

# CASH BONUSES FOR CLUB EXECUTIVES: HOW ARE THEY DETERMINED?

A study of club professionals shows what factors lead to incentive pay

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**H**ow much should a business pay for a certain position? This has always been a difficult and most sensitive question. From the candidate's point of view, of course, the higher the pay the better. From the business' point of view, one would like to pay an equitable level to attract the best talent. However, the base salary is only part of the negotiation. Other items that make up the entire compensation package can include anything from health benefits, dental benefits, holiday pay, to flexible work hours. Cash incentives or bonus is also commonly used as part of the compensation package in the corporate world and is frequently used as a tool to boost and maximize performance. And, everyone loves to receive a bonus check. So, to what extent does the club industry use bonus pay to encourage and reward performance of their executives/managers? How is that level determined and what factors are used?

Financial performance is often used to determine the pool of bonuses that are to be distributed. When a business suffers a loss, it is highly unlikely that bonuses will be paid. On the contrary, if a business has a profitable year, bonuses paid to



employees and managers are expected to be more generous as there are “profits” to be shared. Besides being used as a determinant of the amount in the bonus pool, financial performance is also used as a criterion to determine the level of bonus to be paid. High level management may even have such bonus clauses in their employment contract. The club business is still largely a non-profit oriented business. Thus, while not losing money is an obvious goal, making large profits is normally not on the top of the list of financial goals.

Therefore, how does incentive pay or cash bonuses work in the club business? In 2000, when HFTP conducted its *Compensation and Benefits Survey*, respondents were asked about their base salary, deferred compensation and bonus. The respondents from clubs and hotels were surveyed as one group. According to the data, in 1999, a unit level controller earned a base salary of \$57,072, with a

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**Table 1. Annual Compensation for Lodging and Club Professionals**

	Lodging			Clubs		
2012	Base salary	Deferred compensation	Bonus	Base salary	Deferred compensation	Bonus
Assistant Controller	\$70,173	\$4,501	\$6,553	\$81,901	NA	\$4,769
Controller	\$90,514	\$6,200	\$16,935	\$119,473	\$5,137	\$6,726
Director of Finance	\$108,211	\$8,057	\$22,955	\$121,330	\$7,847	\$16,648
2011	Base salary	Deferred compensation	Bonus	Base salary	Deferred compensation	Bonus
Assistant Controller	\$50,703	\$3,803	\$4,442	\$73,180	NA	\$5,274
Controller	\$87,122	\$4,978	\$11,544	\$116,027	\$4,715	\$7,007
Director of Finance	\$104,727	\$7,321	\$19,407	\$118,418	\$8,009	\$13,813
2010	Base salary	Deferred compensation	Bonus	Base salary	Deferred compensation	Bonus
Assistant Controller	\$49,000	\$2,533	\$2,031	\$68,053	NA	\$4,063
Controller	\$85,586	\$5,361	\$10,586	\$113,624	\$4,828	\$6,358
Director of Finance	\$98,613	\$6,465	\$15,144	\$113,715	\$7,845	\$9,950

Source: Venegas, T. (2013). 2012 HFTP Compensation and Benefits Survey Report. *The Bottomline*, 28(1), 28–47.

deferred compensation level at \$7,400, and an average bonus of \$6,141, making the total compensation averaged at \$69,613 (Hassmiller, 2000).

In the most recent study published in 2013 for the year 2012, the sample was divided into lodging and clubs. The results also included a comparison with the previous two years of 2011 and 2010 (Table 1 above).

For the lodging segment, in 2010 a unit level controller reported a base salary of \$85,586. When adding the average deferred compensation and bonus, the total package was over \$100,000. This increased to an average compensation package of \$139,223 for 2012. On the club side, the average total reported compensation for a controller was \$124,810 in 2010 and increased to \$131,336 in 2012. What might also be interesting is the change in titles of controllers in the last 10 years or so. Many larger clubs have started to adopt the title of director of finance for their controllers. Thus,

if the total compensation package of directors of finances was compared between hotels and clubs, those in clubs enjoyed a higher total compensation package with higher base salary and stable deferred compensation and bonus offers.

The *2012 Compensation and Benefits Report* from Club Managers Association of America (CMAA) revealed that cash bonuses for the average club CEO and CFO were between 10 and 15 percent of their base salaries. Further, their bonuses were based on many factors, but the most important were “board discretion” for the CEO and “budget goals” for the CFO. The assistant general managers and directors of human resources received cash bonuses of less than 10 percent of their based salaries and the number one factor in determining their bonuses was “supervisor discretion.”

Bonuses are an important compensation item for the lodging industry. With hotels being profit-oriented, the

data for lodging in the last three years reveals bonus levels ranged from 4 percent for the assistant controller to over 20 percent for the directors of finance. Yet, with most clubs being non-profits, the bonus levels also ranged from 6 percent for the assistant controller to 14 percent for the others. Fourteen percent of any salary level is a sizable amount. Therefore, it is good practice to ascertain the factors clubs are using to determine their bonus structures. In particular, this article concentrates on the use of cash bonus as incentive pay and the factors determining the incentive pay percentages for four managerial positions: general manager, assistant general manager, controller and director of human resources. Through these results, executives and management in the club industry can benchmark their incentive practices and utilize the incentive information in determining the cash bonus option or other incentive structures in their clubs to reward performances

## Respondent Profile

Fig 1. Title

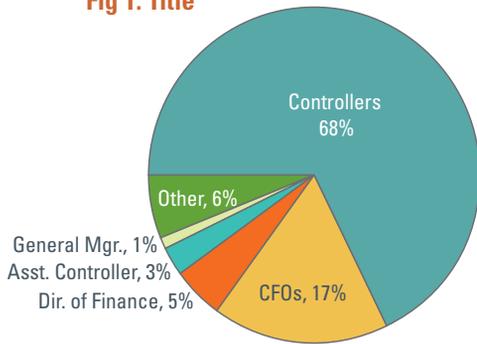


Fig 2. Club Type

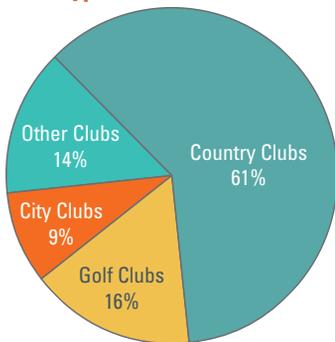
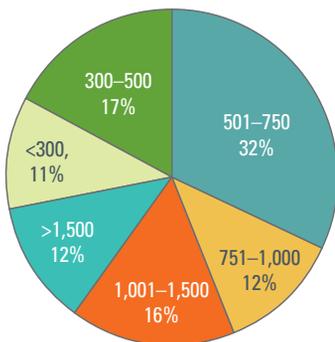


Fig 3. Club Size by Member



and to influence and maximize future behavior. Hospitality educators can also use these results and integrate the findings into their curriculum for the future industry leaders.

### The Questions and the Respondents

In order to collect the data, club financial professionals were asked to complete a survey. Besides demographic information about the respondents and their clubs, these club financial professionals were asked to fill out

data regarding bonus pay in the form of a table. The first column of the table listed the more common factors used in industry to award incentives pay (such as profit level, increase in revenue, member satisfaction). Extra room was provided for club financial professionals to write in additional factors as appropriate. The second column gave an example that if a bonus is offered, the club financial professional was to divide the 100 percent of the bonus between the factors. For instance, if the bonus is based on only profits of the club, then the respondent was to put 100 percent in the cell that corresponds to profits. If the 100 percent is split 50/50 between profits and increase in membership, then 50 percent each will be entered in the cells corresponding to these two factors. The third through the sixth columns had the column title reflecting the title of the four executives in this study: general manager, assistant general manager, controller and director of human resources. The respondents would then enter the percentages in the cell that match with the executive positions and the corresponding bonus determining factors.

The questionnaire was mailed to 920 members of HFTP who were associated with the club industry. Fifty of the questionnaires could not be delivered and 110 club financial executives did complete and return their questions. Therefore, the response rate was 12.6 percent. The data was compiled and analyzed using the latest version of SPSS.

### The Respondents and their Clubs

The club financial professionals were asked their titles and the classification of their clubs in terms of type, size, location and profit orientation. Sixty percent of the respondents were from the east coast, with another 29 percent coming from central United States, and the remaining 11 percent from the west coast. The profitability orientation of the respondents' clubs mirrored that of the industry in that the vast majority (88 percent) were nonprofit.

Eighty-five percent of the club financial professionals held the title of controller (68 percent) and chief financial officer (17 percent). A number of clubs have adopted the title of chief financial officer in the last few years to replace the title of controller. As mentioned, some also started using the title of director of finance (5 percent). In some cases, the survey was completed by assistant controllers (3 percent), general managers (1 percent) and other club financial professionals (6 percent) such as accountant, accounting manager, business manager, club accountant, and financial manager (see Figure 1).

Country clubs executives, as expected, made up the majority of respondents at 61 percent. Golf clubs came in at 16 percent, ranking second, followed by city clubs in third (9 percent). The other 14 percent consisted of beach clubs, common interest realty association or CIRA clubs, owners/property owner association clubs, beach clubs, yacht clubs and tennis clubs (see Figure 2).

Figure 3 denotes the distribution of the clubs in this study by size using membership as the determining factor. The clubs in this study fell approximately into thirds. The first third (32 percent) was clubs with 500-750 members. The next third, a total of 33 percent, was made up of clubs that had 300-500 members (17 percent) and 1,001-1,500 members (16 percent). Finally, the last third (35 percent) was made up of clubs at the two extremes: with less than 300 members (11 percent), the 751-1,000 members (12 percent), and over 1,500 members (12 percent).

### Incentive Pay Structure in the Club Industry

For general managers, assistant general managers and controllers — good news! The majority of clubs offered incentive pay to these three executives. As seen in Table 2, 85 percent of the respondents indicated their clubs offered bonuses to the general managers. Seventy-four percent offered

incentives to controllers and a slightly lower number of 71 percent offered such benefits to the assistant general manager. A little over half (54 percent) also reported offering bonus pay to directors of human resources.

Equally important to whether incentive pay is offered are the factors that go into determining the level or amount of incentive pay being given. Table 3 summarizes the factors used in determining the incentive pay. The numbers in each cell represent the percentage of clubs that based the bonus on the particular factor by each position. Since profit is not the top priority for clubs, it is not surprising that the percentages received for this factor ranged only from 9 percent to 24 percent. For controllers, “supervisor discretion” ranked as the highest and most important factor at 45 percent. “Meeting budget goals,” “personal goals” set by the controllers, and “board determination” received 29 percent, 29 percent and 28 percent, respectively. For general managers, one particular factor stood out. Since general managers report directly to the board and work closely with the board, again it is not surprising that 72 percent of the clubs based the bonus pay for general managers on “board determination.”

The reward scale for assistant general managers is fairly evenly distributed with “meeting budget goals” as the highest ranked factor at 38 percent, “personal goals” at 32 percent and “supervisor discretion” at 30 percent as the top three. The same three factors also applied to the director of human resources except “supervisor discretion” ranked first at 44 percent, “personal goals” ranked second at 33 percent and “meeting budget goals” ranked third at 30 percent.

The average for each factor was calculated to determine the relative use of each factor across the four executive positions. The number one factor of “board determination” was heavily weighted by its use for the general managers’ bonus. Tied for second were “supervisor discretion” and

**Table 2. 2012 Incentive Pay (Cash Bonuses) Structure in Clubs**

Bonus offered to:	Yes	No
General Manager	85%	15%
Assistant General Manager	71%	29%
Controller	74%	26%
Director of Human Resources	54%	46%

**Table 3. Percent of Clubs Offering Bonuses by Incentive Factors**

Factors Determining Incentive Pay	Position with the Club				Average
	General Manager	Assistant General Mgr	Controller	Director of HR	
Profits	21%	24%	19%	9%	18%
Increase in revenues	12%	12%	6%	3%	8%
Member satisfaction	23% (3T)	22%	13%	15%	18%
Meeting budget goals	33% (2)	38% (1)	29% (2T)	30% (3)	33% (2T)
Personal goals	23% (3T)	32% (2)	29% (2T)	33% (2)	29%(4)
Increase in membership	7%	2%	0%	3%	3%
Years of service	7%	11%	8%	12%	10%
Board determination	72% (1)	21%	28% (3)	24% (4)	36% (1)
Holidays	9%	29% (4)	22%	21%	20%
Supervisor discretion	14%	30% (3)	45% (1)	44% (1)	33% (2T)

( ) Ranking of top four factors by position

Note: The average for each factor was determined by adding the four percentages by position for each factor and dividing by four.

“meeting budget goals.” The fourth most important factor was “personal goals.”

Table 4 (page 38) takes the analysis one step further and displays the weighted average percentages of bonus. Recall that respondents were asked to allocate the 100 percent bonus to a list of factors. Thus, while one club might enter 10 percent for “profits” for the general manager and 90 percent to the other factors, a second club might input

40 percent for “profits” for its general manager and the other 60 percent to the other factors, and a third club might not put anything under “profits” and all 100 percent to the other factors. Indeed, when one looks at the raw data of “profits” as a factor for general managers, the percentages reported ranged from 10 to 80 percent. When these reported percentages were weighted by the number of respondents reporting such percentages, a weighted average

**Table 4. Weighted Average Percentage of Bonus by Factors and Positions**

Factors Determining Incentive Pay Percentages	Position with the Club			
	General Manager	Assistant GM	Controller	Director of HR
Profits	6.24% (4)	8.85%	5.44%	2.64%
Increase in revenues	1.65%	1.70%	0.60%	0.30%
Member satisfaction	5.10%	6.19%	3.75%	4.35%
Meeting budget goals	8.98% (2)	14.03% (3)	10.63% (4)	11.10%
Personal goals	5.43%	8.95%	10.13%	16.80% (4)
Increase in membership	1.70%	0.50%	0.00%	0.60%
Years of service	1.20%	2.50%	0.40%	2.70%
Board determination	55.08% (1)	14.25% (2)	18.30% (2)	17.25% (3)
Holidays	1.25%	33.90% (1)	18.25% (3)	18.00% (2)
Supervisor discretion	7.45% (3)	13.78% (4)	28.64% (1)	25.97% (1)

( ) Reveals rank of top four factors by position.

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percentage was derived. For example, the “profits” factor for the general manager carries a weighted average of 6.24 percent. “Board determination” still held as the one factor that had the highest influence on bonuses at 55.05 percent for general managers, and “supervisor discretion” ranked first for both controllers and directors of human resources, contributing 28.64 percent to the bonuses of controllers and 25.97 percent for directors of human resources. For the assistant general managers, although 38 percent of the clubs that provided bonuses to Assistant general managers used “Meeting budget goals” as a factor, by the time the factor was weighted, it only accounted for 14.03 percent of the bonus.

When one combines the information from Tables 3 and 4, one can conclude that since only 21 percent of the clubs used “profits” as a factor to set bonuses for their general managers and 79 percent did not use that factor, the average percentage of bonus given using “profits” is 6.24 percent.

**Bonus Sets Expectations Sets Performance**

It appears to be clear that many different factors are used in determining bonuses in clubs. It is also obvious that not every single factor is used by all the clubs. This study suggests clubs tailor a reward system that fits their clubs, executives, and their membership. The ultimate goal in the club business is to serve as a home away from home to its members. Bonuses are a useful tool to help set proper goals and expectations. When executives, managers and employees know and understand the goals and expectations, performance levels can also be set and achieved. Use the bonus system wisely to reap great results! ■

**References**

- Hassmiller, B. (2000). Compensation and benefits survey 2000. *The Bottomline*, 15(7), 6–25.
- Venegas, T. (2012). 2012 HFTP Compensation and Benefits Survey Report. *The Bottomline*, 28(1), 28–47.