

Real Time Labor Cost Controls

By Bill Boothe

Controlling labor costs in private clubs has always been a challenge. And since labor is by far the largest cost element in a club's operations, reducing it – even by just a percentage point or two – can make a real difference in the club's overall financial performance.

Problem is, the tools needed to carefully monitor and manage labor costs – on a real time basis – have (until recently) not been affordable for the average private club. Traditionally, club management has relied on monthly financial statements and departmental reports to manage labor costs - which for most clubs represent about 50 cents of every dollar spent in overall club operations. Unfortunately, this information reaches management far too late to make meaningful adjustments to schedules and staffing.

A new generation of computer software and systems is now being used in progressive club operations. These systems provide a host of capabilities designed to allow management to foresee labor cost overruns, and do something about them before it's too late. Let's take a closer look at the capabilities offered by these systems.

Weekly labor budgeting and scheduling

Real time systems begin with weekly labor budgets. These budgets are derived from the club's annual budget, as approved by management and the board. The weekly budgets usually focus on food and beverage, and possibly grounds maintenance, since those two departments generally have the highest number of employees in the club, and their costs tend to fluctuate more than other departments.

For each workweek, a labor schedule is prepared, with each employee's workdays and hours recorded. An integrated payroll system provides the pay rates needed for the system to calculate a projected cost for

the week's schedule. That cost is compared to the budget, and adjustments are made to the schedule as needed. Any budgeted overtime is identified, along with a listing of employees with less than a full week's hours budgeted. The ability to intervene before the workweek begins, and adjust the schedule to meet the budget and limit overtime, is the first step in real time labor cost control.

Daily actual vs. budget reporting

As the week progresses, real time systems provide daily reporting on the actual labor cost incurred versus the budget. At the end of each day, an integrated time and attendance system provides those costs – based on actual hours worked and associated pay rates – and compares these costs to the daily and week-to-date budget for each department. The ability to intervene as the week progresses, and adjust the schedule to meet the budget, is the second step in real time labor cost control.

Overtime control

It's well understood in the club industry that schedules must change to accommodate a variety of unanticipated developments – employee illnesses require substitutions, last minute event changes can require additional (or less) staffing, poor weather can reduce member activity – and the need for staffing. Real time systems can focus management's attention on overtime issues as these changes occur during the week. In particular, as schedules are shuffled, the systems alert management of "approaching overtime" situations with individual employees, encouraging management to look for substitutions that will keep the club from incurring overtime. The ability to identify approaching overtime situations as the week progresses, and make schedule adjustments, is the third step in real time labor cost control.

Practical factors

Until recently, real time systems were extremely expensive – so much so that for work forces of under 500, the cost of this technology could not be justified in labor cost savings. All that has changed in a hurry. Now, clubs with as few as 100 employees can see a measurable return on investment with this powerful technology. In addition to cost effectiveness, several other factors have emerged to help make these systems practical for many private clubs:

Easy scheduling and budgeting

Earlier systems used complex scheduling programs, and lacked user-friendly functionality to allow the average department head to schedule employees and revise schedules on the fly. In addition, most systems did not offer budgeting features, requiring users to maintain separate budgets and do comparisons manually. Newer technology makes scheduling a breeze – even for relative computer novices – and provides budgeting as an integrated part of the process.

Time clock integration

Time and attendance solutions providers are now bundling labor scheduling and budgeting applications with their time clock and payroll systems. This level of integration allows real-time labor costing to occur, by drawing on actual hours worked and associated labor rates to provide accurate, up-to-the-minute costing information.

Multiple sources

Lower technology costs have allowed real time systems to

move into the mass market – organizations with less than 500 employees. This expansion has spawned a number of new providers, and competition between them fuels technology advancement and further cost reductions.

If your club has more than 100 employees and is not using real time cost controls, we strongly suggest that you learn more about this exciting technology. Begin with your current payroll and time clock systems providers – and find out what solutions are available from those sources. Then broaden your investigation by contacting other payroll and time and attendance solutions providers serving the club industry. Finally, check with other clubs in your area to

identify those that have investigated – or are currently using – real time systems. We think you'll find that this is technology whose time has finally come. **BR**

Bill Boothe is Director of Club/Resort Technology Consulting for RSM McGladrey, Inc. one of the nation's largest business services providers. He has assisted more than 275 private clubs and resorts with the planning, evaluation, selection and implementation of computer technology in all facets of their operations. He can be reached at (561) 682-1638, or at www.rsmmcgladrey.com/privateclubs.

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1888 Palm Beach Lakes Blvd.
Suite 1100
West Palm Beach, FL 33411
(561) 682-1638
Bill Boothe
www.rsmmcgladrey.com/privateclubs