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## **Help, I'm the Controller, Not the HR Director!**



*By: Tom Howard, Founder of ClubPay*

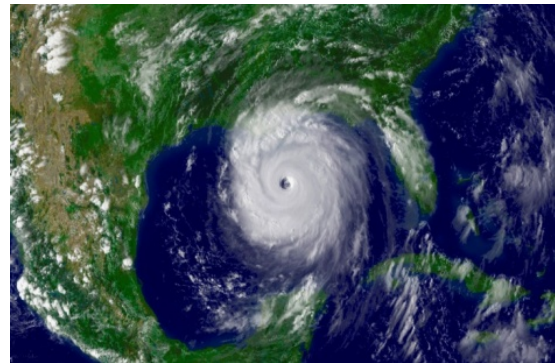
## Introduction

Are you finding you are expected to do more with less in your position as Club CFO or Controller? For some time now, we have observed an industry trend towards increasing the role of the CFO/Controller as it relates to human resource management. My goal for this paper is to help those who are in this position to outline your options and show you some ways to leverage partners and technology to better serve your employees, protect your club, and save your sanity!

Our industry is experiencing many conditions favorable to the development of the perfect “human resource storm” to brew. We have an interesting and volatile combination of factors contributing to this situation.

### HR Perfect Storm

- The Great Recession
- High Unemployment
- Growing Regulation
- Increasing Litigation
- Downsizing at Clubs



First, we are in the midst of what has been labeled “The Great Recession”. This means many people are under financial duress and stress - and often times this spills over into the workplace. These conditions can create problems; sometimes big problems with serious penalties, big price tags and long timelines. Secondly, we are experiencing historically high unemployment rates. Filing claims for unemployment compensation is easier than ever, payments last longer and this “benefit” is primarily funded by employers – not the government.

Next, we are in a period of increasingly numerous and complex employee regulations. This results in increased difficulty for the employer to stay compliant and creates a litigation friendly employment environment. This is not a political view it is a factual statement which leaves us with an obvious question. Are businesses in America under attack? Many would say yes. Higher taxes, healthcare, unemployment, COBRA, and more all are combining to contribute to a generally anti-business environment.

The logical result of the first three points is increased employee-initiated litigation. Have you noticed the increase of trial attorney advertising focusing on the employment arena? No job? No money? Just sue!

Finally, there seems to be an industry trend towards eliminating what’s perceived as “non-essential” club positions and transferring those positional responsibilities onto other existing staff members. One common area - if not the most common - is in broadening the role of the Controller/CFO to be directly responsible for human resource



management. This is happening at a critical time when dedicated HR focus is most needed.

### **Change Axiom**

Change happens all the time, but when catastrophic events occur or fundamental societal shifts happen, change may occur at a much more rapid pace.

For example, think of the executive that has a heart attack in his 40's... catastrophic event that causes radical change... or the country of Haiti after a massive earthquake, immediate and wholesale changes throughout an entire society. What about a working single mom who gets laid off from her job? The point is: "when external circumstances are extreme, change is present and often extreme".

The club industry may be right in the middle of such a time. The current economic struggles our country faces is prompting radical change in how we conduct business, and is in turn, affecting clubs. Our roles, responsibilities and expectations of yesterday may no longer apply to tomorrow and the future. So, we have to make a choice – do we resist and fear change or do we adapt and embrace?

A recent blog post from Seth Godin: <http://sethgodin.com/sg/> (social marketer and author) noted when there is a change axiom that says when the foundation, platform or paradigm changes – the players, leadership and priorities follow suit! According to Seth, insiders become outsiders and new opportunities are created.

Here are some examples of changes borrowed from Seth's blog post...

- In the world of DOS Computing, WordPerfect had a virtual monopoly on word processing in corporate America. When Windows was released, the folks at WordPerfect did not feel urgency in adapting to the new platform and within one year, they were essentially history.
- Record Albums gave way to cassette tapes, which surrendered to CDs and now are migrating to electronic distribution such as iTunes. Major publishing companies that did not adapt were crushed.
- Broadcast TV delivered through the airwaves migrated to signals distributed by wire and may move to streaming web based in the future. How did this affect the power, influence and profitability of the major networks?
- How about dial up versus broadband – a new platform opened up a seemingly unlimited new number of industries and revolutionized the way we do business, provide services and communicate.
- How about the travel industry – moved from travel and airline agents to the web – most of us probably rarely call an airline now and even less frequently work with

a travel agent. This year is projected to be the year that more than 50% of all travel is booked online.

This axiom is not limited to technology – what about healthcare? A major shift has occurred from independent doctor's offices to hospital owned clinics and HMOs. The list goes on and on but the point to remember is: when platforms change, the deck gets shuffled and there is a domino effect. Those that don't recognize and adapt often disappear.

## Change Axiom

### Before

- WordPerfect (DOS)
- Records, Tapes, CD's
- Broadcast TV
- Dial Up
- Travel and Airline Agents
- Independent Doctors

### After

- Windows Word
- iTunes
- Cable TV
- Broadband
- Internet Booking
- Hospitals/ HMO's

<http://sethgodin.typepad.com/>

## Fundamental Role Changes affecting Club Controllers

Closer to home, we have identified a common change affecting Club Controllers is many are taking on an increasing role in human resource management. Even if this is not affecting your club, it is important to understand and be prepared for this change because in time it may reach your club or affect you in your next position.

Recently, we reached out to some of our customers and asked them to provide feedback on how their responsibilities have changed or expanded, particularly related to HR. See their answers below...

1. *I was told to lay off my HR person and take on her duties... trying to get board members who have been out of the workforce for 20 years to understand the current compliance laws has been quite a challenge. I have found I need much more support to assist me in keeping up with it all...*
2. *My job duties have significantly expanded to include HR administration at the expense of financial oversight. HR has been shifted over to the Controller, who is trained in Accounting and Finance, not HR and is mostly learning through "on the job training". I scramble to find HR answers on the Internet and had our receptionist take a HR Administration Course.*
3. *We let our HR director go for budget reasons and because this position would not affect member service. It is a lot more work than most members realize and we are struggling to keep up. We are all being asked to do the same work with less staff.*
4. *As CFO of a small club, I spend 50% of my time on hr and I'm concerned about the club and my personal exposure if I make a mistake.*

## Dealing with Role Changes for Club Controllers

Ok, if we've caught your attention so far, let's shift gears and start defining a solution. Simply said, your club needs a **Strategy**; a plan of action to achieve a particular goal. Let's explore some common strategies other clubs have used to successfully deal with increasing payroll and human resource management responsibilities.

It really comes down to a few choices – hire additional employees, educate yourself in all aspects of HR Management and find the time in your schedule to professionally manage these new duties or just “wing it and hope nothing bad happens”. Fortunately, there is one other option which may make more sense – partner with third party companies that can help your club relieve administrative burden, increase HR expertise and reduce HR related expense.

### **Key Drivers to Determine Functions to Outsource**

The decision to outsource some or most of the payroll and HR management function is the first step to protecting your club and sleeping better at night. Once you have made this decision, you must decide which functions should be outsourced and which should remain in-house. To help facilitate an objective determination, consider these key payroll/HR drivers. Ask yourself how each driver is affected by outsourcing and this should help guide you in developing a solid strategy.

**Administrative Burden** – This is straightforward – what people, resources and expertise are allocated to payroll and HR management processing? How complex is the work and how much time does it require? Another question regarding Administrative Burden involves opportunity costs – What is not being done while payroll processing and HR management is being done? It really comes down to taking a close look at your resources – time, people and money, and determining if you are getting the best return on your investment of each.

### Payroll/HR Drivers

- Administrative Burden
- Compliance and Related Risk and Exposure
- Employee Relations
- Protection of Assets
- Cost Considerations



**Compliance and Related Risk and Exposure** – This is quite simply asking the question – does my strategy ensure my club will be in line with the State and Federal regulations we are subject to? Do you understand the rules of the game and are there processes in place to ensure the club stays up to date and on top of changes? Where we are at risk, what the potential exposure is and how much risk is your club willing to tolerate.



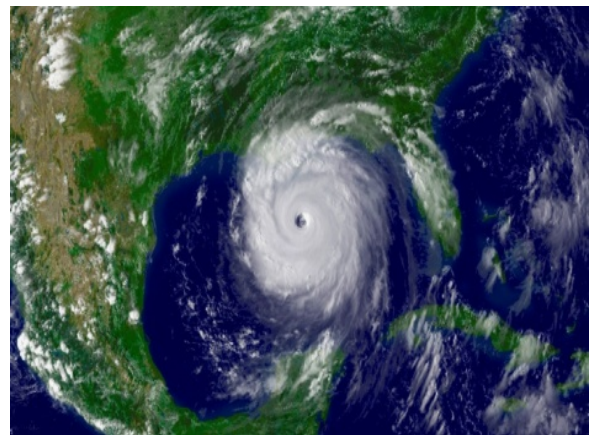
**Employee Relations** – Again, asking some questions about this driver will provide valuable insight. How is your club's employee morale? Is the employee morale having a positive or negative effect on productivity? How are your employees coping with economic stress? Is turnover an issue? Is the work environment at the club positive, productive, empowered? Are your employees and managers adequately trained and do they have the resources required to do their jobs well? Another question to ask is: "Should our club outsource other repetitive tasks so that our management team can focus more on the employee relationship and experience"?

**Protection of Assets** – How do our Payroll and HR Policies and Processes Protect the Assets of the club? Is your club taking unnecessary risks? Have adequate safety measures been taken? Are you staying on top of this? Is there a plan and committed resources to continue to stay on top of it?

**Cost Considerations** – How much pressure is the club under to reduce labor expense? Have there been layoffs? Do you expect to have more? Has the club downsized staff related to HR Management? What tools do you need in place to feel confident you are doing everything you can to control labor expense? Is there a clear understanding of what the club's current expenses are and what each available option costs?

## **Conclusion – We need to take Action!**

In conclusion, we have identified a potential "Club HR Perfect Storm" resulting from a recessionary economic environment, high unemployment, increased regulation and accelerating employment litigation. At the same time, many clubs are decreasing the resources we apply to manage these risk factors and forcing more and more of the responsibility onto untrained and usually overworked club controllers. Where will this lead? Only time will tell but there is a good chance this will turn out to be a "Penny Wise, Pound Foolish" strategy. The current savings could be dwarfed by the future costs and liabilities.



Therefore, we conclude:

- Payroll and HR management are difficult, time consuming and expensive.
- These processes constitute a "non-member administrative function"
- Payroll and HR are heavily regulated and governed by a complex, ever changing set of rules.
- The current economic environment is complicating HR management.
- Every club needs a well planned strategy to control costs, manage risk, maintain productivity and protect the club's assets.

Addressing your club's payroll and HR needs should be viewed as an investment, not an expense. Think of it as an insurance policy – no one would drop their business liability insurance because of a recession, right? These are practices that protect your club and its assets. They are far too important and the stakes far too high to be ignored.

### **Developing an Action Plan**

What can your club do to develop a high performance action plan? Consider starting with a full payroll, HR and compliance audit. While audits can be conducted internally or externally, external audit are generally recommended if your budget will permit. Issues related to internal audits are twofold; there is a potential lack of expertise and a potential conflict of interest. However, if budget dictates, an internal audit is better than no audit.



Based on the audit – identify your strengths, weaknesses, opportunities and threats, and prioritize to develop a practical plan that addresses your most pressing issues in light of your resources as well as time and budget constraints. Evaluate your priority needs against the bandwidth and expertise of your existing staff.

**Download a Sample Club HR Audit Template - <http://tinyurl.com/clubhraidit>**

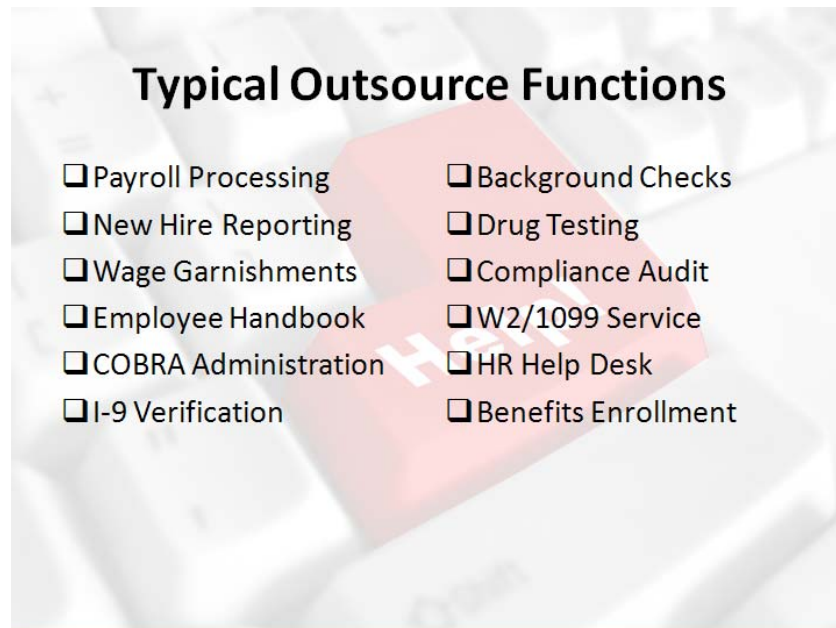
Make the case to your board of directors or owner that this is important and it is an investment not an expense. Commit the resources to your plan – both internal (staff, time and focus) and external (funds and partner selection).

The next step is to quantify the “true costs” of each process within your plan – costs should take into account time spent, materials, and inefficiencies with associated risks. It may not be easy to quantify the “risk” portion but you should be able to estimate by looking at worst-case scenario and best-case scenario and then projecting how likely each are to occur. The point of the exercise is to quantify and measure your processes so that you can determine the investment level that makes sense to streamline processes or mitigate risks.

Based on your analysis, determine which processes are the best candidates for outsourcing and get them off your plate. Invest the time it takes to properly identify and vet out potential vendors and make sure you are working with someone who has a proven track record and understands your business and goals.

For all functions not outsourced, streamline and automate as much as possible. Avoid duplicate data entry and tighten up any loose processes. Fewer mistakes happen when systems are clearly defined and implemented with clear accountabilities. Establish clear policies and document in a relevant fashion to be distributed to your employees via a handbook.

This chart summarizes some of the payroll and HR functions that are typically outsourced by clubs...



- **Payroll Processing** - the most common, as mentioned earlier, practiced by the vast majority of clubs with varying degrees of success
- **New Hire Reporting And Wage Garnishment** – typically provided as an add-on to payroll processing
- **Employee Handbook** – typically done in-house and not fully utilized, don't be tempted to just use someone else's template
- **COBRA Administration** – given the ongoing changes, this is a no brainer to outsource; reduce all of the associated headaches to one phone call
- **I-9 Verification** – this can be a very smart move for clubs that hire a lot of seasonal workers and/or foreign-born workers
- **Drug Testing And Background Checks** – easily implemented with the help of your benefits broker or a 3<sup>rd</sup> party service – prevents lots of future issues up front
- **Compliance Audit** – highly recommended as a starting point – stress finding someone familiar with and experienced in club industry
- **W2/1099 Service** – saves a bunch of time and frustration for the club – typically as an add-on service to payroll
- **HR Help Desk** – involves establishing a relationship with a 3<sup>rd</sup> party either on retainer or billed hourly to ask questions and get advice related to HR issues
- **HR Online Library** - phenomenal resources that consolidate all the HR forms you need, links to sites, regulatory information and more
- **Benefits Enrollment** – this is usually a very time-consuming and tedious annual task – move it on-line and go self-service to save time and gain accuracy





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## **About ClubPay**

**ClubPay** ([www.clubpayroll.com](http://www.clubpayroll.com)) is the provider of choice for clubs wishing to automate their payroll and HR functions. ClubPay offers a suite of solutions and services specifically designed to help clubs lower their overall costs of payroll processing, increase the efficiency of their business office, improve the employee relationship and reduce the liability exposure of the club.

**ClubPay’s** solutions include payroll outsourcing, integrated HR management, time and attendance, biometric time clocks, compliance tools and hiring process management systems. The product line includes **ClubPay, ClubHR, ClubTime, ClubComply and ClubApplicant**. All are easy to use, provide powerful reporting and are fully integrated. Each solution is provided in a “software as a service” platform, meaning there is no software to install or maintain on your network.

**1-877-729-4258**

**[www.clubpayroll.com](http://www.clubpayroll.com)**