case study

The Case of the Country Club Organizational Culture and Employee Turnover

By Jim Butler and George Alexakis

Introduction

Riverside Country Club (RCC) is located in Palm Springs, California. RCC community is a gated residential real estate development with the private country club located in the center of the community. The developer of the community is Jennifer Smith. The country club is composed of five golf courses, eight tennis courts, two clubhouses, two fitness centers, and multiple food service units. The club employs more than 300 staff members during peak season and approximately 150 employees during off-season. The club business in Palm Springs is seasonal, meaning that the bulk their busy time is November through April. The community consists of 3000 residential homes and membership in the club is optional.

The club offers two membership options: golf and fitness. They are priced at $100,000 and $50,000 respectively. Equity club membership means that the members own the club (Barrows & Ridout, 2010). However, the developer controls the governance of the club until build-out of the real estate in the community. Build-out is defined as at which point in time that all of the real estate in the community has been sold to a retail customer.

Background

Jennifer Smith founded the club and began developing the community in 2003. Jennifer is the granddaughter of Jillian Smith. Jillian Smith acquired more than 100,000 square miles of property in California in the early 1990s. The land was located in Riverside County. Jennifer inherited the land from her grandmother and decided in the early 2000s to develop a residential golf community. She had no prior experience in land development or country club operations. Jennifer wanted to leave a family legacy (Andersson, Carlsen, & Getz, 2002) for the residents of Riverside.

The Smiths

Jennifer Smith and her siblings own the Riverside Development Company (RDC). The RDC is a real estate company consisting of many businesses ranging from oil production, hotels, and commercial real estate. Her grandmother Jillian founded the 100-year-old company. RDC had a strong Chief Executive Officer, Tom Juzwiak, who ran the family businesses. Mr. Juzwiak was an accountant by trade and had a strong analytical mind. Family businesses have distinct organizational cultures, as the principals are owners and each has their own interests and perspectives (Watson, Dastoor, & Koutroumanis, 2012). Organizational culture, in this context means, "What a group learns over a period of time as that group solves its problems of survival in an external environment and its problems of internal integration. Such learning is simultaneously a behavioral, cognitive, and an emotional process." (Schein, 1990, p. 111; also see Appendix A for organizational culture dimensions). Reputation is the one of the most important assets in family-owned businesses (Dyer & Whetten, 2006).

Jennifer's Place

Jennifer thought that a country club community would be successful in Palm Springs, even though she did not play golf and had no experience in running a residential private golf course community. Jennifer formed a company called The Rogers Company to develop RCC community. Rogers was a family business inside of a family business (i.e., RDC). The developer's family-owned business has its own distinct organizational culture that affects the club. Rogers represents a slightly different organizational culture than RDC, because non-family members are involved in the corporate governance. It is also important to note that Jennifer lived in the RCC community.

Clubs

What is k nown as a country club represents a collection of individual businesses or business units including golf, maintenance, tennis, fitness, and restaurants. The successful general manager (GM) of a club often must possess knowledge of business, management, accounting, human resource, tennis and fitness, asset management, landscaping, golf course management, and food service management (Perdue, Woods, & Ninemeier, 2001).

Additionally, each member owns a part of the club. Club members are typically successful business people who are bosses in their own organizational environments. Club members are accustomed to getting their way while running their organizations, which essentially influences the organizational culture and climate of the private club to which they belong. Opinionated members are ubiquitous and often create a difficult work environment in the club business. Because of the resultant organizational culture, GMs have a high turnover rate in private equity clubs (Clay & Graff, 2011).

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Real Estate

The primary business of residential golf course developers is real estate. The adjacent clubhouses are amenities that are used to assist in the sale of homes in the communities (Nicholls & Crompton, 2007). The real estate in RCC consisted of estate family homes, villas, and condominiums. The motivation of developers, management, staff, and even existing members to support the sale of real estate also factors into the organizational culture. Therefore, satisfied members that are loyal to the club brand find value as members and spread positive words to others (Back & Lee, 2009) thus stimulating sales. The performance of clubs is not measured in profitability, but in customer satisfaction (York, 2002). Customer satisfaction in clubs is leveraged to promote real estate sales. Consequently, the clubhouses in residential private club communities usually operate at a financial loss (McGladrey Trends, 2013).

Palm Springs

Palm Springs is an affluent town in Southern California. Palm Springs is home to many private golf course communities. It is ranked 56 in the U.S. metropolitan area for golf courses (National Golf Foundation, 2013). The weather is very desirable in Palm Springs during the winter months. The people who reside there seasonally during the winter are collectively referred to as snowbirds and originate from areas spanning from Northern California to Minnesota. In the early 1990s, most of the snowbirds came from northern California. Californians are considered to be laid back, friendly, and slower-paced than people from the northeastern part of the United States (Pedersen & Frances, 1990). Members of private clubs often produce a certain organizational culture that is heavily influenced by the geographical origin of their members (Hawkins, Roupe, & Coney, 1981). Most of the members of RCC reside in California.

Club Position

The GM position of RCC is the Chief Operating Officer of the club. The club's organizational structure is composed of various departments (see Appendix B). Each department reports to the GM and represents its own micro-culture. The GM was also part of the RDC management team. He reported directly to Mr. Juzwiak, the CEO of RDC. A weekly meeting was held Monday with the GM, the developer, and the CEO to discuss various aspects of the club and to make decisions on the day-to-day operations.

The country club had sold 600 golf memberships out of a possible 1000 golf memberships and 175 fitness memberships out of a possible 800 fitness memberships by 2011. The club had built all of the club facilities in 2011 even though it had not reached full membership. Private clubs often wait to build the facilities until a majority of the memberships are sold because facilities are expensive to build and operate without a full contingent of members. Jennifer was financially subsidizing the club at a very significant level, meaning the club's revenues did not cover the operational expenses of the club. The way to decrease the loss was to increase membership sales and real estate sales.

The business model of RCC was essentially to sell upscale properties to house buyers who would also purchase club memberships. The country club operation was essential to the success of the business model. Jennifer felt that it was important to build the club facilities, as they would potential homebuyers to buy RCC community homes. The exit strategy of the developer was to turn over operational control of the club to the members at build-out. The members would own, operate, and be financially responsible for the club after build-out. Up to that point, Jennifer was financially responsible for the operating deficit of the club. Jennifer was very concerned that the operational deficits would continue for years if the community were not successful, because of the inability to build a great organizational culture due to the high management and staff turnover.

Problem

The GM position at RCC in 2011 was again vacant. The club had hired and fired six GMs in its short history. Birdir (2002) discussed the negative consequences of changing hotel GMs, which include increases in employee turnover: a permanent change of jobs beyond the boundary of an organization (Macy & Mirvis, 1983) and less customer satisfaction. RCC was experiencing such consequences. The club suffered from low member satisfaction, high employee turnover, and a negative organizational culture as a result of the high GM turnover. The employee turnover rate was more than 400%, symptomatic of the culture. The turnover was costing the club thousands of dollars (Tracey & Hinkin, 2008). Hinkin and Tracey (2006) referenced turnover costs as those that can be categorized into five areas, with corresponding percentages:

- Predeparture 3%
- Recruiting 20%
- Selection 11%
- Orientation and training 14%
- Productivity loss 52%

They estimate employee turnover to cost $5,864, on average. The club was suffering from generational issues, as the older senior managers from the Boomer generation could not relate to the younger workers (Chacko, Williams, & Schaffer, 2012). The staff had different generations working together in the organization and exhibited a lack of work engagement (Park & Gursoy, 2012). Barrows (1990) suggested that managerial intervention is imperative in any approach to address turnover. Generation differences exist in the workforce of country clubs. Baby Boomers, Generation X, and Millennial Generation employees are represented (Gursoy, Maier, & Chi, 2008). Boomers are usually managers of the various departments employing Generation X and Millennial workers. The three various generations have differences as Boomers generally respect authority, Generation X generally rebel against it, and Millennials generally enjoy teamwork. This diversity leads to conflict resulting in higher employee turnover rates if not managed properly (Gursoy, Maier, & Chi, 2008).

The members were unhappy because of the frequent changes in management. The house committee, which is composed of member, expressed its displeasure with the high GM turnover to the developer. The constant staff turnover resulted in lower service levels (Tracey & Hinkin, 2008). Leadership practices and organizational culture are important to service organizations (Asree, Zain, & Razalli, 2010). Jennifer had never run a country club. She was struggling to satisfy the members and losing a substantial amount of club money in operations. The club members were not like the hotel guests to which the Smiths were accustomed. Hotel guests leave after a short time, while a club member stays and usually lives in the community for many years. Jennifer was frustrated because she could not find a qualified GM to implement her vision and her desire to establish an outstanding community (Schein, 1983).

The New General Manager, Again

Harry Hogoboom has been hired as the new GM of RCC in the fall of 2011. Harry was raised in Los Angeles, California. Harry moved to the Palm Springs, California area after meeting a member who had arranged a seasonal job for him at another club close to RCC. Harry started at the Palm Springs club as a seasonal golf bag room attendant and was sequentially promoted to GM by his 17th year at the club. The Palm Springs club had two golf courses and a club membership size similar to RCC. Harry had increased membership at his previous Palm Spring club until build-out and developed professional relationships with many of the club members.

Harry understood how significant creating an outstanding organizational culture was in building a successful club. He also appreciated the importance of country clubs' employees in satisfying members. Harry discussed the issue with RCC's Human Resource Director who related that the employees needed direction. The Human Resource Director indicated the organizational culture had deteriorated because of high employee turnover and lack of leadership in the club. The director indicated that the hiring practices were not standardized and that the club did not have an orientation program. Harry had built a successful management team at a previous club through specific selection criteria and understood the importance of reducing turnover (Dwoskin, Squire, & Patullo, 2013). Harry instructed the Human Resource Director to focus on cultural rituals and practices to reduce employee turnover. Some of these practices were recognizing employees with birthday celebrations, providing an extensive orientation session upon hiring, and utilizing exit interviews to understand the core reasons for employee departures. All of these measures were used for turnover reduction.

The club had transitioned to member ownership during Harry's tenure. Harry was hired by the original developer of the club. He had reported directly to the developer for 10 years. Then, the members assumed ownership and governance responsibility at build-out. The members offered to have Harry to continue in the GM's job after the build-out of the community. Many GMs do not make the transition from a developer-owned club to a member-owned club because of loyalty issues. The developer's GM is usually considered loyal to the developer and not to the club members, because s/he is an employee of the developer before build out.

Harry had met his wife at the Palm Springs club and worked with her there. He had developed a high level of emotional intelligence (Goleman, 2006; Wolfe & Kim, 2013) through his previous work experience at the club. He credited his success to the ability of listening to members, understanding their perspective, and creating a successful membership culture. He was very confident in his abilities to also create a positive employee culture. Because members of such a club are the owners of the business (i.e., equity club), they and club management shape its organizational culture.

Concerns

Harry had never been to RCC before he interviewed for the job in 2011. He had limited knowledge about the property, the ownership, and the corporation. He lacked understanding of any existing organizational culture issues at RCC until after the hiring process commenced. That was when he first started to hear about the difficulty of working at the club. The former GM was originally from New Jersey. He came to RCC from a premier beach club in the Hamptons, which is a seaside resort area of Long Island, New York that is known for its expensive residential properties. He had a significant experience managing hotels in the northeastern region of the United States.

The former GM had no golf management expertise and no financial expertise. He had lasted slightly less than 1 year. Harry noticed the organizational culture disconnect among the developer, employees, and management throughout the job interview process. Harry thought that RCC would provide an opportunity for his career advancement because the club was bigger than his previous club. The financial resources available were larger. Harry's current job provided security but did not offer any future advancement opportunities—he had plateaued.

Harry had worked in his family's business as a teenager. He was comfortable working alongside his eight siblings. Harry was confident he could internalize Jennifer's vision for the property while creating a responsible financial culture that satisfied the CEO's goals. Harry thought that he could successfully address the high employee turnover issue because of his past successes in selecting and training employees. Most clubs do not have a full-time human resource director. Instead, human resource responsibilities are often shared by other managers. The human resource activities can be overseen and delegated by the GM and the COO (Barrows & Ridout, 2010, as cited in Koenigsfeld, Kim, Cha, Perdue, & Cichy, 2012). Harry had past experience in building a team and implementing an owner's vision into a successful service culture. Harry was from California and felt like he understood the Californian culture. Harry contemplated a human resources strategy for his new job to prevent being fired like the other GMs before him. The job was going to be a great test of his knowledge and skills.

Discussion Questions

- What should be the GM's priorities when starting this new job?
- What was causing the turnover of the GM position?
- What was causing the employee turnover? Was the employee and GM turnover related?
- What strategy should be used to reduce staff turnover?
- How can country club culture be defined?
- How should the club culture be evaluated?
- How can the GM learn about the different cultures of the organization?
- How should the GM implement the developer's vision into the organizational culture of the club?
- What department managers and staff should be involved in the formulation of a human resource strategy?
- What steps should the new GM take to understand the club's generational issues?
- How should the GM increase member satisfaction in the club?
- Why is customer satisfaction important for a club or any service organization?
- How is working for a private family business different from working for a public company?