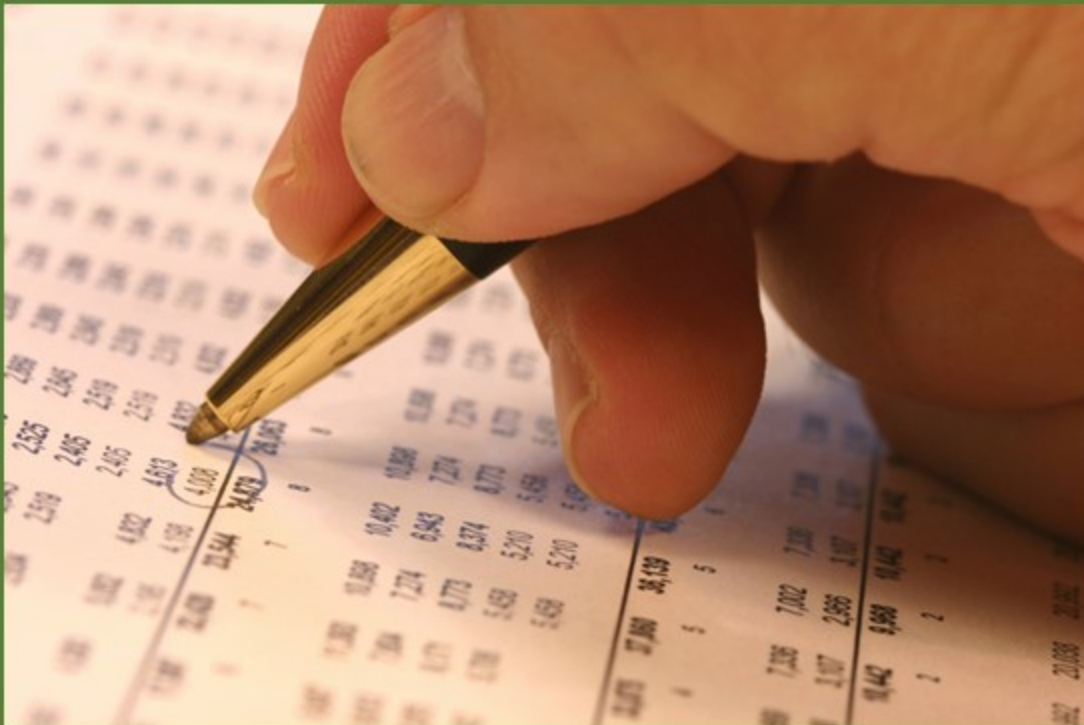


Real Time Accounting

The Compelling Best Practice for Club Profitability



Ed Rehkopf



Real Time Accounting – The Compelling Best Practice for Club Profitability

Most every month a familiar scene takes place in many clubs. The financial statements have been prepared and distributed to all stakeholders – the general manager, the department heads with bottom line responsibility, the finance committee, and the board. It's around the 15th of the month following the end of the reporting period, sometimes later, and the general manager's phone starts ringing and the questions start coming – “Why are food and beverage revenues down?” “Why is golf course maintenance over budget by so much?” “Why is food cost so high?”

Sometimes there are recriminations – “You told me last month that the cost of food would come back in line this month.” “How can we avoid assessments if we can't meet our budget objectives?” “After last quarter's overages, you said we'd do a better job controlling payroll, but it didn't happen!”

Often the general manager or department heads don't have ready answers for what's going on. “We'll have to look into it and get back to you,” seems to be a common response – certainly not a confidence builder for the club's management team!

The attitude in some clubs seems to be that monitoring the financial performance of the club and all its departments is the sole responsibility of the general manager and maybe the club controller. The fact is that all department heads with bottom line responsibility in profit or cost centers must be held accountable for the performance of their units. In addition to their expertise in a chosen profession – food and beverage, golf, tennis, membership marketing, agronomy, aquatics, spa and fitness, and activities – department heads are expected to master the skills of running a successful business. Further, they are expected to analyze the performance of their operation on an ongoing basis, demonstrate initiative to stimulate revenues and control expenses, and take all necessary steps to meet or exceed their budgets. But this can only be done by tracking their revenues and expenses in real time.

Some department heads aren't inclined to do this, either because they don't relish or truly understand the numbers side of a business or feel it takes too much time from other more enjoyable tasks. In any case, these excuses are inappropriate. Running a business requires a commitment to the financial aspects of the operation and without knowing where the business stands financially at any given moment removes the possibility of prompt corrective intervention.

A modest effort to better organize oneself and the task of collecting critical data daily along with the disciplined routine of entering this information into spreadsheets is all that's necessary to stay current with the numbers. Some may say that such collecting and recording of data is the proper role of computers and specialized software. Such managers may rely on software summaries, delegate the task of tracking to an assistant, or wait until the end of the period to bring their numbers and benchmarks up to date. In so doing they lose the opportunity to spot adverse trends and take timely corrective action to ensure they meet performance expectations.

While I agree that computers make the task of organizing daily data much easier, I strongly advocate for the necessity and benefit of managers “touching” their numbers daily. Doing so ensures both a conscious and intuitive understanding of one's business; helps spot anomalies,



adverse trends, or erroneous entries; and makes a manager more attuned to the cyclical ebbs and flows of the business.

So, what does the concept of real time accounting encompass?

- **Revenue Tracking** is perhaps the easiest performance indicator to monitor. Point-of-sale and club management systems summarize daily sales by category and department. All that is necessary is for the department head to extract the sales data from the club management system and enter the daily data into a monthly spreadsheet while noting if the department is on track to meet its budgeted revenues. If not, steps must be taken to stimulate greater activity and sales.

At the same time the department head must utilize **Revenue Benchmarks** to gain a clearer understanding of the interplay of volume of business and the average member spend that underlies gross sales. This is incredibly important in that it points directly to the reason for missing budgeted revenues – either not enough member traffic or less member spending during each visit. Since the solution to either of these conditions is different, it helps the department head design the appropriate corrective action.

- **Pay Cost** should be monitored daily and tracked for each pay period. The Departmental Payroll Analysis Summary, *PCPM, Operational Resources, Club Forms, Form 230*, or some variation of this specifically designed for your operation, is an excellent tool to do this. Not only does it compare actual cost to budget, but it also computes year-to-date variance, summarizes payroll hours by type, and computes the average hourly wage for non-exempt employees. This data will clearly show if out-of-line payroll cost is the result of too many hours or a higher than budgeted average hourly wage. While we have long advocated that clubs use a bi-weekly pay period (see *PCPM, Insights and Ideas, Why our Workweek and Pay Cycle* for more information), a similar analysis can be made for semi-monthly or monthly pay schedules.
- For those departments with retail operations, a Quick and Easy **Cost of Goods** computation can be made at any time during an operating period by assuming that beginning and ending inventories will be roughly equivalent. Simply track the amount of resale purchases and divide that amount by sales to provide a quick check on cost of goods sold. It is also helpful to benchmark the monthly variations in cost of goods sold using the Cost of Goods Sold Analysis, *PCPM, Operational Resources, Club Forms, Form 244*.
- Up-to-Date **Other Operating Cost Expenditures** can be tracked by using two forms – the Expense Log, *PCPM, Operational Resources, Club Forms, Form 233*, for each expense account, and the Expense Log Summary, *PCPM, Operational Resources, Club Forms, Form 234*, of all other operating expense accounts. These forms provide a convenient location to record all purchases as they occur during the operating period and compute the remaining budgeted but unspent amount for each expense account.

This is no different than maintaining a checkbook balance for your personal funds, though the spreadsheets individually monitor the detail for each departmental account. Since most departments have a relatively modest number of expense accounts, this up-to-date recording of purchases will not overburden the manager while closely monitoring expenses.



In tracking a department's numbers in real time, a manager must understand that this data will provide an approximation of actual performance, not the exact accounting of double-entry bookkeeping used by the accounting office to balance the general ledger and prepare financial statements. This approximation in no way detracts from the benefits of real time accounting and the ability it provides to make timely interventions.

If department heads owned their individual operations and had their own money at risk, be sure they would move heaven and earth to use a real time accounting of their revenues and expenses, to ensure its success. While they don't own their club department, they are being compensated to run it professionally and demonstrate a proprietary interest in its successful performance.

Given the general manager's responsibility for the club's performance, he or she must ensure that the proper disciplines are established club-wide and that department heads have a complete understanding of and fully meet their financial responsibilities. Two resources to accomplish this are *Tools to Beat Budget* and *Basic Accounting and Financial Management for Managers*, both available on the PCPM Marketplace store.

Bottom Line: Though each club must design the most efficient means to track departmental operating data in real time, the overall benefit of real time accounting to the club is immediate and compelling.

Learn More: See *PCPM, Operational Resources, Tools to Beat Budget – Real Time Accounting* for details how to set up and use this proven program for club performance.

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.