ASSOCIATION of
PRIVATE CLUBS & DIRECTORS
APCD

Embracing Technological Change Has Its Benefits

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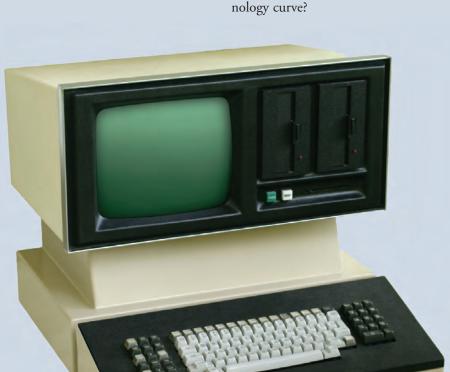## JUST WHAT DO PRIVATE CLUBS NEED FOR TECHNOLOGY?

If our September/October 2007 technology issue proved anything, it's that private clubs around the world are here, there and everywhere with different kinds and levels of technology.

Some are running state-of-the-art, best of breed systems. Others are still back in the days of DOS. In fact, there's still likely a few hundred club using DOS or mini-computer club solutions. We're mindful of the fact

boards of directors and general managers can use the help in making decisions about their information technology and computer systems and that's the thrust of this discussion.

As Henry DeLozier, writing in the Sept/Oct BoardRoom, succinctly put it: "Technology has come knocking at the boardroom door. The catch is: What do you need" When do you need it" How much should it cost, and how do you know?"

And why clubs are behind the technology curve?

Mark Lipsitt, president of the Lipsitt Group is to the point: "I think the primary reasons why older systems – such as DOS-based systems – are still being used is a combination of cost, the pain of change, and a lack of understanding of what systems can truly do for a club."

Or is it because of the people who are the decision makers? Not really, Lipsitt suggests. "I don't believe anyone is making the decision. Rather, I believe there is no decision being made because certain clubs see no need. It's more of a non-decision than anything else," he added.

"I don't think this is a function of job security but rather a combination of resistance to change, and a "commodity-view" of software in general:

1. Most clubs would prefer to stay with something inferior or that has significant gaps rather than face the prospect of change. This is in part attributable to the normal difficulty in changing, but also because of software vendors' inability to find a way to make change less painful. At all levels within clubs the idea of change is generally abhorrent, particularly at the middle levels.

2. There is a large number of clubs that view software as strictly a com-

modity with which to execute day-to-day routine tasks. Certainly club software must serve this function, but the potential is much greater. Most mainstream club software has the potential to drive marketing, member relationship management, non-recurring revenue and many other facets of the club business. But if a club sees software's only use as that of daily tasks, then there is no reason to move to a more robust, modern and sophisticated software program. Therefore, they stagnate."

Bill Boothe, director of club/resort technology consulting for RSM McGladrey, Inc. one of the nation's largest business services providers, and a regular BoardRoom contributor suggests the questions are too narrowly focused.

"The issue isn't so much about why clubs have decided not to purchase advanced technology (although some certainly have dragged their feet), but rather, 'Why are the core software solutions available to clubs so far behind the technology used by other industries?'

"That's a more compelling issue," Boothe asserts, "it's driven by a simple fact: The private club industry is much too small to support the kind of advanced (and expensive) software seen in larger industries."

"Our industry is primarily comprised of very small businesses – most with annual revenues of less than $10 million," Boothe explained. "In the scheme of things, this is a very unattractive market for software developers, and prohibits any 'major players' from entering. The financial rewards just don't justify the cost of developing and supporting a world-class enterprise solution for a market of very small businesses. Even if a 'major player' could capture 75 percent of the market, who would want to maintain 4,000 customer accounts for such a small amount of revenue?

"So historically, our industry has attracted a collection of relatively small software developers, with very limited resources," Boothe explains. "And until recently those developers have lagged behind their counterparts in larger industries by a software generation or two, simply because they could not generate enough revenue to pay for the staffing needed to stay on the cutting edge.

"I say until recently because, during the past two years or so, we've seen the introduction of advanced programming languages, which now allows for rapid software development at a fraction of the labor hours/cost as before. However, even with these new development tools, most of the providers in our industry are so far behind the curve that many years will be needed to close the gap.

"So in my opinion, it's more about the industry as a whole not having good choices than it is about individual clubs deciding not to purchase advanced systems," Boothe commented.

"Many clubs are steeped in history – and unfortunately, so too are their technology infrastructures and systems," added Ron Comfort.

"It's a well-known industry fact that most clubs don't consider upgrading their infrastructure and systems until there's a change in general manager or controller," Comfort, chief technology officer, Technology Assurance, LLC, a Peyton, CO-based firm, maintains.

"These industry professionals (as do most of us) have a tendency to 'go with what you know' as opposed to examining the business case for a particular system on a regular basis.

"Out in the club world you can STILL find terminals running Windows™ 98 and servers running Windows NT 4.0 – and they're not that hard to find. Software systems also are 'behind the curve' because so long as the hardware is operating, there's no pressing reason to update the software (assuming the software is operating correctly), "Comfort commented.

"The underlying reasons are varied, but what I've encountered most often is a lack of a regular line-item budget for technology. Instead, club management (including the board) takes the position that you should upgrade 'everything at once' (usually shortly after the GM or controller is replaced), then budget the minimum required to maintain that system."

Our technology experts also suggests clubs often have little or no budget for recurring technology expenses (training, hardware replacement, infrastructure management, software acquisition or re-engineering) at all.

"If the greens on a golf course were managed in the same manner, no one would come to the club to play on decaying fairways and greens, and would instead wait for the long-delayed upgrade or replacement," Comfort opined.

Boothe feels many clubs "cling to their now-discontinued software because their clubs operations are very simple, and they will not approve the funds needed to change until they have to."

Boothe suggests a much bigger issue for the industry will be the "replacement of younger systems purchased between 1998-2005.

"Many clubs are becoming disenchanted with the inability of their relatively new systems to provide the data mining and business intelligence needed to run a sophisticated business in today's world. These clubs are looking for advanced club management systems that routinely handle the "production" side of the business (POS, inventory, membership, accounting, payroll, reservations) but also provide sophisticated business intelligence.

"The challenge for the club industry," Boothe added, "will be to choose between two very different sources of business intelligence:

1. "The relatively limited business intelligence solutions offered by the traditional club management software providers.

2. "Highly sophisticated "bolt-on" BI solutions from third party providers with vast experience in related industries (hotels, resorts)."

"Thus far, few clubs have shown a willingness to pay the price for the third-party bolt-ons. However, we anticipate

that these third party providers will soon find affordable ways to attach their solutions to the traditional club packages, which is a standard methodology in other industries," Boothe predicted.

So, it's more than just the club's controllers who don't want to spend the money, although that is an issue.

"That's not to say there's a rampant conspiracy among anyone in club management to keep a specific system in order to lengthen their employment – rather it's the natural human resistance to change that causes a particular system to be kept at a club long after it ceases to adequately addresses the business case," Comfort explained.

"Again, the lack of an adequate technology infrastructure budget and long-range technology plan exacerbates this tendency. Having a technology plan in place that forces re-evaluation of existing software every five years or so can go a long way to eliminating this tendency."

And in defense of the club's financial staff, Comfort says, "many times it is they who are tasked singly with evaluating, acquiring and implementing systems, instead of forming a team comprised of the department heads and GM to jointly take on these tasks.

"The evaluation and acquisition, and most importantly the implementation of a system, should not be headed by one individual – it's the club's business case that needs to be addressed, not the satisfaction of a particular department head."

Boothe also feels that new technology at any club "must compete with myriad other more 'sexy' investments like the golf course and clubhouse. The average small business in America spends one to two percent of annual revenues on technology. For a club with $8 million in total annual revenues, that's $80,000 to $160,000 each year. Very few clubs spend that kind of money on technology. And until some really compelling software is available, club technology budgets won't increase much."

Even for clubs slow to change, what should a private club be using to meet the demands of members and staff today?

"There really isn't a certain software or level of IT that can be recommended across the board for all clubs. Rather, the onus is on clubs to determine and clearly identify why they have software and what they expect it to do, while letting go of old habits and norms," Lipsitt explained.

"Only from that analysis can one determine what is best. Having said that, there is certainly a minimum amount clubs should expect to spend annually on IT, commensurate with other small-to-medium businesses, around two to three percent of revenue."

Boothe has his checklist. "Clubs should have a solid "production" system that reliably handles membership, accounting, payroll, POS, inventory, reservations, and all the other daily operations chores. Lots of club management software companies offer adequate production solutions. Then, if the club is looking for sophisticated business intelligence, the focus should move to the ability of those systems to deliver advanced data mining, forecasting, trend analysis, BI and CRM capabilities."

Training and IT support is a no-brainer!

"Many clubs spend an inordinate amount of time playing catch-up with their production systems because they don't invest in ongoing user training, don't make computer literacy a job requirement, and don't have adequate IT support. This lack of commitment to the basics keeps clubs treading water at the "production" level," Boothe maintains.

He recommends "a serious annual investment in user training, the addition of computer literacy requirements to all job descriptions and performance evaluations, and bonuses for "software champions" – those individuals in each department charged with primary responsibility for high level software functions.

"We also recommend that clubs either hire a full or part-time IT professional, or outsource those responsibilities to a reliable provider. The old saying "You get what you pay for" certainly applies here – and most clubs just aren't paying enough to expect more than what they're getting."

Comfort, as an IT expert, has his best practices or laundry list…a nitty gritty bundle of ideas to keep a club's system running at peak efficiency.

"Routers fall under the general requirements of hardware – they should be replaced every three years, and evaluated once per year to insure they still provide appropriate security and to upgrade firmware as needed," Comfort stressed.

"Wireless networks provided for member convenience should always be

placed *in front of the club's firewall* to prevent member or outsider intrusion into the club's corporate network.

"Firewalls" he added, "should be evaluated every year to insure they still provide proper network protection, and replaced every three years. Firewall hardware older than three years is very susceptible to break-in. Use the philosophy of 'block everything except what you need' both inbound to the club *and outbound.*

"Wireless networks provided for employee use should always be placed *in back of the club's firewall,* and encrypted using the strongest encryption available (currently WPA2)," Comfort added.

"Servers should be no more than three years old, and should be evaluated for upgrade at 18 months. The oper-

Quarterly meetings can focus on a hit list of ongoing projects, a continuous evaluation of needs and investigation of newly available technologies.

And in Comfort's opinion, evaluations should also take a team approach. Employees, who are given the additional responsibility to evaluate the system, should be compensated accordingly. The general manager ultimately is responsible for making the decision as to whether or not a system meets the business needs of the club, which also implies the GM must actively participate in the evaluation.

And there's the recurring theme of budgets, or rather, lack of budgets for club technology. Clubs in general spend less than a half of a percent of their revenue to manage, main-

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ating system that runs on the server should be no more than five years old. Use anti-virus software at the server level. Insure the server has extremely limited connectivity to the Internet, inbound and outbound.

"Desktops and terminals follow the general requirements for servers above.

"If there are any network hubs in the club, replace them with network switches to enhance network performance.

"Evaluate your club management system at least every five years, more often as necessary. **Don't** just go looking for a new system – determine if the current system still meets the business needs of the club (and perhaps you just need an upgrade or training) before seeking a new system," Comfort concluded.

PUBLISHER'S FINAL THOUGHTS

So how can we help clubs make "better" more "relevant" decisions? Here are some excellent suggestions.

Form a permanent technology committee that focuses on technology needs and available solutions, suggests Boothe.

tain, evaluate and implement their technology infrastructure, including software.

Some answers may be easier than others. But as Ron Comfort, not surprisingly, discovered at the recent Club Technology Summit, "the lack of a proper technology budget, and long range plan is the single point of failure," for clubs not keeping their technology current and ready to meet their club's business needs.

"We can't help clubs make better choices until the club decides what it needs," Lipsitt says. "There's nothing easy or painless about the process. In essence, this along with cost is the reason many do not switch."

And that's just as we expected…it's a club decision, and it's time many more clubs began embracing technology to better a club's operation. **BR**

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