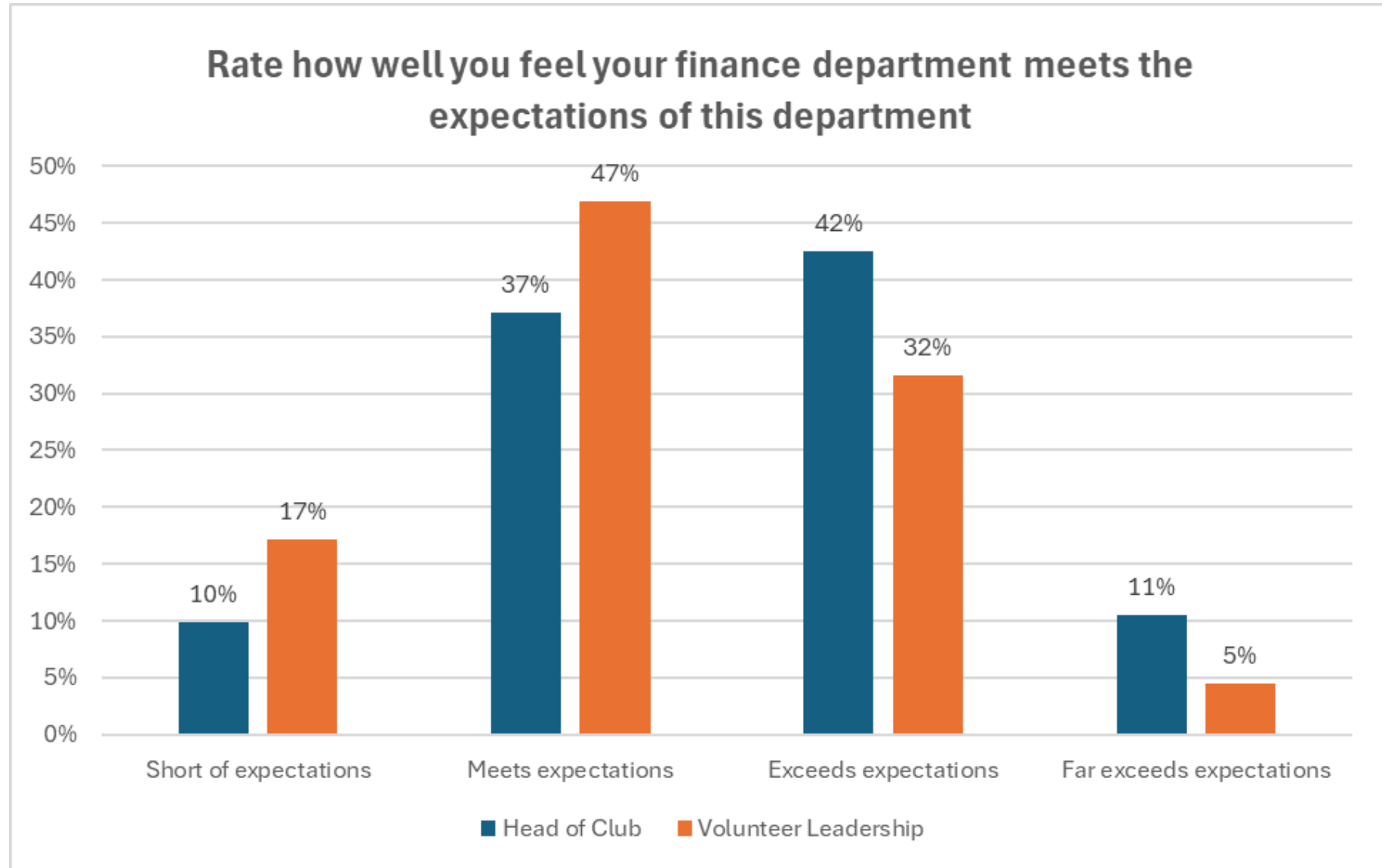
# Does the Head of Finance Need to be a CPA?

- 7% decrease in CPA Exams 2022 vs. 2021
- Lowest level since 2006
- Fewer people taking accounting (a pre-requisite to a CPA) in college
- 36% of large company CFOs have CPAs (Korn Ferry 2019)
- 52% have an MBA (CristKolder Volatility Report)

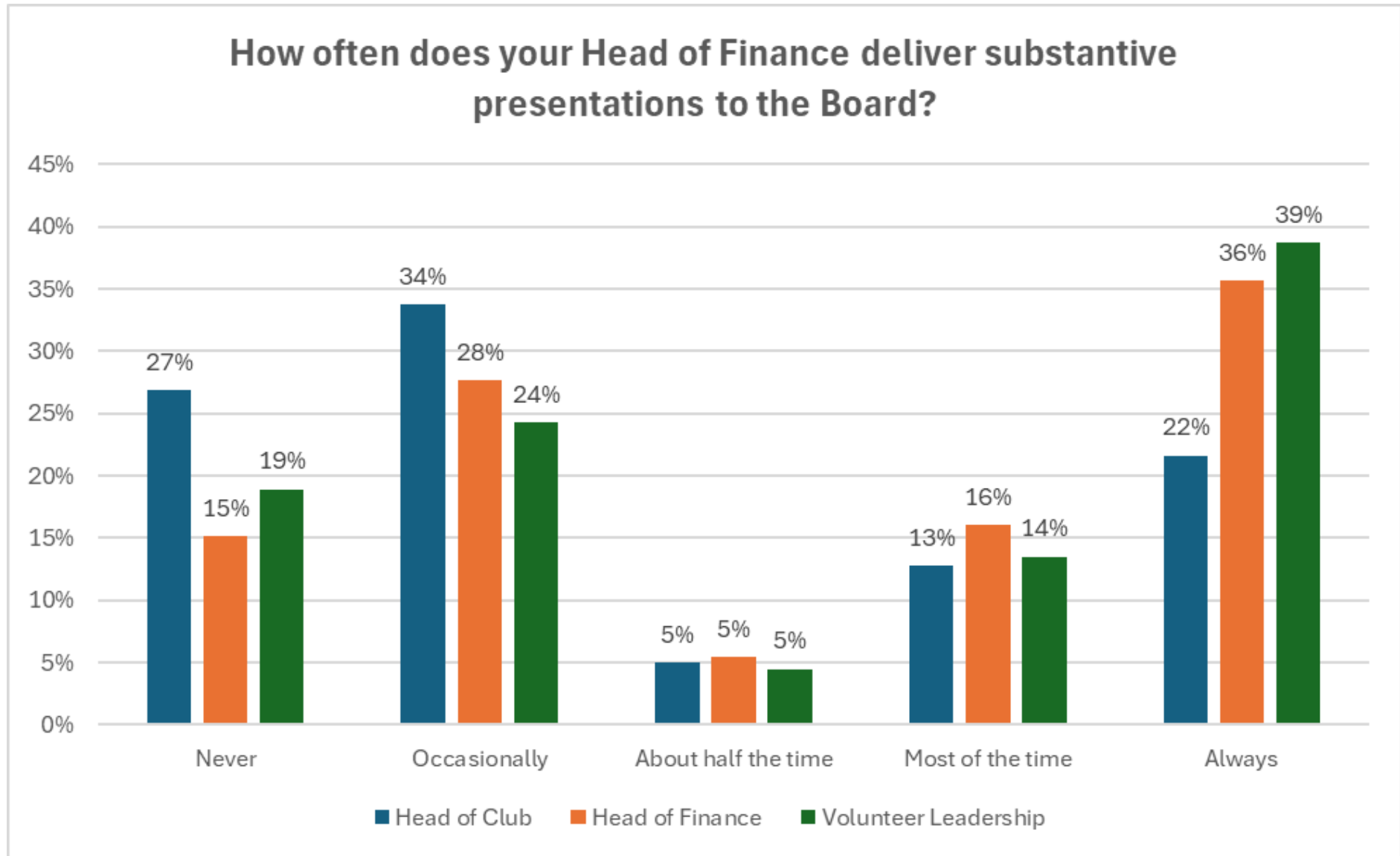
# The Survey Data

- 749 Clubs, 901 People
- 51% Head of Club - GM/COO/CEO
- 35% Head of Finance
- 14% Volunteer Leader (Pres, Treas, Board Member)

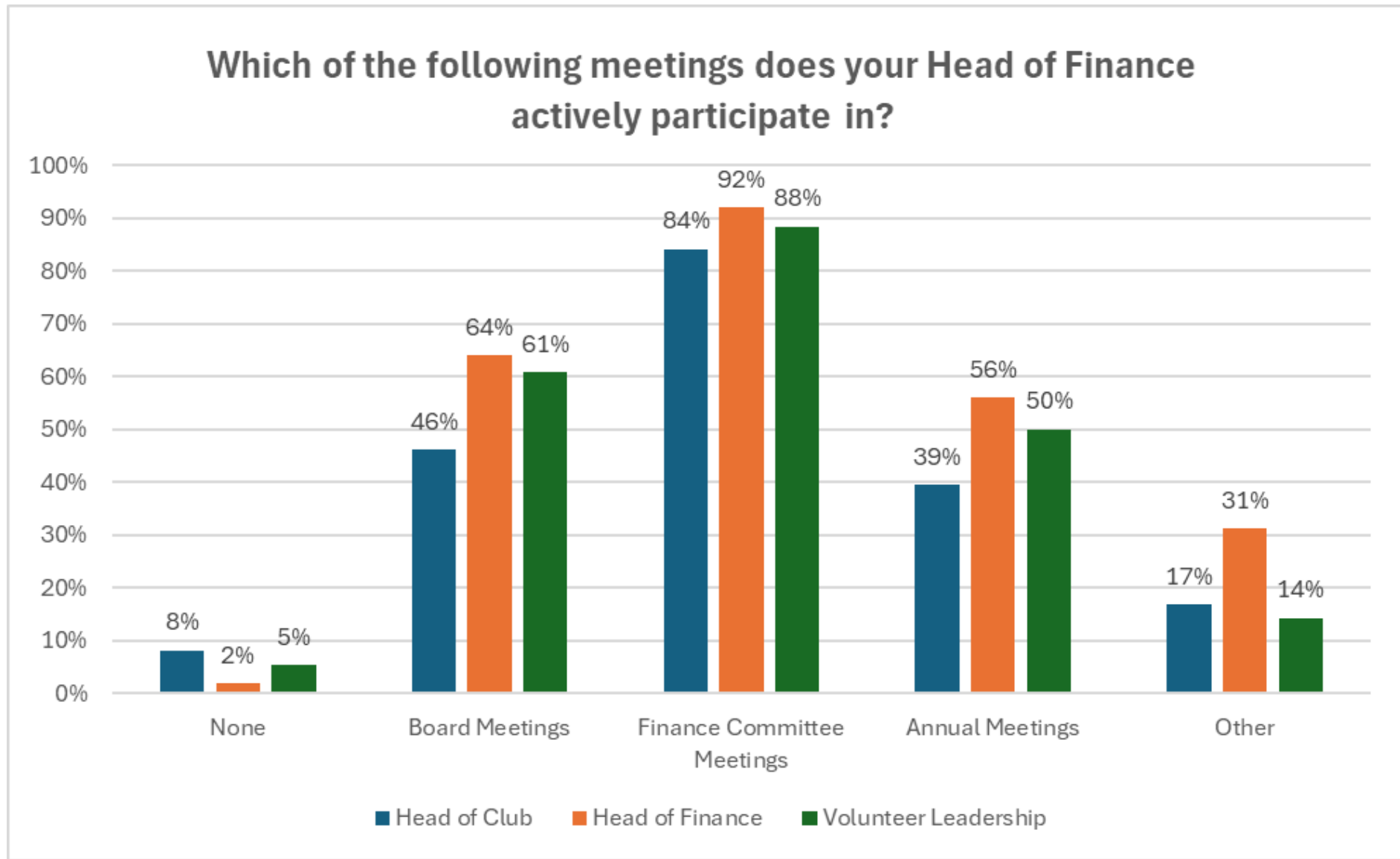
# The Survey Data



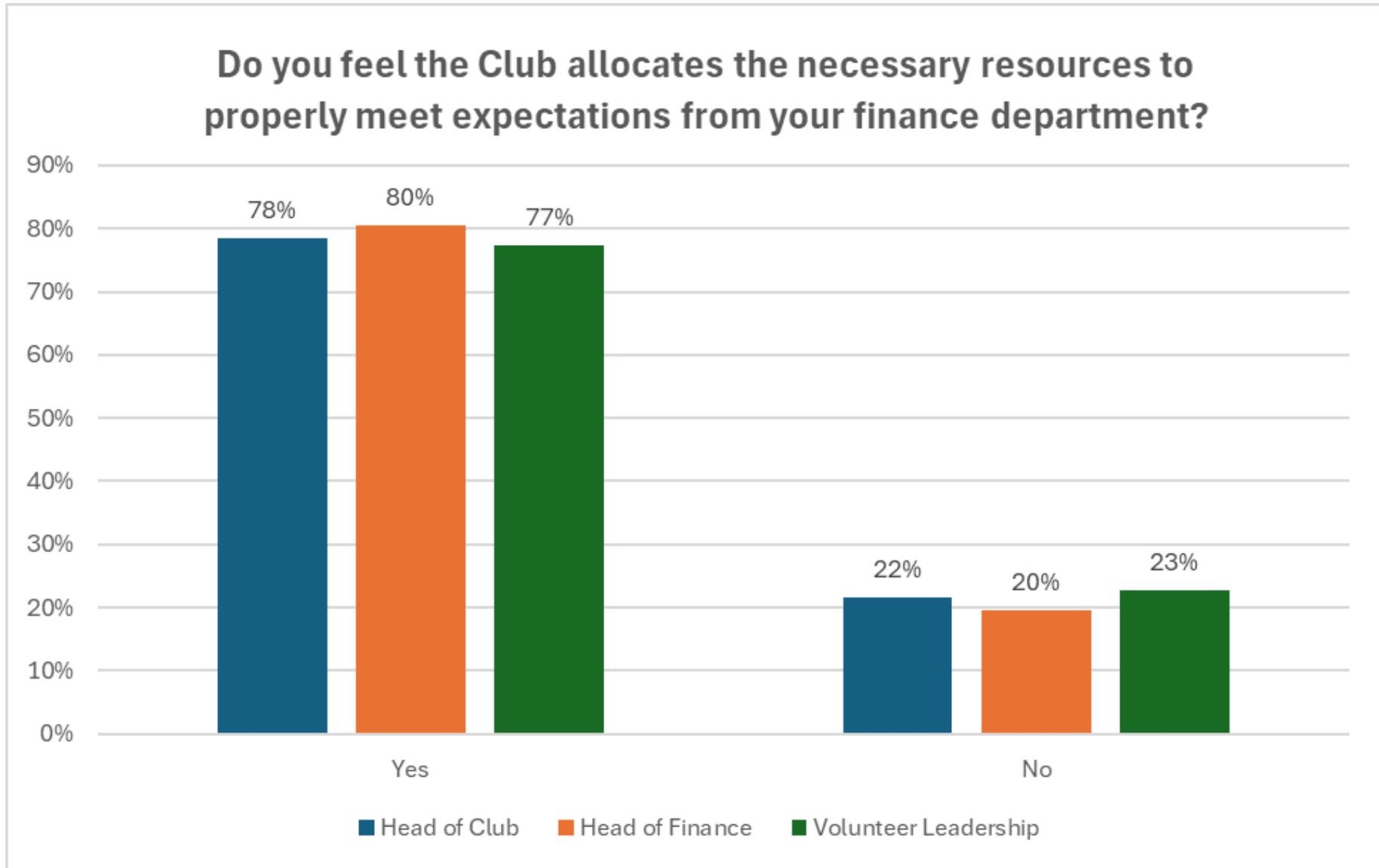
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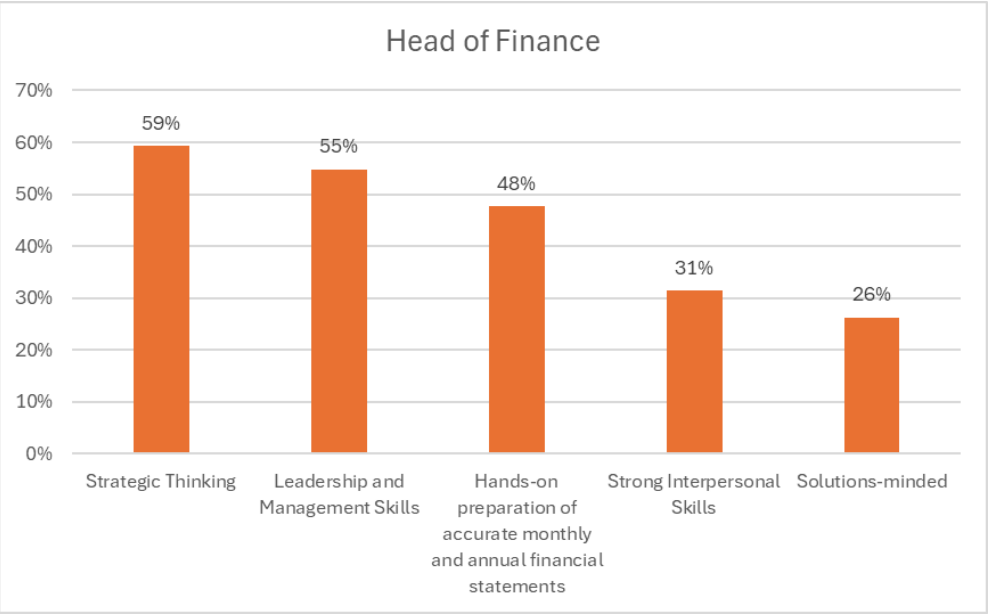
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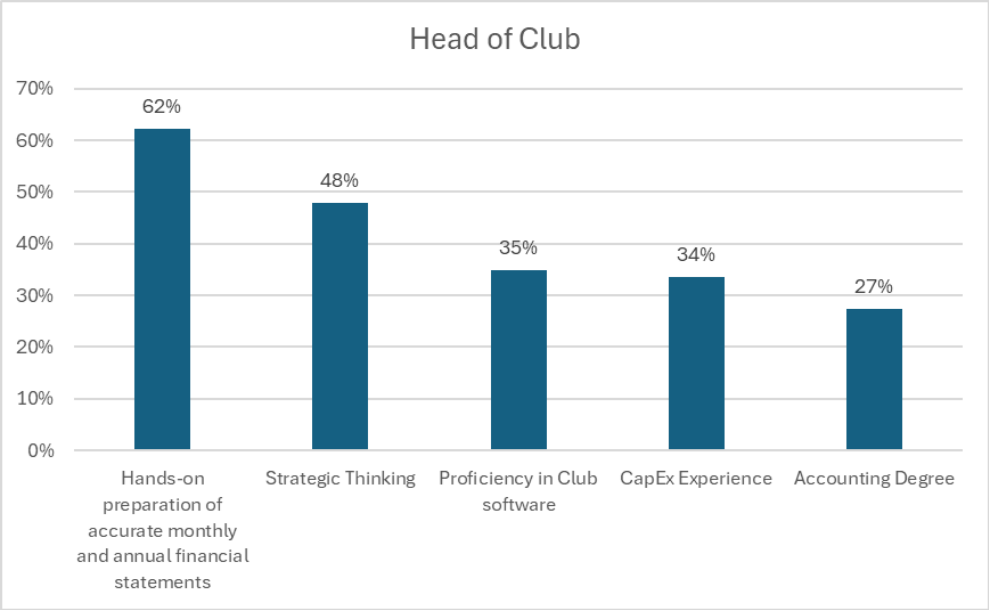
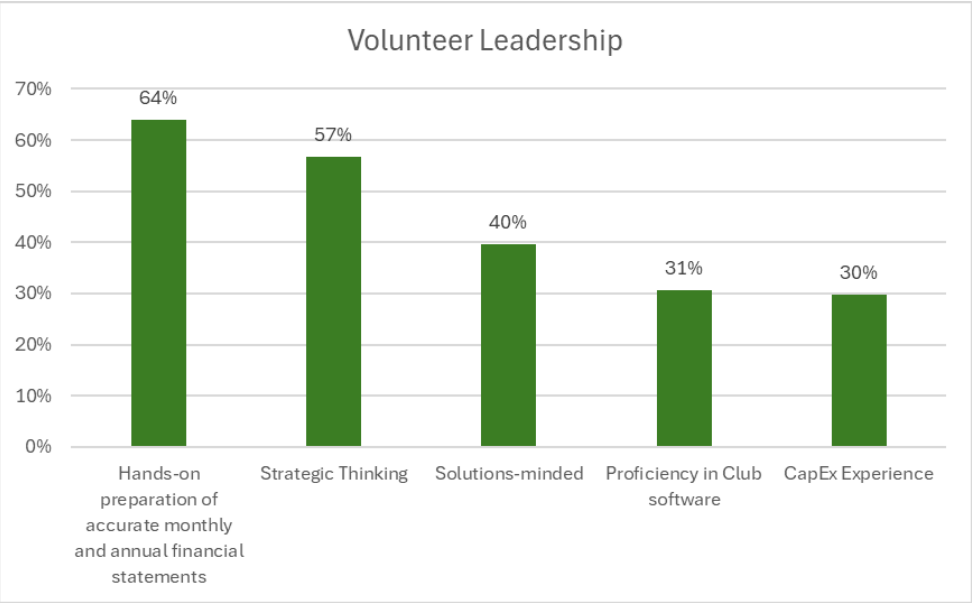
# The Survey Data



# The Survey Data



From your perspective, in regard to your own club, which are the five most important characteristics for your club’s Head of Finance?



# New Research

- The Capital Intensity ratio is calculated as Property & Equipment / Revenue.
- CB's recent year-end database has 885 clubs with an aggregate of \$9.7 Billion of Operating Revenue and an aggregate of \$27.4 Billion of Plant & Equipment (physical assets).
- The Capital Intensity ratio = 283% - close to the most intense capital intensity industry.
- Clubs are **CAPITAL INTENSIVE** businesses.
- How much scrutiny does the Fixed Asset Register receive?

## Clubs are Capital Intensive Businesses

Capital Intensity	Sector	Ratio
High	Power	293%
High	Private Clubs	283%
High	Oil and Gas	108%
High	Metal Manufacturing	85%
Low	Healthcare	57%
Low	Capital Goods	45%
Low	Fast Moving Consumer Goods	44%
Low	Information Technology	38%
Low	Auto	35%
Low	Consumer Durables	26%
	Average	101%

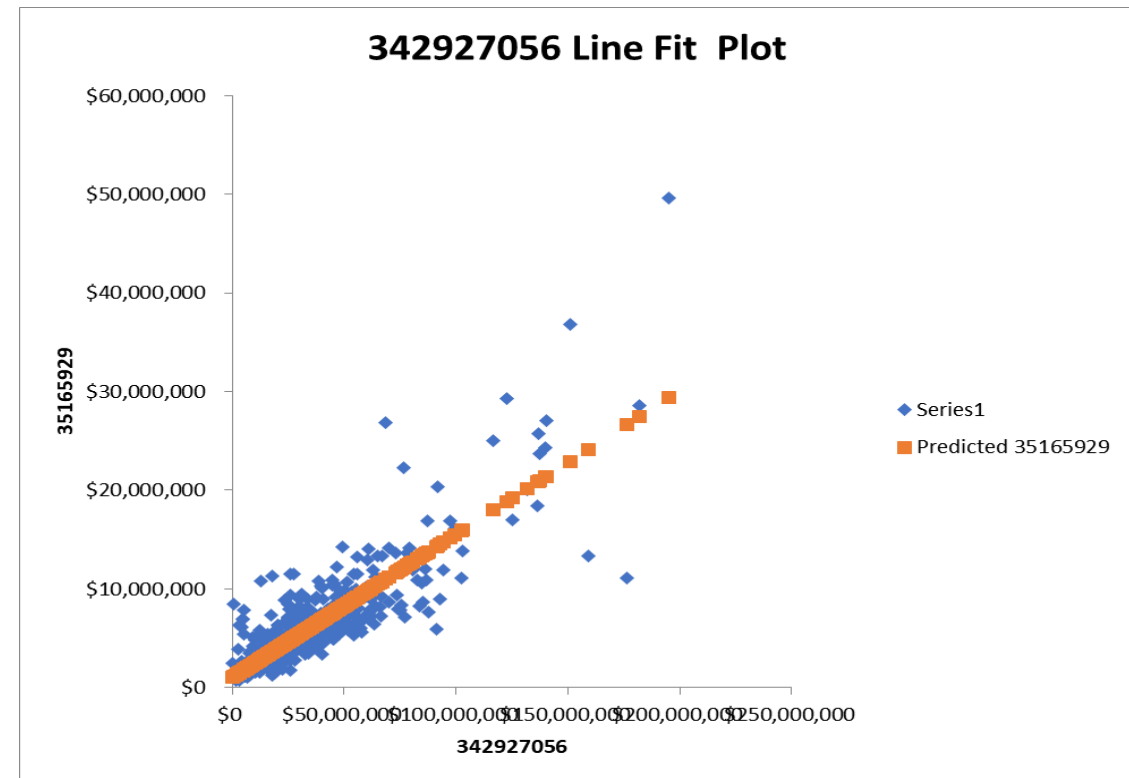
Source: Research Gate  
Dr. Pankaj M. Madhani  
Management Consultant  
Management Consultant, Former Dean (Academics)



# New Research

- We have run two key regressions
  - Plant and Equipment (71%)
  - Plant and Equipment and Amenity Subsidy (92%)
- An example of the “financial power” is setting dues. Do we really understand what drives dues?
- Dues aren’t “an option.”
- We don’t need to “guess.”
- The footprint – as measured by Gross PP&E – drive the need for dues revenue.
- Clubs are high fixed cost businesses. The larger the footprint, the more dues we need.

Regression Statistics					
Multiple R	0.843336				
R Square	0.711215				
Adjusted R	0.710719				
Standard E	2445284				
Observations	584				
ANOVA					
	df	SS	MS	F	Significance
Regression	1	8.57E+15	8.57E+15	1433.34	4.2E-159
Residual	582	3.48E+15	5.98E+12		
Total	583	1.21E+16			



# New Research

81% of clubs with lower dues and lower member counts are in the lower 37% of all clubs on Initiation Fee and Net to Gross PP&E Ratio.

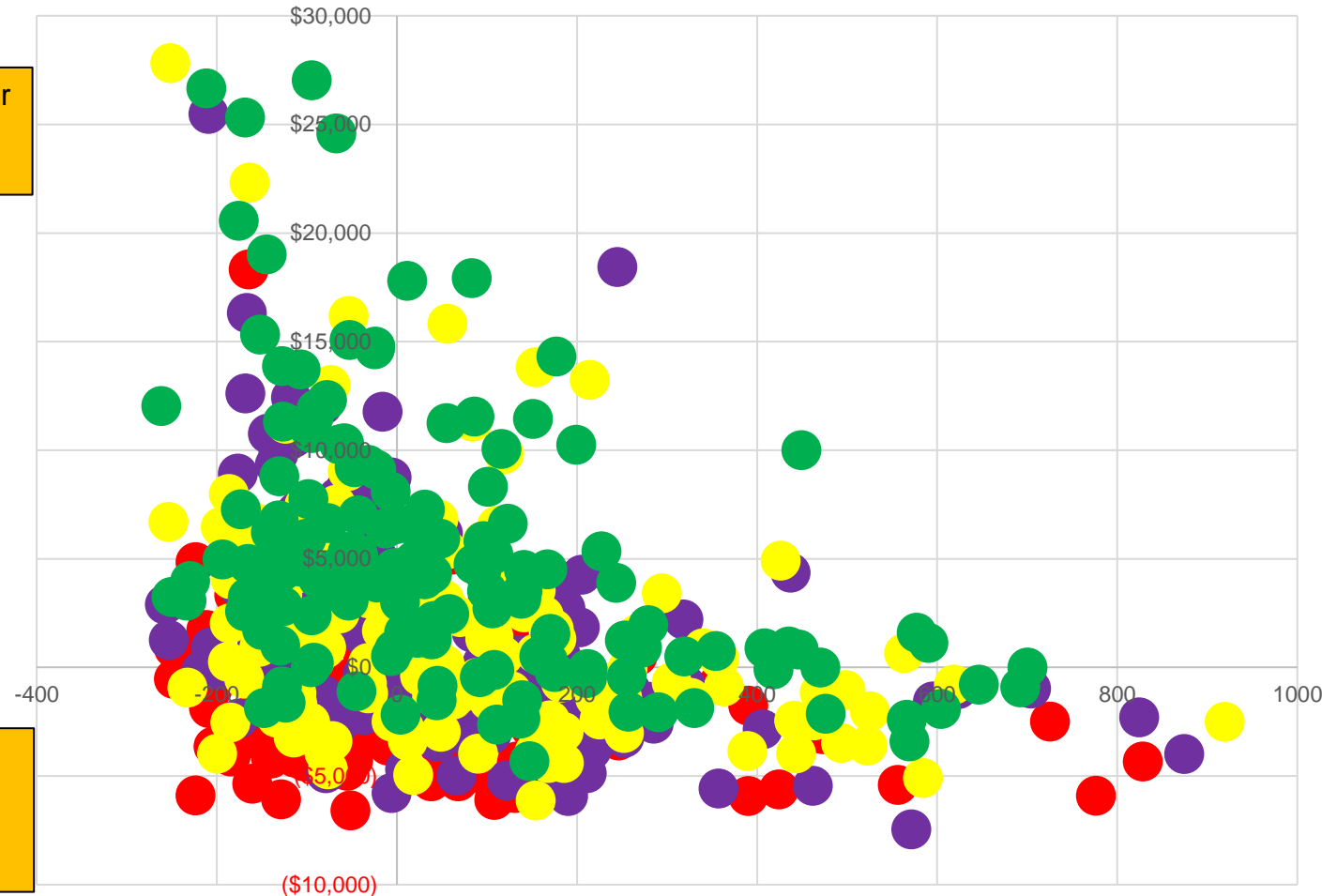
Only 3% are in the upper quartile of Initiation Fee and Net to Gross Ratio.

Quadrant	% Red	% Purple	% Yellow	% Green
Q1	58%	23%	16%	3%
Q2	13%	26%	23%	38%
Q3	6%	17%	34%	43%
Q4	26%	32%	27%	15%

Only 6% are in the lower quartile of Initiation Fee and Net to Gross Ratio.

78% of clubs with higher dues and higher member counts are in the upper 37% of all clubs on Initiation Fee and Net to Gross PP&E Ratio.

FME per 18 vs. Dues per FME bucketed by weighted Initiation Fee and Net to Gross



Median Dues per FME

\$9,684

Median FME per 18 Holes

410

**Questions & Answers**

**Thank You!**