



Here's How You Can Get the Most Qualified, Productive Board



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SO MANY BUSINESSES, PRIVATE CLUBS AND PEOPLE THROUGHOUT THE COUNTRY ARE FEELING THE PINCH.

It really doesn't matter where you go, or what you want to look at, we're all tightening our belts, looking at alternatives and preparing for better days down the road.

But this doesn't mean we bury our heads in the sand, or worse yet, quit! No sir. An enlightened approach is to dig in, get at it and work at getting through an economic downturn that's set so many back on their heels.

For private clubs this means forging ahead recruiting members, seeking alternative ways to make sure they stay with your club and encourage as much usage of the club as possible. Certainly some of this impetus should and does come from the club's general manager and/or chief operating officer, but equally, the thrust should be coming from the club's board of directors.

And that means having a well-qualified and productive board of directors, which can deal with the urgencies of today.

So what makes and how do you get the most qualified and productive people on your board of directors?

Some general themes and questions should be considered.

- How does a club determine the competencies it needs on the board?
- Are there personal attributes members should bring to their board work, and if so, what are they?

- Are professional or technical backgrounds and skill sets necessary to understand the organization and responsibilities of board members?

- How rich is the diversity of the club's board and does it fairly represent the club's cultural community?

- Should boards have term limits for its members?

- Are there what some have called 'disabling' guidelines clearly describing possible conflicts and clearly indicating whether or not a certain person should serve on the club's board?

And there are other fundamental decisions clubs must make, such as whether or not board members should be elected or appointed.

In the opinion of Tarun Kapoor, "There are some fundamental principles that must be adhered to in club governance transparency and inclusion.

"The mythology of private clubs is that there is a good old boys network that deliberates in smoke filled rooms behind closed doors. Often members of clubs feel excluded by the board and/or officers, assuming decisions are predetermined and self-serving. Debunking this myth warrants an overt and assertive effort by the volunteer leadership," opined Kapoor, managing director, Kapoor & Kapoor Hospitality Consultant of San Marino, CA.

"For these reasons I believe they should be elected and all members should be aware of the nomination

and election process. Qualifications to become a candidate should not be restrictive. Potentially all voting members should qualify. While relevant criteria like committee experience is justifiable often experience and business qualifications are not important, members representing members is more important. Fair representation of the membership and their diverse needs is most important," he asserted.

"In effective collaborative governance, the role of the board is to set policy, guidelines and strategic direction. It's the role of management, the hired professionals, to manage the club. In that context being 'qualified' is not really necessary. It's like saying, 'a good jury should consist of people who know the law,'" Kapoor explained.

Others including Dick Kopplin of Kopplin & Kuebler of Scottsdale, AZ and Jupiter, FL suggest, "Technically, many clubs require an 'election' but ... our recommendation is that nominating committees select the best talent they can find for the club board and not have an election.

"Today's club environment requires that board members understand the complex multi-million dollar business

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that the club has truly become," Kopplin explained. "Clubs can no longer afford to have a 'hit and miss' selection process in choosing their leadership. The days of the 'popularity contests' should be over within the private club world.

"Selecting the number of board members for the same number of open seats allows the club to choose club members who have the over-all interest of the club in mind and not candidates who are being propelled forward by a narrowly focused group of members," Kopplin insisted. "Many clubs have specific needs today that require informed and dispassionate leaders who will have the respect of the entire membership."

Kopplin says that in working with clubs, "I always ask how much input is given to the nominating committee from the general manager and other department heads...people who have years of experiences in working with a variety of club members. Usually the response is 'very little', a lamentable and unfortunate fact that should be changed.

"They will know which members could potentially contribute their talents and time in a productive manner without pursuing hidden agendas," Kopplin asserted. "Often vocal and 'single issue' candidates will persistently lobby a nominating committee and are often successful in their election to the board because objective and legitimate candidates are not surfaced by the committee. The likelihood of this happening decreases significantly if the key managers in the club are allowed to provide the committee with their views and recommendations."

Some club presidents have expressed concern about their general manager 'manipulating' the political process of the club by suggesting candidates to the nominating committee. Kopplin has a one-word response to the objectors: "Baloney!

"The general manager of a private club works in a very political environment and should have every opportunity to participate in the direction of the club and that direction is determined by the quality of candidates elected to the board. Too often a club manager struggles to satisfy the demands of a board member whose single-issue agenda is divisive for the entire board and can seriously jeopardize the progress of the club," Kopplin countered.

"The solution is to carefully review the nominating process in your club and select a chairperson and committee members whose qualifications will be above reproach. The future of your club is in their hands!"

Addison Reserve Country Club, Delray Beach, FL is a fine example where all things political at a quite dysfunctional club were turned upside down.

Back in May 2002, when Addison's members took over the club from the developer, members wanted to get involved for the 'right' reasons. Unfortunately a massive committee structure almost doomed the club to failure.

Even with well-founded intentions of the board and Addison's members, there was no strategic plan in place, and little to balance the board, committee and management matrix. The club was fraught with conflict, high management turnover and as expected, high membership turnover.

Today, with CEO Michael McCarthy at the helm, Addison has achieved a stunning turnaround with a highly effective and productive board – a result of "the development and selection of board candidates. It's the most important aspect of providing good governance," declares McCarthy.

"It's an integrated function of the board to appoint a nominating committee, which will then nominate suitable candidates for election to the board. This happens when the board president and the CEO/general manager help the nominating committee with a developed pool of potential candidates thereby promoting and encouraging only the most effective volunteer 'leaders' to run for election.

"It's paramount that the nominating committee members understand the characteristics of good board members and do the necessary due diligence in their efforts as a committee."

So at Addison Reserve, it's a combination – a nominating committee searches out potential board members who are elected to the board.

Tim Bakels, chief operating officer and general manager, Hamilton Farm Golf Club, Gladstone, NJ is unequivocal. He says board members should not be elected.

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“For the most part, I think a rotating term is healthy when there are appropriate candidates. However, when the candidate pool is limited to draw from, I think this should be temporarily set aside or if there is a long-term project such as a capital remodeling project. A lot of turnover just isn't healthy,” Bakels explained.

“I believe that the history or background of a member, although helpful, does not make that person a better board director or give them a better understanding of the club or board knowledge. We've all dealt with that member who owns a successful restaurant chain, becomes the house committee chairman and doesn't understand why the F&B operation is losing money or subsidized. The private and public sectors of F&B are very different venues,” Bakels explained.

Our contributors have some consensus on the length of terms for individual board directors. “To keep the governance inclusive and to continuously refresh the board thinking, term limits are a good idea. Usually two terms (no more than six consecutive years) is effective,” Kapoor offered.

“Most clubs allow for two consecutive terms of three years,” Kopplin stated. “This provides for continuity in governance philosophy and the nominating committee should have the flexibility of asking outstanding board members to continue to serve another three year term.

And although certain criteria may not be necessary for potential board members, “we're seeing many clubs require that a prospective board member serve on a club committee for at least a couple of years before they are invited to join the board.

“This allows the general manager and the management team to observe club members who truly want to serve the best interests of the club and they can recommend those individuals to the nominating committee,” Kopplin commented.

General manager Bakels believes that there should be longevity for a board member's years of service. But he offers an alternate solution: “If there is a time limit on participation, then the members can serve for a period of time, take a hiatus to get a new perspective and then be able to run or rejoin the board.

“The term...maybe three or four years but I believe in consistency and continuity, which retains the club's vision. Does this affect their effectiveness and productivity? If the term is limited or the individual is stagnant, this won't hurt the individual but may hurt the club's growth for the future,” he observed.

Bakels feels the criteria issue is important and “there may be many variables. The criteria should consist of the length of time at the club, visibility at the club, knowledge about the club background, relationship with current staff, understanding of the club's vision, and understanding of the club's management hierarchy, and a long-term goal to improve the club.

“This person should be able to work well with people, especially the current board members,” Bakels opined.

For Kapoor, no certain criteria are necessary to run for the board, “other than being a voting member and possibly having some experience on a committee.”

INFLUENCERS AND ADVOCATES

So for the betterment of the club, should board members be influencers and advocates within the club...and if so, how should they function?

Of times a criticism of board members is that they're agenda driven...pursuing a narrow personal agenda. Is there a difference between influences and advocates?

“Board members should be influencers to the extent they encourage any and/or all members to become active and participate in governance. A vibrant club community makes members want to participate,” Kapoor suggested.

Bakels believes that board members should be influencers and advocates within the club.

“If the board members themselves believe in a certain vision, then they will support the direction of where the club is heading. I also believe that a board should agree on a message as a whole, which creates a group of people supportive of the club's goals and send one message in totality.”

And Bakels suggests it's the job of the nominating committee to ward off the agenda pushers. “Board members should be nominated through a committee whose members

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can ask the appropriate questions. I also believe that a member's actions in the club's public sector as well as in the committee structure will clearly have demonstrated if the individual is agenda driven for the wrong or right reasons.

"Whether or not the individual is driven by agenda or positively influencing the membership, it may be one in the same for the club. If the individual has a specific and positive agenda for the club then that person would be considered an advocate as well," Bakels expressed.

Kopplin, with his experience in the club business and industry consultant hints at caution.

"Too often members who are attempting to influence direction of the club or who are advocating a special interest are not looking objectively at what is best for the entire membership," Kopplin suggested. "Sometimes we see the 'barking dogs' who have a self-serving motive for what they are advocating and they typically do not make the best board members.

"How does the club become aware of the 'agenda driven' people?"

"One of the best is by checking with the general manager," Kopplin related. "That person will observe many of these 'advocates' up close and along with other key department managers can help the nominating committee steer clear of these barking dogs.

"Today, more than ever before, private clubs need outstanding board members to help the general manager/COO and the management team manage and govern their clubs in an effective manner," Kopplin added.

"Personal agendas, petty politics and single issue board members are a distraction and can divert the attention of the board and management team away from the key issues in the club."

And a final Kopplin tip: "The nominating committee truly becomes one of the most important committees in the club because it often determines the governance direction for years to come," Kopplin offered.

"I believe a strong and secure management team, which is clearly managing the club, and supported by the board will allow a club to be successful," Bakels asserted. "The key is to find individuals who not only understand the club, the team and the over-all vision and structure, but who can give their time and themselves to be productive board members."

To avoid agenda driven board members, "it's critical that the role of the board, committees and management be clearly articulated and enforced," Kapoor counsels. "Clubs that govern through a strategic plan also minimize the negative impact of agenda-driven board members.

"And there is no correlation between the qualifications of individual board members and the productivity of the board," Kapoor commented. "I believe productivity is a result of a transparent and inclusive structure that includes volunteers and paid professionals, and the club practicing governance that is based on the principles of collaboration with volunteers focusing on strategic direction, policies and

guidelines, with everyone being accountable to the membership at large."

PUBLISHER'S FINAL THOUGHTS

Unquestionably, as these industry leaders suggest, certain characteristics help distinguish effective and productive board members.

Today, and more so each day, a private club's general manager/chief operating officer is defacto the 'club's leader.' Although news every day suggests that some clubs are retreating into a shell, firing the general manager and making-do with unqualified help at the top.

Or they're backtracking into the cesspool of micromanagement with directors, committee members and club members sticking their fingers smack dab into the middle of the management pie...with some even actively running (or seemingly running) their club on a daily basis.

Boards and agenda setters are using a woeful economy as the excuse for this intervention, but it's a trend that leads to no good, as has been proven by years of diligent work by thoughtful boards and general managers.

General managers are 'in the pit daily' carrying out the policies established by the club's board of directors. That's the GM's mandate and that's the way it should be and it should continue to be the goal of private clubs today.

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BOARD MEMBER CHARACTERISTICS

And in accepting this concept, what characteristics do we most desire and look for in board and potential board members? Here are some thoughts:

- Commitment is one...we need to know that board members are committed to the club, that they understand and share the club's mission and vision and long range view; that they understand it, identify with it and can relate to it. And this means defending it to the naysayers.
- Curiosity: Do your board prospects have a natural curiosity? Can and will that lead to incisive questions in the boardroom? Do they have the ability to take in information, analyze and think clearly and creatively in arriving at a decision?
- Listening: Do your board members have the ability to listen? Chances are if a person dominates a committee or board interview process, they'll do the same at a board meeting. Can they listen when advisors speak and incorporate relevant information into their decision-making?
- Knowledge: Do they understand the essential workings of your club's board and can that knowledge translate into being alert for troublesome signs whether financial, manage-

ment, operational, personnel, litigation and heaven forbid, the IRS. And when trouble is apparent, can they take steps toward a resolution?

- Sense of humor and working cooperatively: Do your board members or prospects have a sense of humor...or do they take themselves more seriously than the position on the board? Can they work cooperatively as team members and do what it takes to make their organization succeed? Do they possess honesty and a sensitivity and tolerance of others' differing views?
- Conflict of interest: Board members should avoid potential conflict of interest situations, including doing business with the club. But if there is a business transaction, it should be done only at an arm's length and with a full disclosure to the board.

EFFECTIVE BOARDS

Often private club boards are viewed as a necessary evil – can't live with 'em, can't live without 'em. Fact is, boards can be healthy and functional, contributing to the success of private clubs. Your board needs to decide what it needs from its members and let them know with a detailed job description. Just like any other position, directors need to know what's expected of them. Job descriptions go a long way in resolving that issue.

THE 'RELEVANT' BOARD MEETING... By Sunder Ramani

Many members have been curious how in the world the Board can meet for upwards of six hours in our monthly meetings. I explained that we are the fiduciary body assigned with the critical task of protecting the well being of our members and being good stewards of our collective assets and financial resources.

Well, when I saw the puzzled looks on their faces, I decided to reveal privileged information from a recent board meeting to more clearly highlight the proceedings and cast a better light on the Board's good work. What follows is the transcripts from this meeting.

BOARD MEMBER #1 (walking into the room):

"Hey, who left the half empty glass of water on the table?"

BOARD MEMBER #2 (walking behind #1):

"Why are you always negative. Can't you see the glass is half full – not half empty?"

BOARD MEMBER #3 (already seated when #1 & #2 walk in):

"Don't look at me. It was sitting in here when I got here. Besides, we have always done it this way."

BOARD MEMBER #4:

"Is this in our budget? With the price of water always going up, we need to have better accountability – lest we have to increase dues. And, I am not going to try to convince my friends we need more money."

GENERAL MANAGER:

"We have been working on staff training to avoid just this kind of thing from happening. I am sorry gentlemen that you had to see this."

BOARD MEMBER #5: (whispering to board member #6):

"Who gives a damn about the water? Hey, are you ordering the taquitos or the burrito tonight?"

BOARD MEMBER #7:

"Has the committee reviewed this? I don't want to do a thing until we ask the committee what they think happened here."

BOARD MEMBER #8:

"Well, I was in the Card Room the other night...and they are getting a petition against this type of thing. All the guys are going to sign it. We're cooked guys."

BOARD MEMBER #9:

"Are we going to talk all night, or is there an action item coming any time soon? Who owns the problem?"

GENERAL MANAGER:

"Gentlemen, we have been working hard on staff training to avoid this kind of thing. I will take responsibility."

BOARD MEMBER #10:

"How much longer are we going to be? I need a drink!"

PAST PRESIDENT:

"Well, in my year, we never had this kind of thing occur. Maybe it's this year's leadership."

PRESIDENT:

"Gentlemen. Forget the glass of water. The agenda item we were working on is the member complaint on the bread sticks."

GENERAL MANAGER:

"We have been working on staff training on this exact issue. We will address this."

I hope the above sheds light on the weighty issues we as a board tackle on behalf of the membership. This is but a sampling of the exhaustive efforts undertaken. Stay tuned as I provide the outcome of the "breadsticks" discussion in next month's magazine. **BR**

Sunder Ramani is president Oakmont Country Club, Los Angeles, CA

- **Accountability:** The buck stops with the club's board of directors, and the club's directors and potential directors need to fully understand that point. Yes, the general manager runs the club on a daily basis, but the GM and staff is putting into action policies and guidelines established by the board of directors.

The board must be cohesive, professional and accountable, with board members working with one another and the club's staff, meeting the entire needs of the club's membership.

- **Board orientation:** Board members, particularly new directors need to get up to speed. Certainly if new board members have served on various committees before arriving on the board, they'll have a better understanding of some of the club's issues and thought behind decisions. But director education today is a must, whether it's an individual program oriented toward each director, or at a minimum, a yearly retreat that allows everyone to develop a better understanding of where your club stands today, and issues and decisions that must be faced in the upcoming year. Board orientation will let board members know what's expected of them and help ensure directors are educated to make well-informed decisions.

- **Management performance standards:** Effective boards and directors establish management performance standards and hold management accountable to those standards. This task might be a result of the board's fiduciary obligations, but it's also an assessment that chief executive officers, general managers and chief operating officers want because it enunciates the board's expectations and policies for its top executives. These become the goals for the club's management team and club's employees. When general managers flourish, boards flourish, and the club's culture flourishes, meaning continued success for the private club.

- **Micromanagement:** The scourge of private club management...and micromanagement is to be avoided at all costs. The effective, productive board doesn't micromanage, but oversees the club from 30,000 feet. If the board establishes policies and guidelines, then there's no need for board members and/or committee members to stick their fingers into the management pie.

Micromanaging undermines the GM's authority, and leadership credibility causing a loss of focus and productivity.

- **Diversity:** It's a good thing...for both the private club and its members because it brings in new voices and new perspectives. In the broadest sense, diversity on the club's board should be a representation of the club's membership – young, older, women and other diversity characteristics. It's also a policy that ensures a wider representation of viewpoints in board discussions and decisions.

- **Succession planning:** Your club board when recruiting board members should establish a policy and process that ensures a future pool of committee members, chairpersons and club presidents. This planning, which lays the groundwork for the future success of your club should be part of your club's organizational planning.

Success for private clubs comes because a strong, cohesive board of directors devoted to the mission and success estab-

lishes policy and then lets its professional staff manage those policies to the betterment of the club.

Board members never lack ideas. It seems many boards just don't implement them. The innovative productive board executes them. Maintaining the status quo has hurt many clubs, and failing to execute ideas in a timely fashion has turned small issues into big problems. I've met with many boards and it doesn't surprise me any more when some clubs know they have a problem but don't deal with it. They just hand it off to the next board. In fact, I've been at clubs where they're still talking about the same problems they had 10 years earlier. Private clubs do need visionaries, enlightened boards and policy makers willing to peer into the future and make decisions.

Boards need a sense of direction...and need to provide a direction. Boards need to ask: What's our role in this organization? What do members want this club to be? How do we as a board get us there? Because that's the reason d'être for clubs in the first place – to be what its members want it to be – a community of like-minded people providing services the community wants.

At least that's the way I see it! **BR**

John G. Fornaro, publisher

If you have comments on this article or suggestions for other topics, please contact John Fornaro at (949) 376-8889, ext. 4 or 105 or via email: johnf@apcd.com

