

What's Wrong With This Club---A Case Study

The Long Beach University and Athletic Club

The Long Beach University and Athletic Club is one of the oldest and most prestigious private clubs in Southern California. Founded as a business venture by J. Randall Pirie in 1901, the LBUAC appealed to that select group of businessmen with university educations, downtown businesses, a need for social exclusivity, recreational privacy and an appreciation of an "East Coast" city club experience. Long Beach, twenty miles south of downtown Los Angeles and directly on the coast, became a boom town early in the century with the discovery of oil and the decision by the city fathers of Los Angeles to create the port of Los Angeles adjacent to Long Beach itself. The city became a magnet for the talented and the commercially minded and the LBUAC was there to satisfy their need for good food, fine wines, luxurious surroundings, reflective opportunities, gentlemen's athletic facilities and an intimacy with others of like thoughts and persuasions. The club was the right product in the right market, quickly outgrew its original downtown clubhouse and in 1913 built the current fourteen story "full square block" building in response to rising demand within the business community. The Club still occupies this same building on this same sight in the very heart of downtown Long Beach.

With the discovery of the Ballona Oil Patch in the wetlands south of Long Beach in 1921, the boom grew larger, the multiple investments of the Pirie family prospered and the decision was made to develop a golf complex to provide an even larger basket of goods and services for the increasingly affluent and cosmopolitan membership of the LBUAC. J. Randolph theorized that a whole new group of affluent Long Beachers would join the newly created "Pacific Golf and Country Club," thereby expanding the membership base of Pirie Club Enterprises, the corporation formed to pursue these and other investment opportunities. At the same time, the existence of a sister club providing golf and the genteel country club experience would heighten interest in the downtown facility and permit a significant increase in both admissions fees and dues for those wanting to take advantage of both complexes. Reciprocal privileges were therefore advertised as part of the "club package" being offered to candidates at either club.

In 1927 the State of California approached J. Randall and suggested he develop a yacht club and beach facility adjacent to the now booming Harbor of Long Beach, close to the five mile long white sands of Cabrillo Beach. Not only would such a development bring "prestige" to the growing Port of Long Beach but would provide significant lease and tax revenues from a marina, beach and yacht club complex. J. Randall saw the advantages of such an addition to his evolving club empire and, with money readily available from the banks and with cash flowing in from both his existing clubs and his varied business adventures, decided to enter into a hundred year lease with the state for a marina and beach frontage and to purchase sufficient land for a clubhouse and extensive sporting facilities. The "Sunset Yacht and Beach Club" was built within a year of its conception and immediately attracted the casual family crowd that was, in large measure, neglected by the other two clubs in the Pirie group of clubs. Reciprocal privileges were also available for members of the downtown and country clubs who were willing to pay a premium for the opportunity to recreate, socialize and entertain at the beach. Individual memberships were also available, as they were at the country and city clubs, for that and no other club.

The three clubs proved to be very popular. The reputation of each was enhanced by hosting large and prestigious events which dramatized the "status" of the club and which allowed the general public the opportunity to briefly glimpse this "other world" of privacy and exclusivity. The downtown club was a well publicized sponsor of the Olympic swimming team, hosted a charity meet amongst the nation's best once a year and honored the country's top swimmer with the "Weismuller Award" at a large, black tie banquet in May of each year. The Pacific Golf and Country Club hosted the Long Beach Open in February

and was known as “the” spot for the P.G.A. tour during the winter months. The Sunset Beach and Yacht Club contributed to J. Randolph’s strategy by hosting the “West to East Trans-Pac” long distance yachting event in mid-summer, gaining nationwide prestige from the quality and affluence of the competitors and from the vocal support of Hollywood’s greatest names who either participated in or publicly supported this uniquely social competition. These became “the clubs” in Southern California and the waiting lists for each continued to grow significantly in the decades after their founding. Pirie Club Enterprises was a household word amongst serious club enthusiasts and was considered the benchmark for successful member oriented “for profit” club operations. J. Randolph’s direct involvement in each and every club guaranteed that the highest standards for the facilities, the programs and the publicity were maintained.

The World War II years, and the aerospace / oil / defense industry boom which followed thereafter in the fifties and sixties, brought enormous prosperity to Long Beach and, in turn, to Pirie Club Enterprises. J. Randolph and his sons expanded their investment portfolio to include real estate developments in “Little Venice,” storage facilities throughout Southern California, a furniture manufacturing plant in Tustin, a chain of suburban hotels in the San Francisco Bay area and a chemical bottling plant in downtown Los Angeles. These individual enterprises provided significant returns on the family investment and came to occupy more and more of the time and attention of the expanding Pirie household.

The Long Beach area, however, began to change in the seventies. Gone were the days when every new drilling produced an oil gusher. Douglas aircraft, now merged with McDonald, was losing its war against the commercial airline division of the Boeing company and was finding it harder and harder to compete profitably in general aviation. The Long Beach Naval Shipyard announced plans to cut back on defense contracting and the Defense Department decided to further consolidate its facilities at the San Diego base. The club business soon felt the pinch as corporate memberships went begging, discretionary spending within the community contracted and the waiting list in area clubs evaporated. Usage patterns changed, fewer lunches were served, less rooms were sold to visiting business people, middle and upper managers fled the city at night and the banquet business--- heretofore the lifeblood of the food and beverage department--- slowed precipitously as the fashionable “eateries” were redefined. It became tougher to attract and to retain members and tougher yet to convince them to spend their discretionary time and money at the club.

Since its founding in the early years of the century, Pirie Club Enterprises had always relied on “the family” to provide managers for the individual clubs. The most capable and experienced of the children was selected, at first by J. Randolph himself and then by an Executive Committee of family members, as General Manager of the entire three club system. J. Randolph insisted that the “chosen one” be a hands on operator type, believing that the business required a “people person” more than a “numbers person” to be a success. This strategy, however, began to change as the financial pressures increased and the pool of enthused “operators” from amongst the children decreased. The visionary who had insisted on this operating philosophy, J. Randolph himself, died in 1971 and with his passing went the emphasis on a “traditional” people focused club manager. The new “paradigm” became that of the major hotel chains who operated their many properties from a headquarters filled with business school graduates fluent in the analytical arts but less experienced in the operations of the properties they controlled. J. Randolph’s grandchildren decided on careers in the law, real estate, finance and venture capital, staying within the corporation and using its resources as a springboard for further success in the larger business marketplace. Their movement away from the club business was conspicuous and accelerating.

Direct family control of the club division evolved rapidly in a new direction. Managers of the three clubs were eventually chosen from amongst professionals managing similar properties within the larger club industry. The family members who previously ran these clubs willingly accepted other positions within the corporation. The General Manager of all three properties, however, remained a family member answerable, as before, to the Executive Committee of the corporation. This person was selected from amongst those family members who had had previous operational experience in one of the three individual clubs.

As the Long Beach community slid into decline during the late seventies and the early eighties, cash flow problems began to emerge within the club system and Pirie Club Enterprises discovered that they were no longer able to “bootstrap” needed improvements to the three properties. Competition within the community was increasing both from other private clubs hungry for new members and from the “mature” hospitality operations--- hotel, restaurant, health clubs--- in the city. Bank debt was needed, at first to upgrade the facility and eventually to cover operating shortfalls arising from declining usage patterns by the membership, decreased admissions fees and increasing operating costs for labor, maintenance and overhead.

To arrest the decline and to return the clubs to profitability, the Executive Committee decided to hire their first General Manager from outside the family in 1982. A national search by Korn-Ferry Consultants for the “right” person was initiated. Bud “Buddie” Wheelon was eventually selected because of his strong business background and extensive corporate experience in the hospitality industry. With an undergraduate hospitality degree from the Cornell Hotel School, an M.B.A. from Wharton with a specialty in finance, a C.P.A. certification and twenty years with Marriott as Vice President of Finance, Pirie Club Enterprises felt that they now had the right person to run the clubs division and to return the three operations to profitability.

Exploring Pirie Club Enterprises

Gregg Patterson was sitting in his office at the Beach Club enjoying the view of Santa Monica Bay and Catalina island, watching the puffy “good weather” clouds moving south from Point Dume and relishing the freshly brewed, “high octane” French press coffee in his “Patterson Airlines” coffee cup. He was glowing from the “love fest” he was experiencing at his mid-size, 650 family equity club. Members were using the food and beverage operation more than ever before; renovations were on budget; on time and well received by the members; the management team was solid and turnover amongst line employees was almost non-existent; West Los Angeles was booming economically and the neighborhood bordering the club was becoming increasingly exclusive and fashionable; relations with the Board were exceptional; and there was a waiting list of approved candidates wanting to buy memberships. Life was good, in fact the best that it had ever been in the seventeen years of his management of the club.

The phone rang breaking Patterson’s self-congratulatory reverie.

“Hello, Gregg, this is Bill Pirie. Have you got a minute?”

Bill was an old friend of Gregg’s, met years before when he was an assistant manager at the Bel Air Country Club and Bill was still running the Long Beach University and Athletic Club.

“Good to hear from you Bill. Hope it’s as beautiful in Long Beach as it is here in Santa Monica.”

“Weather’s great but the atmosphere here at “Pirie Club Enterprises” is a little unsettled. I’m working at corporate now, as you know, and I got a disturbing call yesterday from the local South Coast Environmental Protection Agency. Something about violations at the three clubs---- co-generators at the City Club, pesticides at the country club, spills at the yacht club. This is disturbing enough, but it seems that the inspectors were sent because of “tips” that they received from “concerned individuals.” This could be expensive stuff to correct--- and cash is tight in the club division just now--- but there seems to be more going on behind the scenes than first meets the eye. Buddie Wheelon, the General Manager of the club division--- who I think you know from a critique he gave of your speech on “intangibles” in the club business--- doesn’t seem to have any good answers for either the violations or for the concerns that motivated whoever it was that turned us in. I have a feeling that it’s a bunch of different people since the three clubs aren’t even close to each other and have no “shared staff” to speak of. My brothers and I think we need a set of completely fresh eyes to look at the situation, something of a “secret shopper” if you will, to give us a grass roots unvarnished feel for what’s happening. These clubs haven’t been profitable for a long time and the members are bitching and moaning more than they ever have. Not much fun for either

Buddy or me. Would you mind doing a little “secret shopping” for us, then debriefing the Executive Committee on issues and options? We figured your speaking business, your teaching at the hotel school, your years at the Beach Club and your outspoken personality would probably qualify you for the job. Besides, I like you, trust your judgement and think you’ve got a different take on the club business than Buddy, my brothers or me. What do you say?”

Patterson thought about his own commitments for a moment, acknowledged that January was a slow time for the Beach Club, an easy month for teaching in the university and a quiet interlude for his his speaking business. He had every reason to believe that the investigation could be highly entertaining. Besides, the story might make for a good seminar presentation sometime in the future.

“Happy to do it but only on condition that Buddy agrees and is willing to cooperate with the ‘exploration.’”

“Already spoken to Buddy. He’s happy to have you do it, actually wants you to, since he really doesn’t like all that glad handing and chit chatting type of investigative stuff anyway.”

“Super. I’ll start next Monday and Tuesday, since those are my days off.”

There was a hesitation on the phone. Bill spoke slowly. “Don’t want to push you, but the Environmental Protection Agency will be in for their final inspection in six weeks. The Executive Committee meets in four. Can you get it all done and do a presentation by mid-February?”

“No problem---- I think two days in each club will be enough with an extra week to assemble and organize the info. I’ll bill you at the end--- expenses plus the usual hourly rate. O.K.?”

“A deal. Speak to me when you’ve got some answers.”

The phone clicked dead. Patterson began to outline his “secret shopper” strategy. The multi- club audit was going to be fun, give him some great “stuff” for his club’s course at the University and pay for his next bicycle trip to Rajasthan.

The Long Beach University and Athletic Club

Gregg drove his motorcycle to The Long Beach University and Athletic Club on Monday morning to have a meeting with Buddy and do a preliminary tour of the clubhouse and surrounding city scape. The club was situated in an older part of town, an area that some might say had seen far better days. As he drove about the neighborhood, he noticed several “transients” on the sidewalks, few if any secretaries walking about and a decidedly “down at the chops” look to the storefronts. After exploring the system of one way streets for a bit, he drove into the parking garage, took a ticket from the gate machine, and parked himself on the seventh level. Gregg noted the signs warning drivers to lock their cars since the club accepted no responsibility for lost or stolen articles.

Having a few minutes to explore before the meeting began, Gregg decided to walk through the club and speak to some of the staff and members. Passing a security desk, he was asked to show his membership card by a uniformed employee. A call was made to the administrative offices and his presence was authorized. Wandering through the first floor, he noted the silence, the lack of people or staff and the “old” feel of the furnishings and fixtures. Who was driving all those cars in the parking lot?

Stepping into the library just off the lobby, Gregg saw what appeared to be a member selecting a newspaper. Approaching the man, he excused himself and asked if he might know where the General Manager’s office might be. “Couldn’t tell you that. Never been here before myself. Came in with the Computer Technology Convention group and I’m just staying here for a couple of days. Good price on the rooms, nice athletic facilities and o.k. club food but that’s about all I know. I’m sure they could tell you where at the front desk if you go into the lobby and ask.”

Gregg left the library and wandered into the lobby. A woman in a bright red and green sweat suit was sitting in the far corner of the ornate, cavernous lobby sipping coffee from a Starbucks cup and reading the Long Beach Courier Express. "Excuse me, I'm looking for the manager's office. I've never been here before and need to see him."

The woman looked up. "Administrative offices are on the third floor. I assume that his office is located somewhere on that floor."

"Incidentally, could you tell me what he looks like and the type of guy he is. Would help me prepare myself for the interview I'm having with him in a few minutes."

"Sorry, haven't a clue since I've never met or seen the guy in the five years that I've been a member. I'm sure that the staff over there at the front desk could give you some answers." Her cell phone suddenly rang, she excused herself and began to discuss the market with someone on the other end of the portable.

Gregg walked to the lobby desk and got directions from a short, cheery girl in a blue bow tie, blue sports coat and knee length gray skirt. "By the way, is Taki Temaki here? He's an ex-student of mine and I'd like to meet him for a moment. I understand he's done pretty well since graduating."

"Certainly, sir, and Mr. Temaki is now the Clubhouse Manager. A great guy and a lot of fun to boot." She called Taki who emerged immediately from a side office. The two exchanged pleasantries and Gregg got to the point of his impromptu visit. "What's this with the kitchen exhaust and the co-generation system? Bill Pirie asked to give an outside assessment of the problem and give the Executive Committee a recommendation on that and some operational issues."

Taki paused for a moment before speaking. "I really don't understand the details but it seems that our kitchen exhaust is in violation of new clean air requirements. Add that violation to the one for diesel exhaust from our 1957 co-generator system for electricity and you've got a world of hurt for the club. We may need to replace the entire ducting system, scrap the co-generator and pay a big time fine for "willful violation of air quality management standards." A mess from a financial, public relations and political point of view. The "Greens" at City Hall are going to use us as whipping boys. Imagine, us as the poster boys for 'irresponsible industrial and commercial development.' Our members don't like the publicity and are offended by the way the Executive Committee handled the fall-out from the discovery. School was so much easier and we never shed any emotional blood."

Taki said that he had been at the club for three years and was already talking about jumping ship. Couldn't really blame him. Gregg wondered if he should ask him to buzz him at the Beach Club for a "career consultation" sometime.

Gregg bid a farewell to Taki and took the elevator to the third floor. He wandered about for a moment looking at office doors until he found one with a small plastic sign saying "Office of the General Manager." He opened the door and entered a small reception office, fluorescent lighting offering a stark administrative contrast to the muted incandescent hallway lighting. The secretary looked up, checked her appointment book and asked him to wait on the pale green couch against the wall. She called Buddy, confirmed the appointment and asked him to step into the office.

Buddy stood and shook hands. After a couple of pleasantries Buddy got right to the point.

"These Pirie brothers are always interfering in the operation. They're a snooty bunch, offering opinions on the business and having almost no connection with the running of this or any other place. Trying to impress me with their Cal State Long Beach M.B.A.'s. They tried running this and the other two places years ago and flopped. I think they've forgotten all that and now fancy themselves as experts on club operations. They almost never use the place. They should stay in their offices over at the Metropolitan tower and clip their coupons. Leave the club division to me and let me get on with it."

“What’s the problem then?”

“Downtown’s gone to pieces and people aren’t joining any more. A real hole to visit, that’s what my wife and her friends say. The Y.M.C.A. is stealing away the athletic types and the corporate dining crowd has relocated to El Segundo. Ask me and I’d say there’s no future in this location. And the unions--- what a pain they’ve become. Don’t even control my own staff any more. Can’t get rid of the worthless guys and the good characters can’t stand the group that the unions bring in. And the Pirie’s are as tight as I understand their grandfather used to be. No money for renovations or upgrades to the athletic complex. What a pain. The city has mandated installation of a new sprinkler system for almost five million dollars and are hounding me about some other “health and safety issues” that they say are long overdue for correction. Add to that this crazy thing with the State E.P.A. and the “Greens” at City Hall---- excess hydro carbon discharge from the kitchen and our diesel co-generation system---- and the place looks to be going to hell in a handbasket.”

“What are you doing about the slide, Buddy?”

“Well, the Pirie’s have tied my hands and don’t give me much to work with. I’m attacking the numbers, cutting overhead and operating costs, marketing the rooms to conventions and booking groups--- something like we used to do at Marriott---- and closing down the main dining room at night. We’re contracting costs nicely, but the revenue stream is pretty flat. About ten years ago the Pirie’s took out a loan to correct some earthquake problems in the parking structure and I’ve been fighting with the banks to restructure the payment schedule. Looks like I’ll be able to do that in the next month or two. Since these guys are looking for bottom line and cash flow, I’m making some progress. I’m running uphill, but my compensation package is based on some pretty straightforward numbers that I think I can achieve, at least for the next couple of years. After that my twenty year deferred compensation and retirement package is complete and I can exit this mess before it collapses around my ears.”

“How are the other properties doing?”

“Each property, this one included, has a Clubhouse Manager who’s responsible for the day to day operation. I handle the big stuff and they carry out my directives. Bunch of incompetents for the most part--- don’t get paid all that much, most are young and lack a business education. Whiners if you ask me but I leave them in place since they know their operations well enough. Tough to replace people in this day and age. Seems like the good guys want to work for Marriott and Hyatt where you can escape the day to day crap you get from these members. Hate to even show my face since they, the members that is, seem to bitch and moan all the time. I don’t worry too much about the “grunts” since they’re not interested in talking to me and I’m sure as hell not interested in talking with them.”

“Are there any specifics about the clubs or their members you’d like to give me before I visit?”

“ Absolutely. You’re good with numbers--- you’re a Cornell guy as well, right?--- so here are the consolidated financials. Gives you all the facts about admissions, cost of sales, labor costs, the usual. Should be enough background to help you through the investigation you’re doing. Pretty straight forward hospitality operations with few mysteries that I can see. I don’t visit the other two that often ---- that’s what I’ve got Clubhouse Managers for--- and I try to stay low key here at the downtown club since I don’t want the Clubhouse Manager thinking I’m going to do his job for him. And as for the E.P.A. thing at each club--- looks like a conspiracy if you ask me, someone either in the club or outside trying to shut us down for some crazy reason. Vendetta? Corporate raid? ”

“Thanks for the time, Buddy. Should be entertaining to see how things operate here in Long Beach. I hear the city government is nicknamed “The Republic of Long Beach” and that they’re becoming ‘Greener’ every year.”

“That’s certainly true--- a radical bunch at city hall, communists I suppose who do more for the bums on the streets than for the businesses paying all the taxes. Ugh. Certainly the Pirie Clubs are different than the

Beach Club--- here the managers have to work for their money, something which I understand isn't the case on the 'Gold Coast' in Santa Monica, eh?"

"We do enjoy ourselves, Buddy, and clubs 'up north' are a bit different. I'll get back to you in three weeks or so to review the findings before we go to the Executive Committee. Thanks for the help."

The Pacific Golf and Country Club

The meeting with Buddy was an eye-opener. Pirie Club Enterprises was certainly a different club type than Patterson had ever experienced. Small, member owned, "stand alone" properties were his stock in trade and these operations were a different prism into the club world. Maybe he should avoid speaking to the managers at the next two clubs, just walk about like a guest member, act like a real "secret shopper" rather than an executive on patrol. Both are smaller properties and probably more in keeping with his understanding of a club than the larger city club he first visited. Buddy arranged for the guest memberships and he decided to spend the next Monday and Tuesday enjoying the country club experience at the Pacific Golf and Country Club, the first development of Pirie Club Enterprises after the Long Beach University and Athletic Club.

Patterson decided to drive his van to the Country Club, better to slip into the club unnoticed on a Monday morning. Turning into Country Club drive, however, he found himself squeezed between two large charter buses spewing diesel fumes while climbing the low hill marking the entry to the clubhouse parking lot. What's this? Stopping at the entrance to the clubhouse for the valet, he noticed a sign which said that the course was closed for a "private tournament" and that "Members are kindly asked to park their own vehicles in the lower lot to facilitate access by tournament participants." Well, at least I can speak to the manager without a bunch of members about, and getting out of the lower lot will certainly be easier.

Gregg entered the clubhouse, now crowded with a large group of German speaking visitors, and asked the receptionist for the manager's office. "Oh, he's not in today. Always a bit painful for him to listen to the members whenever they shut the course down for a private tournament. He'll be in tomorrow, sometime around 10:00 a.m."

The phone rang and Gregg overheard the receptionist speaking to an irate somebody, apparently a neighbor, complaining about the buses arriving, the early morning activity and the very loud band from the evening before. The receptionist skillfully deflected the comments and noted that the manager would return the following day and address the concerns immediately. "Always complaining," she said with a bit of a chuckle. "We have some of the worst neighbors anywhere and we pretty much ignore them until the police arrive to quiet our bands down. The interesting thing is that the club was here long before the neighbors and they should have been well aware of who we are and what we do before they bought. A painful group, really."

Deciding that this would be the ideal time to "explore" the clubhouse and grounds, Gregg simply walked through the lobby after bidding goodbye to the receptionist and headed into the main dining room which overlooked the putting green and the first tee. The dining room was filled with signs, in German, advertising a new line of computers. People were mulling about. None of the staff approached him. He decided to walk downstairs to the Men's Grill, something of a throwback to an earlier age in clubs, and get a cup of coffee. Walking through the room he noticed a large round table of older men, talking animatedly about something. Thinking their comments might be interesting, he sat at a "two top" three tables away but well within earshot of the most vocal of the participants. They ignored him completely and continued with their dissection of Pirie Club Enterprises.

"Can't get on the golf course anymore with all the damn tourneys and guest cards the Pirie brothers have been issuing. When are they going to think of us, the regular members, who paid to join this damn place, pay the dues each month and then get the shaft whenever they want to play? They're in it for the money, but damn sure they ought to start thinking of all of us sometime particularly when they start one of those "membership drives" of theirs. That damn manager, what's his name, the new guy, told me in his office

one day that the membership rolls were full, that the club had no intention of growing and that the members would always get first priority for tee times regardless of the day of the week or the time of the year. Lying son of a bitch if you ask me. What we need here is a manager who thinks more about the members than the bottom line and is tough enough to tell those Pirie brothers to get stuffed when there's a problem with congestion. And us old people---- we're on a fixed income and can barely scrape by as it is and they still raise the dues each year. At all the other clubs they give seniors half dues. Wrote a letter to the Pirie brothers once telling them just what I thought and you know what they, or one of their hacks, wrote back and said? That they appreciated my concerns but the greater good of the membership needed to be served by the outside business--- "to keep the dues down"--- and I could be relieved of the monthly burden at any time by resigning. Now that's a bunch of "club guys" for you!!! Why don't they run this place like they do at the Redondo Beach Golf Club. There the manager knows who he works for and it sure as hell isn't corporate headquarters."

"Yeh, Larry, we've heard all of that before. It's a dead horse and you've beat it enough. Let's finish our coffee--- remember we're paying for the stuff, this isn't the Virginia Country Club where they give it to you free---and drive over to Spyglass for eighteen holes. It's only \$55 a round on Mondays and the course is in better shape than this place. Matter of fact, it might be smarter to dump this club and play there and Palos Verde whenever we want--- we'd spend less each month than here, easier to get on the course and the staff don't act like they own the place. Finish your eggs and let's go. Stop complaining and let's do something about it."

Gregg watched the five older men exit and decided to retreat through the kitchen as a shortcut to the maintenance shed hidden in a stand of pines some fifty yards south of the main clubhouse. He looked around for a waiter to pour him more coffee. Two younger men were talking in Spanish, backs to him, and he couldn't get their attention. Since the check was already on the table, delivered at the same time as the coffee, he signed it with Buddy's name and number and got up to exit. Walking out through the kitchen he noticed that the pot washer was dumping hot grease directly into the floor drain. Hadn't Buddy's background "White Paper" mentioned something about an E.P.A. problem with "discharge in the public sewage line exceeding specified limits for a restaurant operation?" Apparently word of that reprimand hadn't seeped down to the kitchen staff yet. Hadn't Buddy received notice from the city some three weeks before?

The walk to the maintenance area was pleasant, the cool morning air reminding him of why he migrated west to California from the East Coast. What a beautiful location, spoiled, it seemed to him, by the dissention that was so apparent amongst the members and the indifference that seemed the norm amongst the staff. Sad.

The maintenance shed was open, the Greens Superintendent's office was locked and there were only one or two gardeners and maintenance workers to be seen. None waved or made any comment as he walked through the area. The smell of gasoline was in the air but he didn't see any open canisters, just a single gas pump standing beside the building. A small grated drain was built into the concrete walkway adjacent to the pump.

"Where's that gas smell coming from?" he asked one of the maintenance people who drifted past him.

"Oh, that's from that damn leaking tank we buried a couple of years ago for the power mowers and the truck. We tried to fix the thing without draining and removing it. Slowed it down a bit but didn't stop the leak. Good enough for government work. We'll dig it up and do a proper job of it later this spring. Temporary solution but it seems to be holding. Sometimes when we change the oil in the mowers and dump it in the drain the smell gets even worse. No big deal." The man shrugged, climbed on a power mower and left toward the "back nine." Gregg stepped into the shed and looked about in the shadows.

Glancing back over his shoulder, Patterson noticed that one of the other workers appeared with a small Toyota pick up, evidently the worse for wear. He drove over to the pump, filled the vehicle with exactly

ten gallons of fuel, and drove off. He parked the truck fifty yards away in what appeared to be a staff parking area. He too climbed on a power mower and exited for another part of the golf course.

Eyes adjusting to the gloom, turning away from the sharp glare of the parking lot, Patterson noted a number of unmarked fifty-five gallon drums and a large pile of bags, probably fertilizer. Closer inspection showed that some of the drums had been “tapped” and an electric pump installed in each. Chemicals were dripping from the nozzles onto the concrete floor, forming a single small rivulet that went beneath the wall of the storage shed and onto the grass. The chemicals were immediately absorbed into the ground since there was no pool of liquid in evidence. Most of the bags were of a standard fertilizer type. What amazed Gregg was the amount of bags in storage. Were they stockpiling for the future or did they really use this much stuff to keep the grass green and the bugs in check?

Gregg left the maintenance area, walked back to his van and exited the parking lot past two more buses which were turning into the clubhouse driveway.

The Sunset Yacht and Beach Club

By the time Patterson arrived at the Yacht Club on Saturday morning the clubhouse was a beehive of activity. Parents were dropping their children off for the mini-camp program, the porch was filled with mothers exchanging their “stories of the week” while sipping coffee and the breakfast room had sailors standing in line to get the “West Coast Club Association Long Beach to Cabo San Lucas Three Man Yacht Race” buffet breakfast in them before the starting gun had sounded. The place seemed alive, upbeat and filled with what club people like to call “The Buzz.”

A smiling receptionist greeted Gregg as he entered the club. “Are you a member or a reciprocal club member?” Gregg thought of a club he once enjoyed and decided to say, “Yes I am. A twenty-three year member of the San Francisco Yacht Club. You can tell because I don’t have a tan.” She smiled, filled out a “Hello, I’m...” nametag, removed the protective backing, affixed it to his shirt pocket, smiled and turned to the yachtsman behind him. Patterson walked off toward the Bar to get a “Regatta Libation,” or so the sign above the bartender’s head would suggest.

After paying cash for the drink, he wandered toward a small sitting room, something of a nautical library, and sat near a group of three people, two men and a woman, all in their early sixties and talking in low but serious tones. Patterson looked out the window, sipped his yachting variation of a Bloody Mary and watched the boats being primed for the race with supplies and equipment. Burgees representing a variety of West Coast yacht clubs were flying from several of the boats. The room was quiet but for the conversation of the three members.

“We used to have standards here but these new sailors, or what go for sailors, have no sense of decorum or class. They let their kids run around the clubhouse, they arrive for dinner without jackets and they use cell phones wherever people can see or hear them. What a group.” The woman was evidently not happy and looked from face to face for affirmation of her thinking.

A very heavy man with a sailor’s cap spoke up. “Yes, Lucy, they’re letting anyone at all in now, as long as they’ve got the money and the kids to buy grilled cheese at the Grill. It all started going downhill when they built that pool and paddle tennis court and began that loud and obnoxious “Out Reach” campaign for younger families. No sense of tradition or propriety and noisy as hell. Used to be you could visit the place and escape from the city and the boardroom but no more. Most don’t even like sailing and are always slathering on sun block to protect them from the sailor’s tan. Excuse the comment, Lucy, but they all act like a bunch of prissy country club women.” Fred Tremblay was not happy and he looked from face to face for affirmation of his thinking.

Bob Small jumped almost before the heavy man had finished. "Not only that, but they now have reciprocal arrangements with any club that claims to be a yacht club. What is that that Bobby the Bartender said to me the other day, "Their cash is green." Certainly appears that that is their motto. Not as concerned with that than I am the fact that membership doesn't mean a whole lot when anyone with a couple of bucks and a fake I.D. can walk in the door. And guests--- you can bring the same character in every day for a year, no limit on the number of visits, all for \$2.00 bucks or so. Days like this make me wonder why I pay the dues each month. What are they giving me that I couldn't get at my own berth over in the city marina?" Bob was not happy and he looked from face to face for affirmation of his thinking.

Not a happy bunch of campers. But is this a different issue than the E.P.A. stuff that got me on this mission in the first place? Is all this stuff related? This is the smallest of the three clubs yet I don't get the feeling that it's the happiest of the bunch? Hmmm.....

Patterson got up, placed his logo'ed plastic cup beside a number of others on the table and walked out the door to the dock. Pirie Enterprises had a number of 100 year leases on several docks with over 200 slips and it was obvious, from the absence of "For Lease" notices, that demand for those spaces was high. Walking down the far end of the dock he noticed three boats in a row, all looking very much like "Dock Hags," that is boats which rarely if ever put to sea and are usually for live-ins, looking very much the worse for wear. A bright sheen of oil was lingering in the still water around them and the sound of a gasoline generator could be heard in each. Slightly beyond was the fueling dock, one of the more profitable parts of yacht operations since each gallon of gas could be sold at a distinct premium to pump gas available elsewhere. He noticed an older man standing outside the door of the small office, smoking an unfiltered camel and eyeing a large cabin class power boat that was edging its way toward the fueling area. He continued smoking as three people on the boat scurried about to dock and tie the boat.

"Good morning. Business must be good on a week-end like this," Patterson said by way of introduction.

"A pain in the butt if you ask me. I end up working twice as hard for people I don't even know and the Pirie's make all the money. Piss on that--- wish they'd all go home. I'd make the same amount of money either way and have none of the bother." Frank, or so his embroidered name tag would suggest, was at the very least direct. "These fancy anti-pollution types that the Pirie's send over talk about making the ocean clean, watching spills, capturing fumes before they pollute the atmosphere and respecting the environment, but they don't do a damn thing about improving the equipment or paying us twenty year employees the type of money we're worth. Screw 'em all, if you ask me. They keep pushing us all the time and a lot of us guys are just good and fed up. And that new manager--- wise guy snotty prep school kid named Applegarth, if you can believe that--- is just a wet behind the ears pip squeak they hired because he went to school with the Commodore's son and he's cheap. What a bunch."

Frank flicked the cigarette into the water, pulled up his trousers and walked over to the boat owners. "How many gallons?" and went about the business of filling the boat and collecting the cash. Patterson turned and walked back to the clubhouse.

Jonathan Applegarth was tall with short blonde hair, a mustache and a double breasted blue blazer. "I'm Gregg Patterson. We met two months ago at the club manager's meeting when you were introduced to the association. The Pirie's might have mentioned that I was going to stop by."

"Good to meet you Gregg. Sorry for the rush, but the big race is about to begin and I want to make sure that I'm there to see my uncle Bob Applegarth lead the charge for Cabo."

"No problem. I didn't mean to arrive on such a busy day, but since you're closed on Mondays and Tuesdays I thought it might be best to do so. Just wanted to ask about any issues that particularly come to mind. Anything useful I might relay to the Executive Committee?"

Jonathan thought a moment. "Biggest problem here is employee attitude. Turnover's very high and morale is really low. It seems like they all are talking behind my back to the Commodore and his henchmen and I get a lot of feedback from members who say that their favorite staffers aren't happy. My hands are tied

because the few long term employees we have are ‘sacred cows’ and can’t be let go. They don’t like me much---I’m concerned about productivity and they seem indifferent to the notion--- and I don’t know how to talk to their type of people without offending some sensibility or another. We didn’t have these problems at Pirie Realty. People loved their work and enjoyed socializing after hours. You could really talk to those people. These Hispanics are certainly a different breed of cat and a big mystery to me.”

“How about the financial side of the operation?” Patterson was curious about the business acumen of this Accounting Major from Santa Barbara State University.

“We’re making a real profit in the operation. All this cash coming in from these reciprocal arrangements with other clubs and from overflow function business from the marina hotels--- great bottom line net with high cash flow. And we’re getting a ton of new members in after hiring this marketing specialist from the Professional Club Marketing Association. We got very aggressive about new membership--- lowered initiation fees are less important than monthly dues we figured. The initiation process has been streamlined and the credit checks have been computerized for speed. I only wish we had a bit more of an accounting team to give me monthly reports. Lost all of them during the last “belt tightening” at headquarters. They do all of the accounts receivable and accounts payable downtown now and we don’t have a whole lot to do with it any more. We get quarterly statements but it’s tough to pinpoint issues so much after the fact. The Pirie’s have told me that corrections will be made at some point in the future but that Buddy--- you know, the General Manager of Pirie Club Enterprises--- has assured them that centralization of accounting functions is both proper and cost effective. He’s got the experience and he’s one clever financial type, so I assume he knows best. Either way, we’re ‘printing money’ and I couldn’t be happier. My bonus is based on the numbers and ‘...the numbers never lie.’ As long as the Greens at City Hall agree to renew our leases for the clubhouse and slips at the appraised value we should be in great shape for the next fifteen years.” This E.P.A. stuff can be ignored. They rattle their swords every couple of months but they never seem to follow up after the first visit.”

Applegarth looked out his window and noticed that the double breasted dignitaries were strolling toward the club’s regatta boat in preparation for the parade of yachts out of the marina. He shook Patterson’s hand, smiled, excused himself, positioned his aviator sunglasses on his nose and hurried out of the office to the dock. Patterson looked at the crowds on the dock, pushed his way through the swelling crowd in the clubhouse and moved through the parking lot, past the mommas and their Suburbans and made his way back to his van. He began reflecting on the three different clubs, their management teams, their cultures, their business concerns and their upside potential in the years ahead.

What to Do?

The Honda motorcycle wove effortlessly through the morning rush hour traffic toward downtown Long Beach. Patterson liked driving the machine to business meetings because it gave his unconventional “think side” time to reflect, digest issues and formulate both strategies and tactics. The big Honda seemed to navigate on its own.

Gregg had called Buddy the day before and told him that he had lots to discuss but he’d prefer to review the issues with everyone on the Executive Committee at one time. Buddy wanted to provide more “input” before speaking to the Executive Committee but Gregg insisted on the “all or nothing” approach. “Let’s put the issues on the table and then decide, as a team, on how best to proceed. I’m sure the Pirie’s would agree.” Buddy finally accepted the thinking though he seemed none too happy in doing so.

Was this the right approach? Should he have spoken to the executive committee without Buddy in the room? Should he have drafted a report for review or was this the best way to proceed--- raw, loose, “organic” and unvarnished? Should he have prepared overheads and complicated graphs and pages of numbers or was his “let’s just talk for a moment” the best way to catalyze the discussion? He’d soon know.

What sort of future did Pirie enterprises have? Should they retire Buddy, get in a real operations guy and re-invigorate the individual properties with a more traditional private club approach to “for profit” club operations? Who turned these guys into the state? Who’s getting the city so excited? Are the managers of

the individual properties, with their youth and lack of command presence, the real problem? Should the Executive Committee hire in a management company like the Club Corporation of America who have management expertise in running “for profit” club operations? Should they sell the downtown club as real estate and re-invigorate the other two? Should they “re-invent” the downtown club as an upscale hotel-restaurant complex with great athletic facilities and forget the private club aspect altogether? Can the environmental problems be corrected at a reasonable cost or have they dug themselves a litigious hole from which they’ll never escape? Can they afford to fight? Can they afford to correct? How can they create a “club culture” for the employees? Should they sell the golf course to Japanese investors---- look what they paid for Riviera in Los Angeles and Pebble Beach up in Monterey--- and invest the money elsewhere? Are there better investments for Pirie enterprises? Has the family simply grown weary of the club business?

Patterson turned the motorcycle into the Long Beach Athletic and University Club driveway. He took a ticket from the buzzing machine, drove up seven stories through the crowded parking structure (The clubhouse has been empty each day. Where did all of these cars come from? Can anyone park here?) and parked the motorcycle in a corner space. He removed the helmet, attached it to the Honda, unzipped the suit bag, put on his jacket, straightened his tie and looked in the mirror to make final adjustments. Laughing, he said into the mirror “Clubs. We’re in the happiness business,” and walked toward the elevator, briefcase in hand, whistling to himself.