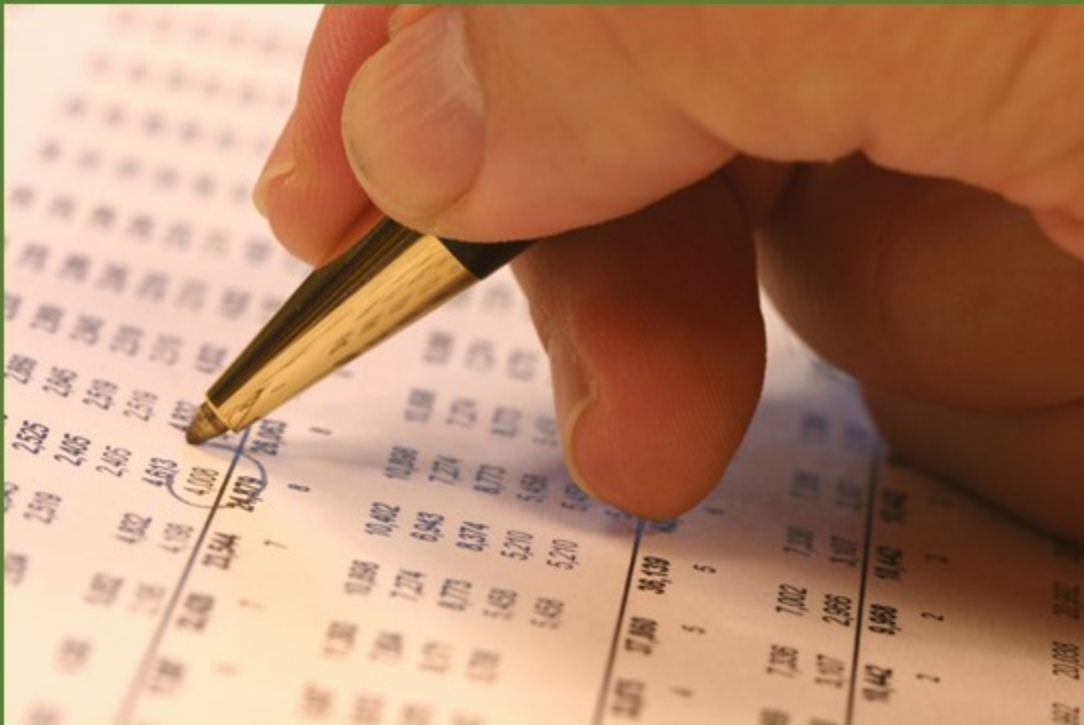


# Performance Management

## An Essential Discipline of Success



**Ed Rehkopf**



## Performance Management

Recognizing that a private club is a collection of diverse business enterprises, each with its own requirements, disciplines, and knowledge for success, general managers must rely on department heads (enterprise leaders) to run their operations with high levels of professionalism, efficiency, and service. But to ensure that this is consistently done with a quality that meets member and board expectations, the general manager must exert his or her authority to guide subordinates toward a common vision, specific goals, and a coordinated timing of initiatives across departmental lines.

There is probably no more important thing a general manager can do to drive desired outcomes than to prepare detailed work plans for subordinate managers and hold them strictly accountable for results.

But beyond the specifics and timing of work plan elements, the general manager must also spell out expectations for leadership, management disciplines, organizational values, and performance and service standards for the operation. The overall cycle of performance management, then, consists of specifying expectations, driving organizational development through work planning, and providing feedback and measurements of performance by means of periodic formal reviews.

The performance of line employees, while not carrying the same scope and weight of consequence as that of managers and supervisors, is still important in that it most directly affects member service and service delivery. So, while the work planning requirement may not be as significant for line employees, the need to spell out expectations for behavior and performance is still of major importance.

Further, all employees need and deserve feedback on their efforts at work. Such feedback serves as ongoing guidance as to the suitability and sufficiency of their contribution to the collective effort. While it is expected and imperative that employees receive ongoing feedback on a day in, day out basis, it is also customary and appropriate to give them formal feedback during periodic performance reviews.

Lastly, such reviews provide opportunities for helping employees with self- and career-development advice. Management interest in each employee's development will yield greater commitment and loyalty to the club and its performance.

## The Three Cycles of Performance Management

BusinessDictionary.com defines Operational Performance Management (OPM) as “the alignment of the various business units within a company to ensure that the units are helping the company achieve a centralized set of goals. This is done by reviewing and optimizing the operations of the business units.”

In private clubs this means that each department, or business unit, has a common understanding of purpose, methods, and means to meet the mission and vision of the club. These business units are broken down into two distinct categories:



- **Line Departments** – those who directly serve the members by providing them with products and services. They include golf, food & beverage, golf course maintenance, membership, locker rooms, retail, activities, fitness and spa, aquatics, tennis, and others depending upon amenities offered.
- **Support Departments** – those that indirectly serve members by serving the needs of the line departments. They include human resources, accounting, facilities maintenance, housekeeping, laundry, and administration. These departments fulfill the important function indicated by author Karl Albrecht when he said, “If you’re not serving the customer, you better be serving someone who is.”

Since every department has its own manager or director with the distinct expertise and skill set to succeed in her unique enterprise, the general manager has the challenge and opportunity to direct these different business units to achieve the centralized set of goals. To achieve this alignment or unity of effort the general manager must paint a clear vision of how the organization will perform and interact with members. She must also define and continually reinforce organizational values and culture, while providing clear expectations for each department’s performance.

Without this effort to clarify, unify, and integrate departmental operations, the club operates as separate businesses, each with its own standards and each interacting with members according to the dictates and example of its enterprise leader. This then is where the general manager has the major task of optimizing and reviewing the ongoing operations of the business units. If not properly organized and made routine this process of review and optimization can consume a lot of time and effort for an already busy executive whose principal focus is on strategic issues, planning, board interactions, and member relations.

So, what can be done to better organize the sizable and clearly important task of performance management? As always when confronted with a large and complex task, the first step is to identify and simplify the essential elements of the challenge. In doing so, I believe there are three essential elements to achieve the necessary unity of purpose. They are:

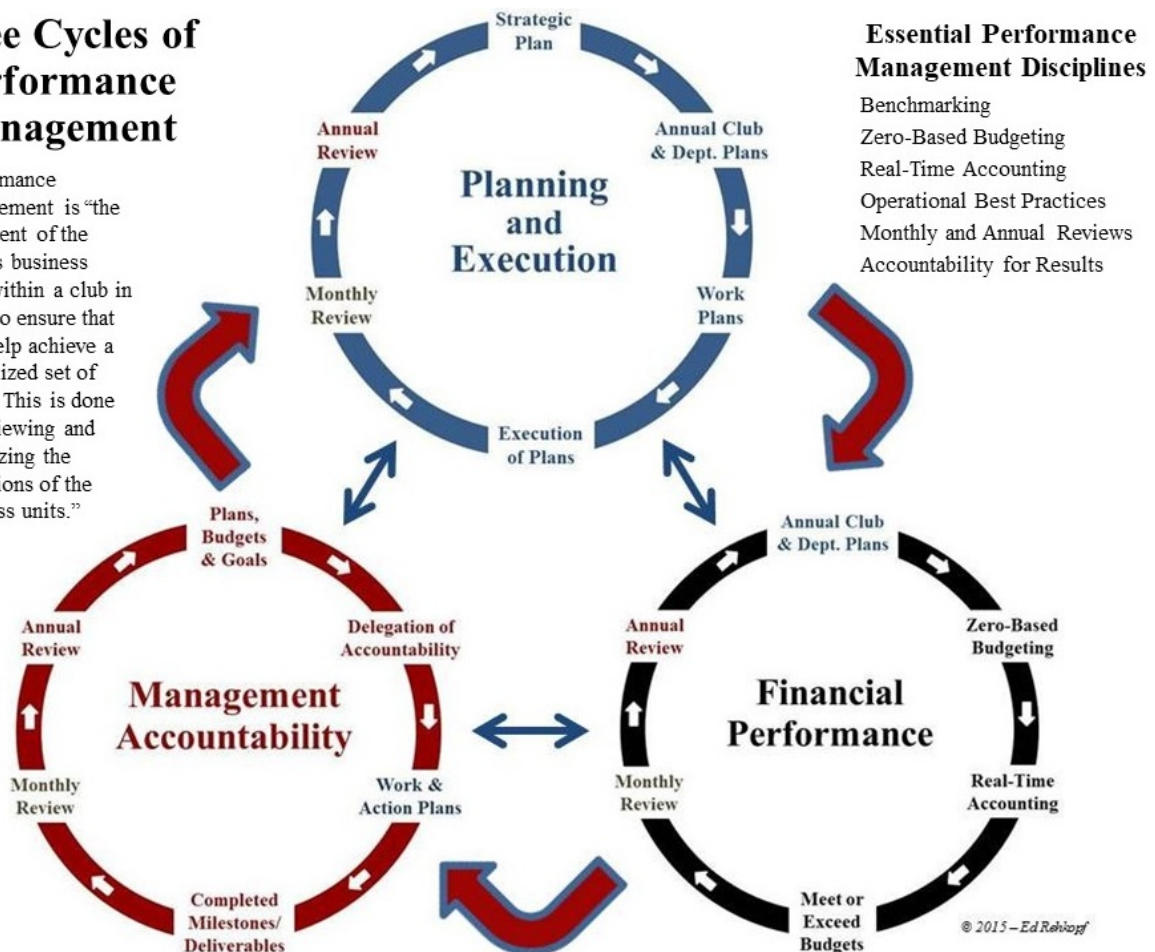
1. Planning and Execution,
2. Financial Performance, and
3. Management Accountability.

Each of the requirements encompasses a cycle of steps that provide the necessary preparation and execution to achieve the necessary alignment. See the diagram, Three Cycles of Performance Management, below for more information.



## Three Cycles of Performance Management

Performance Management is “the alignment of the various business units within a club in order to ensure that they help achieve a centralized set of goals. This is done by reviewing and optimizing the operations of the business units.”



Many elements of the three cycles are interdependent, and in some cases identical. The following briefly describes each cycle:

### Planning and Execution (P&E)

- The Planning and Execution cycle is the logical starting point in that the efforts of all three cycles are dependent on the club’s multi-year **Strategic Plan**.
- The second element of the P&E cycle – the **Annual Club and Departmental Plans** (see *Appendix A – A Discipline of Planning* below) – is also the starting point for the Financial Performance (FP) cycle.
- Next in the sequence are individual **Work Plans** for the general manager and department heads. These specify goals and necessary steps, including timetables and deliverables, for each goal.
- Throughout the year all managers work toward completion or **Execution of their Plans**.
- Each month after the financial statements are distributed, the general manager holds a series of **Review of Financial Statement** meetings with individual department heads to



review financial performance, benchmarks, and work plan progress (see *Appendix B - Monthly Review of Financial Statements* below for more information).

- Finally, the **Annual Review** for each department head formally summarizes and provides feedback on each department head's execution of his or her respective annual plans.

### Financial Performance (FP)

- The Financial Performance cycle starts with the approved **Annual Club and Departmental Plans** since budgets are usually affected by plans.
- **Zero-Based Budgeting** is the next step and is distinct from the common practice of taking last year's operating results and adding a percentage inflationary increase thereby incorporating last year's operating inefficiencies and plan requirements into the financial plan for the coming year. This problem merely compounds erroneous and often "fat" budgets year after year.

The concept of zero-based budgeting calls for each year's budget to be built from scratch based on the coming year's annual plan. This seemingly challenging requirement can be greatly simplified by using revenue and payroll projections based on two sets of variables – the number of sales transactions and average revenue per transaction and the number of payroll hours and the average hourly wage (for non-exempt employees) respectively. These key drivers of revenue and payroll cost are easy to obtain if the enterprise leader has properly benchmarked his or her operation during the most recent year (see *Insights and Ideas – Benchmarking Operations* for more information).

- Next in the FP cycle is **Real-Time Accounting** which allows department heads to monitor performance more closely in real time thereby providing ample opportunity to intervene to **Meet or Exceed Budgets** – the goal of every department head in executing their budgets (see *Insights and Ideas - Real Time Accounting*).
- Next is the same process for **Monthly and Annual Reviews** as described under Planning and Execution above.

### Management Accountability (MA)

- Finally, is Management Accountability. In completing the other two cycles, the general manager has defined planning and financial expectations for each enterprise leaders, plus any expectations for personal, professional, and departmental improvements.
- The next step is a clear explanation of **Delegation of Authority** and the enterprise leaders' strict accountability for departmental performance. While this step seems so basic many would argue it hardly needs saying, experience throughout a long career leads me to believe that while everybody says they embrace it, few actually do – mostly because they don't have the method or means to hold subordinates accountable (see *Appendix C – Creating Measurable Accountabilities* for greater detail).
- The **Work Plans** step is as described in the Planning and Execution cycle above.



- **Completion of Milestones and Deliverables** encompasses all the requirements of accomplishment and timing laid out in work and action plans.
- Once again, the **Monthly Review of Financial Statements** provides a formal structure of review to ensure compliance with or completion of all plans. month by month as the year progresses – all with the aim of eliminating surprises at year’s end.
- Lastly, the **Annual Review** formally summarizes the performance and provides feedback on each enterprise leader in the accomplishment of all performance goals and objectives.

## Essential Management Disciplines

There are a multiple management disciplines that are essential to successful performance management. First and foremost, as usual, is **Service-Based Leadership** with its emphasis on open and thorough communication. Beyond that are a handful of specific management disciplines that are clearly essential to the process:

- **Benchmarking.** The act of measuring and analyzing key performance indicators is critical. Without the ability to accurately forecast and monitor performance, there is no hope of controlling operating performance. Benchmarks are also indispensable in establishing accurate zero-based budgets.
- **Zero-Based Budgeting.** As explained above, the need to create baseline budgets each year based on Annual Club and Departmental plans is an essential contributor to a realistic financial plan.
- **Real-Time Accounting.** Club operations are fast paced. Without daily analysis of results during the ongoing rush of business, there little hope of meeting or exceeding budgets.
- **Operational Best Practices.** All club departments must continually optimize their operating performance by utilizing a wide range of industry best practices. There is so much to be done every day in busy operations it’s all too easy to take one’s eye off the ball. Ongoing focus on operating efficiency is a major concern and benchmarks often provide valuable feedback on progress.
- **Monthly and Annual Review.** Referring to the definition of performance management in the opening paragraph, ongoing review of operations, including key performance indicators, budget compliance, and plan milestones and deliverables, is vital to success. The establishment of regular and routine meetings with department heads for this purpose will keep everyone on track to meet performance objectives.

As with any cycle, the end comes back to the beginning and the process of planning, budgeting, and establishing management accountability begins anew. With each passing year the discipline gained, and performance achieved will more deeply imprint performance management in the club’s DNA – and shouldn’t that be a key expectation for the club’s management team?



## **Appendix A - A Discipline of Planning**

Managing a club operation without a plan is like driving through a strange land without a road map. Given the size, complexity, and money invested in making an enterprise successful, why would anyone consider operating it by the seat of one's pants? Yet, this is exactly what managers do when they fail to establish a discipline of formal planning. And make no mistake about it, it is a discipline – requiring managers and supervisors at all levels to conceive and document their plans for upcoming periods and specific events. It also requires that the general manager review all planning documents, as well as review progress toward completing those plans on an ongoing basis.

Every enterprise demands a plan. Without a formal, written plan to focus attention and action upon the completion of specified goals within a specified time, the business will lack clear direction and purpose. By putting plans in writing, the responsible manager formally commits to its accomplishment.

Further, there is a common understanding on the part of both the subordinate manager and the general manager of what will happen and when. Often, the planning and execution of one department will impact other departments or the operation. Written plans ensure that all managers and department heads are fully informed about where the enterprise is going and when things are supposed to happen. Taking all this into account, planning is not a luxury, but a necessity for efficient operations.

### **Types of Plans**

Planning is necessary on many levels. Formally, the club should have the following:

- A Club Strategic Plan covering 3 to 5 years, focused on strengths, weaknesses, opportunities, and threats to ensure the club maintains or grows its market position.
- An Annual Club Plan covering a period of 12 months, coinciding with the budgeting cycle. This plan lays out the specific goals to be accomplished during the year as dictated by the Club's Strategic Plan.
- A general manager's Work Plan for the 12 months covered by the Annual Club Plan. This plan lays out measurable accountabilities for the general manager and is the basis for his or her performance appraisal.
- Departmental Plans for the 12 months covered by the Annual Club Plan. These plans lay out the goals and objectives of each operating department.
- A Work Plan for each enterprise leader for the same 12 months. These plans do the same for the club's department heads.
- Plans for major project and events. These are plans developed for specific tasks or activities such as purchasing new kitchen equipment, renovating a facility, leasing new golf carts, or preparing for major events or activities.

Having gone through the planning process multiple times, I offer the following advice to all general managers:

- Start early. Procrastination results in poor, disjointed planning.



- Involve your staff. Departmental plans for the coming year usually impact the overall Club Plan and budget. Also, since no department works in isolation, one department's plan may affect others – either materially or in the timing of events and accomplishments.
- Challenge staff. General managers should explain the big picture of club's direction and progress and then challenge department heads to work on specific initiatives within their departments, for example, implementing Benchmarking, setting up Tools to Beat Budget, reviewing departmental training plans and material, Continual Process Improvement, etc.
- Planning is a process. No plan is completed in one pass. Back and forth discussion between the general manager and enterprise leaders and among the different departments will further refine plans ensuring a well-integrated club plan.
- Use planning as a team-building exercise. Given the preceding tips, I encourage general managers to use the annual planning process as a team-building process. Call an early planning meeting with all enterprise leaders to lay out the purpose, process, and planning timeline. Then establish a series of planning meetings at which each department head presents his or her plans to the rest of the staff for input and feedback. One department head's idea may spark others to similar accomplishment. Encourage critical review of plans and challenge groups of department heads to work together to work on larger organizational or departmental initiatives.

Finally, plans must not be a one-time task not to be looked at again. To be truly useful Departmental and Annual Club Plans should be reviewed often. I recommend a brief review of plans and accomplishments during the Monthly Review of Financial Statements. This ongoing review and discussion of planning will ensure timely completion of tasks and keep the club on target to meet all its Annual Goals.

**Summary.** The importance of disciplined planning cannot be overstated. Haphazard planning results in haphazard operations and equally haphazard performance.

## **Appendix B - Monthly Review of Financial Statements**

General managers should conduct monthly Reviews of Financial Statements with each enterprise leader.

To ensure that the operation meets the financial objectives of its annual operating budget, it is imperative that all enterprise leaders monitor their monthly performance closely and be prepared to answer questions about their department's performance and give reasons for any significant variance from budgeted amounts.

On a monthly basis after the final statement is prepared and distributed, the controller will set up a schedule of meetings for department heads to meet with the general manager and controller to review their department's performance. Enterprise leaders:

- Will bring their individual copies of the Tools to Beat Budget binder to the meetings, as well as their departmental benchmarks.





- Must also be prepared to present plans to remedy significant or ongoing shortfalls in revenue or overages in expense categories.
- Can best prepare for their monthly meeting by ensuring that their Tools to Beat Budget binder is accurate and up to date.
- Must also review their financial statements in detail, noting any under-budget revenue and over-budget expense categories. Items with significant deviations from budget must be investigated so that these anomalies can be explained to the general manager.

Significant shortfalls in revenue should be analyzed and a plan drawn up to address the shortages. Such a plan would normally include marketing efforts to increase member patronage, special events or sales to increase revenues, or price increases to generate more revenue from the same volume of business (though managers must always keep in mind that volume may decrease with any price increase).

Often an expense category will be over budget due to timing issues – this happens when a budgeted expense is incurred earlier in the fiscal year than originally anticipated. Such an over-budget occurrence will come back in line with budget in future months at the time when the expenditure was planned. Sometimes, the increased expenses may be the result of an unanticipated event, such as equipment breakdown and repair or an arising opportunity necessitating the purchase of new equipment or materials.

In any case the department head must be prepared to explain discrepancies and answer the general manager's questions about budget variances and what actions will be taken to remedy the situation.

## **Appendix C - Creating Measurable Accountabilities**

Without accountability it is senseless to give authority to managers and say they are responsible.

Work planning takes time, particularly if you put enough effort into it to be of value ... and finding measurable accountabilities for department head performance seems an elusive goal. Now, though, on the tail end of my career, I have finally found the time to give the matter some serious thought.

As far as work planning goes, what I expect from subordinate managers is to meet goals and budgets and to help measure their progress toward specific objectives. To do this I find it important to establish monthly reviews of financial performance, as well as timelines and milestones toward non-monetary goals, such as developing departmental operation plans and effective training programs.

On the other side of the coin, measurable accountabilities have continued to be a challenge. Over the years I've developed and deployed several versions of managers' performance evaluation criteria. Each ultimately proved unsatisfactory though they included a few meaningful-sounding and worthwhile objectives such as "builds teamwork and morale," "directs work effectively," and "follows through and implements well." As good as these criteria may look on paper; they turned out to be practically meaningless as I attempted to do reviews because I had no hard evidence or objective means of measuring them. Once again, my reviews



degenerated to my “gut feel” or “overall sense of things.” Clearly measurable accountabilities continued to prove elusive.

In recent months I’ve taken another stab at finding performance criteria for which I could establish specific measurable goals.

On the big picture scale, I’ve broken down performance expectations for enterprise leaders into six major categories – leadership, management, training, performance, compliance, and member satisfaction. These can be weighted based upon changing emphases but must equal 100%. Within each major category are sub-categories that can in some way be measured. These are also weighted, again totaling 100%. The following chart lays out the major and sub-categories, as well as the means to evaluate and who is responsible for creating the measurements.

Here’s what I’ve come up with.



	Rating Criteria	Measurement Method	Measurement Responsibility
<b>20%</b>	<b>Leadership</b>		
25%	Values/Culture Reinforcement	Weekly Report of Daily Huddles	Dept Heads
60%	Leadership	360 Reviews, Annual Employee Survey	HR Manager
15%	Employee Turnover	Personnel Benchmarks	HR Manager
100%	Total		
<b>10%</b>	<b>Management</b>		
20%	Order/Cleanliness/Maintenance	Monthly GM Inspection on pre-designed form	GM
20%	Planning (Dept. Annual Plans)	Plan Review scored for value and impact	GM
20%	Empl. Development and Reviews	Review of Work Plans and Performance Reviews	GM
20%	Standards, Policies & Procedures	Review of material scored for quality and adequacy	GM
20%	Safety, Security, Sanitation	Monthly GM Inspection on pre-designed form	GM
100%	Total		
<b>15%</b>	<b>Training</b>		
15%	Departmental Training Plan	Annual Plan Review scored for adequacy and quality	GM
20%	Curricula Development	Annual Plan Review scored for adequacy and quality	GM
20%	Training Material Development	Annual Plan Review scored for adequacy and quality	GM
30%	Training Execution	Training Visits scored for adequacy and quality	GM
15%	Benchmarks	Monthly Review of Financials, Benchmarks and Plans	GM
100%	Total		
<b>25%</b>	<b>Performance</b>		
25%	Revenues	Monthly Review of Financials, Benchmarks and Plans	GM, Controller
35%	Pay Cost Control	Pay Pd Summary Rpts, Monthly Review of Financials	GM, Controller
20%	Cost of Goods Sold	Monthly Review of Financials, Benchmarks and Plans	GM, Controller
20%	Other Expense Control	Monthly Review of Financials, Benchmarks and Plans	GM, Controller
100%	Total		
<b>10%</b>	<b>Meeting Expectations/Compliance</b>		
20%	Dept. Annual Plan Completion	Monthly Review of Financials, Benchmarks and Plans	GM, Controller
20%	Tools to Beat Budget	Monthly Review of Financials, Benchmarks and Plans	GM, Controller
20%	Departmental Benchmarking	Monthly Review of Financials, Benchmarks and Plans	GM, Controller
20%	Accounting Compliance	Controller's Report and Benchmarks	Controller
20%	Human Resources Compliance	HR Manager's Report and Benchmarks	HR Manager
100%	Total		
<b>20%</b>	<b>Member Satisfaction</b>	Member Surveys, benchmarked year-to-year	Mbrshp Dir.
<b>100%</b>	<b>Total</b>		

This whole process presupposes that the operation has already instituted certain disciplines such as holding monthly reviews of financials and departmental plans with each department head; measurements such as departmental and personnel benchmarks; and both member and employee surveys.

I'm sure that there may be other worthwhile things to measure and for which subordinates should be responsible, and I'm equally sure that there will be some challenges in implementing such a system. But ultimately, I believe the benefits of holding subordinate managers strictly accountable for their performance outweighs all challenges encountered.

*About the Author*

Ed Rehkopf is a graduate of the U.S. Military Academy and received a Master of Professional Studies degree in Hospitality Management from Cornell's School of Hotel Administration. During his long and varied career, he has managed two historic hotels, managed at a four-star desert resort, directed operations for a regional hotel chain, opened two golf and country clubs, worked in golf course development, and launched a portal web site for the club industry.