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Performance in Private Clubs: Criteria Utilized by Managers

Abstract

As the first step toward developing performance benchmarks for non profit private clubs, the authors identify the criteria that club managers use to evaluate club performance. Responses from 254 club managers across the US. indicate that all 16 performance criteria included in the survey were utilized to some extent, but the top three were membership satisfaction, quality of services offered, and quality of staff.

Performance in private clubs: Criteria utilized by managers

by Marjorie L. Icenogle,
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As the first step toward developing performance benchmarks for non-profit private clubs, the authors identify the criteria that club managers use to evaluate club performance. Responses from 254 club managers across the U.S. indicate that all 16 performance criteria included in the survey were utilized to some extent, but the top three were membership satisfaction, quality of services offered, and quality of staff.

Although organizations have unique missions and goals, all require some means to measure performance. In recent years, performance measurement has become an important activity which directs attention and efforts in the organization. Benchmarking is a technique designed to facilitate performance measurement. A benchmark is "a point of reference, or standard by which (an) activity can be measured or judged."¹ Benchmarking is a process in which managers identify critical success factors, set objectives based on these factors, communicate the objectives throughout the organization, and, ultimately, measure the organization's performance against not only internal goals and objectives, but against the performance of other organizations. The purpose of benchmarking is to improve performance; therefore, benchmarking is vital to efforts aimed at continuous improvement, such as total quality management.²

Since club managers do not enjoy the availability of widely accepted performance standards to compare club performance, this exploratory study is the first step in the development of benchmark performance standards for private clubs. The purpose is to identify and rank the criteria that club managers are using to determine performance in non-profit private clubs.

Most studies investigating the performance of business and industry have relied solely on financial measures which focus on stockholder wealth. Since the goal of non-profit organizations is not to earn

profit for owners, but to provide the best possible service with available resources, some believe that financial measures are inappropriate for non-profits.³ Others argue that some financial measures are appropriate because all organizations need profit or surplus to maintain current standards and to acquire fixed assets.⁴ In addition to financial measures, non-profit organizations must identify other appropriate performance criteria that reflect the goals and objectives of the organization and that consider the interests of all the organization's stakeholders,⁵ including the membership.

Performance measures were developed by panel

Since this is the first step in the identification of performance benchmarks in the private club industry, questionnaire items measuring performance were developed by a panel of experts which included three professors who are experts in club management and eight managers of large clubs across the United States. All were notified by phone and asked to participate in the development of the questionnaire. The panel received the survey development questionnaire which included 11 performance criteria. Panel members were asked to indicate which of the 11 criteria were relevant to non-profit private clubs and to list all additional criteria. Based on the experts' responses, the final questionnaire contained 16 performance criteria.

The questionnaire contained four sections; the first three measured performance criteria and the last measured demographic characteristics. The first section asked club managers to identify all the criteria they use to evaluate their club's performance, and to list any criteria which were not included in the questionnaire. Second, managers ranked the criteria according to importance, and, third, they rated their club's performance on each criterion.

A pilot study including 30 club managers in the Southeast was conducted to check the survey format, legibility, instructions, and item clarity. Managers in the pilot study were excluded from participation in the primary study. Based on the responses to the pilot study, minor modifications were made to the instructions and format in the ranking section of the questionnaire.

Non-profit private clubs form sample

The sample included the top-ranking manager in 400 non-profit private clubs across the United States. Managers were selected from the membership list of the Club Managers Association of America (CMAA). A questionnaire and stamped return envelope were mailed to each manager in the sample.

The reliability of the questionnaire was assessed using the test-retest method.⁶ The cover letter asked respondents to volunteer to

answer the questionnaire again to establish the reliability of the instrument. Managers willing to complete the survey a second time signed and returned a postcard with their completed questionnaire. A second copy of the questionnaire was mailed to 70 managers six weeks after the first mailing; 39 of test-retest questionnaires were returned for a response rate of 56 percent.

Although the test-retest method may overestimate the reliability of a questionnaire if the second questionnaire is completed soon after the first, the second questionnaire was sent six weeks after the first. The time that elapsed between the first and second administration should decrease the likelihood that memory would bias the responses to the second questionnaire. The test-retest method may also underestimate reliability since changes in the organization or the organization's environment may elicit different responses in the second administration.⁷

In order to establish the stability of the responses between the first and second administration of the questionnaire, Pearson correlation coefficients were calculated for the performance items. Nunnally suggests correlations ranging above .50 are acceptable in exploratory research.⁸ The reliability coefficients ranged from .18 to .99. Three of the performance items had reliability coefficients less than .50. Item 9 ("quality of services offered") had a coefficient of .42, which is less than the acceptable minimum. This reliability coefficient may be low due to the restricted range of responses. Responses to this item were limited to 3, 4, and 5, with 66 percent of the respondents selecting 4.

According to Nunnally, the correlation coefficient will decrease as the variability of responses decreases. Items 10 ("reduce operating expenses by department") and 11 ("membership turnover") were selected by only 25 and 21 respondents respectively. The low coefficients may be due to few managers identifying these items as important. Nunnally suggests that a coefficient based on a few cases will have a larger sampling error than one based on a large number of cases. The remainder of the coefficients, which were well above acceptable minimum values, provided evidence that the questionnaire was sufficiently reliable for the purpose of this study.

In order to determine which items are most frequently utilized by club managers, frequencies were made of the number of managers who checked an item as a criterion that they use to evaluate club performance. To determine which performance criteria are most important to club managers, the rankings of the items were assessed by counting the number of managers ranking each item as first, second, and third.

To test the possibility that the rankings differ according to club characteristics, one-way analyses of variance were performed on the

rankings using the SAS procedure NPAR1WAY with location, club size, club budget, and waiting list as the classification variables and the rankings on the top four performance criteria as the dependent variables. When data are ordinal, the appropriate test for significant differences is the Kruskal-Wallis H test which approximates a Chi-square distribution.⁹ Finally, the performance ratings were subjected to principal components factor analysis to identify latent performance dimensions.¹⁰

Wide range of club managers responded to the survey

Of the 400 clubs surveyed, 260 club managers responded, for an overall response rate of 65 percent. Club policy prohibited five managers from participating and one incomplete survey was dropped from the study, leaving 254 responses for a participation rate of 63.5 percent. Clubs from 44 states and the District of Columbia responded. States not represented included Alaska, Maine, Rhode Island, Vermont, West Virginia, and Wyoming. Club membership ranged from 120 to 20,000, with a median membership of 708. Annual operating budgets ranged from \$330,000 to \$45,000,000, with a median of \$3,500,000. Two hundred and five (81 percent) of the respondents were country clubs; 16 (6.3 percent) were city clubs, 25 (10 percent) athletic clubs, and seven (2.8 percent) yacht clubs. The ages of the clubs ranged from three to 141 years, with a median age of 71 years. Half the clubs were located in metropolitan areas with populations of at least 300,000. Only 9 percent were located in towns with populations of fewer than 20,000.

Of those managers responding, 95 percent were male; the average age was 46.5, and 61 percent had at least a bachelor's degree. Seventy percent were qualified as Certified Club Managers by the Club Managers Association of America (CMAA). Eighty percent of the responding managers had more than 10 years experience in private clubs, and 70 percent were in their current position for at least four years.

Membership satisfaction is most important

Table 1 reports the number of managers that utilize each criterion. The most frequently used criteria are membership satisfaction, quality of services offered, quality of staff, meeting annual budget, and food and beverage sales. The least frequently used criterion is operating cost per member. Only 20 percent of the sample utilizes this performance measure. The next least used criterion is gross profit margin; 42 percent of the sample indicate that they use this item. The results suggest that all of the 16 performance items included in this study are important to club managers.

A space provided on the questionnaire asked managers to list additional performance measures. Seven additional measures were listed:

Table 1
Frequency of Managers Utilizing Each Performance Criterion

Performance Criteria	Frequency	Rank Order
1. Prestige of the club	164	7
2. Number of services offered	111	13
3. Gross profit margins	106	15
4. Membership satisfaction	246	1
5. Staff/employee turnover	138	8
6. Increased revenues by department	116	10
7. Meeting annual budget	208	4
8. Operating cost per member	51	16
9. Quality of services offered	228	2
10. Reduced operating expenses by department	113	11
11. Membership turnover	109	14
12. Quality of staff	213	3
13. Annual profit or loss	166	6
14. Reduce workmen compensation claims	112	12
15. Food and beverage sales	205	5
16. Number of rounds of golf	117	9

membership growth, member participation, attitude of members, employee development, cash flow, existence of a waiting list, and sales per manhour.

Table 2 shows the number of respondents who ranked each item as first (most important), second (next important), and third (third most important). Of the 16 items, 179 managers (71 percent) ranked membership satisfaction as the most important criterion. Prestige of the club was ranked number one by 18 managers, and 13 managers ranked quality of services as the most important. The item most frequently ranked second was quality of services. The item next most frequently ranked second in importance was meeting the annual budget. The item chosen most frequently as third most important was quality of staff. These rankings demonstrate consistent preferences for performance criteria across clubs.

Analyses of variance of the rankings of the four most frequently utilized criteria revealed five significant differences in rankings. Table 3 shows the results Kruskal-Wallis chi-square tests for each analysis. An examination of the sum of scores across the levels of classifications revealed the following differences. The only significant difference in rankings by location was on "quality of services offered." Twenty-six percent of clubs located in towns with populations of fewer than 20,000 do not use this performance criterion; therefore, their ranking on this item was zero. All of the clubs in metropolitan areas and 95

Table 2
Frequency of Rankings of Each Performance Criterion

Rank Order Performance Criterion	Total by Ranking			Total
	1 ¹	2 ²	3 ³	
1. Prestige of the club	18	22	21	61
2. Number of services offered	0	4	8	12
3. Gross profit margins	1	7	8	16
4. Membership satisfaction	179	25	14	218
5. Staff/employee turnover	0	4	12	16
6. Increased revenues by department	0	5	3	8
7. Meeting annual budget	9	26	31	56
8. Operating cost per member	0	2	2	4
9. Quality of services offered	13	97	44	154
10. Reduced operating expenses by department	0	1	4	5
11. Membership turnover	1	6	13	20
12. Quality of staff	2	14	51	67
13. Annual profit or loss	11	11	12	34
14. Reduce workmen's compensation claims	1	0	1	2
15. Food and beverage sales	2	9	11	22
16. Number of rounds of golf	1	1	3	5

NOTE: 1 most important, 2 second most important, 3 third most important.

percent of the clubs in medium-sized cities identified quality of services as an important criterion. The fourth most frequently used criterion was meeting the annual budget. Analysis of variance demonstrated that clubs with small operating budgets (<\$260,000) and clubs with the largest budgets (>\$9,000,000) view this criterion more importantly than clubs with average and large budgets. Interestingly, three differences were found between clubs with and without a membership waiting list. Clubs with a waiting list rank membership satisfaction, quality of services, and quality of staff higher than clubs without a waiting list.

Performance level of clubs is rated

The third part of the questionnaire asked managers to indicate the performance level of their respective clubs on each criterion. The significant correlation between performance measures suggests that factor analysis would be an appropriate technique for summarizing the information from the 16 performance measures into a smaller number of dimensions. The 16 performance ratings were subjected to a principal components factor analysis to identify the latent performance dimensions. Only principal components with eigenvalues greater than one were retained.¹²

Table 3
Kruskal-Wallis Chi-square Approximations of the Analyses
of Variance for the Four Most Frequently Utilized
Performance Measures

Club Characteristics	Performance Measures	X²	df	p
Location	Membership satisfaction	0.43	2	.81
	Quality of services offered	5.19	2	.80
	Quality of staff	1.86	2	.07
	Meeting annual budget	0.45	2	.39
Club size	Membership satisfaction	2.16	2	.34
	Quality of services offered	2.55	2	.28
	Quality of staff	3.48	2	.18
	Meeting annual budget	1.36	2	.51
Annual operating budget	Membership satisfaction	0.18	3	.98
	Quality of services offered	0.97	3	.81
	Quality of staff	4.98	3	.17
	Meeting annual budget	8.74	3	.03
Waiting list	Membership satisfaction	2.83	1	.09
	Quality of services offered	3.91	1	.04
	Quality of staff	2.74	1	.10
	Meeting annual budget	1.63	1	.20

Analysis revealed that one item, "Reduce workmen's compensation claims," had high cross factor loadings; therefore, this item was removed and the remaining 15 items were re-factored yielding a five factor solution. To facilitate the interpretation of the factors, the factors were subjected to an oblique rotation since the factors were likely correlated.¹³ Table 4 provides the factor loadings and a descriptive name for the factors for each of the five factors. Items with .56 or greater factor loadings were averaged to produce five scales that measure performance dimensions. The internal consistency of the performance scales was calculated using Cronbach's coefficient alpha which are reported in Table 4. Each of the four scales meets the minimum criteria of .50 set for internal consistency in exploratory research.¹⁴

Table 5 contains the Pearson correlation coefficients for the five performance scales. Analysis of the correlation coefficients among the performance scales reveals that financial performance is significantly and positively correlated with high revenues. Prestige and low

Table 4
Factor Loadings or Performance Criteria Ratings: Oblique Rotation

Factors	1	2	3	4	5
Factor names/factor items					
Internal consistencies	.78	.67	.57	.62	1.00
Financial measures					
8. Operating cost per member	.78				
10. Reduced operating expenses by department	.76				
13. Annual profit or loss	.73				
3. Gross profit margins	.68				
7. Meeting annual budget	.60				
Quality staff and service					
5. Staff/employee turnover		.76			
12. Quality of staff		.74			
4. Membership satisfaction		.65			
9. Quality of services offered		.56			
Prestige and member turnover					
11. Membership turnover			.76		
2. Number of services offered			.65		
1. Prestige of club			.65		
Revenues					
15. Food/beverage sales				.92	
6. Increased revenues by department				.62	
Rounds of golf					
16. Number of rounds of golf					.87

member turnover are significantly related to quality of staff and service and the number of rounds of golf.

Club managers are consistent in ranking criteria

This study was the first to identify the performance criteria utilized by non-profit private club managers. Of the 16 items developed for the survey instrument, all were reportedly utilized to some extent and seven additional items were identified by respondents. The rankings of the performance criteria demonstrated that club managers consistently identified a few criteria as most important. The items consistently selected as most important were membership satisfaction, prestige of the club, and quality of services offered. Items ranked second included quality of services offered and meeting the annual budget. Quality of staff was most frequently ranked third.

Table 5
Pearson Correlation Coefficients for Club Performance

Performance scale	1	2	3	4
1. Financial measures	1.00			
2. Quality of staff and service	.09	1.00		
3. Prestige and member turnover	.04	.43**	1.00	
4. Revenues	.51**	.07	.10	1.00
5. Number of rounds of golf	.16	.10	.14	.19*

* $p < .05$, ** $p < .01$

Since this study has identified the performance items that are important to club managers, future studies must identify methods to objectively measure each of these criteria. For example, membership satisfaction was ranked as the most important criterion, but little is known about how clubs measure membership satisfaction. It may be that the membership satisfaction construct includes a number of dimensions such as number of complaints received, turnover of membership, or use of services and facilities. Future studies must identify all the dimensions of each performance criterion. After the dimensions are identified, ways to objectively measure performance on each dimension must be developed.

Businesses have usually relied upon financial measures to compare performance across organizations. These findings clearly indicate that non-profit private club managers are clearly concerned with satisfying the needs of their membership and offering quality services within the constraints of the club's budget, but they also consider financial measures, such as gross profit margins and operating costs per member. Therefore, financial and non-financial performance benchmarks are needed in the industry.

Some interesting differences in the rankings of the performance items were found. In towns with populations of fewer than 20,000, club managers reportedly place less emphasis on the quality of their services. This may be due to the lack of competition or perhaps members in smaller towns may not expect high quality service. The differences between clubs with and without a waiting list raises a number of questions. Does the lack of attention to membership satisfaction and quality of staff and service lead to a decreased demand for club membership and, therefore, no waiting list? Or are there other causes for these differences?

Before non-profit organizations can adopt total quality management techniques, performance benchmarks must be identified. This study was the first step in this process. The purpose was to identify

the performance criteria utilized by private non-profit club managers. Future studies should investigate the validity of the additional criteria offered by managers in this sample. Future studies should also include clubs of all sizes to determine if perceptions of important criteria are consistent regardless of club size. The greatest challenge for the future will be to develop methods to objectively measure performance on these criteria.

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