

Flying High with Finance

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Driving financial performance in a registered club is in many ways an anachronism. At the time of their foundation, clubs were created to support a particular interest, sport, or collegiate group. The focus of the club was to direct its revenues and profits in the pursuit of that particular sport or interest. More than 60 years on and clubs have evolved into much more complex organisations...all the while continuing with their commitment to support their original objectives.

To drive financial performance, directors and managers must clearly understand how to balance their duties, as set out in the *Corporations Act*, along with achieving the stated purpose for which the club was originally founded on. For many years I've referred to a definition of corporate governance which was published by the World Bank and which states: Corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals.

One of the cornerstones of corporate governance in a club is to have a living and breathing strategic plan that addresses the required balancing act. The fact that the vast majority of clubs are public companies by definition implies that directors and officers must be aware of the fiduciary duties imposed upon them. In particular, if you wish to be able to demonstrate to the world at large, and perhaps those making accusations against your venue, that you have fulfilled your duties (particularly in accordance with *Section 180 (1)* of the *Corporations Act*) then it's essential you have a strategic plan which clearly strikes the balance

between the economic and social goals of the club.

In the forthcoming regional seminar series of CDI workshops, the timely topic of *Driving Financial Performance* will delve into corporate governance concepts which underpin the requirement for a successful strategic plan. With a strong focus on how your club can determine the appropriate balance between driving financial performance or economic goals against the social goals or objectives of the club, many of the typical financial reporting tools available to clubs will be closely examined as well as other new and alternative concepts introduced which may assist in achieving the balance required.

Without guidance and proper planning, clubs can quickly stray from the path or become out of balance. Becoming out of balance has a number of potential outcomes including disenfranchising members, destabilising the governance of the club, and perhaps even financial decline or failure. There's no doubt the operating environment of clubs in the future will require focus, attention to detail, and a clear understanding of what's required to meet the needs of members, deal with competition in all its forms, and achieve a satisfactory level of financial performance that ensures the ongoing viability of the enterprise.

Creating a strategic plan is only the beginning of the process of driving strategic outcomes through financial objectives, which is an ongoing never-ending process...and one that requires constant adjustment and review. This CDI session will also examine what to do once the plan is created and how you can monitor the attainment of financial objectives and strategic outcomes, backed by investigation regarding how to assess the required level of profit to achieve the strategic plan.

We're all too aware of the current dark cloud hovering over the future of the club industry in the form of mandatory pre-commitment as espoused by Andrew Wilkie in his closed-door deal with Julia Gillard. The consequences of such an operating change are already impacting upon the industry regardless of whether or not mandatory pre-commitment is eventually realised or not. Whilst it's necessary we speak of the potential consequences of Wilkie's proposal, the audience includes financiers and other stakeholders that deal with clubs. Today, financiers generally have a negative perspective of clubs, particularly those with "just satisfactory" financial performance. More than ever, financial institutions are looking for a well-crafted and relevant strategic plan to accompany any financing proposal or feasibility study for further funding for new projects.

Those clubs refreshing strategic plans today must consider the impact of some form of pre-commitment with a strategy of how the organisation is going to respond. So, if you're involved in a club that has declining financial performance, a strategic plan that's stale, or is looking to refinance, the forthcoming CDI workshop on *Driving Financial Performance* is one you won't want to miss if you need help. Details provided opposite, otherwise for more information, contact Member Enquiries on **1300 730 001** ■

