Business Fundamentals for the Golf & Club Industry

Business Fundamentals for the Golf & Club Industry

Canadian Edition

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FANSHAWE COLLEGE PRESSBOOKS
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Contents

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Collaborators

This project was a collaboration between the author and the team in the OER Design Studio at Fanshawe. The following staff and students were involved in the creation of this project:

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- Alyssa Giles, *Graphic Design*

- Wilson Poulter, *Copyright*

Changes from Previous Version

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The following changes were made in this version:

Overall Changes	Formatting changes and the addition of content references into each chapter (opposed to separate sections). Removal of the H5P activities. Re-organization of chapters. Addition of Key terms from the BC Campus Version and creation of Key terms for some chapters. Addition of golf examples and context. Removal of the following chapters: • Chp 5 – Business in a Global Environment • Chp 10 – Operations management • Chp 13 – Union Management Issues • Chp 16 – Personal Finances
Chapter 1	Re-organized content and added golf examples.
Chapter 2	Removed section "Why Is Apple Successful?"
Chapter 2.1	Removed the section on Apple. Removed "toying with a business idea"Changed financial statement example from Apple to re-gripping business.
Chapter 3	Apples example changed to golf balls
Chapter 4	Added new TED Talk video, removed Youtube video titled "Canada's Leader", Removed Bell:Code of Business Conduct, Removed Tylenol Case Study,Added article on Golf Course Fraud, Added "Gifting" policy from the London Hunt and CC, added access to PGA of Canada best practices policy, added link to "We are Golf" Economic Impact Study 2019
Chapter 5	Removed "Ice Cream Man" introduction, Replaced "Forms of Business" YouTube video, Removed cooperative example and replaced with "London Brewing"
Chapter 6	Added Leap Junction information, Removed Arts and Crafts Collective Beer Example and replaced with Burford Golf Links Example, Added Dragon's Den Video, Removed Amazon example, Included NGCOA Articles, Added Global Golf Equipment Size, Added video for Top Golf
Chapter 7	Added ClubLink Mission Statement, Added CSCM Article "A Brush with Greatness", removed Twitter example – Pepsi Ad
Chapter 8	Added Golf Organizational Chart, removed Adidas example, removed educational institution chart Added NGCOA article
Chapter 9	Added golf articles and examples
Chapter 10	Added spotlight on RiverBend GC, removed "the grounds of a great work environment", added Copetown Woods example
Chapter 11	Removed "Robot with Attitude" example, added NGCOA article "Marketing to Millennials", removed Doritos example, removed brand strategies image, removed all references to the "Robosapien" example, added new golf examples of personal selling, sales promotions and public relations, added NGCOA "Crushing it on Social Media", removed Prime Minister" You tube video, removed PepsiCo. example

About this Book

For the Student

Each chapter in this text begins with a list of the relevant learning objectives and ends with a list of key terms and questions.

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Chapter 1: Teamwork in the Golf and Club Business

Learning Objectives

By the end of this chapter, you should be able to:

- Define different types of teams within the golf/club business and define key characteristics.
- Explain the importance of teams within the golf and club business.
- Identify factors that contribute to team cohesion or division.
- Describe the importance of learning to participate in team-based activities.
- Identify the skills needed by team members and the roles that members of a team might play.
- Explain the skills and behaviours that foster effective team leadership.

What Is a Team?

A **team** (or a work team) is a group of people with complementary skills who work together to achieve a specific goal.[1] Every team is organized around a shared objective-there is something to accomplish.

“Teamwork is the ability to work together toward a common vision. The ability to direct individual accomplishments toward organizational objectives. It is the fuel that allows common people to attain uncommon results.” – Andrew Carnegie

A group is different. A **group** of golf club managers (ie. Golf Professional, Superintendent,

1. Thompson, L. L. (2008). Making the Team: A Guide for Managers. Upper Saddle River, NJ: Pearson Education.

Food and Beverage Manager), for example, might meet with the general manager of the course owner monthly to discuss their progress in maintaining their operational budget. However, each manager is focused on the goals of his or her department because each is held accountable for meeting those goals.

To put teams in perspective, let's identify five key characteristics.

1. Share accountability for achieving specific common goals
2. Function interdependently
3. Require stability
4. Hold authority and decision-making power
5. Operate in a social context [2]

The Team and the Organization

Why do golf courses or clubs rely so much on teams to improve operations? GM Geoff Curphey CCM of the London Club (a popular private social club) relies on teams to create an exceptional experience for their members and their invited guests [3] A great team made up of a diverse background of individuals can bring new ideas and initiatives to the Club environment to move the Club forward in a positive direction

"London Club Logo" © London Club, used with permission, All Rights Reserved

Today it seems obvious that teams can address a variety of challenges in club activities. Before we go any further, however, we should remind ourselves that the data we've just cited aren't necessarily definitive. For one thing, they may not be objective—companies are more likely to report successes than failures. As a matter of fact, teams don't always work. According to one study, team-based projects fail 50 to 70 percent of the time. [4]

2. Thompson, L. L. (2008). Making the Team: A Guide for Managers. Upper Saddle River, NJ: Pearson Education, pp. 4-5. See also Alderfer, C.P. (1977). Group and Intergroup Relations. In J. R. Hackman & J. L. Suttle (Eds.), Improving Life at Work (pp. 277–96). Palisades, CA: Goodyear.
3. Geoff Curphey (General Manager) in discussion with the author, June 2022.
4. Fisher, K. (1999). Leading Self-Directed Work Teams: A Guide to Developing New Team Leadership Skills (rev. ed). New York: McGraw-Hill Professional. See also Greenberg, J., & Baron R. A. (2008). Behavior in Organizations (9th ed.). Upper Saddle River, NJ: Pearson Education.

The Effect of Teams on Performance

Research shows that companies build and support teams because of their effect on overall workplace performance, both organizational and individual. If we examine the impact of team-based operations according to a wide range of relevant criteria, we find that overall organizational performance generally improves. The following figure lists several areas in which we can analyze workplace performance and indicates the percentage of companies that have reported improvements in each area.[5]

Area of Performance	Firms Reporting Improvement
Product and service quality	70%
Customer service	67%
Worker satisfaction	66%
Quality of work-life	63%
Productivity	61%
Competitiveness	50%
Profitability	45%
Absenteeism | turnover	23%

Types of Teams

Teams, then, can improve the company and individual performance in a number of areas. Not all teams, however, are formed to achieve the same goals or are charged with the same responsibilities. Nor are they organized in the same way. Some, for instance, are more autonomous than others—less accountable to those higher up in the organization. Some depend on a team leader who's responsible for defining the team's goals and making sure that its activities are performed effectively. Others are more or less self-governing: though a leader lays out overall goals and strategies, the team itself chooses and manages the methods

5. Adapted from Lawler, E. E., Mohaman, S. A., & Ledford, G. E. (1992). *Creating high-performance organizations: Practices and results of employee involvement and total quality in Fortune 1000 Companies.* San Francisco: Wiley.

by which it pursues its goals and implements its strategies.[6] Teams also vary according to their membership. Let's look at several categories of teams.

Manager-Led Teams

As its name implies, in the **manager-led team** the manager is the team leader and is in charge of setting team goals, assigning tasks, and monitoring the team's performance. The individual team members have relatively little autonomy. For example, the key employees of a professional hockey team (a manager-led team) are highly trained (and highly paid) athletes, but their activities on the ice are tightly controlled by a head coach. As team manager, the coach is responsible both for developing the strategies by which the team pursues its goal of winning games and for the outcome of each game and season. He's also solely responsible for interacting with managers above him in the organization. The players are responsible mainly for executing plays.[7]

Photo by Jim Peplinski and Mark Hunter CC BY-SA 2.0

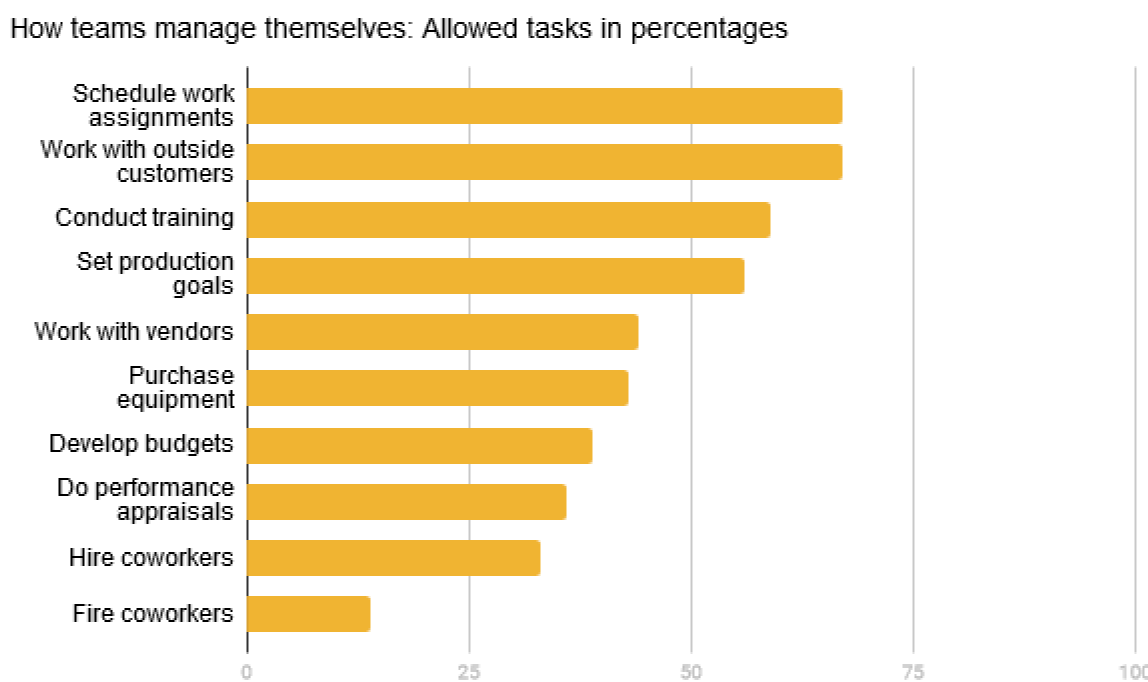
Self-Managing Teams

Self-managing teams (also known as self-directed teams) have considerable autonomy. They are usually small and often absorb activities that were once performed by traditional supervisors. A manager or team leader may determine overall goals, but the members of the self-managing team control the activities needed to achieve those goals.

6. Greenberg, J., & Baron R. A. (2008). Behavior in Organizations (9th ed). Upper Saddle River, NJ: Pearson Education. See also Thompson, L. L. (2008). Making the Team: A Guide for Managers. Upper Saddle River, NJ: Pearson Education.
7. Thompson, L. L. (2008). Making the Team: A Guide for Managers. Upper Saddle River, NJ: Pearson Education.

Self-managing teams are the organizational hallmark of The London Club and are an important aspect of the success of the Club. It is important to come to agreed/shared goals and then have your teams execute on their own. A self-directed team when provided the appropriate guidance will thrive on its own. Team members will have a feeling of fulfillment when completing projects on their own and not being managed at every point of the process.[8]

Not every self-managed team enjoys the same degree of autonomy. Clubs vary widely in choosing which tasks teams are allowed to manage and which ones are best left to upper-level management only. As you can see, self-managing teams are often allowed to schedule assignments, but they are rarely allowed to fire coworkers.



"How Teams Manage Themselves"

8. Geoff Curphey (General Manager) in discussion with the author, June 2022

Cross-Functional Teams

Many golf clubs use **cross-functional teams**—teams that, as the name suggests, cut across an organization's functional areas (operations, marketing, finance, and so on). A cross-functional team is designed to take advantage of the special expertise of members drawn from different functional areas of the club. When a club is exploring the feasibility of a major capital project, the GM might enlist specific employees such as the Golf Professional, Food and Beverage Manager, Superintendent, etc. to provide input on the project and operational considerations. Stakeholders, such as club members can form ad hoc committees or a task force to provide a perspective as well.

When Burford Golf Links (a semi-private club) located in southern Ontario decided to replace two of its greens, input was gathered from the course superintendent, golf professionals, club members, owners, and suppliers. This committee provided valuable perspectives on the location, size, composition, and playability of the greens. Based on the needs of all the stakeholders, the club turned to their golf course architect to provide a cost based on the needs and wants of the club.

Virtual Teams

The speed of transformation from traditional teams to **virtual teams** reached its peak and became a trend in the workplace due to the Covid-19 global pandemic. This crisis forced some clubs to create virtual teams for the first time in their history. Technology now makes it possible for teams to function not only across organizational boundaries like functional areas but also across time and space. Technologies such as videoconferencing allow people to interact simultaneously and in real-time, offering a number of advantages in conducting the business of a virtual team. [9] Members can participate from any location or at any time of day, and teams can "meet" for as long as it takes to achieve a goal or solve a problem—a few days, weeks, or months.

9. Robbins, S. P., & Timothy A. J. (2009). Organizational Behavior (13th ed.). Upper Saddle River, NJ: Pearson Education.

Read: Forever Changed by Rob Foster, MBA for the Club Manager Quarterly (Club Managers Association of Canada). The article discusses how the pandemic has had a considerable impact on how we communicate and in some cases has made it more efficient than ever before!

Why Teamwork Works

Now that we know a little bit about how teams work, we need to ask ourselves why they work. Not surprisingly, this is a fairly complex issue. In this section, we'll explore why teams are often effective and when they are ineffective.

First, let's begin by identifying several factors that contribute to effective teamwork. Teams are most effective when the following factors are met:

- Members communicate effectively.
- Members depend on each other. When team members rely on each other to get the job done, team productivity and efficiency tend to be high.
- Members trust one another.
- Members work better together than individually. When team members perform better as a group than alone, collective performance exceeds individual performance.
- Members become boosters. When each member is encouraged by other team members to do his or her best, collective results improve.
- Team members enjoy being on the team.
- Leadership rotates.

Some of these factors may seem intuitive. Because such issues are rarely clear-cut, we need to examine the issue of group effectiveness from another perspective—one that considers the effects of factors that aren't quite so straightforward.

Group Cohesiveness

The idea of group cohesiveness refers to the attractiveness of a team to its members. If a group is high in cohesiveness, membership is quite satisfying to its members. If it's low in cohesiveness, members are unhappy with it and may try to leave it. [10]

Numerous factors may contribute to team cohesiveness, but in this section, we'll focus on five of the most important:

1. **Size** – The bigger the team, the less satisfied members tend to be. When teams get too large, members find it harder to interact closely with other members; a few members tend to dominate team activities, and conflict becomes more likely.
2. **Similarity** – People usually get along better with people like themselves, and teams are generally more cohesive when members perceive fellow members as people who share their own attitudes and experience.
3. **Success** – When teams are successful, members are satisfied, and other people are more likely to be attracted to their teams.
4. **Exclusiveness** – The harder it is to get into a group, the happier the people who are already in it. Team status also increases members' satisfaction.
5. **Competition** – Membership is valued more highly when there is motivation to achieve common goals and outperform other teams.

Maintaining team focus on broad organizational or club goals is crucial. If members get too wrapped up in immediate team goals, the whole team may lose sight of the larger organizational goals toward which it's supposed to be working. Let's look at some factors that can erode team performance.

Groupthink

It's easy for leaders to direct members toward team goals when members are all on the same page—when there's a basic willingness to conform to the team's rules. When there's too much conformity, however, the group can become ineffective: it may resist fresh ideas and, what's worse, may end up adopting its own dysfunctional tendencies as its way of doing things. Such tendencies may also encourage a phenomenon known as **groupthink** —the tendency to conform to group pressure in making decisions while failing to think critically or to consider outside influences.

10. Adept Scientific. (2009). Lockheed Martin Chooses Mathcad as a Standard Design Package for F-35 Joint Strike Fighter Project. Retrieved from: http://www.adeptscience.co.uk/media-room/press_room/lockheed-martin-chooses-mathcad-as-a-standard-design-package-for-f-35-joint-strike-fighter-project.html

 An example of this is allowing for the leader of the meeting to project their ideas on a group and not allow for open discussion. It is important that as leaders we listen to everyone around us and be open to criticism on a specific idea. When we don't fully think through an idea/event we find that issues can arise. It is always important to ask the opinions of the front-line workers as they are the ones that typically know what is best for our members [11].

Motivation and Frustration

Remember that teams are composed of people, and whatever the roles they happen to be playing at a given time, people are subject to psychological ups and downs. As members of workplace teams, they need motivation, and when motivation is low, so are effectiveness and productivity. The difficulty of maintaining a high level of motivation is the chief cause of frustration among members of teams. As such, it's also a chief cause of ineffective teamwork, and that's one reason why more employers now look for the ability to develop and sustain motivation when they're hiring new managers. [12]

Other Factors that Erode Performance

Let's take a quick look at three other obstacles to success in introducing teams into an organization: [13]

- **Unwillingness to cooperate –** Failure to cooperate can occur when members don't or won't commit to a common goal or set of activities. What if, for example, half the members of a turf crew team want to cut greens with a walker mower and the other half want to use a tri-plex ride mower? The entire team may get stuck on this point of contention for weeks or even months. Lack of cooperation between teams can also be

11. Geoff Curphey (General Manager) in discussion with the author, June 2022
12. Robbins, S. P., & Judge, T. A. (2009). Organizational Behavior (13th ed.). Upper Saddle River, NJ: Pearson Education.
13. Greenberg, J., & Baron R. A. (2008). Behavior in Organizations (9th ed.). Upper Saddle River, NJ: Pearson Education.

problematic to an organization. Luckily the Superintendent makes these decisions for the team by weighing the pro's and con's of each method.

- **Lack of managerial support –** Every team requires organizational resources to achieve its goals, and if management isn't willing to commit the needed resources— say, provide the necessary equipment to properly manicure the course— the turf team will probably fall short of those goals.
- **Failure of managers to delegate authority –** Team leaders are often chosen from the ranks of successful supervisors—first-line managers give instructions on a day-to-day basis and expect to have them carried out. This approach to workplace activities may not work very well in leading a team—a position in which success depends on building a consensus and letting people make their own decisions.

The Team and Its Members

Life is all about group work. "I'll work extra hard and do it myself, but please don't make me have to work in a group."

Like it or not, you've probably already noticed that you'll have team-based assignments in college. More than two-thirds of all students report having participated in the work of an organized team, and as a student in a Professional Golf Management program, you will certainly find yourself engaged in team-based activities. [14]

Why do we put so much emphasis on something that, reportedly, makes many students feel anxious and academically drained? Here's one college student's practical-minded answer to this question:

"In the real world, you have to work with people. You don't always know the people you work with, and you don't always get along with them. Your boss won't particularly care, and if you can't get the job done, your job may end up on the line. Life is all about group work, whether we like it or not. And school, in many ways, prepares us for life, including working with others." [15]

In placing so much emphasis on teamwork skills and experience, business colleges are doing the responsible thing—preparing students for the business world. A survey of Fortune 1000

14. Thompson, L. L. (2008). Making the Team: A Guide for Managers. Upper Saddle River, NJ: Pearson Education.
15. Whetten, D. A., & Cameron K. S. (1991). Developing Management Skills (7th ed.). Upper Saddle River, NJ: Pearson Education.

companies reveals that 79 percent use self-managing teams and 91 percent use other forms of employee workgroups. Another survey found that the skill that most employers value in new employees is the ability to work in teams. [16]

Consider the advice of former Chrysler Chairman Lee Iacocca: "A major reason that capable people fail to advance is that they don't work well with their colleagues". [17] The importance of the ability to work in teams was confirmed in a survey of leadership practices of more than sixty of the world's top organizations. [18]

When top executives in these organizations were asked what causes the careers of high-potential leadership candidates to derail, 60 percent of the organizations cited "inability to work in teams." Interestingly, only 9 percent attributed the failure of these executives to advance to a "lack of technical ability."

To put it in plain terms, the question is not whether you'll find yourself working as part of a team. You will. The question is whether you'll know how to participate successfully in team-based activities.

What Skills Does the Team Need?

> What if your instructor decides to divide the class into teams and assigns each team to develop a new golf product plus a business plan to get it on the market? What teamwork skills could you bring to the table, and what teamwork skills do you need to improve? Do you possess qualities that might make you a good team leader?

Sometimes we hear about a sports team made up of mostly average players who win a championship because of coaching genius, flawless teamwork, and superhuman determination. [19] But not terribly often. In fact, we usually hear about such teams simply because they're newsworthy—exceptions to the rule. Typically a team performs well because

16. Flavin, B. (2018, March 7). The Importance of Teamwork Skills in Work and School. Rasmussen College, College Life Blog. Retrieved from: http://www.rasmussen.edu/student-life/blogs/college-life/importance-of-teamwork-skills-in-work-and-school/
17. Whetten, D. A., & Cameron K. S. (1991). Developing Management Skills (7th ed.). Upper Saddle River, NJ: Pearson Education.
18. Iacocca, L., & Novak. W. (2007). Iacocca. New York: Bantam.
19. Robbins, S. P., & Judge, T. A. (2009). Organizational Behavior (13th ed.). Upper Saddle River, NJ: Pearson Education.

its members possess some level of talent. Members' talents must also be managed in a collective effort to achieve a common goal.

In the final analysis, a team can succeed only if its members provide the skills that need managing. In particular, every team requires some mixture of four sets of skills:

- **Communication Skills –** Because how you communicate can positively and negatively affect relationships within the team and outside the team with managers, customers, stakeholders, etc.
- **Technical skills –** Because teams must perform certain tasks, they need people with the skills to perform them. For example, if your project calls for a lot of math work, it's good to have someone with the necessary quantitative skills. Such as scoring a golf tournament!
- **Decision-making and problem-solving skills –** Because every task is subject to problems, and because handling every problem means deciding on the best solution, it's good to have members who are skilled in identifying problems, evaluating alternative solutions, and deciding on the best options.
- **Interpersonal skills –** Because teams need direction and motivation and depend on communication, every group benefits from members who know how to listen, provide feedback, and resolve conflict. This comes in handy as a pro shop attendant or a server in the restaurant Some members must also be good at communicating the team's goals and needs to outsiders.

The key is ultimately to have the right mix of these skills. Remember, too, that no team needs to possess all these skills—never mind the right balance of them—from day one. In many cases, a team gains certain skills only when members volunteer for certain tasks and perfect their skills in the process of performing them. For the same reason, effective teamwork develops over time as team members learn how to handle various team-based tasks. In a sense, teamwork is always a work in progress.

What Roles Do Team Members Play?

As a student and later in the workplace, you'll be a member of a team more often than a leader. Team members can have as much impact on a team's success as its leaders. A key is the quality of the contributions they make in performing non-leadership roles. [20]

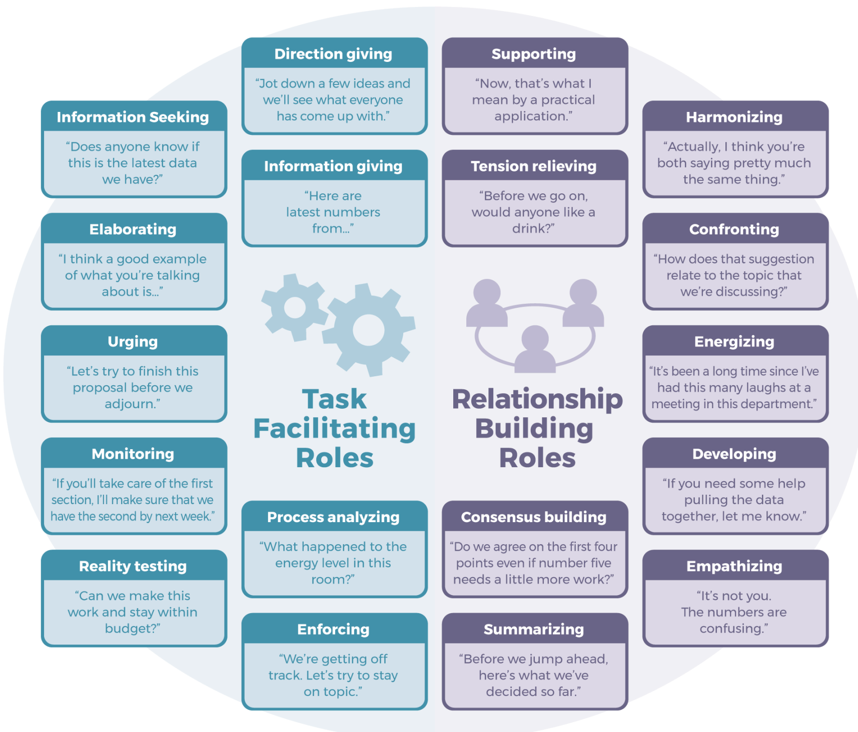
What, exactly, are those roles? At this point, you've probably concluded that every team faces two basic challenges:

20. Whetten, D. A., & Cameron K. S. (1991). Developing Management Skills (7th ed.). Upper Saddle River, NJ: Pearson Education.

1. Accomplishing its assigned task
2. Maintaining or improving group cohesiveness

Whether you affect the team's work positively or negatively depends on the extent to which you help it or hinder it in meeting these two challenges.[21] We can thus divide teamwork roles into two categories, depending on which of these two challenges each role addresses. These two categories (task-facilitating roles and relationship-building roles) are summarized here:

"Teamwork Roles"



Task-Facilitating Roles

Task-facilitating roles address challenge number one—accomplishing the team goals. As you can see from Table P.6, such roles include not only providing information when someone else needs it but also asking for it when you need it. In addition, it includes monitoring (checking on progress) and enforcing (making sure that team decisions are carried out). Task facilitators are especially valuable when assignments aren't clear or when progress is too slow.

21. Whetten, D. A., & Cameron K. S. (1991). Developing Management Skills (7th ed.). Upper Saddle River, NJ: Pearson Education.

Relationship-Building Roles

When you challenge unmotivated behavior or help other team members understand their roles, you're performing a relationship-building role and addressing challenge number two—maintaining or improving group cohesiveness. This type of role includes activities that improve team "chemistry," from empathizing to confronting.

Bear in mind three points about this model:

1. Teams are most effective when there's a good balance between task facilitation and relationship-building.
2. It's hard for any given member to perform both types of roles, as some people are better at focusing on tasks and others on relationships.
3. Overplaying any facet of any role can easily become counterproductive. For example, elaborating on something may not be the best strategy when the team needs to make a quick decision; and consensus building may cause the team to overlook an important difference of opinion.

Blocking Roles

Finally, show what you know in terms of blocking behaviours and the tactics used when someone is using the behaviour. So-called blocking roles consist of behavior that inhibits either team performance or that of individual members. Every member of the team should know how to recognize blocking behavior. If teams don't confront dysfunctional members, they can destroy morale, hamper consensus building, create conflict, and hinder progress.

Class Team Projects

In your academic career, you'll participate in a number of team projects. To get insider advice on how to succeed on team projects in college, let's look at some suggestions offered by students who have gone through this experience.[22]

- **Draw up a team charter –** At the beginning of the project, draw up a team charter that includes: the goals of the group; ways to ensure that each team member's ideas are considered; timing and frequency of meetings. A more informal way to arrive at a team

22. Feenstra, K. (n.d.). Study Skills: Teamwork Skills for Group Projects. Retrieved from: http://powertochange.com/students/academics/groupproject/

charter is to simply set some ground rules to which everyone agrees. Your instructor may also require you to sign an existing team contract or charter similar to the one below.

- **Contribute your ideas. Share your ideas with your group –** The worst that could happen is that they won't be used (which is what would happen if you kept quiet).
- **Never miss a meeting or deadline –** Pick a weekly meeting time and write it into your schedule as if it were a class. Never skip it.
- **Be considerate of each other –** Be patient, listen to everyone, involve everyone in decision making, avoid infighting, and build trust.
- **Create a process for resolving conflict –** Do so before conflict arises. Set up rules to help the group decide how the conflict will be handled.
- **Use the strengths of each team member –** All students bring different strengths. Utilize the unique value of each person.
- **Don't do all the work yourself –** Work with your team to get the work done. The project output is often less important than the experience.

What Does It Take to Lead a Team?

To borrow from Shakespeare, "Some people are born leaders, some achieve leadership, and some have leadership thrust upon them." At some point in a successful career, you will likely be asked to lead a team. What will you have to do to succeed as a leader?

Like so many of the questions that we ask in this book, this question doesn't have any simple answers. We can provide one broad answer: a leader must help members develop the attitudes and behavior that contribute to team success: interdependence, collective responsibility, shared commitment, and so forth.

Team leaders must be able to influence their team members. Notice that we say influence: except in unusual circumstances, giving commands and controlling everything directly doesn't work very well. [23] As one team of researchers puts it, team leaders are more effective when they work with members rather than on them. [24] Hand-in-hand with the ability to influence is the ability to gain and keep the trust of team members. People aren't likely to be influenced by a leader whom they perceive as dishonest or selfishly motivated.

Assuming you were asked to lead a team, there are certain leadership skills and behaviours

23. Whetten, D. A., & Cameron, K. S. (1991). Developing Management Skills (7th ed.). Upper Saddle River, NJ: Pearson Education.
24. Feenstra, K. (n.d.). Study Skills: Teamwork Skills for Group Projects. Retrieved from: http://powertochange.com/students/academics/groupproject/

that would help you influence your team members and build trust. Let's look briefly at some of them:

- **Demonstrate integrity –** Do what you say you'll do and act in accordance with your stated values. Be honest in communicating and follow through on promises.
- **Be clear and consistent –** Let members know that you're certain about what you want and remember that being clear and consistent reinforces your credibility.
- **Generate positive energy –** Be optimistic and compliment team members. Recognize their progress and success.
- **Acknowledge common points of view –** Even if you're about to propose some kind of change, recognize the value of the views that members already hold in common.
- **Manage agreement and disagreement –** When members agree with you, confirm your shared point of view. When they disagree, acknowledge both sides of the issue and support your own with strong, clearly-presented evidence.
- **Encourage and coach –** Buoy up members when they run into new and uncertain situations and when success depends on their performing at a high level.
- **Share information. –**Give members the information they need and let them know that you're knowledgeable about team tasks and individual talents. Check with team members regularly to find out what they're doing and how the job is progressing.

For this course, we will be using teams to learn in and outside of our formal class time. A **team contract** is important to ensure all members have input on how the team will work together. This contract can also be referenced if a team member is not working to the expectations.

Key Terms

Team (or a work team) is a group of people with complementary skills who work together to achieve a specific goal.
Group is a collection of individuals who coordinate their individual efforts.
A manager-led team includes a manager is the team leader and is in charge of setting team goals, assigning tasks, and monitoring the team's performance.
A self-managed team is a small group of employees who take full responsibility for delivering a service or product through peer collaboration without a manager's guidance. This team often works together long-term to make decisions about a particular process.
Cross-functional teams are teams where team members come from different organizational functional areas.
Virtual team usually refers to a group of individuals who work together from different geographic locations and rely on communication technology such as email, instant

messaging, and video or voice conferencing services in order to collaborate to achieve a common goal.

Group cohesiveness is the tendency for a *group* to be in unity while working towards a goal.

Groupthink is the tendency to conform to group pressure in making decisions while failing to think critically or to consider outside influences.

A team contract is an agreement between you and your teammates about how your team will operate. The team focuses on issues that the team considers most important. All team members must sign the contract indicating their agreement.

Key Takeaways

1. A team (or a work team) is a group of people with complementary skills and diverse areas of expertise who work together to achieve a specific goal.
2. Work teams have five key characteristics:
    - They are accountable for achieving specific common goals.
    - They function interdependently.
    - They are stable.
    - They have authority.
    - They operate in a social context.
3. Work teams may be of several types:
    - In the traditional manager-led team, the leader defines the team's goals and activities and is responsible for its achieving its assigned goals.
    - The leader of a self-managing team may determine overall goals, but employees control the activities needed to meet them.
    - A cross-functional team is designed to take advantage of the special expertise of members drawn from different functional areas of the company.
    - On virtual teams, geographically dispersed members interact electronically in the process of pursuing a common goal.
4. Group cohesiveness refers to the attractiveness of a team to its members. If a group is high in cohesiveness, membership is quite satisfying to its members; if it's low in cohesiveness, members are unhappy with it and may even try to leave it.
5. As the business world depends more and more on teamwork, it's increasingly important for incoming members of the workforce to develop skills and experience in team-based activities.
6. Every team requires some mixture of three skill sets:
    - Technical skills: skills needed to perform specific tasks.
    - Decision-making and problem-solving skills: skills needed to identify problems, evaluate alternative solutions, and decide on the best options.
    - Interpersonal skills: skills in listening, providing feedback, and resolving conflict.

Chapter 2: Business Foundations for the Golf and Club Industry

Learning Objectives

By the end of the chapter, you should be able to:

- Identify the different club types that make up the golf and club business environment.
- Describe the concept of stakeholders and identify the stakeholder groups relevant to a golf and club organization.
- Discuss and be able to apply the macro-business-environment model to the golf and club industry.
- Explain other key terms related to this chapter including entrepreneur; profit; revenue.

Spotlight: London Hunt and Country Club

The London Hunt and Country Club's vision is one of the premier private golf and country clubs in Canada offering an exceptional total Membership experience. The Mission statement defines the Club's purpose and primary objectives:

> *"The London Hunt and Country Club is a family-focused Club providing its Members with an exceptional golf course complemented by first-class dining facilities. To enhance the enjoyment of Members, the Club includes such programs as fitness, tennis, pickleball, trap and skeet and social activities."* [1]

"London Hunt and Country Club Logo" © London Hunt and Country Club, used with permission, [All Rights Reserved.]

The London Hunt and Country Club have a strong family foundation built on traditions. It is a community of like-minded people who have chosen to come together to call this place their Club. The club strives to meet the needs of every Member, whatever their interest may be. In doing so, the club offers a variety of activities, social events, dining opportunities, and much more for all members, young and old. The London Hunt Club was established on March 30, 1885.[2]

- Chronological history of the club

Getting Down to Business

A **business** is any activity that provides goods or services to consumers for the purpose of making a profit. Be careful not to confuse the terms revenue and profit. Revenue represents

1. Jon Nusink (General Manager/COO) London Hunt and Country Club in discussion with author June 2022. .
2. London Hunt and Country Club. (2021). History https://www.londonhuntclub.com/history/

the funds an enterprise receives in exchange for its goods or services. Profit is what's left (hopefully) after all the bills are paid. As you will note below, there are several club types, but the overall business premise is the same… to be financially successful

Many golf and club businesses provide products or services. From retail items in the pro shop to food products offered in the restaurant, clubs focus on the amenities to support servicing their members and guests. In some cases, you could argue that the experience of playing the course and the aesthetics of the property is a product being sold to the customer. This forms the "value proposition" of what attracts members and customers to the business. The following chart outlines the various club types and an example of each ;

Club Type	**Description**	**Example**
Private*	Equity & Non-Equity Private Members*	https://www.londonhuntclub.com/
Semi-Private	Members & Public	http://www.golfnorth.ca/
Public	Public Only – No Members	https://www.firerockgolf.com/

Each club serves a different purpose within the golf and club landscape, however, the common theme is servicing customers with an interest in recreation and social activities.

* Private clubs can be "For Profit" but many are "Non-Profit". Equity refers to the member's financial stake or shares in the club.

Business Participants and Activities

Let's begin our discussion of golf and club business by identifying the main **participants** of business and the **functions** that most businesses perform. Then we'll finish this section by discussing the external factors that influence golf and club business' activities.

Participants

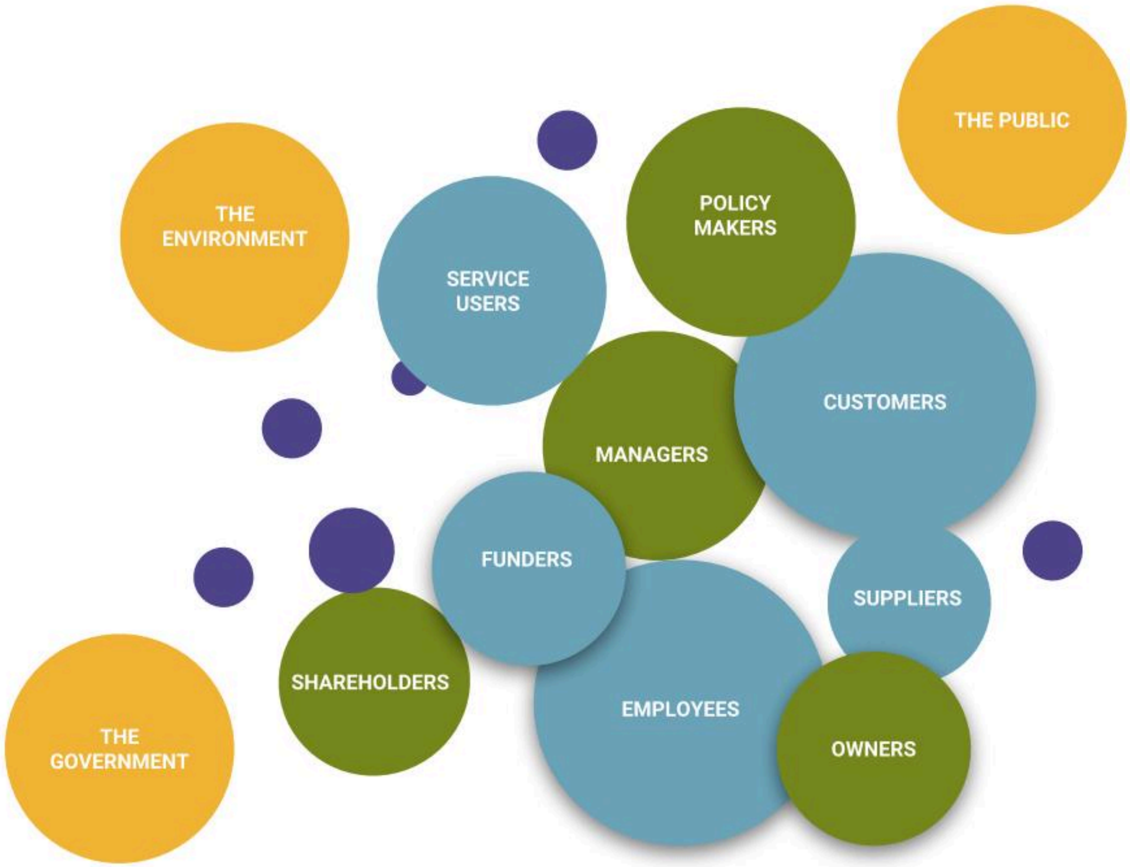
Every business must have one or more owners whose primary role is to invest money in the business. When a business is being started, it's generally the owners who polish the business idea and bring together the resources (money and people) needed to turn the idea into a business. The owners also hire employees to work for the company and help it reach its goals.

Owners and employees depend on the third group of participants— **customers or members**. Ultimately, the goal of any business is to satisfy the needs of its customers in order to generate a profit for the owners of the club.

Stakeholders

Consider your favorite golf course. It may be a local family-run business aka "mom and pop operation". Or perhaps it is a corporation with several courses running under the same structure, such as Golf North Properties. Whether small or large, every business has **stakeholders** – those with a legitimate interest in the success or failure of the business and the policies it adopts.

Stakeholders include customers/members, suppliers, employees, bankers, shareholders, and others. Other stakeholders include the general public, the environment, and all the various government departments which impact the business. All have a keen interest in how the business operates, in most cases for obvious reasons. If the business fails, employees will need new jobs, vendors will need new customers, and banks may have to write off loans they made to the business. Stakeholders do not always see things the same way – their interests sometimes conflict with each other. For example, lenders are more likely to appreciate high-profit margins that ensure the loans they made will be repaid, while customers would probably appreciate the lowest possible prices. Pleasing stakeholders can be a real balancing act for any golf course or club.



"Business Stakeholders"

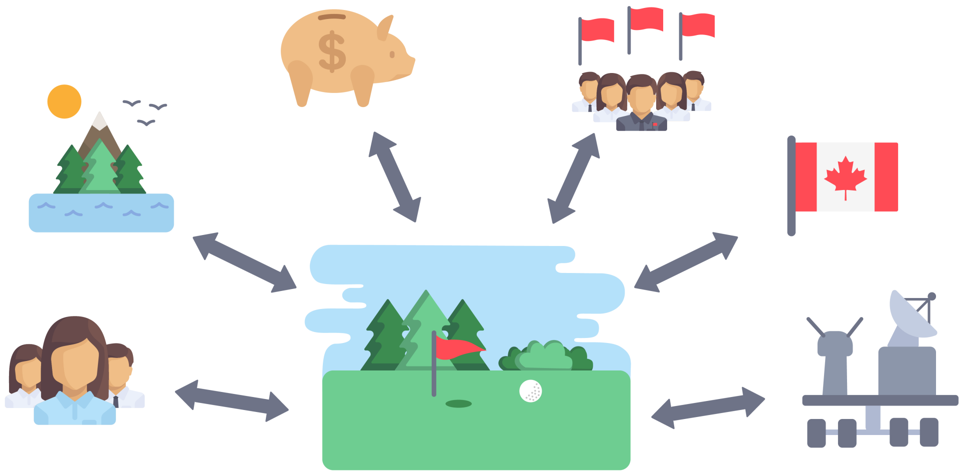
Functional Areas of Business

The activities needed to operate a business can be divided into a number of functional areas. Examples include **human resources, operations**, **marketing**, **accounting**, **finance,** and **information technology**. Let's briefly explore each of these areas.

Human Resources	HR managers are responsible for ensuring that the organization has all of the skills and capabilities necessary to run the business. HR managers develop staffing plans, recruit and select new employees, monitor the performance management process, and develop succession plans for advancement and replacement. They develop standards for compensation and benefits and assist managers with staff issues.
Operations	All companies must convert resources (labour, materials, money, information, and so forth) into goods or services. Some companies, such as Apple, convert resources into tangible products—Macs, iPhones, etc. Others, such as hospitals, convert resources into intangible products — e.g., health care. The person who designs and oversees the transformation of resources into goods or services is called an operations manager. This individual is also responsible for ensuring that products are of high quality. In many organizations, operations management includes managing the supply chain which controls the delivery of raw materials and the distribution of finished goods.
Marketing	Marketing consists of everything that a company does to identify customers' needs (i.e. market research) and design products to meet those needs. Marketers develop the benefits and features of products, including price and quality. They also decide on the best method of delivering products and the best means of promoting them to attract and keep customers. They manage relationships with customers and make them aware of the organization's desire and ability to satisfy their needs.
Accounting	Managers need accurate, relevant, and timely financial information, which is provided by accountants. Accountants measure, summarize, and communicate financial and managerial information and advise other managers on financial matters. There are two fields of accounting. Financial accountants prepare financial statements to help users, both inside and outside the organization, assess the financial strength of the company. Managerial accountants prepare information, such as reports on the cost of materials used in the production process, for internal use only.
Finance	Finance involves planning for, obtaining, and managing a company's funds. Financial managers address such questions as the following: How much money does the company need? How and where will it get the necessary money? How and when will it pay the money back? What investments should be made in plants and equipment? How much should be spent on research and development? Good financial management is particularly important when a company is first formed because new business owners usually need to borrow money to get started.
Information Technology	Information is one of the critical assets of most businesses. Businesses such as Facebook are entirely information-based businesses. Information technology (IT) managers are concerned with building a computer and network infrastructure, implementing security protocols, and developing user interfaces and apps for customers. Usually, there is a high level of integration between the business's website or application and other departments within the business, such as finance, marketing, and operations. Often, businesses must develop interfaces to send and receive information from other companies, including suppliers, logistics, and shipping suppliers.

External Forces that Influence Business Activities

Businesses don't operate in a vacuum: they're influenced by a number of external factors. These include the **economy**, **government**, **consumer trends**, **information technology**, **public pressure** to act as good corporate citizens, and **other** factors. Collectively, these forces constitute what is known as the "**macro environment**" – essentially the big picture world outside over which the business exerts very little if any control.



“External Influences on Business” by Alyssa Giles [CC BY-NC-SA 4.0](#)

Golf/Club Business and Its Environment sums up the relationship between a business and the external forces that influence its activities. The golf and club industry is clearly affected by all these factors. Unlike the ability to control the operations within the business, the components of the *macro-environment* can have a positive or negative impact on the business. For example, during the global pandemic, where other businesses were being shut-down due to COVID restrictions, golf courses were allowed to remain open. As a result, GM’s reported an increase in business of 25% or more is certain markets. Also, with golf being one of a few recreational activities allowed to remain open, the industry reported a vast increase in new golfers taking up the game.

The [National Golf Course Owners Association](#) (NGCOA) is a leading resource for the business of golf offering hundreds of programs that facilitate growth for industry stakeholders. The services, tools, and information is designed to support business and help organizations succeed. Engagement in the association helps maximize business success and make valuable connections.

Finally, a number of decisions made by the industry result from its desire to be a good corporate citizen. For example, several food and beverage operations at clubs have responded to environmental concerns by eliminating Styrofoam containers and reducing disposable plastics. [3] Of course, all industries are impacted by external factors, not just the food and beverage operations at clubs. As people have become more conscious of the environment, they have begun to choose new technologies, like all-electric cars to replace those that burn fossil fuels.

Both established companies, like Nissan with its Nissan Leaf, and companies like Tesla have entered the market for all-electric vehicles. While the market is still small, it has grown at a compound annual growth rate of 19.2% between 2013 and 2019. [4] Fast-forward to current day and we see every large vehicle manufacturer providing EV options to its customers. This is due to rising fuel prices and environmental concerns. Equipment on the turf side of the industry is evolving as well, such as all-electric mowers like the models Toro has developed. To see the all-electric mower, watch the video: Toro Greensmaster eTriFlex 3370 All-Electric Riding Greensmower by Reesink Uk LTD. [3:34] (transcript available).

One or more interactive elements has been excluded from this version of the text. You can view them online here: https://ecampusontario.pressbooks.pub/businessgolfindustry/?p=34#oembed-1

As you move through this text, you'll learn more about these external influences on a business.

3. Baron, D. (2003, August). Facing-Off in Public. Stanford Business. Retrieved from: https://www.gsb.stanford.edu/sites/gsb/files/2003August.pdf
4. Transparency Market Research. (2014, July). Electric Vehicles Market (on-road) (hybrid, plug-in, and battery) – Global Industry Analysis, Size, Share, Growth, Trends, and Forecast, 2013 – 2019. Retrieved from: http://www.transparencymarketresearch.com/electric-vehicles-market.html

Key Terms

Business is an organization that produces or sells goods and/or services for a profit. Other organizations, such as non-profits, may provide goods or services, but do not do so for a profit.

Participants are the people who participate in conducting the work of the business. These always include the employees and managers, but often include suppliers, customers, and shareholders.

Functions when we look at the functional area of business, we are organizing the work in terms of the type of work. The most common functional areas are marketing, information technology, human resources, finance, operations, and accounting.

Customers buy the products and/or services from the business. Customers are extremely important to the business. In fact, they are participants, stakeholders, and an external environmental influence.

Stakeholders are those affected by the business's operations and its decisions. Examples of stakeholders include shareholders, investors, the community, customers, competitors, and governmental agencies.

Human resource is an organizational function that is about searching for, selecting, training, and maintaining workers.

Operation is the organizational function that is focused on producing the goods and/or services of the business.

Marketing is the organizational function that aims to promote and sell the goods and/or services of the business.

Accounting is the organizational function that is focused on recording, keeping, analyzing, and communicating financial information.

Finance is the organizational function that is about planning what financial resources are needed, procuring the necessary financial resources, and then maintaining financial health for the business.

Information technology is the organizational function that aims to understand the information and data needs of the company in terms of obtaining, analyzing, and protecting information.

Economy is a region's or country's system for selling, trading, and consuming goods and services. The economy is an external environment that influences the business. It affects the money available to the customers and to the business. Factors, such as interest rates, inflation, and deflation, greatly influence the buying behaviours of customers and how businesses should adapt their offerings.

Governmental agencies are made up of the agencies, policymakers, and other actors within the government. These agencies are stakeholders impacted by the business and its decisions. For example, the government can benefit from the business's innovations that help improve the government's work. A major impact for governmental agencies is the taxes that come from the business's profits.

Macro environment is the external forces (economic, demographic, technological, social and cultural, legal, and political) that influence a firm's decision-making and have an impact on its performance.

Key Takeaways

1. The primary participants in a business are its owners, investors, employees, and often its customers. The secondary participants are customers, competitors, and suppliers.
2. Every business must consider its stakeholders, and their sometimes conflicting interests when making decisions.
3. Businesses are influenced by such external factors as the economy, government, and other forces external to the business.
4. The activities needed to run a business can be divided into functional areas. The business functions correspond fairly closely to many majors found within a typical college of business.

Chapter 2.1: Accounting and Financial Information

Learning Objectives

By the end of this section, you should be able to:

- Explain the differences between managerial accounting and financial accounting.
- Identify some of the users of accounting information and explain how they use it.
- Explain the function of the income statement.
- Calculate revenue, expenses and net profit.
- Explain the function of the balance sheet.
- Calculate assets, liabilities, and shareholders equity.
- Explain the function of the cash flow statement.
- Calculate a breakeven point given the necessary information.

Analyzing Financial Statements for Golf Courses: A Case Study

Read: Analyzing Financial Statements for Golf Courses: A Case study by Strong Coffee.

The Role of Accounting

Accounting is often called "the language of business" because it communicates so much of the information that owners, managers, and investors need to evaluate a company's financial performance. These people are stakeholders in the business—they're interested in its activities because they're affected by them. The financial futures of owners and other investors may depend heavily on strong financial performance from the business, and when performance is poor, managers may be replaced or laid off in a downsizing.

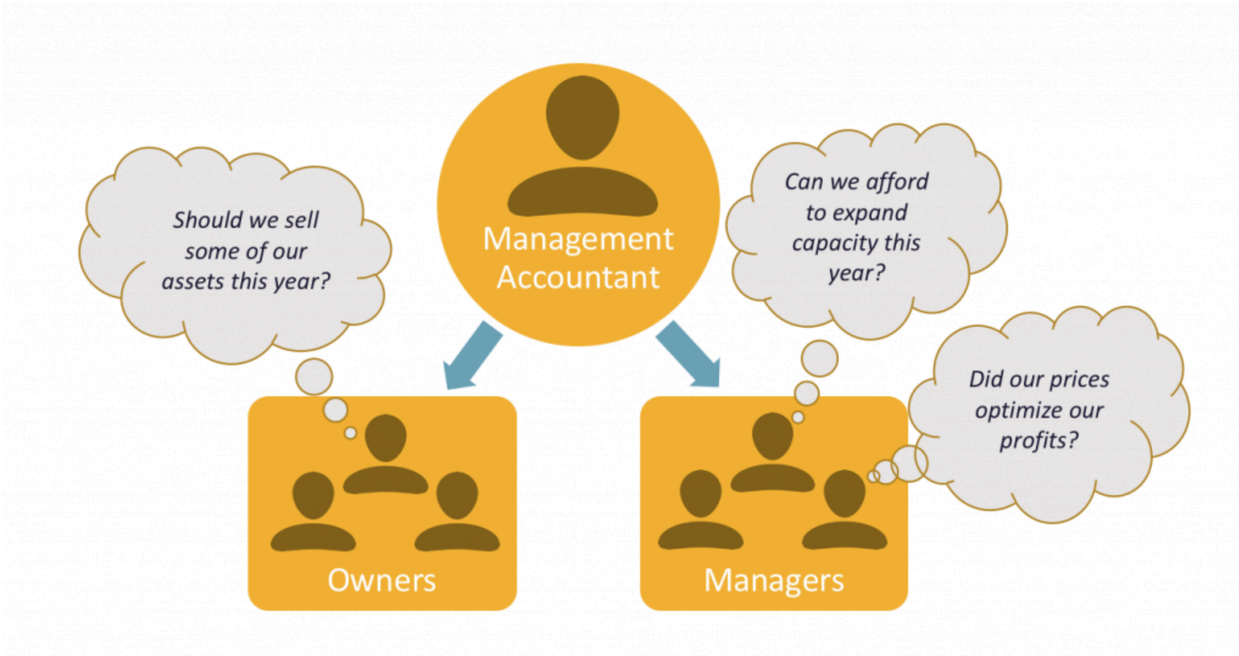
In fact, a key purpose of accounting is to help stakeholders make better business decisions by providing them with financial information. You shouldn't try to run an organization or make investment decisions without accurate and timely financial information, and it is the accountant who prepares this information. More importantly, accountants make sure that stakeholders understand the meaning of financial information, and they work with both individuals and organizations to help them use financial information to deal with business problems. Actually, collecting all the numbers is the easy part. The hard part is analyzing, interpreting, and communicating the information. Of course, you also have to present everything clearly while effectively interacting with people from every business discipline. In any case, we're now ready to define accounting as the process of measuring and summarizing business activities, interpreting financial information, and communicating the results to management and other decision makers.

Fields of Accounting

Accountants typically work in one of two major fields. Management accountants provide information and analysis to decision makers inside the organization in order to help them run it. Financial accountants furnish information to individuals and groups both inside and outside the organization in order to help them assess its financial performance. Their primary focus, however, is on external parties. In other words, management accounting helps you keep your business running while financial accounting tells the outside world how well you're running it.

Management Accounting

Management accounting, also known as *managerial accounting*, plays a key role in helping managers carry out their responsibilities. Because the information that it provides is intended for use by people who perform a wide variety of jobs, the format for reporting information is flexible. Reports are tailored to the needs of individual managers, and the purpose of such reports is to supply relevant, accurate, timely information that will aid managers in making decisions. In preparing, analyzing, and communicating such information, accountants work with individuals from all the functional areas of the organization—human resources, operations, marketing, etc.



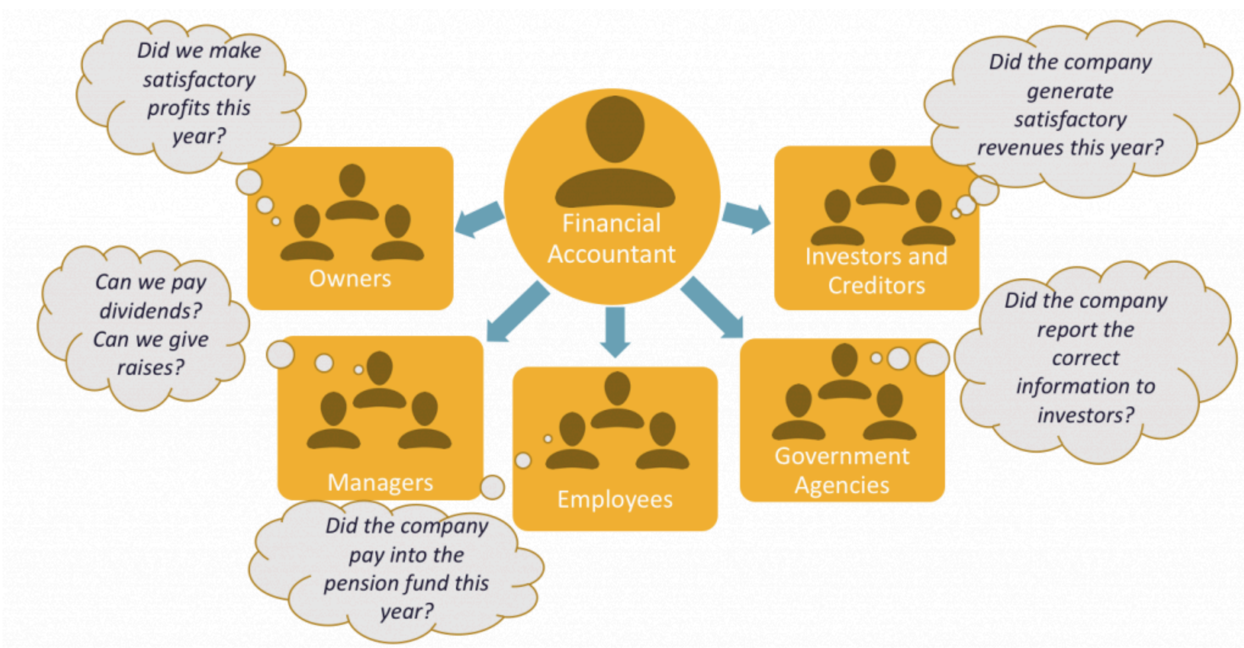
"Role of Managerial Accounting"

Financial Accounting

Financial accounting is responsible for preparing the organization's financial statements—including the income statement (also called the profit/loss statement), the statement of owner's equity, the balance sheet, and the statement of cash flows—that summarize a company's past performance and evaluate its current financial condition. If a company is traded publicly on a stock market such as the TSX (Toronto Stock Exchange), these financial statements must be made public, which is not true of the internal reports produced by management accountants. In preparing financial statements, Canadian financial accountants adhere to a uniform set of rules called international financial reporting standards (IFRS)—the basic principles for financial reporting issued by an independent agency called the Financial Accounting Standards Board (FASB). Users want to be sure that financial statements have been prepared according to IFRS because they want to be sure that the information reported in them is accurate. They also know that when financial statements have been prepared by the same rules, they can be compared from one company to another.

Financial Accounting Information Users

The users of managerial accounting information are pretty easy to identify—basically, they're a club's managers. We need to look a little more closely, however, at the users of financial accounting information, and we also need to know a little more about what they do with the information that accountants provide them. Publicly Traded companies will provide their financial accounting information to a wider set of stakeholders, including shareholders, potential investors, etc., than compared to a privately held company that will generate a single set of financial statements according to the International Financial Reporting Standards. Publicly Traded companies will also provide their financial accounting information to the general public in order to showcase to potential investors the company's performance. Therefore, Publicly Traded companies will typically generate two sets of financial statements, one set of detailed statements in accordance with Canadian International Financial Reporting Standards (IFRS) and another set of simplified financial statements that can be more easily consumed by the general public.



"The Role of Financial Accounting"

Owners and Managers	In summarizing the outcomes of a golf company's financial activities over a specified period of time, financial statements are, in effect, report cards for owners and managers. They show, for example, whether the company did or didn't make a profit and furnish other information about the firm's financial condition. They also provide some information that managers and owners can use in order to take corrective action, though reports produced by management accountants offer a much greater level of depth.
Investors and Creditors	Investors and creditors furnish the money that a company needs to operate, and not surprisingly, they want to know how that business is performing. Because they know that it's impossible to make smart investment and loan decisions without accurate reports on an organization's financial health, they study financial statements to assess a company's performance and to make decisions about continued investment. According to the world's most successful investor, Warren Buffett, the best way to prepare yourself to be an investor is to learn all the accounting you can. Buffett, chairman and CEO of Berkshire Hathaway, a company that invests in other companies, turned an original investment of $10,000 into a net worth of $66 billion in four decades, and he did it, in large part, by paying close attention to financial accounting reports. [1]
Government Agencies	Businesses are required to furnish financial information to a number of government agencies. Publicly-owned companies, for example—the ones whose shares are traded on a stock exchange—must provide annual financial reports to their respective provincial Securities Commission. For example, companies located in Ontario would provide financial reports to the Ontario Securities Commission (OSC), a federal agency that regulates stock trades and which is charged with ensuring that companies tell the truth with respect to their financial positions. Companies must also provide financial information to the Canadian Revenue Agency (CRA).
Other Users	A number of other external users have an interest in a company's financial statements. Suppliers, for example, need to know if the company to which they sell their goods is having trouble paying its bills or may even be at risk of going under. Employees and labour unions are interested because salaries and other forms of compensation are dependent on an employer's performance. The previous figures illustrate the main users of management and financial accounting and the types of information produced by accountants in the two areas. In the rest of this chapter, we'll learn how to prepare a set of financial statements and how to interpret them. We'll also discuss issues of ethics in the accounting communities and career opportunities in the accounting profession.

Understanding Financial Statements

We hope that, so far, at least one thing is clear: If you're in business, you need to understand financial statements. The law no longer allows high-ranking executives to plead ignorance or fall back on delegation of authority when it comes to responsibility for a firm's financial reporting. In a business environment tainted by episodes of fraudulent financial reporting and other corporate misdeeds, top managers are now being held responsible for the financial

1. Forbes Magazine (2016). "The Richest Person in Every State: Warren Buffett." Retrieved from: http://www.forbes.com/profile/warren-buffett/

statements issued by the people who report to them. Top managers need to know how well the company is performing. Financial information helps managers identify signs of impending trouble before it is too late.

The Function of Financial Statements

- **Income Statement** = Shows sales, expenses, and whether or not a profit was made.
- **Balance Sheet** = Show assets and liabilities, the amount invested in the business.
- **Statement of Cash Flows** = Show how much cash is coming in and going out.

Since this book is for an introductory course, attention is on the income statement, balance sheet, and cash flow statement only, even though other financial statements are mentioned.

"Bob's Re-Gripping"

You decide that you want to start a home-based re-gripping business. You have gained some knowledge on how to re-grip golf clubs and think you can do a good job soliciting customers.

One of the basic steps is understanding the material costs and how much to sell your service.

"Golf Grips" by Dan Perry, CC BY 2.0

The Income Statement

Let's say that during your first month, you sell one hundred re-grips. Not bad, you say to yourself, but did I make a profit? To find out, you prepare an income statement showing revenues, or sales, and expenses—the costs of doing business. You divide your expenses into two categories:

- Cost of goods sold: the total cost of the goods that you've sold
- Operating expenses: the costs of operating your business except for the costs of things

that you've sold.

Now you need to do some subtracting:

- The difference between sales and cost of goods sold is your gross profit, also known as gross margin.
- The difference between gross profit and operating expenses is your net income or profit, which is the proverbial "bottom line." Note we've assumed you're making money, but businesses can also have a net loss.

Below is your income statement for the first month. (Remember that we've made things simpler by handling everything in cash.)

Bob's Re-Gripping

Income Statement

Month Ended April 30, 2022

Sales (100 x $10.00)		$1,000
Less cost of goods sold (100 x $6)		$600
Gross profit (100x ($10 – $6))		$400
Less operating expenses		
Salaries (paying yourself)	$240	
Advertising	$40	
Rental Equipment	$20	
	$300	
Net income (Profit) ($400-$300)		$100

Did You Make Any Money?

What does your income statement tell you? It has provided you with four pieces of valuable information:

1. You sold 100 units at $10 each, bringing in revenues or sales of $1,000.

2. Each unit (grip) that you sold cost you $6. So your cost of goods sold is $600 (100 units × $6 per unit).
3. Your gross profit—the amount left after subtracting cost of goods sold from sales—is $400 (100 units × $4 each).
4. After subtracting operating expenses of $300 – the costs of doing business other than the cost of products sold—you generated a positive net income or profit of $100. Because this is a small business, you can either keep this money as income or reinvest in equipment for the business

The Balance Sheet

A balance sheet reports the following information:

- **Assets**: the resources from which it expects to gain some future benefit
- **Liabilities**: the debts that it owes to outside individuals or organizations
- **Owner's equity:** the investment in the business

Whereas your income statement tells you how much income you earned over some period of time, your **balance sheet** tells you what you have at a specific point in time.

Companies prepare financial statements on at least a twelve-month basis—that is, for a fiscal year which ends on December 31 or some other logical date, such as June 30 or September 30. Fiscal years can vary because companies generally pick a fiscal-year end date that coincides with the end of a peak selling period; thus a crabmeat processor might end its fiscal year in October, when the crab supply has dwindled. Most companies also produce financial statements on a quarterly or monthly basis. For Bob's Re-Gripping, you'll want to prepare them monthly to stay on top of how your new business is doing. Let's prepare a balance sheet at the start and end of your first month in business.

The Accounting Equation

To prepare a balance sheet, one must first understand the fundamental accounting equation:

Assets = Liabilities + Owner's/Member Equity

This simple but important equation highlights the fact that a company's assets came from somewhere: either from investments made by the owners (owner's equity) or from loans (liabilities). This means that the asset section of the balance sheet on the one hand and the liability and owner's-equity section on the other must be equal, or balance. Thus the term balance sheet.

Let's prepare the two balance sheets we mentioned: one for the first day you started and one for the end of your first month of business. We'll assume that when you started Stress-Buster, you borrowed $400 from your parents and put in $200 of your own money. If you look at your first balance sheet below, you'll see that your business has $600 in cash (your assets): Of this total, you borrowed $400 (your liabilities) and invested $200 of your own money (your owner's equity). So far, so good: your assets section balances with your liabilities and owner's equity section as follows:

Bob's Re-Gripping

Balance Sheet

As of April 1, 2022

Assets		
	Cash	$600
Liabilities and Owner's Equity		
	Liabilities	$400
	Owner's Equity	$200
Total Liabilities and Owner's Equity		$600

Now let's see how things have changed by the end of the month. Recall that Bob's Re-Gripping earned $100 during the month of September and that you decided to leave these earnings in the business. This $100 profit increases two items on your balance sheet: the assets of the company (its cash) and your investment in it (its owner's equity). Below shows what your balance sheet will look like on April 30. You now have $700 in cash: $400 that you borrowed plus $300 that you've invested in the business (your original $200 investment plus the $100 profit from the first month of operations, which you've kept in the business).

Bob's Re-Gripping

Balance Sheet

As of April 30, 2022

Assets	
Cash (original $600 plus $100 earned)	$700
L**iabilities and Owner's Equity**	
Liabilities	$400
Owner's Equity ($200 invested by owner plus $100 profits retained)	$300
Total Liabilities and Owner's Equity	$700

Breakeven Analysis

Let's take a short detour to see how this information might be put to use. As you look at your first financial statements, you might ask yourself: is there some way to figure out the level of sales you need to avoid losing money—to "break even"? This can be done using breakeven analysis. To break even (have no profit or loss), your total sales revenue must exactly equal all your expenses (both variable and fixed). Variable costs depend on the quantity produced and sold. Fixed costs don't change as the quantity sold changes; for example, you'll pay for your advertising whether you sell Grips or not. The balance between revenue and expenses will occur when gross profit equals all other (fixed) costs. To determine the level of sales at which this will occur, you need to do the following (using data from the previous example):

1. Determine your total fixed costs: **Fixed costs = $240 salaries + $40 advertising + $20 renal equipment = $300**

2. Identify your variable costs on a per-unit basis: **Variable cost per unit = $6**

3. Determine your contribution margin per unit: **Selling price per unit – variable cost per unit: Contribution margin = $10 selling price – $6 variable cost per unit = $4**

4. Calculate your breakeven point in units: fixed costs: **Contribution margin per unit:**

Breakeven in units = $300 fixed costs ÷ $4 contribution margin per unit = 75 units/grips

Your calculation means that if you sell 75 units/grips, you'll end up with zero profit (or loss) and will exactly break even. To test your calculation, you can prepare a what-if income statement for 75 units in sales (your breakeven number). The resulting statement is shown in the table below.

Of course you want to do better than just break even, so you could modify this analysis to a targeted level of profit by adding that amount to your fixed costs and repeating the calculation. Breakeven analysis is rather handy. It enables you to determine the level of sales that you must reach to avoid losing money and the level of sales that you have to reach to earn a certain profit. Such information will be vital to planning your business.

Bob's Re-Gripping

Income Statement

Month Ended April 30, 2022

(at breakeven level of sales = 75 units)

Sales (75 x $10.00)		$750
Less cost of goods sold (75 x $6)		$450
Gross profit ($75 x ($10 – $6))		$300
Less operating expenses		
Salaries	$240	
Advertising	$40	
Rental Equipment	$20	
	$300	
Net income (Profit) ($300 – $300)		$0

The Cash Flow Statement

The **Cash Flow Statement** provides valuable information about a company's expenses and receipts and allows insights into its future income needs in order to be able to meet its future obligations (expenses and receipts). The cash flow statement reports cash inflows and outflows, and it will identify the amount of cash the company currently holds, which is also reported in the balance sheet.

Typically the cash flow statement is reported on a month to month basis, however, a statement of cash flow will consolidate month to month cash flow to meet the requirements of the International Financial Reporting Standards.

A statement of cash flow will report cash in three distinct areas of business:

- Cash from Operations
- Cash from Investing
- Cash from Financing

Now let's prepare the statement of cash flow for Bob's Re-Gripping for the one month period ending April 30, 2022. Bob's Re-Gripping would have incurred cash from Operations in the form of Net Income incurred after deducting the month's expenses from the month's revenues and would have also incurred cash from Financing from the initial $400 loan taken out to start the business and the additional $200 of personal income. As Bob's Re-Gripping did not invest in new equipment, machinery or other assets for the business or use prior cash flows and/or retained earning to earn further investment income, Bob's Re-Gripping would not report any cash from investing activities.

Bob's Re-Gripping

Statement of Cash Flow

Month Ended April 30, 2022

Beginning Cash		$0
Operating Activities		$100
Net Income from Operations	$100	
Investing Activities		$0
Financing Activities		$600
Increase in Short Term Debt	$400	
Increase in Retained Earnings	$200	
Ending Cash Balance (Net Change)		$700

Financial Statement Analysis

Now that you know a bit about financial statements, it is important that owners, managers, investors, and creditors assess a business' performance and financial strength. You can gain a wealth of information from financial statements, but the key is to understand a few basic principles for "unlocking" it. Ratio Analysis is used to help interpret the data to see how your business is performing. Some of the most common ratios measure profitability, liquidity, debt, effectiveness and efficiency. This will be explored in further detail in your Accounting class.

Key Terms

Accounting is the language of business as it communicates so much of the information that owners, managers, and investors need to evaluate a company's financial performance.

Management accounting, also known as *managerial accounting as it* plays a key role in helping managers carry out their responsibilities.

Financial accounting is responsible for preparing the organization's financial statements—including the income statement, the statement of owner's equity, the balance sheet, and the statement of cash flows.

The gross margin is the difference between sales and the cost of goods sold is your gross profit.

The income statement provides information about the sales, expenses, and whether or not a profit was made.

The balance sheet shows assets and liabilities, the amount invested in the business.

Statement of Cash Flows shows how much cash is coming in and going out.

Assets are the resources from which it expects to gain some future benefit.

Liabilities are the debts that it owes to outside individuals or organizations.

Owner's equity is the investment in the business.

Key Takeaways

1. Accounting is the process of measuring and summarizing business activities, interpreting financial information, and communicating the results to management and other decision makers.
2. Managerial accounting deals with information produced for internal users, while financial accounting deals with external reporting.
3. The income statement captures sales and expenses over a period of time and shows how much a firm made or lost in that period.
4. The balance sheet reflects the financial position of a firm at a given point in time, including its assets, liabilities, and owner's equity. It is based on the following equation: assets – liabilities = owner's equity.
5. Breakeven analysis is a technique used to determine the level of sales needed to break even—to operate at a sales level at which you have neither profit nor loss.

Chapter 3: Golf and Club Economics

Learning Objectives

By the end of the chapter, you should be able to:

- Describe the foundational philosophies of capitalism and socialism.
- Discuss Economic impact of golf in Canada
- Explain the difference(s) between fiscal and monetary policy.
- Discuss the concept of the unemployment rate measurement.
- Discuss the concepts of inflation and deflation.
- Explain other **key terms** related to this chapter including supply; demand; equilibrium price; monopoly; recession; depression

What is Economics?

To appreciate how a golf and club business functions, we need to know something about the economic environment in which it operates. We begin with a definition of economics and a discussion of the resources used to produce goods and services. **Economics** is the study of how individuals, businesses, governments, and nations allocate their limited resources to satisfy their unlimited wants and needs. The allocation of resources is concerned with the production, distribution, and consumption of goods and services. Resources are the **inputs** used to produce **outputs**. Resources may include any or all of the following and their connections with one another:

- Land (golf courses) and other natural resources
- Labour (physical and mental)
- Capital, including buildings and equipment
- Entrepreneurship
- Knowledge

Resources are combined to produce goods and services. Land and natural resources provide the needed raw materials. Labour transforms raw materials into goods and services. Capital (equipment, buildings, vehicles, cash, and so forth) is needed for the production process. Entrepreneurship provides the skill, drive, and creativity needed to bring the other resources together to produce a good or service to be sold to the marketplace.

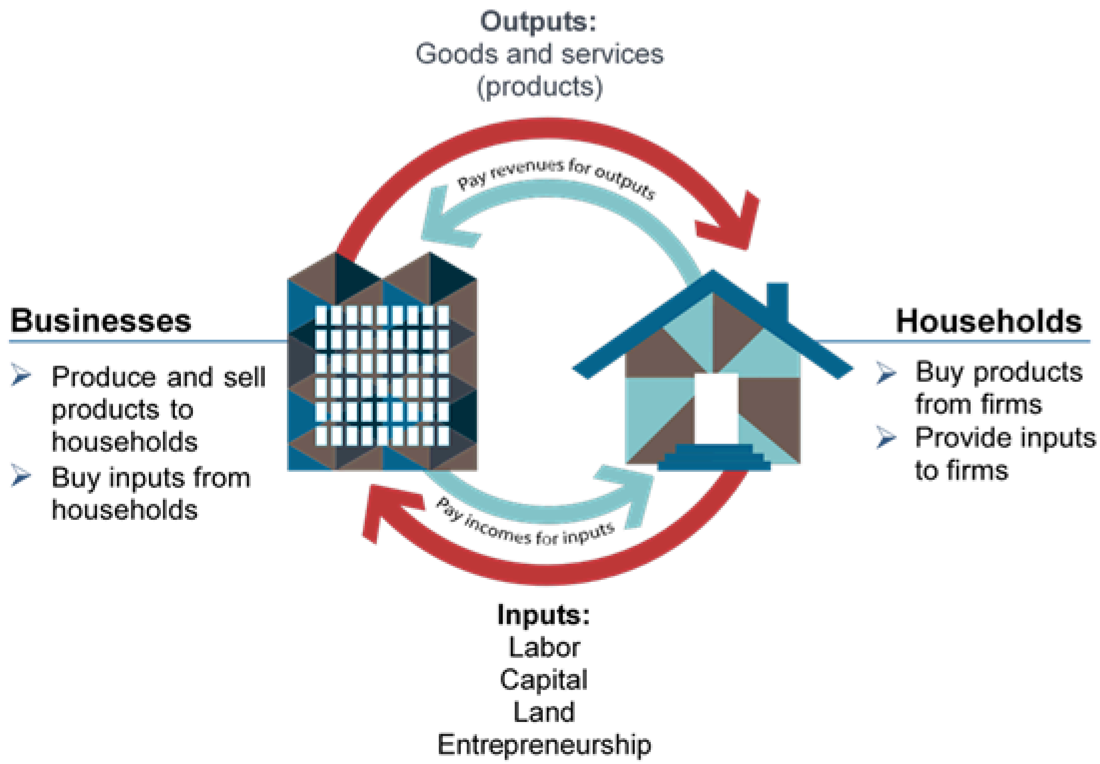
Because a business uses resources to produce things, we also call these resources **factors of production**. The factors of production used to produce a golf ball would include the following:

- The land that the golf ball factory sits on, the electricity used to run the plant, and the raw materials from which the golf balls are made
- The labourers who make the golf balls
- The factory and equipment used in the manufacturing process, as well as the money needed to operate the factory

Input and Output Markets

Many of the factors of production are provided to golf and club businesses by households. For example, households provide businesses with labour (as workers), land and buildings (as landlords), and capital (as investors). In turn, golf and club businesses pay households for these resources by providing them with income, such as wages, rent, and interest. The resources obtained from households are then used by the golf and club businesses to produce goods and services, which are sold to provide businesses with revenue. The revenue obtained by businesses is then used to buy additional resources, and the cycle continues. This is described in the figure: The Circular Flow of Inputs and Outputs below, which illustrates the dual roles of households and businesses:

- Households not only provide factors of production (or resources) but also consume goods and services
- Businesses not only buy resources but also produce and sell both goods and services



"The Circular Flow of Inputs and Outputs"

Economic Systems

In order to understand the economic conditions that affect the golf and club business, we need to consider the "Macro" conditions that impact the industry. Economists study the interactions between households and businesses and look at the ways in which the factors of production are combined to produce the goods and services that people need. Basically, economists try to answer three sets of questions:

1. What goods and services should be produced to meet consumers' needs? In what quantity? When?
2. How should goods and services be produced? Who should produce them, and what resources should be used to produce them?
3. Who should receive the goods and services produced? How should they be allocated among consumers? The answers to these questions depend on a country's economic system—the means by which a society (households, businesses, and government) makes decisions about allocating resources to produce products and about distributing those products. The degree to which individuals and business owners, as opposed to the government, enjoy freedom in making these decisions varies according to the type of

economic system.

Generally speaking, economic systems can be divided into two systems: planned systems and free-market systems.

Planned Systems

In a **planned system**, the government exerts control over the allocation and distribution of all or some goods and services. The system with the highest level of government control is communism. In theory, a communist economy is one in which the government owns all or most enterprises. Central planning by the government dictates which goods or services are produced, how they are produced, and who will receive them. In practice, pure communism is practically nonexistent today, and only a few countries (notably North Korea) operate under rigid, centrally planned economic systems.

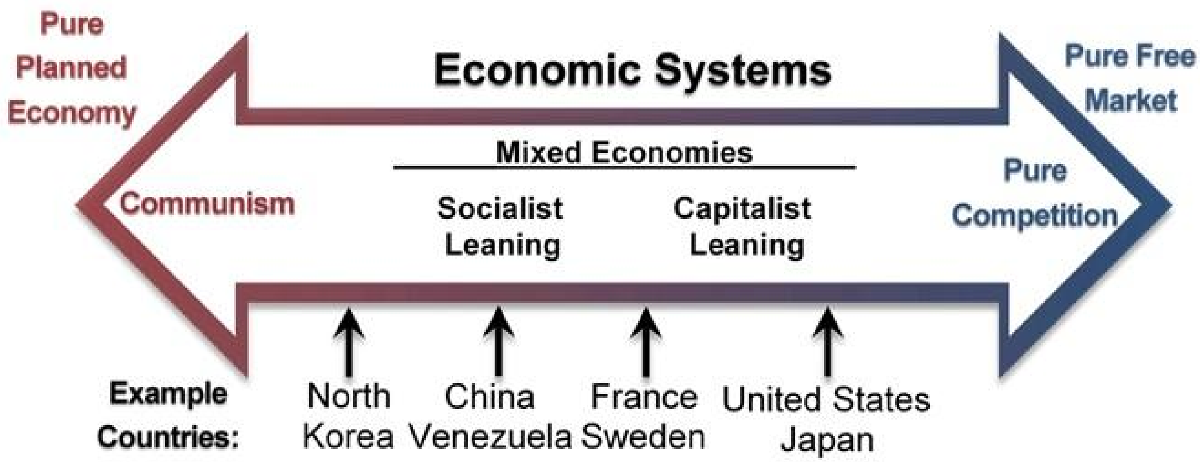
Under socialism, industries that provide essential services, such as utilities, banking, and health care, maybe government-owned. Some businesses may also be owned privately. Central planning allocates the goods and services produced by government-run industries and tries to ensure that the resulting wealth is distributed equally. In contrast, privately-owned companies are operated for the purpose of making a profit for their owners. In general, workers in socialist economies work fewer hours, have longer vacations, and receive more health care, education, and child-care benefits than do workers in capitalist economies. To offset the high cost of public services, taxes are generally steep. Examples of countries that lean towards a socialistic approach include Venezuela, Sweden, and France.

Free Market System

The economic system in which most businesses are owned and operated by individuals is the **free market system**, also known as capitalism. In a free-market economy, competition dictates how goods and services will be allocated. Business is conducted with more limited government involvement concentrated on regulations that dictate how businesses are permitted to operate. A key aspect of a free market system is the concept of private property rights, which means that business owners can expect to own their land, buildings, machines, etc., and keep the majority of their profits, except for taxes. The profit incentive is a key driver of any free-market system. The economies of the United States and other countries, such as Canada and Japan, are based on capitalism. However, a purely capitalistic economy is as rare as one that is purely communist. Imagine if a service such as police protection, one provided by the government in the United States, were instead allocated based on market forces. The ability to pay would then become a key determinant in who received these services, an outcome that few in American or Canadian society would consider acceptable.

How Economic Systems Compare

In comparing economic systems, it can be helpful to think of a continuum with communism at one end and pure capitalism at the other, as in the following Economic Systems Figure. As you move from left to right, the amount of government control over business diminishes. So, too, does the level of social services, such as health care, child-care services, social security, and unemployment benefits. Moving from left to right, taxes are correspondingly lower as well.



"[Economic Systems](#)" by [Brian Craig](#), © [Virginia Tech Libraries](#), [CC BY 4.0](#)

Mixed Market Economies

Though it's possible to have a pure communist system, or a pure capitalist (free market) system, in reality, many economic systems are mixed. A **mixed market** economy relies on both markets and the government to allocate resources. In practice, most economies are mixed, with a leaning towards either free-market or socialistic principles, rather than being purely one or the other. Some previously communist economies, such as those of Eastern Europe and China, are becoming more mixed as they adopt more capitalistic characteristics and convert businesses previously owned by the government to private ownership through a process called privatization. By contrast, Venezuela is a country that has moved increasingly towards socialism, taking control of industries such as oil and media through a process called nationalization.

The Canadian Economic System

Like most countries, Canada features a mixed market system much like its neighbor to the south: though the Canadian and U.S. economic systems are primarily free-market systems, the federal government controls some basic services, such as the postal service and air traffic control. The Canadian economy also has some characteristics of a socialist system, such as providing social security retirement benefits to retired workers or free health care to its population.

The free market system was espoused by Adam Smith in his book The Wealth of Nations, published in 1776. According to Smith, competition alone would ensure that consumers received the best products at the best prices. In the kind of competition, he assumed, a seller who tries to charge more for his product than other sellers would not be able to find any buyers. A job-seeker who asks more than the going wage won't be hired. Because the "invisible hand" of competition will make the market work effectively, there won't be a need to regulate prices or wages. Almost immediately, however, a tension developed among free-market theorists between the principle of laissez-faire—leaving things alone—and government intervention. Today, it's common for the Canadian government to intervene in the operation of the economic system. For example, the government exerts influence on the food and pharmaceutical industries through Canada's Food and Drug Act and Regulations, which protect consumers by preventing unsafe or mislabeled products from reaching the market.

To appreciate how businesses operate, we must first get an idea of how prices are set in competitive markets. The next section, "Perfect Competition and Supply and Demand," begins by describing how markets establish prices in an environment of perfect competition.

Perfect Competition and Supply and Demand

Under a mixed economy, such as we have in Canada, businesses make decisions about which goods to produce or services to offer and how they are priced. Because there are many businesses making goods or providing services, customers can choose among a wide array of products. The competition for sales among businesses is a vital part of our economic system. Economists have identified four types of competition—**perfect competition**, **monopolistic competition**, **oligopoly**, and **monopoly**. We'll introduce the first of these—perfect competition—in this section and cover the remaining three in the following section.

Perfect Competition

Perfect competition exists when there are many consumers buying a standardized product or experience from numerous small businesses (ie. golf courses). Because no seller is big enough or influential enough to affect price, sellers and buyers accept the going price. For example, when there is a cluster of similar golf courses in a geographical area, they have little control over the price as it need to remain similar to stay competitive within the market.

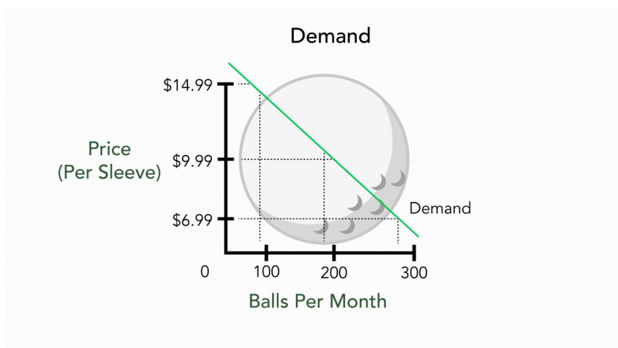
The Basics of Supply and Demand

To appreciate how perfect competition works, we need to understand how buyers and sellers interact in a market to set prices. In a market characterized by perfect competition, price is determined through the mechanisms of supply and demand. Prices are influenced both by the **supply** of products from sellers and by the **demand** for products by buyers.

To illustrate this concept, let's create a supply and demand schedule for one particular good sold at one point in time. Then we'll define demand and create a demand curve and define supply and create a supply curve. Finally, we'll see how supply and demand interact to create an equilibrium price—the price at which buyers are willing to purchase the amount that sellers are willing to sell.

Demand and the Demand Curve

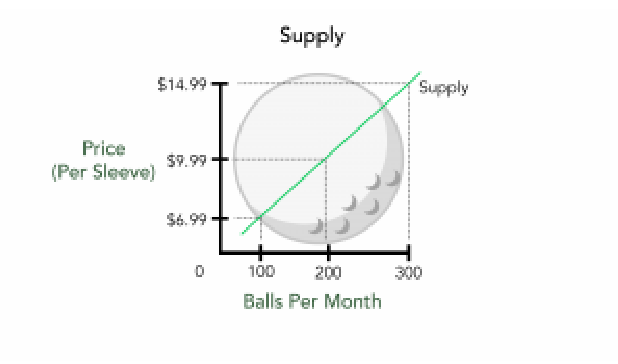
Demand is the quantity of a product that buyers are willing to purchase at various prices. The quantity of a product that people are willing to buy depends on its price. You're typically willing to buy less of a product when prices rise and more of a product when prices fall. Generally speaking, we find products more attractive at lower prices, and we buy more at lower prices because our income goes further.



"The Demand Curve" by Alyssa Giles, [CC BY-NC-SA 4.0]

Using this logic, we can construct a demand curve that shows the quantity of a product that will be demanded at different prices. Let's assume that the diagram "The Demand Curve" represents the daily price and quantity of golf balls sold by golf courses. Note that as the price of golf balls goes down, buyers' demand goes up. Thus, if a sleeve of golf balls sells for $14.99, buyers will be willing to purchase only one sleeve per round. But if golf balls cost only $9.99 per sleeve, buyers will be willing to purchase two sleeves per round. At $6.99 a sleeve of balls, buyers will be willing to purchase 3 sleeves per round

Supply and the Supply Curve



"The Supply Curve" by Alyssa Giles, [CC BY-NC-SA 4.0]

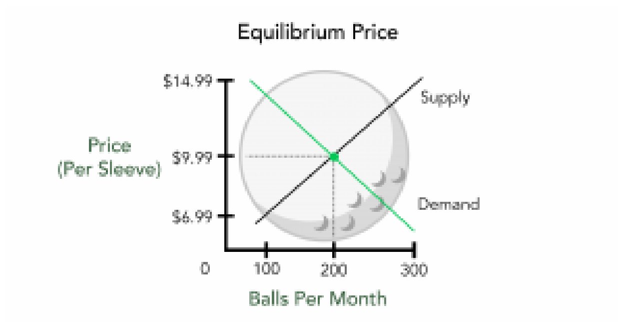
Supply is the quantity of a product that sellers are willing to sell at various prices. The quantity of a product that a business is willing to sell depends on its price. Businesses are more willing to sell a product when the price rises and less willing to sell it when prices fall. Again, this fact makes sense: businesses are set up to make profits, and there are larger profits to be made when prices are high.

Now we can construct a supply curve that shows the quantity of golf balls that golf courses would be willing to sell at different prices, regardless of demand. As you can see in "The Supply Curve", the supply curve goes in the opposite direction from the demand curve: as prices rise, the quantity of golf balls that golf courses are willing to sell also goes up. The supply curve shows that golf courses are willing to sell only one sleeve of golf balls when the price is $6.99 per sleeve, two sleeves of golf balls when the price is $9.99 per sleeve, and three sleeves of golf balls when the price is $14.99 per sleeve. As the price of golf balls, there is better margins for the golf course

Equilibrium Price

We can now see how the market mechanism works under perfect competition. We do this by plotting both the supply curve and the demand curve on one graph, as we've done in the figure below, "**The Equilibrium Price**". The point at which the two curves intersect is the equilibrium price.

You can see in "The Equilibrium Price" that the supply and demand curves intersect at the price of $9.99 and a quantity of two sleeves of golf balls. Thus, $9.99 is the equilibrium price: at this price, the quantity of golf balls demanded by buyers equals the quantity of golf balls that golf courses are willing to supply. If golf courses tries to charge more than $9.99 for a sleeve of golf balls, they won't sell very many because other suppliers are making them available for less. As a result, the profits will go down. If, on the other hand, a golf courses tries to charge



"The Equilibrium Price" by Alyssa Giles, [CC BY-NC-SA 4.0]

less than the equilibrium price of $9.99 per sleeve, they will sell more golf balls but the profit per sleeve will be less than the equilibrium price. With profit being the motive, there is no incentive to drop the price.

What have you learned in this discussion? Without outside influences, markets in an environment of perfect competition will arrive at an equilibrium point at which both buyers and sellers are satisfied. But you must be aware that this is a very simplistic example. Things are much more complex in the real world. For one thing, markets rarely operate without outside influences. Sometimes, sellers supply more of a product than buyers are willing to purchase; in that case, there's a surplus. Sometimes, they don't produce enough of a product to satisfy demand; then we have a shortage.

Circumstances also have a habit of changing. What would happen, for example, if incomes rose and buyers were willing to pay more for premium brand golf balls? The demand curve would change, resulting in an increase in equilibrium price. This outcome makes intuitive sense: as demand increases, prices will go up. What would happen if golf ball production was larger than expected because of anticipated forecasts for golf ball demand due to increased rounds? Golf courses might be willing to sell golf balls at lower prices (maintaining the desired margin) as their suppliers provide better wholesale costs in order to allow inventory space in the golf ball factory. If so, the supply curve would shift, resulting in another change in equilibrium price: the increase in supply would bring down prices.

Monopolistic Competition, Oligopoly, and Monopoly

As mentioned previously, economists have identified four types of competition—**perfect competition**, **monopolistic competition**, **oligopoly**, and **monopoly**. Perfect competition was discussed in the last section; we'll cover the remaining three types of competition here.

Four Major Market Structures

Characteristic	Perfect Competition	Monopolistic Competition	Oligopoly	Pure Monopoly
Number of firms	Very many	Many	A few	One
Types of product	Homogeneous	Differentiated	Homogeneous or differentiated	Homogeneous
Barriers to entry or exit from the industry	No substantial barriers	Minor barriers	Considerable barriers	Extremely great barriers
Examples	Agriculture	Retail trade	Banking	Public utilities

Monopolistic Competition

In monopolistic competition, we still have many sellers (as we had under perfect competition). Now, however, they don't sell identical products or experiences. Instead, they sell differentiated products/experiences—products/experiences that differ somewhat or are perceived to differ, even though they serve a similar purpose. Products/experiences in the golf industry can be differentiated in a number of ways, including course quality, playability, convenience, location, and level of service. Some people prefer one golf course over the other, even though the two courses are quite similar. But what if there was a substantial price difference between the two? In that case, buyers could be persuaded to switch from one to the other.

How is product/experience differentiation accomplished? Sometimes, it's simply geographical; you probably buy gasoline at the station closest to your home regardless of the brand. At other times, perceived differences between products/experiences are promoted by advertising designed to convince consumers that one golf course is different from another—and better than it. Regardless of customer loyalty to a product, however, if its price goes too high for green fees, the golf course will lose business to a competitor. Under monopolistic competition, therefore, some golf businesses have only limited control over price.

Oligopoly

Oligopoly means few sellers. In an oligopolistic market, each seller supplies a large portion of all the products/experiences sold in the marketplace. In addition, because the cost of starting a business in an oligopolistic industry is usually high, the number of businesses entering it is low. Companies in oligopolistic golf industries include such large-scale enterprises as multi-course operations situated on hundreds of acres. As large golf operations supply a sizable portion of a market, these companies have some control over the prices they charge. But there's a catch: because products/experiences are fairly similar, when one company lowers prices, others are often forced to follow suit to remain competitive.

Monopoly

In terms of the number of sellers and degree of competition, a monopoly lies at the opposite end of the spectrum from perfect competition. In perfect competition, there are many small companies, none of which can control prices; they simply accept the market price determined by supply and demand. In a monopoly, however, there's only one seller in the market. The market could be a geographical area, such as a city or a regional area.

There are few monopolies in the golf industry. From an economic perspective, most fall into one of two categories: natural and legal. Natural monopolies include public utilities, such as electricity and gas suppliers. Such enterprises require huge investments, and it would be inefficient to duplicate the products that they provide. They inhibit competition, but they're legal because they're important to society. In exchange for the right to conduct business without competition, they're regulated. For instance, they can't charge whatever prices they want, but they must adhere to government-controlled prices. As a rule, they're required to serve all customers, even if doing so isn't cost-efficient.

A legal monopoly arises when a company receives a patent giving it exclusive use of an invented product or process. Patents are issued for a limited time, generally twenty years.[1] During this period, other companies can't use the invented product or process without permission from the patent holder. Patents allow companies a certain period to recover the heavy costs of researching and developing products and technologies. A classic example of a company that enjoyed a patent-based legal monopoly in the golf industry is Titleist with the technology behind the Pro V1 golf ball. For years the ball was arguably the leader in performance in the golf ball sector.

Measuring the Health of the Economy

Every day, we are bombarded with economic news (at least if you watch the business news stations). We're told about things like unemployment, home prices, and consumer confidence trends. As a student learning about business, and later as a business manager, you need to understand the nature of the Canadian economy and the terminology that we use to describe it. You need to have some idea of where the economy is heading, and you need to know something about the government's role in influencing its direction.

Economic Goals

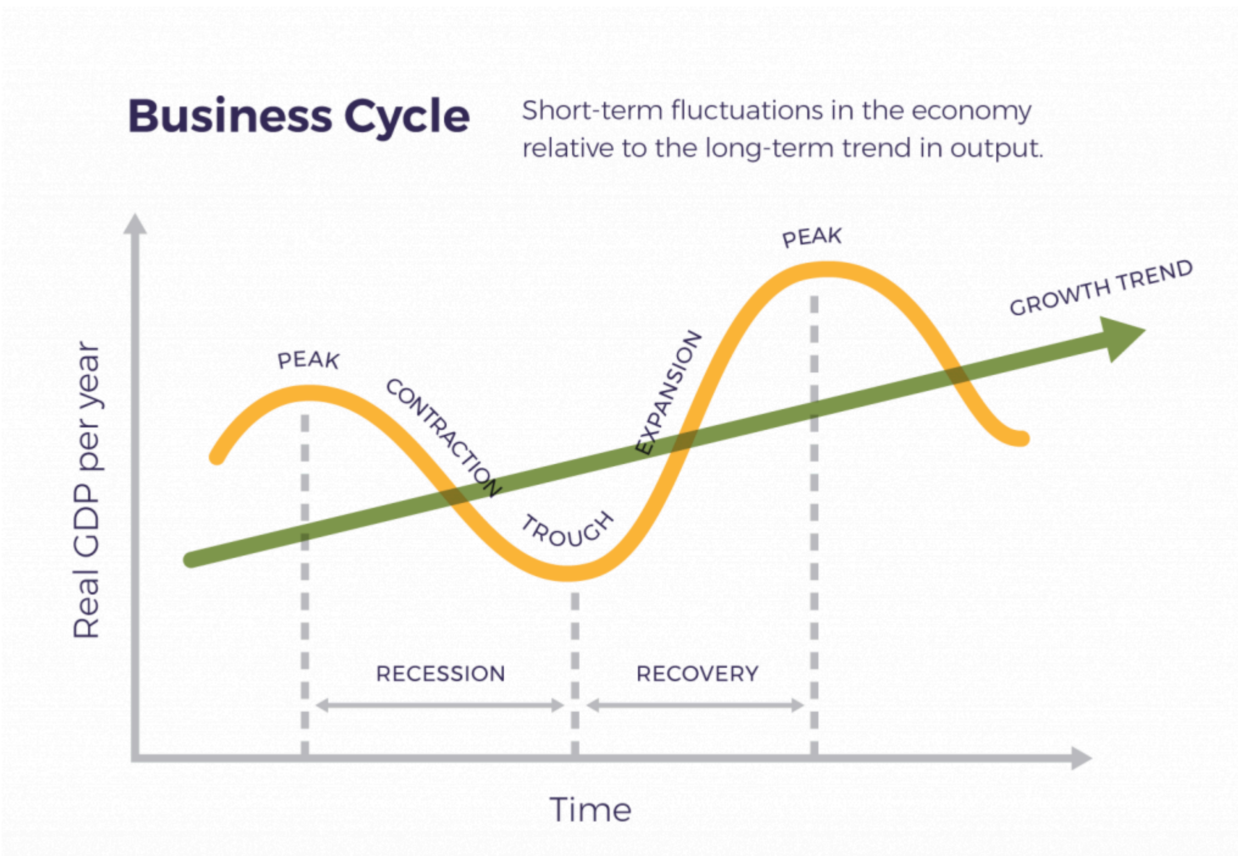
The world's economies share three main goals:

- Growth
- High employment
- Price stability

Let's take a closer look at each of these goals, both to find out what they mean and to show how we determine whether they're being met.

Economic Growth

One purpose of an economy is to provide people with goods and services—cars, computers, video games, houses, rock concerts, fast food, and amusement parks. One way in which economists measure the performance of an economy is by looking at a widely used measure of total output called the **gross domestic product (GDP)**. The GDP is defined as the market value of all goods and services produced by the economy in a given year. The GDP includes only those goods and services produced domestically; goods produced outside the country are excluded.



"Business Cycle / Economic Cycle"

The economic ups and downs resulting from expansion and contraction constitute the **business cycle**. Similar to a product lifecycle, as a business cycle introduces new products, those products grow, mature, and decline, when all business cycles in an economy are combined it creates an economy's business cycle. A typical cycle runs from three to five years but could last much longer. Golf equipment/technology is a good example of this! Though typically irregular, a cycle can be divided into four general phases prosperity, recession, depression (which the cycle generally skips), and recovery:

- During prosperity, the economy expands, unemployment is low, incomes rise, and consumers buy more products. Businesses respond by increasing production and offering new and better products.
- Eventually, however, things slow down. GDP decreases, unemployment rises, and because people have less money to spend, business revenues decline. This slowdown in economic activity is called a recession.
- Economists often say that we're entering a recession when GDP goes down for two consecutive quarters.
- Generally, a recession is followed by a recovery or expansion in which the economy starts growing again.
- If, however, a recession lasts a long time (perhaps a decade or so), while unemployment remains very high and production is severely curtailed, the economy could sink into a depression. Unlike the term recession, economists have not agreed on a uniform standard for what constitutes a depression, though they are generally characterized by their duration. Though not impossible, it's unlikely that the United States will experience another severe depression like that of the 1930s. The federal government has a number of economic tools (some of which we'll discuss shortly) with which to fight any threat of a depression.

If you want or need a more interactive example of the business cycle, watch this video: [The Business Cycle](https://ecampusontario.pressbooks.pub/businessgolfindustry/?p=44#oembed-1) by Khan Academy [11:15] (transcript available).

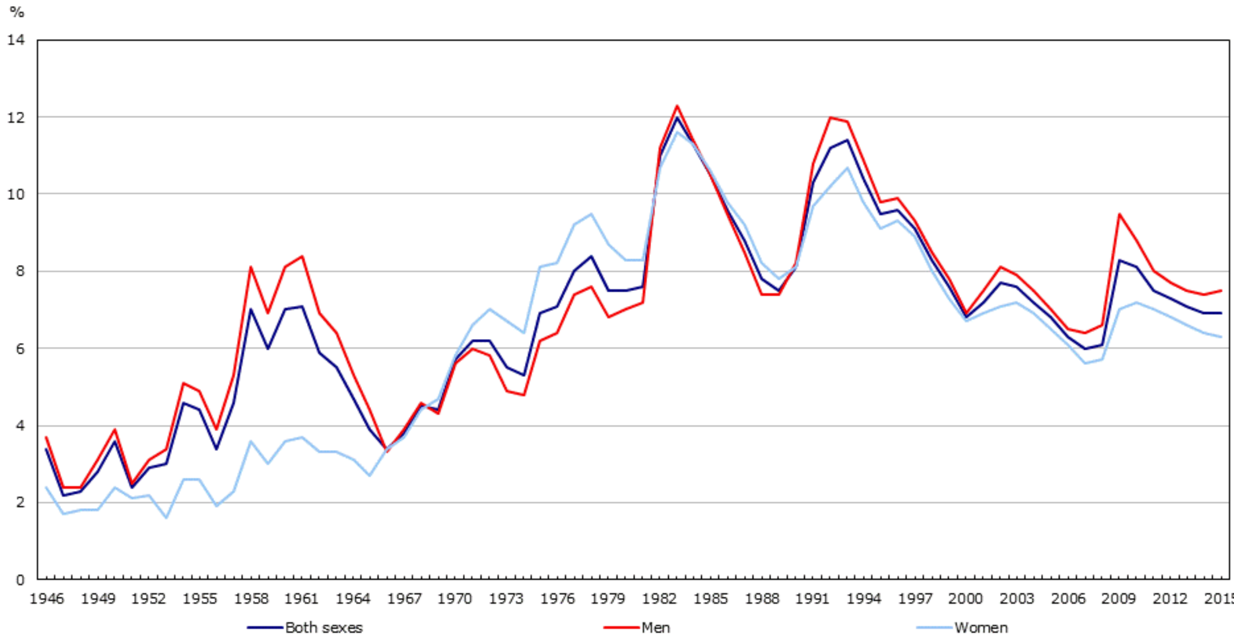
One or more interactive elements has been excluded from this version of the text. You can view them online here: https://ecampusontario.pressbooks.pub/businessgolfindustry/?p=44#oembed-1

The Unemployment Rate

Statistics Canada tracks unemployment and reports the **unemployment rate**: the percentage of the labour force that's unemployed and actively seeking work. The unemployment rate is an important measure of economic health. It goes up during recessionary periods because companies are reluctant to hire workers when the demand for goods and services is low. Conversely, it goes down when the economy is expanding and there is high demand for products and workers to supply them.

The Canadian unemployment rate has been tracked by Statistics Canada between 1946 and 2016 . Please be aware that there are multiple measures of unemployment and that this graph is based on what is known as R4, the most commonly used measurement and is comparable to the U.S. unemployment measure, U3. Another measurement, R8, is considered to provide a broader picture of unemployment in Canada and includes unemployed workers that are discouraged by their job search, involuntary part-time workers, and those unemployed workers that are awaiting confirmation for new work. Since by definition, R8 is always higher than R4, it is likely that R4 is discussed more often because it paints a more favorable, if not completely accurate, picture.[1]

Chart 4
Unemployment rate by sex, 1946 to 2015



Notes: From 1946 to 1965, rates are based on the population aged 14 years and older. From 1966 to 2015, rates are based on the population aged 15 years and older. Newfoundland was included in the LFS in the fourth quarter of 1949.
Sources: Statistics Canada, Labour Force Survey, annual averages.

Source: Statistics Canada, History of the Canadian Labour Force Survey, 2017. Reproduced and distributed on an "as is" basis with the permission of Statistics Canada.

Price Stability

A third major goal of all economies is maintaining **price stability**. Price stability occurs when

1. Statistics Canada. (2017, January 6). History of the Canadian Labour Force Survey, 1945 to 2016. https://www150.statcan.gc.ca/n1/pub/75-005-m/75-005-m2016001-eng.htm

the average of the prices for goods and services either doesn't change or changes very little. Rapidly rising prices are troublesome for both individuals and businesses. For individuals, rising prices mean people have to pay more for the things they need. For businesses, rising prices mean higher costs, and, at least in the short run, businesses might have trouble passing on higher costs to consumers. When the overall price level goes up, we have **inflation**. The graph shows inflationary trends in the Canadian economy since 1915. The inflation rate in Canada averaged 3.15 percent from 1915 until 2018, reaching an all-time high of 21.60 percent in June of 1920 and a record low of -17.80 percent in June of 1921.

An interactive H5P element has been excluded from this version of the text. You can view it online here:
https://ecampusontario.pressbooks.pub/businessgolfindustry/?p=44#h5p-9

Full Employment

A third major goal of all economies is maintaining **price stability**. Price stability occurs when the average of the prices for goods and services either doesn't change or changes very little. Rapidly rising prices are troublesome for both individuals and businesses. For individuals, rising prices mean people have to pay more for the things they need. For businesses, rising prices mean higher costs, and, at least in the short run, businesses might have trouble passing on higher costs to consumers. When the overall price level goes up, we have **inflation**. The graph shows inflationary trends in the Canadian economy since 1915. The inflation rate in Canada averaged 3.15 percent from 1915 until 2018, reaching an all-time high of 21.60 percent in June of 1920 and a record low of -17.80 percent in June of 1921.

When the price level goes down (which rarely happens), we have **deflation**. A deflationary situation can also be damaging to an economy. When purchasers believe they can expect lower prices in the future, they may defer making purchases, which has the effect of slowing economic growth.

The Consumer Price Index

The most widely publicized measure of inflation is the **consumer price index (CPI)**, which is reported monthly by Statistics Canada. The CPI measures the rate of inflation by determining price changes of a hypothetical basket of goods, such as food, housing, clothing, medical care, appliances, automobiles, and so forth, bought by a typical household.

The Bank of Canada currently measures prices against the base year of 2002, and the basket for that year is given the value of 100. In 2012 the CPI averaged 121.7, which means that what you could buy for $100 in 2002 cost $121.70 in 2012. The difference registers the effect of inflation. In fact, that's what an inflation rate is—the percentage change in a price index.

Examples

The Bank of Canada created an inflation calculator: Compare the costs of consumer goods then and now. For example, ask a parent or an older neighbour what they paid for their first car, first house, or first formal wear.

Economic Forecasting

In the previous section, we introduced several measures that economists use to assess the performance of the economy at a given time. By looking at changes in the GDP, for instance, we can see whether the economy is growing. The CPI allows us to gauge inflation. These measures help us understand where the economy stands today. But what if we want to get a sense of where it's headed in the future? To a certain extent, we can forecast future economic trends by analyzing several leading economic indicators.

Economic Indicators

An **economic indicator** is a statistic that provides valuable information about the economy. There's no shortage of economic indicators, and trying to follow them all would be an overwhelming task. So in this chapter, we'll only discuss the general concept and a few of the key indicators.

In 2019, a report titled We Are Golf was released with the results of an economic impact study of golf in Canada. Golf Business Canada magazine provides a summary of key findings and interpretation of the data from the report.

Based on the report the game of golf accounts for an estimated $18.2B of Canada's Gross

Domestic Product (GDP), which is up 14% from the $15.9B reported in 2014*. Included within the 2019 economic impact:

- The golf industry directly employed nearly 150,000 full-time, full-year equivalent positions, representing many more individuals who are employed in the sector. This number grows to approximately 249,000 when accounting for direct, indirect, and induced employment.
- The golf industry directly contributed $4.8B in household income, rising to $10.6B when considering the combined direct, indirect, and induced impacts.
- The golf industry generated $4.5B in government tax revenue; including $1.8B in federal tax revenue and $2.1B in provincial tax revenue.
- Conservatively, course operators invested $727M industry-wide on capital expenditures [2]

Government's Role in Managing the Economy

Monetary Policy

Monetary policy is exercised by The Bank of Canada, which is empowered to take various actions that decrease or increase the money supply and raise or lower short-term interest rates, making it harder or easier to borrow money. When The Bank of Canada believes that inflation is a problem, it will use contractionary policy to decrease the money supply and raise interest rates. When rates are higher, borrowers have to pay more for the money they borrow, and banks are more selective in making loans. Because money is "tighter"—more expensive to borrow—demand for goods and services will go down, and so will prices. In any case, that's the theory.

The Bank of Canada will typically tighten or decrease the money supply during inflationary periods, making it harder to borrow money.

To counter a recession, The Bank of Canada uses expansionary policy to increase the money supply and reduce interest rates. With lower interest rates, it's cheaper to borrow money, and banks are more willing to lend it. We then say that money is "easy." Attractive interest rates encourage businesses to borrow money to expand production and encourage consumers to

2. National Allied Golf Associations (NAGA). (2020, November 2). We Are Golf' releases Economic Impact of Golf in Canada (2019).https://www.golfcanada.ca/articles/golf-releases-economic-impact-golf-canada-2019/

buy more goods and services. In theory, both sets of actions will help the economy escape or come out of a recession.

The National Debt

If in any given year, the government takes in more money (through taxes) than it spends on goods and services (for things such as defense, transportation, and social services), the result is a budget surplus. If, on the other hand, the government spends more than it takes in, we have a budget deficit (which the government pays off by borrowing through the issuance of Treasury bonds). Historically, deficits have occurred much more often than surpluses; typically, the government spends more than it takes in.

Fiscal Policy

If in any given year, the government takes in more money (through taxes) than it spends on goods and services (for things such as defense, transportation, and social services), the result is a budget surplus. If, on the other hand, the government spends more than it takes in, we have a budget deficit (which the government pays off by borrowing through the issuance of Treasury bonds). Historically, deficits have occurred much more often than surpluses; typically, the government spends more than it takes in.

Read: Canadian National Debt Explained: Is Prolific Borrowing A Wise Economic Strategy?

Key Terms

Key terms appear throughout the chapter. When you click on them, a definition will pop up. If you are using a downloaded or printed format, check the glossary at the back of the book. Please make sure you can define them!

Economics is concerned with the production, distribution, and consumption of goods and services. It studies how individuals, businesses, governments, and nations make choices about how to allocate resources.

Inputs are the elements that go into producing a good or service such as labor, raw materials, capital, land, entrepreneurship, etc.

Output is the finished product coming from a production process.

Planned system is an economic system in which the elements of an economy (such as labor, capital, and natural resources) are subject to government control and regulation designed to achieve the objectives of a comprehensive plan of economic development.

Free market system is defined as an economy operating by free competition.

Mixed market economy is defined as an economic system blending elements of a market economy with elements of a planned economy, markets with state interventionism, or private enterprise with public enterprise.

Perfect competition exists when there are many consumers buying a standardized product from numerous small businesses. Because no seller is big enough or influential enough to affect price, sellers and buyers accept the going price.

Monopolistic competition occurs when an industry has many firms offering products that are similar but not identical. Unlike a monopoly, these firms have little power to curtail supply or raise prices to increase profits.

Oligopoly means few sellers. In such an oligopolistic market, each seller supplies a large portion of all the products sold in the marketplace.

Monopoly is a market structure characterized by a single seller, selling a unique product in the market. In a monopoly market, the seller faces no competition, as he is the sole seller of goods with no close substitute.

Supply is the quantity of a product that sellers are willing to sell at various prices.

Demand is the quantity of a product that buyers are willing to purchase at various prices.

The Equilibrium Price is the price point at which the demand and supply curves intersect.

Gross domestic product (GDP) is defined as the market value of all goods and services produced by the economy in a given year.

Business cycle is the regular economic pattern of upturns and downturns in demand and output within the economy that tend to repeat themselves every three to five years or may last much longer.

Unemployment rate is the percentage of the labour force that is unemployed and actively seeking work.

Full employment describes the level of employment which provides jobs for all those who wish to work.

Price stability is the stable level of prices in the economy, which avoids long periods of inflation or deflation and sustains the value of money over time.

Inflation is a sustained rise in the average prices of goods within an economy. It can also be explained as the fall in the purchasing power of money since it is usual for wages to move ahead at least as fast as the price level.

Deflation is downward pressure on the level of economic activity. It is a period of falling demand and prices. It is usually accompanied by reduced output and rising unemployment.

Consumer Price Index (CPI) represents changes in prices as experienced by Canadian consumers. It measures price change by comparing, through time, the cost of a fixed basket of goods and services.

Economic indicators are the monthly statistics that provide information on the country's economic performance. There are different types of indicators that are all subject to considerable error, so it is unwise to draw any conclusions from just one month's data.

Monetary policy is concerned with the money supply, rates of interest, exchange rates, and the amount of credit available in order to control the level of spending within the economy.

Fiscal policy is a government towards its raising of revenue and its level of public spending.

Key Takeaways

1. Economics is the study of the production, distribution, and consumption of goods and services.
2. Economists address these three questions: (1) What goods and services should be produced to meet consumer needs? (2) How should they be produced, and who should produce them? (3) Who should receive goods and services?
3. The answers to these questions depend on a country's economic system. The primary economic systems that exist today are planned and free-market systems.
4. In a planned system, such as communism and socialism, the government exerts control over the production and distribution of all or some goods and services.
5. In a free market system, also known as capitalism, business is conducted with only limited government involvement. Competition determines what goods and services are produced, how they are produced, and for whom.
6. In a free market system, buyers and sellers interact in a market to set prices.
7. When the market is characterized by perfect competition, many small companies sell identical products. The price is determined by supply and demand.
8. Supply is the quantity of a product that sellers are willing to sell at various prices. Price also influences the quantity of a product that producers are willing to supply: they'll sell more of a product when prices are high and less when they're low.
9. Demand is the quantity of a product that buyers are willing to purchase at various prices. The quantity of a product that people will buy depends on its price: they'll buy more when the price is low and less when it's high.
10. In a competitive market, the decisions of buyers and sellers interact until the market reaches an equilibrium price—the price at which buyers are willing to buy the same amount that sellers are willing to sell.
11. There are four types of competition in a free market system: perfect competition, monopolistic competition, oligopoly, and monopoly.
12. Under perfect competition, many sellers offer differentiated products— products that differ slightly but serve similar purposes. By making consumers aware of product differences, sellers exert some control over price.
13. In an oligopoly, a few sellers supply a sizable portion of products in the market. They exert some control over price, but because their products are similar when one company lowers prices, the others follow.
14. In a monopoly, there is only one seller in the market. The market could be a geographical area, such as a city or a regional area, and does not necessarily have to be an entire country. The single seller is able to control prices.

15. Most monopolies fall into one of two categories: natural and legal.
16. Natural monopolies include public utilities, such as electricity and gas suppliers. They inhibit competition, but they're legal because they're important to society.
17. A legal monopoly arises when a company receives a patent giving it exclusive use of an invented product or process for a limited time, generally twenty years. Economies share three goals: growth, high employment, and price stability.
18. Growth. An economy provides people with goods and services, and economists measure its performance by studying the gross domestic product (GDP)—the market value of all goods and services produced by the economy in a given year. If the GDP goes up, the economy is growing; if it goes down, the economy is contracting.

Chapter 4: Ethics and Social Responsibility for the Golf and Club Industry

Learning Objectives

By the end of the chapter, you should be able to:

- Define business ethics and explain what it means to act ethically in business.
- Explain why we study business ethics.
- Identify ethical issues that you might face in business and explain rationalizations for unethical behaviour.
- Identify steps you can take to maintain your honesty and integrity in a business environment.
- Define corporate social responsibility and explain how organizations are responsible to their stakeholders, including owners, employees, customers, and the community.
- Discuss how you can identify an ethical organization, and how organizations can prevent behaviour like sexual harassment.
- Recognize how to avoid an ethical lapse, and why you should not rationalize when making decisions.

What really motivates people to be honest in business

Each year, one in seven large corporations commits fraud. Why? To find out, watch the video: What really motivates people to be honest in business by TED [13:18] where Alexander Wagner takes us inside the economics, ethics, and psychology of doing the right thing. Join him for an introspective journey down the slippery slopes of deception as he helps us understand why people behave the way they do.

One or more interactive elements has been excluded from this version of the text. You can view them online here: https://ecampusontario.pressbooks.pub/businessgolfindustry/?p=52#oembed-1

Point to Ponder

How can we apply the principles of Alexander Wagner's talk to the golf and club industry? From the decisions on how we safely apply hazardous chemicals on the golf course to the ways we choose to handle waste from the clubhouse, managers and owners are faced with these decisions every day!

A Managers "Cautionary Tale"[1]

York Downs, a Markham, Ontario golf course was defrauded of more than $600,000 by the club's general manager, Leonardo De La Fuente. De La Fuente apparently used the money to pay for his personal home renovations and support his lavish lifestyle. The fraud was discovered when De La Fuente paid an electrician working on his family's home with a club cheque that included incorrect information. Club administrators were notified when the

1. Grimaldi, J. (2017, Jan 18). York Downs golf exec admits to defrauding club of $600k. Metroland Media Group. https://www.gottarent.com/news-story/7071255-york-downs-golf-exec-admits-to-defrauding-club-of-600k/

information required verification. They then hired a forensic accountant who discovered this was not the only instance of fraud.

According to the former club's president Donald Matheson, De La Fuente "has not only shattered the trust and faith of the club and its members but has systematically unraveled the structure in which the club has always operated… Faith has been eroded… Seeds of doubt have been sewn within the greater community of the club". De La Fuente was found guilty and served time in jail. He was also ordered to pay restitution to the club. In 2015, the club was sold.

What is Business Ethics?

It's in the best interest of a company to operate ethically. Trustworthy companies are better at attracting and keeping customers, talented employees, and capital. Those tainted by questionable ethics suffer from dwindling customer bases, employee turnover, and investor mistrust.

Let's begin this section by addressing this question: What can individuals, organizations, and government agencies do to foster an environment of ethical behaviour in business? First, of course, we need to define the term **ethics**.

What Is Ethics?

You probably already know what it means to be ethical: to know right from wrong and to know when you're practicing one instead of the other. **Business ethics** is the application of ethical behaviour in a business context. Acting ethically in business means more than simply obeying applicable laws and regulations. It also means being honest, doing no harm to others, competing fairly, and declining to put your own interests above those of your company, its owners, and its workers. If you're in business you obviously need a strong sense of what's right and wrong. You need the personal conviction to do what's right, even if it means doing something that's difficult or personally disadvantageous.

Why Study Ethics?

Ideally, prison terms, heavy fines, and civil suits would discourage corporate misconduct, but, unfortunately, many experts suspect that this assumption is a bit optimistic. Whatever the condition of the ethical environment in the near future, one thing seems clear: the next generation entering the business—which includes most of you—will find a world much different than the one that waited for the previous generation. Recent history tells us in no uncertain terms that today's business students, many of whom are tomorrow's business leaders, need a much sharper understanding of the difference between what is and isn't ethically acceptable. As a business student, one of your key tasks is learning how to recognize and deal with the ethical challenges that will confront you. Asked what he looked for in a new hire, Warren Buffet, the world's most successful investor, replied: "I look for three things. The first is personal integrity, the second is intelligence, and the third is a high energy level." He paused and then added: "But if you don't have the first, the second two don't matter". [2]

Identifying Ethical Issues and Dilemmas

Ethical issues are the difficult social questions that involve some level of controversy over what is the right thing to do. Environmental protection is an example of a commonly discussed ethical issue because there can be trade-offs between environmental and economic factors.

Tips to maintain honesty and integrity

- Follow your own code of personal conduct; act according to your own convictions rather than doing what's convenient (or profitable) at the time.
- While at work, focus on your job, not on non-work-related activities, such as emails and personal phone calls.
- Don't appropriate office supplies or products or other company resources for your own use.
- Be honest with customers, management, coworkers, competitors, and the public. Remember that it's the small seemingly trivial, day-to-day activities and gestures that build your character.

2. Gostick, A., & Telford D. (2003). The Integrity Advantage. Salt Lake City: Gibbs Smith.

Make no mistake about it: when you enter the business world, you'll find yourself in situations in which you'll have to choose the appropriate behaviour. How, for example, would you answer questions like the following?

1. Is it OK to accept a pair of sports tickets from a supplier?
2. Can I buy office supplies from my brother-in-law?
3. Is it appropriate to donate company funds to a local charity?
4. If I find out that a friend is about to be fired, can I warn her?

Obviously, the types of situations are numerous and varied. Fortunately, we can break them down into a few basic categories: issues of honesty and integrity, conflicts of interest and loyalty, bribes versus gifts, and whistle-blowing. Let's look a little more closely at each of these categories.

Issues of Honesty and Integrity

Master investor Warren Buffet once told a group of business students the following: "I cannot tell you that honesty is the best policy. I can't tell you that if you behave with perfect honesty and integrity somebody somewhere won't behave the other way and make more money. But honesty is a good policy. You'll do fine, you'll sleep well at night and you'll feel good about the example you are setting for your coworkers and the other people who care about you".[3]

If you work for a company that settles for its employees' merely obeying the law and following a few internal regulations, you might think about moving on. If you're being asked to deceive customers about the quality or value of your product, you're in an ethically unhealthy environment.

Ethically Toxic Environments

Think about this story:

"A chef put two frogs in a pot of warm soup water. The first frog smelled the onions, recognized the danger, and immediately jumped out. The second frog hesitated: The water felt good, and

3. Gostick, A., & Telford D. (2003). The Integrity Advantage. Salt Lake City: Gibbs Smith.

he decided to stay and relax for a minute. After all, he could always jump out when things got too hot (so to speak). As the water got hotter, however, the frog adapted to it, hardly noticing the change. Before long, of course, he was the main ingredient in frog-leg soup." [4]

So, what's the moral of the story? Don't sit around in an ethically toxic environment and lose your integrity a little at a time; get out before the water gets too hot and your options have evaporated.

Conflicts of Interest

Conflicts of interest occur when individuals must choose between taking actions that promote their personal interests over the interests of others or taking actions that don't. A conflict can exist, for example, when an employee's own interests interfere with or have the potential to interfere with, the best interests of the company's stakeholders (management, customers, and owners). Let's say that you work for a company with a contract to cater events at your college and that your uncle owns a local bakery. Obviously, this situation could create a conflict of interest (or at least give the appearance of one—which is a problem in itself). When you're called on to furnish desserts for a luncheon, you might be tempted to send some business your uncle's way even if it's not in the best interest of your employer. What should you do? You should disclose the connection to your boss, who can then arrange things so that your personal interests don't conflict with the company.

The same principle holds that an employee shouldn't use private information about an employer for personal financial benefit. Say that you learn from a coworker at your pharmaceutical company that one of its most profitable drugs will be pulled off the market because of dangerous side effects. The recall will severely hurt the company's financial performance and cause its stock price to plummet. Before the news becomes public, you sell all the stock you own in the company. What you've done is called insider trading – acting on information that is not available to the general public, either by trading on it or providing it to others who trade on it. Insider trading is illegal, and you could go to jail for it.

Conflicts of Loyalty

You may one day find yourself in a bind between being loyal either to your employer or to a friend or family member. Perhaps you just learned that a coworker, a friend of yours, is about

4. Gostick, A., & Telford D. (2003). The Integrity Advantage. Salt Lake City: Gibbs Smith.

to be downsized out of his job. You also happen to know that he and his wife are getting ready to make a deposit on a house near the company headquarters. From a work standpoint, you know that you shouldn't divulge the information. From a friendship standpoint, though, you feel it's your duty to tell your friend. Wouldn't he tell you if the situation were reversed? So what do you do? As tempting as it is to be loyal to your friend, you shouldn't tell. As an employee, your primary responsibility is to your employer. You might be able to soften your dilemma by convincing a manager with the appropriate authority to tell your friend the bad news before he puts down his deposit.

Bribes Versus Gifts

It's not uncommon in business to give and receive small gifts of appreciation, but when is a gift unacceptable? When is it really a bribe?

There's often a fine line between a gift and a bribe. The following information may help in drawing it, because it raises key issues in determining how a gesture should be interpreted: the cost of the item, the timing of the gift, the type of gift, and the connection between the giver and the receiver. If you're on the receiving end, it's a good idea to refuse any item that's overly generous or given for the purpose of influencing a decision. Because accepting even small gifts may violate company policy, always check on company policy. *The example below is from the London Hunt and Country Club Employee Policy Manual;*

Gifts, Gratuities, Favours, and Entertainment

During business interactions at the London Hunt and Country Club, sales representatives, purchasers, members, guests, and others may offer an employee, gifts, incentives, tips, promotional merchandise, or low-cost products and services. Any offering should be treated as belonging to the Club. Items valued at less than $25 should be communicated by email to the Department Manager. The Department Manager will then confirm if the employee can retain the items. All other special offerings and/or gifts must be communicated to the General Manager by email for review. All employees have an obligation to disclose any such offering. Violation of this policy could lead to immediate suspension or termination of employment with the London Hunt and Country Club.[5]

Whistleblowing

Whistleblowing was defined in 1972 by Ralph Nader as *"an act of a man or a woman who, believing in the public interest overrides the interest of the organization he serves, publicly blows the whistle if the organization is involved in corrupt, illegal, fraudulent or harmful activity".* [6] While there are increasing incentives from governments and regulators for whistleblowers to go public about corporate misconduct, protections for whistleblowers are still very limited. Few Canadian laws pertain directly to whistleblowing and therefore whistleblowers are mostly unprotected by statute.

- There is, however, a patchwork of protection provisions for whistleblowers under the Canadian *Criminal Code*, *Public Servants Disclosure Protection Act* (*PSDPA*), the *Public Service of Ontario Act, 2006* as well as the *Securities Act*.
- Section 425.1 of the *Criminal Code*, for example, states that employers may not threaten or take disciplinary action against, demote or terminate an employee in order to deter her/him from reporting information regarding an offence s/he believes has or is being committed by her/his employer to the relevant law enforcement authorities.

An employer cannot threaten an employee with negative repercussions to deter them from contacting law enforcement with information about the employer's offence. Punishment for employers who make such threats or reprisals can include up to five years imprisonment and/or fines.

In early 2018, a Canadian whistleblower received worldwide recognition for disclosing the amount and kinds of data harvested by Cambridge Analytica through personal Facebook accounts. However, there are other, prominent Canadian whistleblowers.

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5. Jon Nusink (General Manager/COO) London Hunt and Country Club in discussion with author June 2022
6. Nader, R., Petkas, P., & Blackwell, K. (1972). Whistle Blowing: The Report on the Conference on Professional Responsibility. Viking Compass/Grossman Publishers.

Corporate Social Responsibility

Corporate social responsibility (CSR) refers to the approach that an organization takes in balancing its responsibilities toward different stakeholders when making legal, economical, ethical, and social decisions. Remember that we previously define stakeholders as those with a legitimate interest in the success or failure of the business and the policies it adopts. The term social responsibility refers to the approach that an organization takes in balancing its responsibilities toward its various stakeholders.

What motivates companies to be "socially responsible"? We hope it's because they want to do the right thing, and for many companies, "doing the right thing" is a key motivator. The fact is, it's often hard to figure out what the "right thing" is: what's "right" for one group of stakeholders isn't necessarily "right" for another. One thing, however, is certain: companies today are held to higher standards than ever before. Consumers and other groups consider not only the quality and price of a company's products but also its character. If too many groups see a company as a poor corporate citizen, it will have a harder time attracting qualified employees, finding investors, and selling its products. Good corporate citizens, by contrast, are more successful in all these areas.

Additional Reading

Included in this chapter is an optional open access article updating Carroll's Pyramid by Carroll himself and diving deeper into CSR.

Excerpted from: Carroll, A. B. (2016). Carroll's pyramid of CSR: Taking another look. *International Journal of Corporate Social Responsibility, 1*(3). https://doi.org/10.1186/s40991-016-0004-6

Another Lens

Carroll's Pyramid is a well-respected resource for situating corporate social responsibility. Another view of corporate social responsibility is from the perspective of a company's relationships with its stakeholders. In this model, the focus is on managers—not owners—as the principals involved in these relationships. Owners are the stakeholders who invest risk capital in the club in expectation of a financial return. Other stakeholders include employees, suppliers, and the communities in which the club does business. Proponents of this model hold that customers, who provide the club with revenue, have a special claim on managers' attention. The arrows indicate the two-way nature of corporation-stakeholder relationships. All stakeholders have some claim on the club's resources and returns, and management's job is to make decisions that balance these claims.[7]

"The Golf Business's relationship with stakeholders" by Alyssa Giles, [CC BY-NC-SA 4.0]

Let's look at some of the ways in which companies can be "socially responsible" in considering the claims of various stakeholders.

Owners

Owners invest money in companies. In return, the people who run a company have a responsibility to increase the value of owners' investments through profitable operations. Managers also have a responsibility to provide owners (as well as other stakeholders having financial interests, such as creditors and suppliers) with accurate, reliable information about the performance of the business.

Managers

Managers have what is known as a fiduciary responsibility to owners: they're responsible for safeguarding the company's assets and handling its funds in a trustworthy manner. Yet managers experience what is called the agency problem; a situation in which their best

7. *Baron, D. P. (2003). Business and Its Environment (4th ed.). Upper Saddle River, NJ: Prentice Hall.*

interests do not align with those of the owners who employ them. To enforce managers' fiduciary responsibilities for a club's financial statements and accounting records, Ontario's Keeping the Promise for a Strong Economy Act (Budget Measures) 2002, also known as Bill 198, (Canadian equivalent to Sarbanes-Oxley Act of 2002 in the United States) requires CEOs and CFOs to attest to their accuracy. The law also imposes penalties on corporate officers, auditors, board members, and any others who commit fraud. You'll learn more about this law in your accounting and business law courses.

Employees

Companies are responsible for providing employees with safe, healthy places to work—as well as environments that are free from sexual harassment and all types of discrimination. They should also offer appropriate wages and benefits. In the following sections, we'll take a closer look at these areas of corporate responsibility.

Wages and Benefits

At the very least, employers must obey laws governing minimum wage and overtime pay. A minimum wage is set by the provincial government. As of October 2022, the Ontario general minimum wage rate is $15.50. By law, employers must also provide certain benefits—Canadian Pension Plan (CPP -retirement funds), unemployment insurance (protects against loss of income in case of job loss), and depending on the industry, workers' compensation (covers lost wages and medical costs in case of on-the-job injury). Most large companies pay most of their workers more than minimum wage and offer broader benefits, including medical, dental, and vision care, as well as savings programs, in order to compete for talent.

Safety and Health

Though it seems obvious that companies should guard workers' safety and health, some simply don't. Currently, responsibility for workers' compensation and occupational health and safety issues falls largely to provinces or territories – and each jurisdiction has different approaches.

The [Occupational Health and Safety Act] sets out the rights and duties of all parties in Ontario workplaces, as well as the procedures for dealing with workplace hazards and for enforcement as needed. Industries share the goal of making Ontario's workplaces safe and healthy. The Occupational Health and Safety Act provides the legal framework and the tools to achieve this goal. It sets out the rights and duties of all parties in the workplace. It establishes procedures for dealing with workplace hazards and it provides for enforcement of the law where compliance has not been achieved voluntarily by workplace parties.[8]


Some associations such as the PGA of Canada, provide guidelines to its members in order to decrease health and safety concerns. In response to the COVID-19 pandemic, PGA Canada released golf club best practices.

Members & Customers

The purpose of any business is to satisfy customers, who reward businesses by buying their products. Sellers are also responsible—both ethically and legally—for treating customers fairly. This means customers have:

1. The right to safe products. A company should sell no product that it suspects of being unsafe for buyers. Thus, producers have an obligation to safety-test products before releasing them for public consumption. The automobile industry, for example, conducts extensive safety testing before introducing new models (though recalls remain common).
2. The right to be informed about a product. Sellers should furnish consumers with the product information that they need to make an informed purchase decision. That's why pillows have labels identifying the materials used to make them, for instance.
3. The right to choose what to buy. Consumers have a right to decide which products to purchase, and sellers should let them know what their options are. Pharmacists, for example, should tell patients when a prescription can be filled with a cheaper brand-name or generic drug. Telephone companies should explain alternative calling plans.
4. The right to be heard. Companies must tell customers how to contact them with complaints or concerns. They should also listen and respond.

Companies share the responsibility for the legal and ethical treatment of consumers with several government agencies.

8. *Ontario Ministry of Labour, Immigration, Training and Skills Development. (2002, May 21). Guide to the Occupational Health and Safety Act https://www.ontario.ca/document/guide-occupational-health-and-safety-act#:~:text=The%20Occupational%20Health%20and%20Safety%20Act%20sets%20out%20the%20rights,and%20for%20enforcement%20as%20needed*

From the federal Office of Consumer Affairs (https://www.ic.gc.ca):

In Canada, consumer complaints are regulated by different levels of government, as well as non-government organizations. Finding the right place to direct your complaint is not always easy, but understanding your rights as a consumer is an important part of the complaint filing process.

Provincial & Territorial Consumer Protection Legislation	Federal Consumer Protection Legislation
Many consumer complaints fall under provincial and territorial jurisdiction, including issues related to: • buying goods and services; • contracts; • the purchase, maintenance, or repair of motor vehicles; • credit reporting agencies and the practices of collection agencies.	Federal agencies and departments are responsible for enforcing legislation related to various issues, including: • consumer product safety; • food-safety; • consumer product packaging and labeling; • anti-competitive practices, such as price-fixing and misleading advertising; • privacy complaints.

Additional Readings

Follow or bookmark this link for some of the more relevant areas where federal agencies and departments regulate consumer issues: https://www.ic.gc.ca/eic/site/oca-bc.nsf/eng/ca02965.html

In Ontario, customers have the added protection of the *Consumer Protection Act*.

Communities

For obvious reasons, most communities see getting a new business as an asset and view losing one—especially a large employer—as a detriment. After all, the economic impact of business activities on local communities is substantial: they provide jobs, pay taxes, and support local education, health, and recreation programs. Both big and small businesses donate funds to community projects, encourage employees to volunteer their time, and donate equipment and products for a variety of activities. Larger companies can make greater financial contributions. Let's start by taking a quick look at the philanthropic activities of Canadian Golf Courses and Clubs.

Philanthropy

Many golf courses and clubs support various charities, an activity called philanthropy. As per the "We Are Golf" 2019 *Economic Impact of Golf on Canada*, there is a considerable charitable component. "The golf industry generated an estimated **$330M** in charitable impact through more than 51,000 tournaments and events" [9]

Not to mention the various donations golf clubs provide to local events within the communities they operate.

Ethical Organizations

One goal of anyone engaged in business should be to foster ethical behaviour in the organizational environment. How do we know when an organization is behaving ethically? Most lists of ethical organizational activities include the following criteria:

- Treating employees, customers, investors, and the public fairly
- Holding every member personally accountable for his or her action
- Communicating core values and principles to all members
- Demanding and rewarding integrity from all members in all situations [10]

Employees at companies that consistently make Business Ethics magazine's list of the "100 Best Corporate Citizens" regarding the items on the previous list as business as usual in the

9. *National Allied Golf Associations (NAGA). (2020, November 2). We Are Golf' releases Economic Impact of Golf in Canada (2019).https://www.golfcanada.ca/articles/golf-releases-economic-impact-golf-canada-2019/*
10. *Axelrod, A. (2007). My First Book of Business Ethics. Philadelphia: Quirk Books.*

workplace. Companies at the top of the 2016 list include Microsoft, Hasbro, Ecolab, Bristol-Myers-Squibb, and Lockheed Martin. [11]

By contrast, employees with the following attitudes tend to suspect that their employers aren't as ethical as they should be:

- They consistently feel uneasy about the work they do.
- They object to the way they're treated.
- They're uncomfortable about the way coworkers are treated.
- They question the appropriateness of management directives and policies. [12]

Sexual Harassment

Sexual harassment occurs when an employee makes "unwelcome sexual advances, requests for sexual favours, and other verbal or physical conduct of a sexual nature" to another employee. It's also considered sexual harassment when "submission to or rejection of this conduct explicitly or implicitly affects an individual's employment, unreasonably interferes with an individual's work performance or creates an intimidating, hostile or offensive work environment." [13]

To prevent sexual harassment—or at least minimize its likelihood—a company should adopt a formal anti-harassment policy describing prohibited conduct, asserting its objections to the behaviour, and detailing penalties for violating the policy. Employers also have an obligation to investigate harassment complaints. Failure to enforce anti-harassment policies can be very costly. At the end of 2017, 353 women had submitted and finalized sexual harassment, discrimination, or intimidation claims against the RCMP with as many as another 650 expected to file. To settle these claims, the government of Canada has set aside $100 million.

Workforce Diversity & Inclusive Workplaces

In addition to complying with equal employment opportunity laws, many companies make special efforts to recruit employees who are underrepresented in the workforce according to sex, race, or some other characteristic. In helping to build more inclusive workforces, such initiatives contribute to competitive advantage for two reasons:

11. *Corporate Responsibility Magazine. (2016). 100 Best Corporate Citizens for 2016.*
12. *Axelrod, A. (2007). My First Book of Business Ethics. Philadelphia: Quirk Books.*
13. *the U.S. Equal Employment Opportunity Commission. (2016). Facts about Sexual Harassment. Retrieved from: https://www.eeoc.gov/facts/fs-sex.html*

1. People from diverse backgrounds bring new talents and fresh perspectives to an organization, typically enhancing creativity in the development of new products.
2. By more accurately reflecting the demographics of the marketplace, a diverse workforce improves a company's ability to serve an ethnically diverse population.

Each year The Globe and Mail, reports on Canada's Top 100 Employers. Peruse the list of industry winners and follow through to highlights detailing why the company topped the list.

Please note the selection process:

To determine this year's winners of *Canada's Best Diversity Employers* competition, Mediacorp editors reviewed diversity and inclusiveness initiatives at employers that applied for Canada's Top 100 Employers project. From this applicant pool, a smaller short-list of employers with noteworthy and unique diversity initiatives was developed. The short-listed candidates' programs were compared to those of other employers in the same field. The finalists chosen represent the diverse leaders in their industry and region of Canada.

The Individual Approach to Ethics

How can you make sure that you do the right thing in the business world? How should you respond to the kinds of challenges that you'll be facing? Because your actions in the business world will be strongly influenced by your moral character, let's begin by assessing your current moral condition. Which of the following best applies to you (select one)?

1. I'm always ethical.
2. I'm mostly ethical.
3. I'm somewhat ethical.
4. I'm seldom ethical.
5. I'm never ethical.

Now that you've placed yourself in one of these categories, here are some general observations. Few people put themselves below the second category. Most of us are ethical most of the time, and most people assign themselves to category number two— "I'm mostly ethical." Why don't more people claim that they're always ethical?

Apparently, most people realize that being ethical all the time takes a great deal of moral energy. If you placed yourself in category number two, ask yourself this question: How can I change my behaviour so that I can move up a notch? The answer to this question may be simple. Just ask yourself an easier question: How would I like to be treated in a given situation? [14]

Unfortunately, practicing this philosophy might be easier in your personal life than in the business world. Ethical challenges arise in business because companies, especially large ones, have multiple stakeholders who sometimes make competing demands. Making decisions that affect multiple stakeholders isn't easy even for seasoned managers; and for new entrants to the business world, the task can be extremely daunting. You can, however, get a head start in learning how to make ethical decisions by looking at two types of challenges that you'll encounter in the business world: ethical dilemmas and ethical decisions.

Making Ethical Decisions

In contrast to the "right-versus-right" problem posed by an ethical dilemma, an ethical decision entails a "right-versus-wrong" decision—one in which there is clearly a right (ethical) choice and a wrong (unethical or illegal) choice. When you make a decision that's unmistakably unethical or illegal, you've committed an ethical lapse. If you're presented with this type of choice, ask yourself the following questions and increase your odds of making an ethical decision.

1. Is the action illegal?
2. Is it unfair to some stakeholders?
3. If I do it, will I feel bad about it?
4. Will I be ashamed to tell my family friends, coworkers, or boss?
5. Will I be embarrassed if my action is written up in the newspaper?

Refusing to Rationalize

Despite all the good arguments in favour of doing the right thing, why do many reasonable people act unethically (at least at times)? Why do good people make bad choices? According to one study, there are four common rationalizations (excuses) for justifying misconduct: [15]

14. *Maxwell, J. C. (2003). There's No Such Thing as "Business Ethics": There's Only One Rule for Making Decisions. New York: Warner Books.*
15. *Gellerman, S. W. (1986, July). Why "Good" Managers Make Bad Ethical Choices. Harvard Business*

1. My behaviour isn't really illegal or immoral. Rationalizers try to convince themselves that action is OK if it isn't downright illegal or blatantly immoral. They tend to operate in a gray area where there's no clear evidence that the action is wrong.
2. My action is in everyone's best interests. Some rationalizers tell themselves: "I know I lied to make the deal, but it'll bring in a lot of business and pay a lot of bills." They convince themselves that they're expected to act in a certain way.[16]
3. No one will find out what I've done. Here, the self-questioning comes down to "If I didn't get caught, did I really do it?" The answer is yes. There's a simple way to avoid succumbing to this rationalization: always act as if you're being watched.
4. The company will condone my action and protect me. This justification rests on a fallacy.

If you find yourself having to rationalize a decision, it's probably a bad one.

What to Do When the Light Turns Yellow

Like our five questions, some ethical problems are fairly straightforward. Others, unfortunately, are more complicated, but it will help to think of our five-question test as a set of signals that will warn you that you're facing a particularly tough decision— that you should think carefully about it and perhaps consult someone else. The situation is like approaching a traffic light. Red and green lights are easy; you know what they mean and exactly what to do. Yellow lights are trickier. Before you decide which pedal to hit, try posing our five questions. If you get a single yes, you'll almost surely be better off hitting the brake.[17]

Review on Corporate Ethics. Retrieved from: https://hbr.org/1986/07/why-good-managers-make-bad-ethical-choices

16. *Gostick, A., & Telford, D. (2003). The Integrity Advantage. Salt Lake City: Gibbs Smith.*
17. *Online Ethics Center for Engineering and Science. (2004). Advice from the Texas Instruments Ethics Office: Article Number 280: What do you do when the light turns yellow? Onlineethics.org. Retrieved from: https://web.archive.org/web/20060517161459/http://onlineethics.org/corp/help.html*

Key Terms

Ethics is used to describe moral principles that govern a person's behavior or conduct during an activity.

Business ethics is the study of how a business should act when faced with ethical dilemmas and controversial situations in a business context. Business ethics is important because it enables a business to work within the boundaries of the law, and ensures that the business is not committing crimes against its employees, customers, consumers, and other stakeholders and interested parties.

Conflicts of interest occur when individuals must choose between taking actions that promote their personal interests over the interests of others or taking actions that don't.

Whistleblowing was defined as an act of a man or a woman who, believing in the public interest overrides the interest of the organization he serves, publicly blows the whistle if the organization is involved in corrupt, illegal, fraudulent or harmful activity.

Corporate social responsibility (CSR) refers to the approach that an organization takes in balancing its responsibilities toward different stakeholders when making legal, economical, ethical, and social decisions.

Sexual harassment occurs when an employee makes "unwelcome sexual advances, requests for sexual favours, and other verbal or physical conduct of a sexual nature" to another employee.

Key Takeaways

1. Business ethics is the application of ethical behaviour in a business context. Ethical (trustworthy) companies are better able to attract and keep customers, talented employees, and capital.
2. Acting ethically in business means more than just obeying laws and regulations. It also means being honest, doing no harm to others, competing fairly, and declining to put your own interests above those of your employer and coworkers.
3. In the business world, you'll encounter conflicts of interest: situations in which you'll have to choose between taking action that promotes your personal interest and action that favors the interest of others.
4. Corporate social responsibility refers to the approach that an organization takes in balancing its responsibilities toward different stakeholders (owners, employees, customers, and the communities in which they conduct business) when making legal, economic, ethical, and social decisions.
5. Managers have several responsibilities: to increase the value of owners' investments through profitable operations, to provide owners and other stakeholders with accurate, reliable financial information, to safeguard the company's assets, and to handle its funds in a trustworthy manner.
6. Companies have a responsibility to pay appropriate wages and benefits, treat all workers fairly, and provide equal opportunities for all employees. In addition, they must guard workers' safety and health and provide them with a work environment that's free from sexual harassment.
7. Consumers have certain legal rights: to use safe products, to be informed about products, to choose what to buy, and to be heard. Sellers must comply with these requirements.
8. Business people face two types of ethical challenges: ethical dilemmas and ethical decisions.
9. An ethical dilemma is a morally problematic situation in which you must choose competing and often conflicting options which do not satisfy all stakeholders.
10. An ethical decision is one in which there's a right (ethical) choice and a wrong (unethical or downright illegal) choice.

Article: Carroll's Corporate Social Responsibility Pyramid

The basis of our modern understanding of corporate social responsibility is greatly influenced by Archie Carroll's work and his creation of the CSR pyramid. In 2016, he re-thought his initial concepts and wrote "Carroll's pyramid of CSR: Taking another look". Excerpts from the article, from the expert, provide a thorough overview of this important concept.

Introduction

The modern era of CSR, or social responsibility as it was often called, is most appropriately marked by the publication by Howard R. Bowen of his landmark book Social Responsibilities of the Businessman in 1953. Bowen's work proceeded from the belief that the several hundred largest businesses in the United States were vital centres of power and decision making and that the actions of these firms touched the lives of citizens in many ways. The key question that Bowen asked that continues to be asked today was "what responsibilities to society may businessmen reasonably be expected to assume?" (Bowen 1953, p. xi) As the title of Bowen's book suggests, this was a period during which business women did not exist, or were minimal in number, and thus they were not acknowledged in formal writings. Things have changed significantly since then. Today there are countless business women and many of them are actively involved in CSR.

Much of the early emphasis on developing the CSR concept began in scholarly or academic circles. From a scholarly perspective, most of the early definitions of CSR and initial conceptual work about what it means in theory and in practice was begun in the 1960s by such writers as Keith Davis, Joseph McGuire, Adolph Berle, William Frederick, and Clarence Walton (Carroll 1999). Its' evolving refinements and applications came later, especially after the important social movements of the 1960s, particularly the civil rights movement, consumer movement, environmental movement and women's movements.

Dozens of definitions of corporate social responsibility have arisen since then. In one study published in 2006, Dahlsrud identified and analyzed 37 different definitions of CSR and his study did not capture all of them (Dahlsrud 2006).

In this article, however, the goal is to revisit one of the more popular constructs of CSR that has been used in the literature and practice for several decades. Based on his four-part framework or definition of corporate social responsibility, Carroll created a graphic depiction of CSR in the form of a pyramid. CSR expert Dr. Wayne Visser has said that "Carroll's CSR

Pyramid is probably the most well-known model of CSR…" (Visser [2006](#)). If one goes online to Google Images and searches for "Carroll's Pyramid of CSR," well over 100 variations and reproductions of the pyramidal model are presented there ([Google Images](#)) and over 5200 citations of the original article are indicated there ([Google Scholar](#)).

The purpose of the current commentary is to summarize the Pyramid of CSR, elaborate on it, and to discuss some aspects of the model that were not clarified when it was initially published in 1991. The ensuing discussion explains briefly each of the four categories that comprise Carroll's four-part definitional framework upon which the pyramidal model is constructed.

Review

The four-part definitional framework for CSR

Carroll's four part definition of CSR was originally stated as follows: Corporate social responsibility encompasses the economic, legal, ethical, and discretionary (philanthropic) expectations that society has of organizations at a given point in time. This set of four responsibilities creates a foundation or infrastructure that helps to delineate in some detail and to frame or characterize the nature of businesses' responsibilities to the society of which it is a part. In the first research study using the four categories it was found that the construct's content validity and the instrument assessing it were valid. The study found that experts were capable of distinguishing among the four components. Further, the factor analysis conducted concluded that there are four empirically interrelated, but conceptually independent components of corporate social responsibility. This study also found that the relative values or weights of each of the components as implicitly depicted by Carroll, approximated the relative degree of importance the 241 executives surveyed placed on the four components—economic = 3.5; legal = 2.54; ethical = 2.22; and discretionary/philanthropic = 1.30. Later research supported that Aupperle's instrument measuring CSR using Carroll's four categories was valid and useful. In short, the distinctiveness and usefulness in research of the four categories have been established through a number of empirical research projects. A brief review of each of the four categories of CSR follows.

Economic responsibilities

As a fundamental condition or requirement of existence, businesses have an economic responsibility to the society that permitted them to be created and sustained. At first, it may seem unusual to think about an economic expectation as a social responsibility, but *this is what it is because society expects, indeed requires, business organizations to be able to sustain themselves and the only way this is possible is by being profitable and able to incentivize owners or shareholders to invest and have enough resources to continue in operation. In its origins, society views business organizations as institutions that will produce and sell the goods and services society needs and desires. As an inducement, society allows businesses to take profits. Businesses create profits when they add value, and in doing this they benefit all the stakeholders of the business.*

Profits are necessary both to reward investor/owners and also for business growth when profits are reinvested back into the business. CEOs, managers, and entrepreneurs will attest to the vital foundational importance of profitability and return on investment as motivators for business success. Virtually all economic systems of the world recognize the vital importance to the societies of businesses making profits. While thinking about its' economic responsibilities, businesses employ many business concepts that are directed towards financial effectiveness – attention to revenues, cost-effectiveness, investments, marketing, strategies, operations, and a host of professional concepts focused on augmenting the long-term financial success of the organization. In today's hypercompetitive global business environment, economic performance and sustainability have become urgent topics. Those firms that are not successful in their economic or financial sphere go out of business and any other responsibilities that may be incumbent upon them become moot considerations. Therefore, the economic responsibility is a baseline requirement that must be met in a competitive business world and so economic responsibility is a critical part of corporate social responsibility.

Legal responsibilities

Society has not only sanctioned businesses as economic entities, but it has also established the minimal ground rules under which businesses are expected to operate and function. These ground rules include laws and regulations and in effect reflect society's view of "codified ethics". They articulate fundamental notions of fair business practices as established by lawmakers at federal, state and local levels. Businesses are expected and required to comply with these laws and regulations as a condition of operating. It is not an accident that compliance officers now occupy an important and high level position in company organization charts. While meeting these legal responsibilities, important expectations of business include their

- *Performing in a manner consistent with expectations of government and law*
- *Complying with various federal, state, and local regulations*
- *Conducting themselves as law-abiding corporate citizens*
- *Fulfilling all their legal obligations to societal stakeholders*
- *Providing goods and services that at least meet minimal legal requirements*

Ethical responsibilities

The normative expectations of most societies hold that laws are essential but not sufficient. In addition to what is required by laws and regulations, society expects businesses to operate and conduct their affairs in an ethical fashion. Taking on ethical responsibilities implies that organizations will embrace those activities, norms, standards and practices that even though they are not codified into law, are expected nonetheless. Part of the ethical expectation is that businesses will be responsive to the "spirit" of the law, not just the letter of the law. Another aspect of the ethical expectation is that businesses will conduct their affairs in a fair and objective fashion even in those cases when laws do not provide guidance or dictate courses of action. Thus, ethical responsibilities embrace those activities, standards, policies, and practices that are expected or prohibited by society even though they are not codified into law. The goal of these expectations is that businesses will be responsible for and responsive to the full range of norms, standards, values, principles, and expectations that reflect and honor what consumers, employees, owners and the community regard as consistent with respect to the protection of stakeholders' moral rights. The distinction between legal and ethical expectations can often be tricky. Legal expectations certainly are based on ethical premises. But, ethical expectations carry these further. In essence, then, both contain a strong ethical dimension or character and the difference hinges upon the mandate society has given business through legal codification.

While meeting these ethical responsibilities, important expectations of business include their

- *Performing in a manner consistent with expectations of societal mores and ethical norms*
- *Recognizing and respecting new or evolving ethical/moral norms adopted by society*
- *Preventing ethical norms from being compromised in order to achieve business goals*
- *Being good corporate citizens by doing what is expected morally or ethically*
- *Recognizing that business integrity and ethical behaviour go beyond mere compliance with laws and regulations*

As an overlay to all that has been said about ethical responsibilities, it also should be clearly stated that in addition to society's expectations regarding ethical performance, there are also the great, universal principles of moral philosophy such as rights, justice, and utilitarianism that also should inform and guide company decisions and practices.

Philanthropic responsibilities

Corporate philanthropy includes all forms of business giving. Corporate philanthropy embraces business's voluntary or discretionary activities. Philanthropy or business giving may not be a responsibility in a literal sense, but it is normally expected by businesses today *and is a part of the everyday expectations of the public. Certainly, the quantity and nature of these activities are voluntary or discretionary. They are guided by business's desire to participate in social activities that are not mandated, not required by law, and not generally expected of business in an ethical sense. Having said that, some businesses do give partially out of an ethical motivation. That is, they want to do what is right for society. The public does have a sense that businesses will "give back," and this constitutes the "expectation" aspect of the responsibility. When one examines the social contract between business and society today, it typically is found that the citizenry expects businesses to be good corporate citizens just as individuals are. To fulfill its perceived philanthropic responsibilities, companies engage in a variety of giving forms – gifts of monetary resources, product and service donations, volunteerism by employees and management, community development and any other discretionary contribution to the community or stakeholder groups that make up the community.*

Although there is sometimes an altruistic motivation for business giving, most companies engage in philanthropy as a practical way to demonstrate their good citizenship. This is done to enhance or augment the company's reputation and not necessarily for noble or self-sacrificing reasons. The primary difference between the ethical and philanthropic categories in the four part model is that business giving is not necessarily expected in a moral or ethical sense. Society expects such gifts, but it does not label companies as "unethical" based on their giving patterns or whether the companies are giving at the desired level. As a consequence, the philanthropic responsibility is more discretionary or voluntary on business's part. Hence, this category is often thought of as good "corporate citizenship." Having said all this, philanthropy historically has been one of the most important elements of CSR definitions and this continues today.

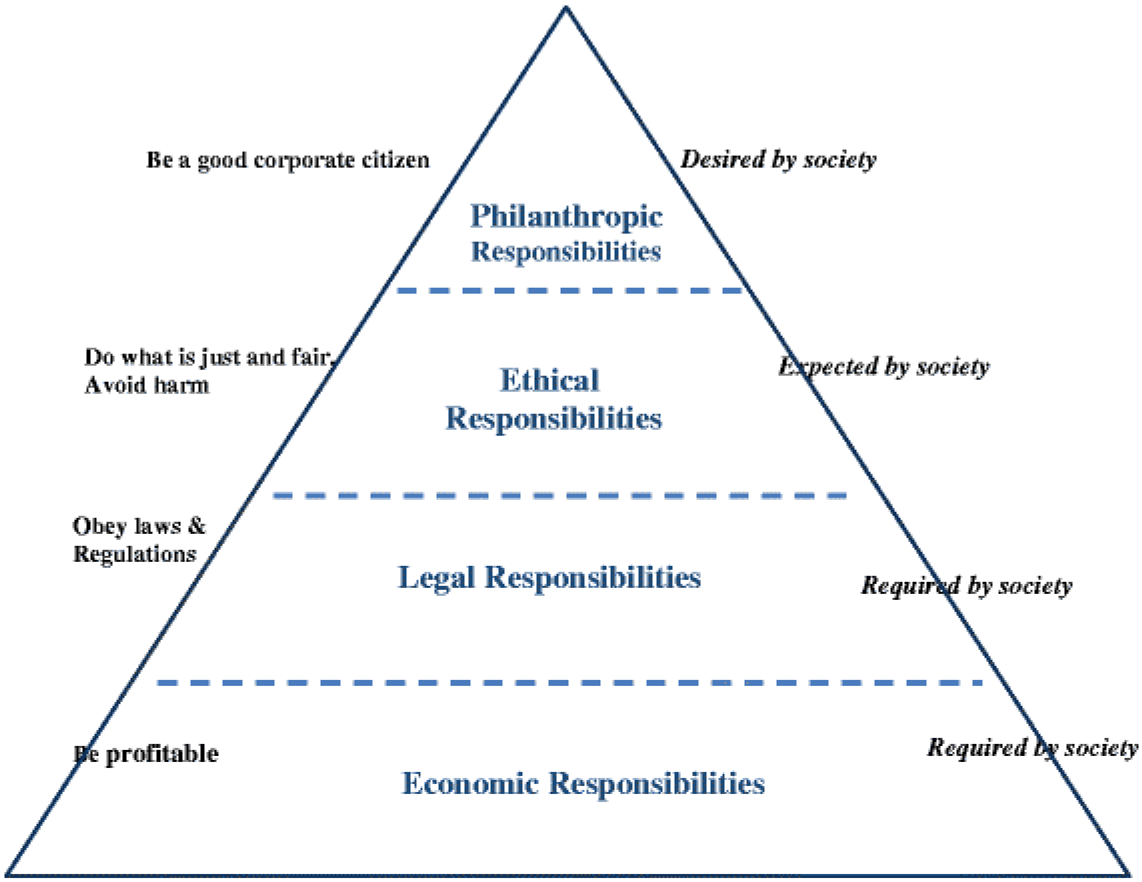
In summary, the four part CSR definition forms a conceptual framework that includes the economic, legal, ethical, and philanthropic or discretionary expectations that society places on businesses at a given point in time. And, in terms of understanding each type of responsibility, it could be said that the economic responsibility is "required" of business by society; the legal responsibility also is "required" of business by society; the ethical responsibility is "expected" of business by society; and the philanthropic responsibility is "expected/desired" of business by society. As time passes what exactly each of these four categories means may change or evolve as well.

The pyramid of CSR

The four-part definition of CSR was originally published in 1979. In 1991, Carroll extracted the four-part definition and recast it in the form of a CSR pyramid. The purpose of the pyramid was to single out the definitional aspect of CSR and to illustrate the building block *nature of the four part framework. The pyramid was selected as a geometric design because it is simple, intuitive, and built to withstand the test of time. Consequently, the economic responsibility was placed as the base of the pyramid because it is a foundational requirement in business. Just as the footings of a building must be strong to support the entire edifice, sustained profitability must be strong to support society's other expectations of enterprises. The point here is that the infrastructure of CSR is built upon the premise of an economically sound and sustainable business.*

At the same time, society is conveying the message to business that it is expected to obey the law and comply with regulations because law and regulations are society's codification of the basic ground rules upon which business is to operate in a civil society. If one looks at CSR in developing countries, for example, whether a legal and regulatory framework exists or not significantly affects whether multinationals invest there or not. A legal infrastructure is imperative to provide a foundation for legitimate business growth.

In addition, business is expected to operate in an ethical fashion. This means that business has the expectation, and obligation, that it will do what is right, just, and fair and to avoid or minimize harm to all the stakeholders with whom it interacts. Finally, business is expected to be a good corporate citizen, that is, to give back and to contribute financial, physical, and human resources to the communities of which it is a part. In short, the pyramid is built in a fashion that reflects the fundamental roles played and expected by business in society. Below is a graphical depiction of Carroll's Pyramid of CSR.



"*Carroll's Pyramid of Corporate Social Responsibility*" *by A.B. Carroll, CC BY 4.0*

The pyramid is an integrated, unified whole

The Pyramid of CSR is intended to be seen from a stakeholder perspective wherein the focus is on the whole not the different parts. The CSR pyramid holds that firms should engage in decisions, actions, policies and practices that simultaneously fulfill the four component parts. The pyramid should not be interpreted to mean that business is expected to fulfill its social responsibilities in some sequential, hierarchical fashion, starting at the base. Rather, business is expected to fulfill all responsibilities simultaneously. The positioning or ordering of the four categories of responsibility strives to portray the fundamental or basic nature of these four categories to business's existence in society. As said before, economic and legal responsibilities are required; ethical and philanthropic responsibilities are expected and desired. The representation being portrayed, therefore, is that the total social responsibility of business entails the concurrent fulfillment of the firm's economic, legal, ethical, and philanthropic responsibilities. Stated in the form of an equation, it would read as follows: Economic Responsibilities + Legal responsibilities + Ethical Responsibilities + Philanthropic Responsibilities = Total Corporate Social Responsibility. Stated in more practical and *managerial terms, the CSR driven firm should strive to make a profit, obey the law, engage in ethical practices and be a good corporate citizen. When seen in this way, the pyramid is viewed as a unified or integrated whole.*

The pyramid is a sustainable stakeholder framework

Each of the four components of responsibility addresses different stakeholders in terms of the varying priorities in which the stakeholders might be affected. Economic responsibilities most dramatically impact shareholders and employees because if the business is not financially viable both of these groups will be significantly affected. Legal responsibilities are certainly important with respect to owners, but in today's litigious society, the threat of litigation against businesses arise most often from employees and consumer stakeholders. Ethical responsibilities affect all stakeholder groups. Shareholder lawsuits are an expanding category. When an examination of the ethical issues business faces today is considered, they typically involve employees, customers, and the environment. Finally, philanthropic responsibilities most affect the community and nonprofit organizations, but also employees because some research has concluded that a company's employees' morale and engagement is significantly related to its philanthropic involvement.

The pyramid should be seen as sustainable in that these responsibilities represent long term obligations that overarch into future generations of stakeholders as well. Though the pyramid could be perceived to be a static snapshot of responsibilities, it is intended to be seen as a dynamic, adaptable framework the content of which focuses both on the present and the future. A consideration of stakeholders and sustainability, today, is inseparable from CSR. Indeed, there have been some appeals in the literature for CSR to be redefined as Corporate Stakeholder Responsibility and others have advocated Corporate Sustainability Responsibilities. These appeals highlight the intimate nature of these interrelated topics. Furthermore, Ethical Corporation Magazine which emphasizes CSR in its Responsible Summit conferences integrates these two topics – CSR and Sustainability—as if they were one and, in fact, many business organizations today perceive them in this way; that is, to be socially responsible is to invest in the importance of sustainability which implicitly is concerned with the future. Annual corporate social performance reports frequently go by the titles of CSR and/or Sustainability Reports but their contents are undifferentiated from one another; in other words, the concepts are being used interchangeably by many.

Attribution

Carroll, A.B. Carroll's pyramid of CSR: taking another look. Int J Corporate Soc

Chapter 5: Forms of Business Ownership

Learning Objectives

By the end of this chapter, you should be able to:

- Identify the questions to ask in choosing the appropriate form of ownership for a business.
- Describe the sole proprietorship and partnership forms of organization, and specify the advantages and disadvantages.
- Identify the different types of partnerships, and explain the importance of a partnership agreement.
- Explain how corporations are formed and how they operate.
- Discuss the advantages and disadvantages of the corporate form of ownership.
- Examine special types of business ownership, including limited liability companies, cooperatives, and not-for-profit corporations.
- Define mergers and acquisitions, and explain why companies are motivated to merge or acquire other companies.

The Family Golf Business!

Who would have thought it? Spouses that ran a successful fuel company for the better part of twenty years, decided to cash it in and take a gamble on the golf business. In 1996, Bob and Debbie Foster of Burford Ontario took a leap of faith and purchased Burford Golf Links, a challenging 18 Hole – Par 71 golf course outside the village of Burford. With close proximity to

Brantford, Woodstock and Paris, the Fosters realized the potential of the golf course and the required amenities to attract loyal customers.

With no formal golf course training, the family relied on years of business experience and entrepreneurial spirit to make the operation successful. Though the learning curve was steep, the family poured countless hours into gaining an understanding of the stakeholders, procedures, processes and the importance of key staff with specific expertise. Burford Golf Links was operated as a Limited Company with two shareholders (Bob & Debbie).

A limited company (LC) is a general term for a type of business organization wherein owners' assets and income are separate and distinct from the company's assets and income; known as limited liability. Though there are extra expenses in setting up your business as an LC, limited companies come with a number of benefits. They include:

- A limited company and the people who run it are legally distinct.
- A limited company structure provides a firewall between the finances of the company and its owners.
- A limited company is allowed to own assets and retain any profits made after-tax.
- A limited company can enter into contracts on its own.[1]

The Canadian Landscape

Innovation, Science and Economic Development Canada (ISED) defines a business based on the number of paid employees. For this reason, self-employed and "indeterminate" businesses are generally not included in the present publication as they do not have paid employees. Accordingly, this publication defines an ***SME (small-to-medium enterprise)*** *as a business establishment with 1–499 paid employees, more specifically:*

- *A small business has 1 to 99 paid employees.*
- *A medium-sized business has 100 to 499 paid employees.*
- *A large business has 500 or more paid employees*

"As of December 2019, there were 1.17 million employer businesses in Canada, Small Business

1. Hayes, A. (2020, December 24). Limited Company (LC) Definition. Investopedia. https://www.investopedia.com/terms/l/limited_company.asp#:~:text=A%20limited%20company%20(LC)%20is%20a%20general%20term%20for%20a,income%3B%20known%20as%20limited%20liability.

Statistics Of these, 1.20 million (97.9 percent) businesses were small businesses, 22,905 (1.9 percent) were medium-sized businesses and 2,978 (0.3 percent) were large enterprises." [2]

Business Ownership – Factors to Consider

If you're starting a new business, you have to decide which legal form of ownership is best for you and your business. Do you want to own the business yourself and operate as a sole proprietorship? Or, do you want to share ownership, operating as a partnership or a corporation? Before we discuss the pros and cons of these three types of ownership, let's address some of the questions that you'd probably ask yourself in choosing the appropriate legal form for your business.

1. *In setting up your business, do you want to minimize the costs of getting started? Do you hope to avoid complex government regulations and reporting requirements?*
2. *How much control would you like? How much responsibility for running the business are you willing to share? What about sharing the profits?*
3. *Do you want to avoid special taxes?*
4. *Do you have all the skills needed to run the business?*
5. *Are you likely to get along with your co-owners over an extended period of time?*
6. *Is it important to you that the business survive you?*
7. *What are your financing needs and how do you plan to finance your company?*
8. *How much personal exposure to liability are you willing to accept? Do you feel uneasy about accepting personal liability for the actions of fellow owners?*

No single form of ownership will give you everything you desire. You'll have to make some trade-offs. Because each option has both advantages and disadvantages, your job is to decide which one offers the features that are most important to you. In the following sections, we'll compare three ownership options (sole proprietorship, partnership, corporation) on these eight dimensions.

Forms of Business Ownership

Watch the video: [Forms of Business Ownership](#) by Jessica Blaisdell [5:02] (transcript available) to learn more about the different forms of business ownership.

2. Government of Canada (2020). Key small business statistics 2020. Innovation, Science and Economic Development Canada - Small Business Branch. https://www.ic.gc.ca/eic/site/061.nsf/eng/h_03126.html

One or more interactive elements has been excluded from this version of the text. You can view them online here: https://ecampusontario.pressbooks.pub/businessgolfindustry/?p=68#oembed-1

Sole Proprietorship

*In a **sole proprietorship**, you make all important decisions and are generally responsible for all day-to-day activities. In exchange for assuming all this responsibility, you get all the income earned by the business. Profits earned are taxed as personal income, so you don't have to pay any special federal and provincial income taxes.*

Disadvantages of Sole Proprietorships

For many people, however, the sole proprietorship is not suitable. The flip side of enjoying complete control is having to supply all the different talents that may be necessary to make the business a success. And when you're gone, the business dissolves. You also have to rely on your own resources for financing: in effect, you are the business and any money borrowed by the business is loaned to you personally. Even more important, the sole proprietor bears unlimited liability for any losses incurred by the business. The principle of unlimited personal liability means that if the business incurs a debt or suffers a catastrophe (say, getting sued for causing an injury to someone), the owner is personally liable. As a sole proprietor, you put your personal assets (your bank account, your car, maybe even your home) at risk for the sake of your business. You can lessen your risk with insurance, yet your liability exposure can still be substantial. Given that Ben and Jerry decided to start their ice cream business together (and therefore the business was not owned by only one person), they could not set their company up as a sole proprietorship.

Partnership

*A **partnership** (or general partnership) is a business owned jointly by two or more people. About 10 percent of U.S. businesses are partnerships*[3] *and though the vast majority are small,*

3. IRS. (2015). SOI Bulletin Historical Table 12: Number of Business Income Tax Returns, by Size of Business

some are quite large. For example, the big four public accounting firms, Deloitte, PwC, Ernst & Young, and KPMG, are partnerships. Setting up a partnership is more complex than setting up a sole proprietorship, but it's still relatively easy and inexpensive. The cost varies according to size and complexity. It's possible to form a simple partnership without the help of a lawyer or an accountant, though it's usually a good idea to get professional advice. Professionals can help you identify and resolve issues that may later create disputes among partners.

Provincial and federal governments also support small businesses and offer free resources as well as opportunities for funding.

- Canada Business Network (@canadabusiness #SMEPME) is a collaborative arrangement among federal departments and agencies, provincial and territorial governments, and not-for-profit entities. It offers webinars and other learning events across the country.
- Ontario's Small Business Access, offers workshops, a helpline, funding, and provides up-to-date information on legal requirements.

The Partnership Agreement

The impact of disputes can be lessened if the partners have executed a well-planned partnership agreement that specifies everyone's rights and responsibilities. The agreement might provide such details as the following:

- *Amount of cash and other contributions to be made by each partner*
- *Division of partnership income (or loss)*
- *Partner responsibilities—who does what*
- *Conditions under which a partner can sell an interest in the company*
- *Conditions for dissolving the partnership*
- *Conditions for settling disputes*

Unlimited Liability and the Partnership

A major problem with partnerships, as with sole proprietorships, is unlimited liability: in this case, each partner is personally liable not only for his or her own actions but also for the

for Income Years 1990-2013. IRS.gov. Retrieved from: https://www.irs.gov/uac/soi-tax-stats-historical-table-12 *actions of all the partners. If your partner in an architectural firm makes a mistake that causes a structure to collapse, the loss your business incurs impacts you just as much as it would him or her. And here's the really bad news: if the business doesn't have the cash or other assets to cover losses, you can be personally sued for the amount owed. In other words, the party who suffered a loss because of the error can sue you for your personal assets. Many people are understandably reluctant to enter into partnerships because of unlimited liability. Certain forms of businesses allow owners to limit their liability. These include limited partnerships and corporations.*

Limited Partnerships

The law permits business owners to form a ***limited partnership*** *which has two types of partners: a single general partner who runs the business and is responsible for its liabilities, and any number of limited partners who have limited involvement in the business and whose losses are limited to the amount of their investment.*

Advantages and Disadvantages of Partnerships

The partnership has several advantages over the sole proprietorship. First, it brings together a diverse group of talented individuals who share responsibility for running the business. Second, it makes financing easier: the business can draw on the financial resources of a number of individuals. The partners not only contribute funds to the business but can also use personal resources to secure bank loans. Finally, continuity needn't be an issue because partners can agree legally to allow the partnership to survive if one or more partners die.

Still, there are some negatives. First, as discussed earlier, partners are subject to unlimited liability. Second, being a partner means that you have to share decision-making, and many people aren't comfortable with that situation. Not surprisingly, partners often have differences of opinion on how to run a business, and disagreements can escalate to the point of jeopardizing the continuance of the business. Third, in addition to sharing ideas, partners also share profits. This arrangement can work as long as all partners feel that they're being rewarded according to their efforts and accomplishments, but that isn't always the case.

Corporation

A ***corporation*** *(sometimes called a regular or C-corporation) differs from a sole proprietorship and a partnership because it's a legal entity that is entirely separate from the parties who own it. It can enter into binding contracts, buy and sell property, sue and be sued, be held* *responsible for its actions, and be taxed. Once businesses reach any substantial size, it is advantageous to organize as a corporation so that its owners can limit their liability. Corporations, then, tend to be far larger, on average, than businesses using other forms of ownership. Most large well-known businesses are corporations, but so are many of the smaller firms with which likely you do business.*

Ownership and Stock

Corporations are owned by shareholders who invest money in the business by buying shares of stock. The portion of the corporation they own depends on the percentage of stock they hold. For example, if a corporation has issued 100 shares of stock, and you own 30 shares, you own 30 percent of the company. The shareholders elect a board of directors, a group of people (primarily from outside the corporation) who are legally responsible for governing the corporation. The board oversees the major policies and decisions made by the corporation, sets goals and holds management accountable for achieving them, and hires and evaluates the top executive, generally called the CEO (chief executive officer). The board also approves the distribution of income to shareholders in the form of cash payments called dividends.

> An example of this is ClubLink which is traded publicly on the Toronto stock exchange (TSE) under TWC Enterprises Limited [TWC:CA] TWC is engaged in club operations under “ClubLink” which is Canada’s largest owner and operator of golf clubs across Ontario, Quebec and Florida.

Benefits of Incorporation

The corporate form of organization offers several advantages, including limited liability for shareholders, greater access to financial resources, specialized management, and continuity.

Limited Liability	*The most important benefit of incorporation is the limited liability to which shareholders are exposed: they are not responsible for the obligations of the corporation, and they can lose no more than the amount that they have personally invested in the company. Limited liability would have been a big plus for the unfortunate individual whose business partner burned down their dry-cleaning establishment. Had they been incorporated, the corporation would have been liable for the debts incurred by the fire. If the corporation didn't have enough money to pay the debt, the individual shareholders would not have been obligated to pay anything. They would have lost all the money that they'd invested in the business, but no more.*
Financial Resources	*Incorporation also makes it possible for businesses to raise funds by selling stock. This is a big advantage as a company grows and needs more funds to operate and compete. Depending on its size and financial strength, the corporation also has an advantage over other forms of business in getting bank loans. An established corporation can borrow its own funds, but when a small business needs a loan, the bank usually requires that it be guaranteed by its owners.*
Specialized Management	*Because of their size and ability to pay high sales commissions and benefits, corporations are generally able to attract more skilled and talented employees than are proprietorships and partnerships.*
Continuity and Transferability	*Another advantage of incorporation is continuity. Because the corporation has a legal life separate from the lives of its owners, it can (at least in theory) exist forever.* *Transferring ownership of a corporation is easy: shareholders simply sell their stock to others. Some founders, however, want to restrict the transferability of their stock and so choose to operate as a privately-held corporation. The stock in these corporations is held by only a few individuals, who are not allowed to sell it to the general public.* *Companies with no such restrictions on stock sales are called public corporations; stock is available for sale to the general public.*

Drawbacks to Incorporation

Like sole proprietorships and partnerships, corporations have both positive and negative aspects. In sole proprietorships and partnerships, for instance, the individuals who own and manage a business are the same people. Corporate managers, however, don't necessarily own stock, and shareholders don't necessarily work for the company. This situation can be troublesome if the goals of the two groups differ significantly.

Managers, for example, are often more interested in career advancement than the overall profitability of the company. Stockholders might care more about profits without regard for the well-being of employees. This situation is known as the agency problem, a conflict of interest inherent in a relationship in which one party is supposed to act in the best interest of the other. It is often quite difficult to prevent self-interest from entering into these situations.

Another drawback to incorporation—one that often discourages small businesses from incorporating—is the fact that corporations are more costly to set up. When you combine filing and licensing fees with accounting and attorney fees, incorporating a business could set you back by $1,000 to $6,000 or more depending on the size and scope of your business.

[4] *Additionally, corporations are subject to levels of regulation and government oversight that can place a burden on small businesses. Finally, corporations are subject to what's generally called "double taxation." Corporations are taxed by the federal and provincial governments on their earnings. When these earnings are distributed as dividends, then shareholders pay taxes on these dividends. Corporate profits are thus taxed twice—the corporation pays the taxes the first time and the shareholders pay the taxes the second time.*

Read: Incorporation: Tax savings, but more paperwork a 2017 article in The Globe and Mail that puts incorporation into the Canadian perspective.

Other Types of Business Ownership

In addition to the three commonly adopted forms of business organization—sole proprietorship, partnership, and regular corporations—some business owners select other forms of organization to meet their particular needs. We'll look at several of these options:

- *Limited liability companies*
- *Cooperatives*
- *Not-for-profit corporations*

Limited Liability Companies

How would you like a legal form of organization that provides the attractive features of the three common forms of organization (corporation, sole proprietorship, and partnership) and avoids the unattractive features of these three organization forms? The ***limited liability company*** *(LLC) accomplishes exactly that. This form provides business owners with limited liability (a key advantage of corporations) and no "double taxation" (a key advantage of sole proprietorships and partnerships). We now need to point out some circumstances under which an LLC member (or a shareholder in a corporation) might be held personally liable for the debts of his or her company. A business owner can be held personally liable if he or she:*

- *Personally guarantees a business debt or bank loan which the company fails to pay.*
- *Fails to pay employment taxes to the government.*

4. AllBusiness Editors. (2016). How Much Does it Cost to Incorporate? AllBusiness.com. Retrieved from: http://allbusiness.sfgate.com/legal/contracts-agreements-incorporation/2531-1.htm

- *Engages in fraudulent or illegal behavior that harms the company or someone else.*
- *Does not treat the company as a separate legal entity, for example, use company assets for personal uses.*

Cooperatives

*A **cooperative** (also known as a co-op) is a business owned and controlled by those who use its services. Individuals and firms who belong to the cooperative join together to market products, purchase supplies, and provide services for its members. If run correctly, cooperatives increase profits for its producer-members and lower costs for its consumer-members. Cooperatives are fairly common in the agricultural community, however, there are some good examples that have an impact on the hospitality industry and namely golf facilities.*

The London Brewing Co-op is a micro-brewery located in the city of London, Ontario. The business supplies many businesses including golf courses. Its mission statement is "*We believe that great beers start with superior ingredients. That's why we choose the finest local and organic malts and hops available. However, contained within the pint is far more than just a great beer. It's a beer that celebrates the hard work and wisdom of local farmers. It's a beer that values relationships, cooperation, and community. It's a beer that recognizes the finite nature of our home planet, and the need to make sustainable choices in everything we do. It's a beer that believes that a more equitable society starts with a democratic workplace. In short, contained within is a great beer that can better our world, one pint at a time.*"[5]

"London Brewing Logo", © London Brewing Co-operative used with permission, All Rights Reserved.

5. London Brewing Co-operative. (n.d.)https://www.londonbrewing.ca/

Not-for-Profit Corporations

A not-for-profit corporation *(sometimes called a nonprofit) is an organization formed to serve some public purpose rather than for financial gain. As long as the organization's activity is for charitable, religious, educational, scientific, or literary purposes, it can be exempt from paying income taxes. Additionally, individuals and other organizations that contribute to the not-for-profit corporation can take a tax deduction for those contributions. The types of groups that normally apply for nonprofit status vary widely and include churches, synagogues, mosques, and other places of worship; museums; universities; and conservation groups.*

Since Statistics Canada ended its deep collection of nonprofit statistics in 2008;

- *170,000 charitable and non-profit organizations in Canada*
- *85,000 of these are registered charities (recognized by the Canada Revenue Agency).*
- *The charitable and nonprofit sector contributes an average of 8.1% of total Canadian GDP, more than the retail trade industry and close to the value of the mining, oil, and gas extraction industry*
- *Two million Canadians are employed in the charitable and nonprofit sector*
- *Over 13 million people volunteer for charities and nonprofits*

In a 2020 report, non-profit organizations represented 8.9% of gross domestic product (GDP) in Canada. Specifically, non-profit organizations serving households or individuals and businesses made up 2.2% of GDP and employed approximately 788,000 people, representing 4.5% of all jobs in Canada. [6]

6. Tam, S., Sood, S., & Johnston, C. (2021, December 6).Impact of COVID-19 on non-profit organizations in Canada, fourth quarter of 2021. Statistics Canada. https://www150.statcan.gc.ca/n1/pub/45-28-0001/2021001/article/00042-eng.htm

Golf Industry Non-Profits

"London Hunt and Country Club" © London Hunt and Country Club, used with permission, All Rights Reserved

"Non-Profits exist in the golf industry. The London Hunt and Country Club files as a not-for-profit under the Ontario Corporations Act. The ONCA (Ontario Not-for-Profit Corporations Act) will come into effect soon which will change some of our corporate structure, but as of now we file as a not-for-profit. We are a share capital corporation presently, which is one of the things that will change in the future. In other words, shareholders have a say in the direction of the club. However, these shares only have voting rights, and do not pay dividends and are non-transferrable. If a member leaves the Club, the share is voided. Face value of shares is $10. As a not for profit, we use the word "contribution" instead of profit, and we usually don't budget to make a profit. However, contributions can be earmarked for future use, which usually happens as capital improvements."[7]

7. Jon Nusink (General Manager/COO) London Hunt and Country Club in discussion with author June 2022

Golf Town Sporting Life Merger

Retailers Golf Town and Sporting Life merged in 2018 to form a new company called Sporting Life Group. The merger plan was for both companies to retain their brand and organizational structure while taking advantage of the opportunities of the alliance. According to company president Chad McKinnon:

"The goal of this merger is to strategically position Sporting Life Group as a pre-eminent sports lifestyle retailer in Canada and create a more complete operation with exceptional processes, a premium experience for our customers, and stronger relationships with our partners. The end game for this merger is readily apparent. Applied synergies between the two sporting brands under the umbrella of a single company will assist in a number of critical business areas, including sustainability, profitability, and growth potential while aligning to be an asset in future expansion opportunities for both brands either in Ontario, across Canada or beyond."[8]

Photo by Leonardo Dasilva, CC BY 3.0

*Though they are often used as if they're synonymous, the terms merger and acquisition mean slightly different things. A **merger** occurs when two companies combine to form a new company. An **acquisition** is the purchase of one company by another.*

8. Young, R. (2018, October 24). Golf Town Mergers with Sporting Life. Score Golf. https://scoregolf.com/opinion/rick-young/golf-town-merges-with-sporting-life/

Acquisition Example

An example of an acquisition is the purchase of Reebok by Adidas for $3.8 billion.[9] The deal was expected to give Adidas a stronger presence in North America and help the company compete with rival Nike. Once this acquisition was completed, Reebok as a company ceased to exist, though Adidas still sells shoes under the Reebok brand.

Motives Behind Mergers and Acquisitions

Companies are motivated to merge or acquire other companies for a number of reasons, including the following.

- *Gain Complementary Products or Services*
- *Attain New Markets or Distribution Channels*
- *Realize Synergies*

9. Howard, T. (2005). Adidas, Reebok Lace up for a Run Against Nike. USAToday. Retrieved from: http://usatoday30.usatoday.com/money/industries/manufacturing/2005-08-02-adidas-usat_x.htm

Key Terms

SME (small-to-medium enterprise) is a business establishment with 1–499 paid employees.

Sole proprietorship is an individual who may or may not employ other people but owns and operates the business.

Partnership is a business owned jointly by two or more people. Partnership have unlimited liability where each partner is liable for the debts of the other partners, including their tax liability.

Limited partnership (LP) exists when two or more partners go into business together, but the limited partners are only liable up to the amount of their investment. A limited partnership has limited partners and a general partner with unlimited liability.

Corporation is a legal entity that is entirely separate from the parties who own it. Once businesses reach a substantial size, it is advantageous to organize as a corporation so that its owners can limit their liability.

Limited liability company is where the owners or shareholders are financially only responsible for the amount they have invested in the company rather than their personal wealth. The importance of limiting the amount of a shareholder's liability is that it encourages people to invest with relatively little risk.

Cooperative is a business owned and controlled by those who use its services – producers, customers, or consumers.

A not-for-profit corporation (sometimes called a nonprofit) is an organization formed to serve some public purpose rather than for financial gain.

Merger is a term used to describe an agreement between the management and shareholders of two companies of approximately equal size to bring both companies together under a common board of directors.

Acquisition is a term used when one company purchases another company.

Key Takeaways

1. A sole proprietorship is a business owned by only one person.
    - Advantages include: complete control for the owner, easy and inexpensive to form, and the owner gets to keep all of the profits.
    - Disadvantages include: unlimited liability for the owner, complete responsibility for talent and financing, and business dissolve if the owner dies.
2. A general partnership is a business owned jointly by two or more people.
    - Advantages include: more resources and talents come with an increase in partners, and the business can continue even after the death of a partner.
    - Disadvantages include: partnership disputes, unlimited liability, and shared profits.
3. A limited partnership has a single general partner who runs the business and is responsible for its liabilities, plus any number of limited partners who have limited involvement in the business and whose losses are limited to the amount of their investment.
4. A corporation is a legal entity that's separate from the parties who own it, the shareholders who invest by buying shares of stock. Corporations are governed by a Board of Directors, elected by the shareholders.
    - Advantages include: limited liability, easier access to financing, and unlimited life for the corporation.
    - Disadvantages include: the agency problem, double taxation, and incorporation expenses and regulations.
5. A limited liability company (LLC) is similar to a C-corporation, but it has fewer rules and restrictions than a C-corporation. For example, an LLC can have any number of members.
6. A cooperative is a business owned and controlled by those who use its services. Individuals and firms who belong to the cooperative join together to market products, purchase supplies, and provide services for its members.
7. A not-for-profit corporation is an organization formed to serve some public purpose rather than for financial gain. It enjoys favorable tax treatment.
8. A merger occurs when two companies combine to form a new company.
9. An acquisition is the purchase of one company by another with no new company being formed.

Chapter 6: Entrepreneurship-Starting and Operating a Golf Business

Learning Objectives

By the end of the chapter, you should be able to:

- Define entrepreneur and describe the three characteristics of entrepreneurial activity.
- Identify five potential advantages to starting your own business.
- Define a small business and explain the importance of small businesses to the Canadian economy.
- Explain why small businesses tend to foster innovation more effectively than large ones.
- Describe the goods-producing and service-producing sectors of an economy.
- Explain what it takes to start a business and evaluate the advantages and disadvantages starting a business from scratch, buying an existing business, or obtaining a franchise.
- Explain why some businesses fail.

FANSHAWE Entrepreneurial Services | leap junction

LEAP into Entrepreneurship!

Leap Junction is Fanshawe College's entrepreneurship center. They provide one-on-one consultations, opportunities for networking, events, and workshops for any student or alumni interested in exploring **entrepreneurship**. For students or alumni who wish to start their own business, Leap Junction can be a workspace and entrepreneurial hub. Additionally, they provide a summer incubator program that focuses on business-growth and in-depth education to promote the success of registered clients.

What LEAP Junction does:

- support startups with one-on-one business analysis and mentorship
- create and host entrepreneurial-focused workshops, pitch competitions, retail opportunities, and events geared towards networking and skill development
- provide co-working space and meeting rooms for all of our clients
- act as a link for students and youth to access investors, industry, and other stakeholders in the city
- Integrate entrepreneurial activities into the local community and work with a vibrant ecosystem that supports local entrepreneurs
- LeapIN summer incubator which provides seed funding, mentorship, programming, and co-working space for a selected cohort

Do you have a business idea? Check out some of the successful students who started their own business.

The Nature of Entrepreneurship

*If we look a little more closely at the definition of **entrepreneurship,** we can identify three characteristics of entrepreneurial activity:*[1]

1. ***Innovation****. Entrepreneurship generally means offering a new product, applying a new technique or technology, opening a new market, or developing a new form of organization for the purpose of producing or enhancing a product. In the golf and club industry there is a focus on creating new ways to provide exceptional service that enhance member and guest experience.*
2. ***Running a business****. A business, as we saw in Chapter 2 Business Foundations combines resources to produce goods or services. Entrepreneurship means setting up a business to make a profit.*
3. ***Risk-taking****. The term risk means that the outcome of the entrepreneurial venture can't be known. Entrepreneurs, therefore, are always working under a certain degree of*

1. Dollinger, M. J. (2003). Entrepreneurship: Strategies and Resources (3rd ed.). Upper Saddle River, NJ: Prentice Hall.

uncertainty, and they can't know the outcomes of many of their decisions. Consequently, many of the steps they take are motivated mainly by their confidence in the innovation and in their understanding of the business environment in which they're operating.

To jumpstart your thinking around entrepreneurship, take this short quiz to align your thinking to Richard Branson, Warren Buffett, Marissa Mayer, or another famous businessperson. *Please note: This quiz is very general and not scientific. It is just to prompt your thinking.*

What Is Intrapreneurship?

*The term **intrapreneurship** refers to a system that allows an employee (such as the General Manager of a golf course) to act like an entrepreneur within a company or other organization*[2] *Intrapreneurs are self-motivated, proactive, and action-oriented people who take initiative An intrapreneur knows failure does not have a personal cost as it does for an entrepreneur since the organization absorbs losses that arise from failure. However, they typically have the best interest of the owner or members in mind when making business decisions.*

A Few Things to Know About Going into Business for Yourself

When you look at some of the most successful business people in the world, who comes to mind? Elon Musk, Jeff Bezos, Steve Jobs, Mark Zuckerberg…? If you asked them the secret to their success, what do you think they would say? Some possible answers might be;

1. *Be persistent and create opportunities*
2. *Be willing to take a risk*
3. *Surround yourself with the right people*
4. *Commit to ongoing learning*
5. *Embrace success and failure*

In all of these cases, the entrepreneurs started small and built some of the most powerful and recognizable companies on the planet!

2. Kenton, W. (2021, February 25). Intrapreneurship definition. Investopedia. https://www.investopedia.com/terms/i/intrapreneurship.asp

So, a few questions to consider if you want to go into business for yourself:

- *How do I come up with a business idea?*
- *Should I build a business from scratch, buy an existing business, or invest in a franchise?*
- *What steps are involved in developing a business plan?*
- *Where could I find help in getting my business started?*
- *How can I increase the likelihood that I'll succeed?*

In this chapter, we'll provide some answers to questions like these.

Why Start Your Own Business?

What sort of characteristics distinguishes those who start businesses from those who don't? Or, more to the point, why do some people actually follow through on the desire to start up their own businesses? The most common reasons for starting a business are the following:

- *To be your own boss*
- *To accommodate the desired lifestyle*
- *To achieve financial independence*
- *To enjoy creative freedom*
- *To use your skills and knowledge*

How can you translate characteristics into potential success? Experts suggest that you assess your strengths and weaknesses by asking yourself a few relevant questions:[3]

- *Am I a self-starter? You'll need to develop and follow through on your ideas.*
- *How well do I get along with different personalities? Strong working relationships with a variety of people are crucial.*
- *How good am I at making decisions? Especially under pressure…..*
- *Do I have the physical and emotional stamina? Expect six or seven workdays of about twelve hours every week.*
- *How well do I plan and organize? Poor planning is the culprit in most business failures.*
- *How will my family? Family members need to know what to expect: long hours and, at least initially, a more modest standard of living.*

Before we discuss why businesses fail we should consider why a huge number of business

3. U.S. Small Business Administration. (2016). Is Entrepreneurship For You? SBA.gov. Retrieved from: https://www.sba.gov/starting-business/how-start-business/entrepreneurship-you

ideas never even make it to the grand opening. One business analyst cites four reservations (or fears) that prevent people from starting businesses: [4]

- *Money. Without cash, you can't get very far. What to do: line up initial financing early or at least have done enough research to have a plan to raise money.*
- *Security. A lot of people don't want to sacrifice the steady income that comes with the nine-to-five job. What to do: don't give up your day job. Run the business part-time or connect with someone to help run your business – a "co-founder".*
- *Competition. A lot of people don't know how to distinguish their business ideas from similar ideas. What to do: figure out how to do something cheaper, faster, or better.*
- *Lack of ideas. Some people simply don't know what sort of business they want to get into. What to do: find out what trends are successful. Turn a hobby into a business. Think about a franchise. Find a solution to something that annoys you – entrepreneurs call this a "pain point" – and try to turn it into a business.*

If you're still interested in going into business for yourself, try to regard such drawbacks as mere obstacles to be overcome by a combination of planning and creative thinking.

Sources of Early-Stage Financing

As noted above, many businesses fail, or never get started, due to a lack of funds. But where can an entrepreneur raise money to start a business? Many first-time entrepreneurs are financed by friends and family, at least in the very early stages. Others may borrow through their personal credit cards, though quite often, high-interest rates make this approach unattractive or too expensive for the new business to afford.

An entrepreneur with a great idea may win funding through a pitch competition; local municipalities and government agencies understand that economic growth depends on successful new businesses, and so they will often conduct such competitions in the hopes of attracting them.

***Crowdfunding** has become more common as a means of raising capital. An entrepreneur using this approach would typically utilize a crowdfunding platform like Kickstarter or GoFundMe to attract investors. The entrepreneur might offer tokens of appreciation in exchange for funds, or perhaps might offer an ownership stake for a substantial enough investment. Take a few moments to peruse Kickstarter or another site and see what types of businesses are proposed in your area or which are trending globally.*

4. Waters, S. (2016). Top Four Reasons People Don't Start a Business. Retrieved from: http://retail.about.com/od/startingaretailbusiness/tp/overcome_fears.htm

Some entrepreneurs receive funding from angel investors, affluent investors who provide capital to start-ups in exchange for an ownership position in the company. Many angels are successful entrepreneurs themselves and invest not only to make money but also to help other aspiring business owners to succeed.

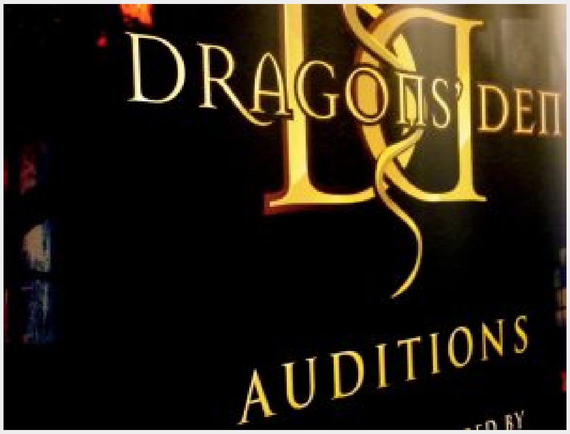


Photo by Rebecca Bollwitt, CC BY-NC-SA 2.0

Venture capital firms also invest in start-up companies, although usually at a somewhat later stage and in larger dollar amounts than would be typical of angel investors. Like angels, venture firms also take an ownership position in the company. They tend to have a higher expectation of making a return on their money than do angel investors.
Check out this Dragon's Den episode: Cygnet Better Golf System where participants are pitching a new version on golf.

Distinguishing Entrepreneurs from Small Business Owners

Though most entrepreneurial ventures begin as small businesses, not all small business owners are entrepreneurs. Entrepreneurs are innovators who start companies to create new or improved products. They strive to meet a need that's not being met, and their goal is to grow the business and eventually expand into other markets.

In contrast, many people either start or buy small businesses for the sole purpose of providing an income for themselves and their families. They do not intend to be particularly innovative, nor do they plan to expand significantly. This desire to operate is what's sometimes called a "lifestyle business" [5]

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5. Allen, K. (2001). Entrepreneurship for Dummies. New York: Wiley.

The Importance of Small Business to the Canadian Economy

The millions of individuals who have started small businesses have helped shape the business world as we know it today. Small businesses are the "back-bone" of the Canadian economy! Aside from contributions to our general economic well-being, founders of small businesses also contribute to growth and vitality in specific areas of economic and socio-economic development. In particular, small businesses do the following:

- *Create jobs*
- *Spark innovation*
- *Provide opportunities for many people, including women and minorities, to achieve financial success and independence*

In addition, they complement the economic activity of large organizations by providing them with components, services, and distribution of their products. Let's take a closer look at each of these contributions.

Job Creation

The majority of Canadian workers first entered the business world by working for small businesses. Although the split between those working in small companies and those working in big companies is about even, small firms hire more frequently and fire more frequently than do big companies.[6] *Why is this true? At any given point in time, lots of small companies are started and some expand. These small companies need workers and so hiring takes place. But the survival and expansion rates for small firms are poor, and so, again at any given point in time, many small businesses close or contract and workers lose their jobs. Fortunately, over time more jobs are added by small firms than are taken away, which results in a net increase in the number of workers.*

The size of the net increase in the number of workers for any given year depends on a number of factors, with the economy being at the top of the list. A strong economy encourages individuals to start small businesses and expand existing small companies, which adds to the workforce. A weak economy does just the opposite: discourages start-ups and expansions, which decreases the workforce through layoffs. In chapter 3 the data shows that the Canadian golf industry directly employed nearly 150,000 full-time, full-year equivalent

6. Headd, B. (2010). An Analysis of Small Business and Jobs. U.S. Small Business Administration, Office of Advocacy. Retrieved from: https://www.sba.gov/sites/default/files/files/an%20analysis%20of%20small%20business%20and%20jobs(1).pdf

positions, representing many more individuals who are employed in the sector. This number grows to approximately 249,000 when accounting for direct, indirect, and induced employment. The golf industry is a significant job provider for youth with 48% of its workforce identified as students.

Innovation

Over the years there has been considerable growth in innovation at golf clubs. At the forefront of the technological evolution was the introduction of online tee-time reservations. In the early 2000's, clubs began to see the intrinsic value of moving their tee-sheets online. This provided clubs the ability to have tee-time access for their members and guests 24 hours per day, 7 days per week. This revolutionized the old telephone method of reservations and over time became a preferred process. Companies like London-based software company Tee-on Golf Systems paved the way for convenient ways for clubs to streamline their booking procedures. As the industry evolves, there will be an emergence of self-check in and beacon technology to help make transactions more convenient and provide an improved level of service for members and guests.

Logo © Tee-On Golf Systems Inc., used with permission, All Rights Reserved.

Read: The NGCOA article: "Driving On-site Sales with Beacon Technology" by Ron Sruthers [Page 30]

Opportunities for Women


[*Image*](#) *by* [*jmw02824*](#), [*Pixabay License*](#)

Small business is the portal through which many people enter the economic mainstream. Business ownership allows individuals to achieve financial success, as well as pride in their accomplishments. While the majority of small businesses are still owned by males, the past two decades have seen a substantial increase in the number of businesses owned by women. Generally speaking, females have been under-represented in the golf and club industry, specifically on the golf operations side.

"One of the big questions that I get from our industry partners when seeking employees is – Do you have any females in your college golf program who are seeking a career in golf operations or as a golf professional? The answer is yes, but in very limited numbers. There is a tendency for females to gravitate to Food, Beverage and Events management rather than working in the pro shop. This is a big void that our industry needs to figure out! One of the ways is to get more females to take up the game of golf at an earlier age, so they can see the value of making their love of the sport into a career." Rob Foster

Read: The NGCOA article "Because she's worth it"! By Tracy Luel [Page 38]

What Industries Are Small Businesses In?

If you want to start a new business, you probably should avoid certain types of businesses. You'd have a hard time, for example, constructing a brand new golf course, because you'd have to make tremendous investments in property, and equipment, and raise an enormous amount of capital to pay your workforce. These large, up-front investments present barriers to entry.

Fortunately, plenty of opportunities are still available. Many types of businesses require reasonable initial investments, and not surprisingly, these are the ones that usually present attractive small business opportunities. Rather than building a golf course from scratch, *perhaps look at the feasibility of an existing golf course that is "turn-key" with a proven track record.*

Industries by Sector

Let's define an industry as a group of companies that compete with one another to sell similar products. We'll focus on the relationship between a small business and the industry in which it operates, dividing businesses into two broad types of industries, or sectors: the goods-producing sector and the service-producing sector.

- ***The goods-producing sector** includes all businesses that produce tangible goods. Generally speaking, companies in this sector are involved in manufacturing, construction, and agriculture.*
- ***The service-producing sector** includes all businesses that provide services but don't make tangible goods. They may be involved in retail and wholesale trade, transportation, finance, entertainment, recreation, accommodations, food service, and any number of other ventures.*

As of 2017, services accounted for 70.5 percent of Canadian GDP.[7] *This bodes well for the golf and club industry that represents the aforementioned entertainment, accommodations, recreation, and food service industries.*

Goods-Producing Sector

The largest areas of the goods-producing sector are construction and manufacturing. Construction businesses are often started by skilled workers, such as electricians, painters, plumbers, and home builders, and they generally work on local projects. Though manufacturing is primarily the domain of large businesses, there are exceptions.

7. Government of Canada. (2018). Canada's Services Trade Performance (2018).https://www.international.gc.ca/trade-commerce/economist-economiste/state_of_trade-commerce_international/special_feature-2018-article_special.aspx?lang=eng

The global golf equipment market size was valued at $6.51 billion (USD) in 2018. By product type, the golf equipment market is divided into golf balls, clubs, footwear, and gear. Golf clubs accounted for the largest market share at approximately 45% in 2018. Golf clubs are one of the major products in this segment and is witnessing significant demand.[8]

Service-Producing Sector

Many small businesses in this sector are retailers—they buy goods from other firms and sell them to consumers, in stores or online. In fact, entrepreneurs are turning increasingly to the Internet as a venue for start-up ventures. Other small business owners in this sector are wholesalers—they sell products to businesses that buy them for resale or for company use. A pro shop, for example, will buy products such as golf gloves, tees, and balls from a wholesale supplier, then mark up the price (known as the retail price) in order to make a profit.

Advantages and Disadvantages of Business Ownership

Do you want to be a business owner someday? Before deciding, you might want to consider the following advantages and disadvantages of business ownership.[9]

8. Grand View Research Inc. (n.d.) Golf Equipment Market Size, Share & Trends Analysis Report By Product (Clubs, Gears, Footwear & Apparel, Balls), By Distribution Channel (Sports Goods Retailers, Online, Department & Discount Stores), And Segment Forecasts, 2019 - 2025 - Report Overview. https://www.grandviewresearch.com/industry-analysis/golf-equipment-market (
9. Illinois Small Business Development Center at SIU. (2016). Frequently Asked Questions: What are the Pros and Cons of Owning a Business? Retrieved from: http://sbdc.siu.edu/frequently-asked-questions/index.html

Advantages of Small Business Ownership

Being a business owner can be extremely rewarding. Having the courage to take a risk and start a venture is part of the Canadian dream. Success brings with it many advantages:

	Advantages of Small Business Ownership
Independence	*As a business owner, you're your own boss. You can't get fired. More importantly, you have the freedom to make the decisions that are crucial to your own business success.*
Lifestyle	*Owning a small business gives you certain lifestyle advantages. Because you're in charge, you decide when and where you want to work. If you want to spend more time on non-work activities or with your family, you don't have to ask for the time off. Given today's technology, if it's important that you be with your family all day, you can run your business from your home.*
Financial rewards	*In spite of high financial risk, running your own business gives you a chance to make more money than if you were employed by someone else. You benefit from your own hard work.*
Learning opportunities	*As a business owner, you'll be involved in all aspects of your business. This situation creates numerous opportunities to gain a thorough understanding of the various business functions.*
Creative freedom and personal satisfaction	*As a business owner, you'll be able to work in a field that you really enjoy. You'll be able to put your skills and knowledge to use, and you'll gain personal satisfaction from implementing your ideas, working directly with customers, and watching your business succeed.*

Disadvantages of Small Business Ownership

As the little boy said when he got off his first roller-coaster ride, "I like the ups but not the downs!" Here are some of the risks you run if you want to start a small business:

Disadvantages of Small Business Ownership

Financial risk	*The financial resources needed to start and grow a business can be extensive. You may need to commit most of your savings or even go into debt to get started. If things don't go well, you may face substantial financial loss. In addition, there's no guaranteed income. There might be times, especially in the first few years, when the business isn't generating enough cash for you to live on.*
Stress	*As a business owner, you are the business. There's a bewildering array of things to worry about—competition, employees, bills, equipment breakdowns, etc.. As the owner, you're also responsible for the well-being of your employees.*
Time commitment	*People often start businesses so that they'll have more time to spend with their families. Unfortunately, running a business is extremely time- consuming. In theory, you have the freedom to take time off, but in reality, you may not be able to get away. In fact, you'll probably have less free time than you'd have working for someone else. For many entrepreneurs and small business owners, a forty-hour workweek is a myth. Vacations will be difficult to take and will often be interrupted. In recent years, the difficulty of getting away from the job has been compounded by cell phones, iPhones, Internet-connected laptops and iPads, and many small business owners have come to regret that they're always reachable.*
Undesirable duties	*When you start up, you'll undoubtedly be responsible for either doing or overseeing just about everything that needs to be done. You can get bogged down in detail work that you don't enjoy. As a business owner, you'll probably have to perform some unpleasant tasks, like firing people.*

Starting a Business

Starting a business takes talent, determination, hard work, and persistence. It also requires a lot of research and planning. Before starting your business, you should appraise your strengths and weaknesses and assess your personal goals to determine whether business ownership is for you.[10]

Questions to Ask Before You Start a Business

If you're interested in starting a business, you need to make decisions even before you bring your talent, determination, hard work, and persistence to bear on your project.

Here are the basic questions you'll need to address:

- *What, exactly, is my business idea? Is it feasible?*
- *What industry do I want to enter?*
- *What will be my competitive advantage?*

10. Allen, K. (2001). Getting Started in Entrepreneurship. Entrepreneurship for Dummies. New York: Wiley.

- *Do I want to start a new business, buy an existing one, or buy a franchise?*
- *What form of business organization do I want?*

After making these decisions, you'll be ready to take the most important step in the entire process of starting a business: you must describe your future business in the form of a business plan—a document that identifies the goals of your proposed business and explains how these goals will be achieved. Think of a business plan as a blueprint for a proposed company: it shows how you intend to build the company and how you intend to make sure that it's sturdy. You must also take a second crucial step before you actually start up your business: You need to get ***financing****—the money that you'll need to get your business off the ground.*

The Business Idea

For some people, coming up with a great business idea is a gratifying adventure. For most, however, it's a daunting task. The key to coming up with a business idea is identifying something that customers want—or, perhaps, more importantly, filling an unmet need. Your business will probably survive only if its purpose is to satisfy its customers—the ultimate users of its goods or services. In coming up with a business idea, don't ask, "What do we want to sell?" but rather, "What does the customer want to buy?" [11]

When planning the items to sell at your club (i.e.. memberships, golf products, food and beverage etc.), it is a good idea to consider the demographics of your membership and guests. What is their age and gender?
In the NGCOA article Keep them Coming Back by Peter Smith [Page 36], the author explores the use of customer data to help clubs understand the needs and wants of customers and how to retain them long term.

11. Thurm, S., & Lublin, J. S. (2005, November 14). Peter Drucker's Legacy Includes Simple Advice: It's All about the People. The Wall Street Journal. Retrieved from: http://www.wsj.com/articles/SB113192826302796041

Ownership Options

You can become a small business owner in one of three ways— by starting a new business, buying an existing one, or obtaining a franchise. Let's look more closely at the advantages and disadvantages of each option.

Starting from Scratch

*The most common—and the riskiest—option is **starting from scratch**. This approach lets you start with a clean slate and allows you to build the business the way you want. You select the goods or services that you're going to offer, secure your location, and hire your employees, and then it's up to you to develop your customer base and build your reputation.*

Buying an Existing Business

*If you decide to buy an existing business, some things will be easier. You'll already have a proven product, current customers, active suppliers, a known location, and trained employees. You'll also find it much easier to predict the business's future success. There are, of course, a few bumps in this road to business ownership. First, it's hard to determine how much you should pay for a business. You can easily determine how much things like land, buildings, and equipment are worth, but how much should you pay for the fact that the business already has steady customers? In addition, if you are seeking to buy a golf business, perhaps the current owners have disappointed members and customers; maybe the location isn't as good as it used to be or there are more competitors. You might inherit employees that you wouldn't have hired yourself. A careful study called **due diligence** is necessary before going down this road.*

Getting a Franchise

*Lastly, you can buy a franchise. A **franchisor** (the company that sells the franchise) grants the franchisee (the buyer—you) the right to use a brand name and to sell its goods or services. Franchises market products in a variety of industries, including food, retail, hotels, travel, real estate, business services, cleaning services, and even weight-loss centres and wedding services. The table below lists the top ten franchises according to Entrepreneur magazine* *for 2018. Franchises apply to be on the list and are then assessed using Entrepreneur's five pillars.*[12]

	Ranking 2018
1	*McDonald's*
2	*7-Eleven Inc.*
3	*Dunkin'Donuts*
4	*The UPS Store*
5	*RE/MAX LLC*
6	*Sonic Drive-in*
7	*Great Clips*
8	*Taco Bell*
9	*Hardee's*
10	*Sport Clips*

In Canada, 1 out of every 14 workers is directly or indirectly employed by the franchise industry and there are an estimated 1,300 franchise brands operating in Canada. Individual investments vary widely – from $10,000 to millions. KFC franchises, for example, require a total investment of $1.3 million to $2.5 million each. This fee includes the cost of the property, equipment, training, start-up costs, and the franchise fee—a one-time charge for the right to operate as a KFC outlet. McDonald's is in the same price range ($1 million to $2.3 million). SUBWAY sandwich shops offer a more affordable alternative, with an expected total investment ranging from $116,000 to $263,000. Visit Canadian Franchising Opportunities[13] *to see franchises by the level of investment required.*

In addition to your initial investment, you'll have to pay two other fees on a monthly basis—a royalty fee (typically from 3 to 12 percent of sales) for continued support from the franchisor and the right to keep using the company's trade name, plus an advertising fee to cover your share of national and regional advertising. You'll also be expected to buy your products from the franchisor.[14]

But there are disadvantages. The cost of obtaining and running a franchise can be high, and

12. Entrepreneur Media Inc. (2018).2018 Franchise 500 Ranking.https://www.entrepreneur.com/franchise500/2018
13. Peterson, H. (2014). Here's How Much It Costs To Open Different Fast Food Franchises In The US. BusinessInsider.com. Retrieved from: http://www.businessinsider.com/cost-of-fast-food-franchise-2014-11
14. Seid, M., & Ainsley, K. M. (2002). Franchise Fee—Made Simple. Entrepreneur.com. Retrieved from: https://www.entrepreneur.com/article/51174

you have to play by the franchisor's rules, even when you disagree with them. The franchisor maintains a great deal of control over its franchisees. For example, if you own a fast-food franchise, the franchise agreement will likely dictate the food and beverages you can sell; the methods used to store, prepare, and serve the food; and the prices you'll charge. In addition, the agreement will dictate what the premises will look like and how they'll be maintained. As with any business venture, you need to do your homework before investing in a franchise.

One of the most popular franchises related to the golf industry is TopGolf. Topgolf is a sports entertainment complex that features an inclusive, high-tech golf game in climate-controlled hitting bays with music, and an outstanding food and beverage menu.[15]

Watch the video: Top golf: How much is Topgolf? Is it a franchise (2022) by Business & Franchise Opportunities By Vetted Biz [5:03] (transcript available)

One or more interactive elements has been excluded from this version of the text. You can view them online here: https://ecampusontario.pressbooks.pub/businessgolfindustry/?p=72#oembed-1

Why Do Some Businesses Fail?

If you've paid attention to the occupancy of shopping malls over a few years, you've noticed that retailers come and go with surprising frequency. The same thing happens with restaurants—indeed, with all kinds of businesses. By definition, starting a business—small or large—is risky, and though many businesses succeed, a large proportion of them don't. The most recent, official statistics for Canada, from 2013, report the following for the births and deaths of SMEs. Consult the table below or find the equivalent, text information from Industry

15. Topgolf. (n.d.). The Topgolf Experience.https://topgolf.com/us/experience/

Canada. Note: These statistics do not deal directly with entrepreneurs, but with small and medium enterprises or SMEs.

As disappointing as these statistics on business survival are, some industries are worse than others. If you want to stay in business for a long time, you might want to avoid some of these risky industries. Even though your friends think you make the best pizza in the world, this doesn't mean you can succeed as a pizza parlour owner. Opening a restaurant or a bar is one of the riskiest ventures (and, therefore, start-up funding is hard to get).

Businesses fail for any number of reasons, but many experts agree that the vast majority of failures result from some combination of the following problems:

- ***Bad business idea**. Like any idea, a business idea can be flawed, either in conception or in execution. If you tried selling snow blowers in Hawaii, you could count on little competition, but you'd still be doomed to failure.*
- ***Cash problems.** Too many new businesses are underfunded. The owner borrows enough money to set up the business but doesn't have enough extra cash to operate during the start-up phase when very little money is coming in but a lot is going out.*
- ***Managerial inexperience or incompetence**. Many new business owners have no experience in running a business; many have limited management skills. Maybe an owner knows how to make or market a product but doesn't know how to manage people. Maybe an owner can't attract and keep talented employees. Maybe an owner has poor leadership skills and isn't willing to plan ahead.*
- ***Lack of customer focus**. A major advantage of a small business is the ability to provide special attention to customers. But some small businesses fail to seize this advantage. Perhaps the owner doesn't anticipate customers' needs or keep up with changing markets or the customer-focused practices of competitors.*
- ***Inability to handle growth**. You'd think that a sales increase would be a good thing. Often it is, of course, but sometimes it can be a major problem. When a company grows, the owner's role changes. He or she needs to delegate work to others and build a business structure that can handle the increase in volume. Some owners don't make the transition and find themselves overwhelmed. Things don't get done, customers become unhappy, and expansion actually damages the company.*

Key Terms

Entrepreneurs are innovators who start companies to create new or improved products.

Intrapreneurship refers to a system that allows an employee (such as the General Manager of a golf course) to act like an entrepreneur within a company or other organization.

Crowdfunding has become more common as a means of raising capital.

A **small business** is a firm that has fewer than 100 employees. A small business is one that is independently owned and operated, exerting little influence in its industry.

Golf businesses are often started by entrepreneurs that have an understanding of Golf Services, Turf Maintenance, Food and Beverage. Strong skills in Human Resource and Financial Management are a must.

The **service-producing sector** includes all businesses that provide services but don't make tangible goods. Retailers buy goods from other firms and sell them to consumers, in stores or online.

Financing is the money that you'll need to get your business off the ground.

Starting from Scratch is the approach that lets you start with a clean slate and allows you to build the business the way you want.

Due diligence is the careful study that is necessary before going down this road.

Franchisor is a company that sells franchises.

Franchise is a type of business where a franchisor grants the franchisee (the buyer) the right to use a brand name and to sell its goods or services in exchange for a fee.

Key Takeaways

1. An entrepreneur is someone who identifies a business opportunity and assumes the risk of creating and running a business to take advantage of it.
2. The three characteristics of entrepreneurial activity are innovating, running a business, and risk-taking.
3. A small business is independently owned and operated, exerts little influence in its industry, and has fewer than one hundred employees.
4. An industry is a group of companies that compete with one another to sell similar products. There are two broad types of industries, or sectors: the goods-producing sector and the service-producing sector.

5. Once you decide to start a business, you'll need to create a business plan—a document that identifies the goals of your proposed business and explains how it will achieve them.

Chapter 7: Management and Leadership

Learning Objectives

By the end of the chapter, you should be able to:

- Identify the four interrelated functions of management: planning, organizing, leading, and controlling.
- Explain the process by which a company develops and implements a strategic plan.
- Explain how managers direct others and motivate them to achieve company goals.
- Describe the process by which a manager monitors operations and assesses performance.
- Explain what benchmarking is and its importance for managing organizations.
- Describe the skills needed to be a successful manager.

Noteworthy Management

Consider this scenario: you're halfway through the semester and ready for midterms. You open your class notes and declare them "pathetic." You regret scribbling everything so carelessly and skipping class so many times. That's when it hits you: what if there was a note-taking service on campus? When you were ready to study for a big test, you could buy complete and legible class notes. You've heard that there are class-notes services at some larger schools, but there's no such thing on your campus. So you ask yourself, why don't I start a note-taking business? Your upcoming set of exams may not be salvageable, but after that, you'd always have great notes. And in the process, you could learn how to manage a business (isn't that what majoring in business is all about?).

You might begin by hiring a bunch of students to take class notes. Then the note-takers will email them to your assistant, who'll get them copied (on a special type of paper that can't be duplicated). The last step will be assembling packages of notes and, of course, selling them. You decide to name your company "Notes-4-You."

It sounds like a great idea, but you're troubled by one question: why does this business need you? Do the note-takers need a boss? Couldn't they just sell the notes themselves? This process could work, but it would work better if there was someone to oversee the operations: a manager—to make sure that the operations involved in preparing and selling notes were performed in both an effective and an efficient manner. You'd make the process effective by ensuring that the right things got done and that they all contributed to the success of the enterprise. You'd make the process efficient by ensuring that activities were performed in the right way and used the fewest possible resources.

The Management Process

"Circular Management Process"

The effective performance of your business will require solid management: the process of planning, organizing, leading and controlling resources to achieve specific goals. A plan enables you to take your business concept beyond the idea stage. It does not, however, *get the work done. For that to happen, you have to organize things effectively. You'll have to put people and other resources in place to make things happen. And because your note-taking venture is supposed to be better off with you in charge, you need to be a leader who can motivate your people to do well. Finally, to know whether things are in fact going well, you'll have to control your operations—that is, measure the results and compare them with the results that you laid out in your plan. The management process below summarizes the interrelationship between planning and the other functions that managers perform. This chapter will explore the planning, leading, and controlling in some detail. Organizing is an especially complex topic and deserves its own chapter.*

Planning

Without a plan, it's hard to succeed at anything. The reason is simple: if you don't know where you're going, you can't move forward. Successful managers decide where they want to be and then figure out how to get there; they set goals and determine the best way to achieve them. As a result of the planning process, everyone in the organization knows what should be done, who should do it, and how to do it.

Developing a Strategic Plan

Coming up with an idea—say, starting a note-taking business—is a good start, but it's only a start. Planning for it is a step forward. Planning begins at the highest level and works its way down through the organization. Step one is usually called ***strategic planning****: the process of establishing an overall course of action. To begin this process, you should ask yourself a couple of very basic questions: why, for example, does the organization exist? What value does it create?*

Once you've identified the purpose of your company, you're ready to take the remaining steps in the strategic-planning process:

- *Write a mission statement that tells customers, employees, and others why your organization exists.*
- *Identify core values or beliefs that will guide the behavior of members of the organization.*
- *Assess the company's strengths, weaknesses, opportunities, and threats.*
- *Establish goals and objectives, or performance targets, to direct all the activities that you'll perform to achieve your mission.*
- *Develop and implement tactical and operational plans to achieve goals and objectives.*

In the next few sections, we'll examine these components of the strategic-planning process.

Mission Statement

*As we saw in an earlier chapter, the **mission statement** describes the purpose of your organization—the reason for its existence. It tells the reader what the organization is committed to doing. A mission statement can be very concise, see the example from ClubLink below.*

Mission Statements

"Clublink is Canada's largest owner and operator of high-quality golf courses and resort properties. One of the primary reasons for Clublink's success is the passion our employees have for delivering excellent service." [1]

Mission statements can also be detailed such as the one from Acushnet Holdings Corp "aka" Titleist:
Mission: Enrich the experience of dedicated golfers through products and services of superior performance, quality, and innovation. **Vision:** Build a family of golf performance brands that are unrivaled leaders in every category in which we compete.
Values: Passion for Dedicated Golfers | Performance & Quality Excellence | Driven to Innovate | A Spirit of Leadership | Integrity & Respect | Bridge Builder Mindset [2]

Notes-4-You

A mission statement for Notes-4-You could be the following: "To provide high-quality class notes to college students." On the other hand, you could prepare a more detailed statement that explains what the company is committed to doing, who its customers are, what its focus is, what

1. ClubLink. (n.d.). Who we are. https://clublink.ca/about/employment/who-we-are/
2. Acushnet Holdings Corp. (n.d.). Who we are. https://www.acushnetholdingscorp.com/home/default.aspx

goods or services it provides, and how it serves its customers.

It is worth noting that some companies no longer use mission statements, preferring to communicate their reason for being in other manners.

Core Values

Whether or not your company has defined a mission, it is important to identify what your organization stands for in terms of its values and the principles that will guide its actions. In the chapter, "Business Ethics and Social Responsibility", we explained that the small set of guiding principles that you identify as crucial to your company are known as ***core values****—fundamental beliefs about what's important and what is and isn't appropriate in conducting company activities. Core values affect the overall planning processes and operations.*

At Acushnet, they state *"Our core values represent essential truths that drive our work every day. They serve as guiding principles for building high-performing teams, creating lasting partnerships, and fostering an inclusive, respectful, authentic culture where all can thrive and feel a strong sense of belonging."*[3]

Core values should guide the behavior of every individual in the organization. Companies communicate core values to employees and hold them accountable for putting them into practice by linking their values to performance evaluations and compensation.

3. Acushnet Holdings Corp. (n.d.). Who we are: Core values. [https://www.acushnetholdingscorp.com/who-we-are/Core-Values/

Notes-4-You

In choosing core values for Notes-4-You, you're determined to be unique. After some thought, you settle on teamwork, trust, and dependability. Why these three? As you plan your business, you realize that it will need a workforce that functions as a team, trusts each other, and can be depended on to satisfy customers. In building your workforce, you'll seek employees who'll embrace these values.

Conduct a SWOT Analysis

*The next step in the strategic-planning process is to assess your company's fit with its environment. A common approach to environmental analysis is matching the strengths of your business with the opportunities available to it. It's called **SWOT analysis** because it calls for analyzing an organization's Strengths, Weaknesses, Opportunities, and Threats. The next two paragraphs explain the ins and outs of a SWOT analysis. Watch this video: How to SWOT analysis by Parr and Associates [5:23] (transcript available).*

One or more interactive elements has been excluded from this version of the text. You can view them online here: https://ecampusontario.pressbooks.pub/businessgolfindustry/?p=78#oembed-1

Hint: Use the cog to increase the speed; the video is a tad slow-moving.

1. *It begins with an examination of **external factors** that could influence the company in either a positive or a negative way. These could include economic conditions, competition, emerging technologies, laws and regulations, and customers' expectations. One purpose of assessing the external environment is to identify both opportunities that could benefit the company and threats to its success.*
2. *The next step is to evaluate the company's strengths and weaknesses, and **internal factors** that could influence company performance in either a positive or negative way. Strengths might include a motivated workforce, state-of-the-art technology, impressive managerial talent, or a desirable location. The opposite of any of these strengths could signal a potential weakness (poor workforce, obsolete technology, incompetent*

management, or poor location). Armed with a good idea of internal strengths and weaknesses, as well as external opportunities and threats, managers will be better positioned to capitalize on opportunities and strengths. Likewise, they want to improve on any weak areas and protect the organization from external threats.

Notes-4-You

For example, Notes-4-You might say that by providing excellent service at a reasonable price while we're still small, it can solidify its position on campus. When the market grows due to increases in student enrollment, the company will have built a strong reputation and be in a position to grow. So even if a competitor comes to campus (a threat), the company expects to be the preferred supplier of class notes. This strategy will work only if the note-takers are dependable and if the process does not alienate the faculty or administration.

Set Goals

Your mission statement affirms what your organization is generally committed to doing, but it doesn't tell you how to do it. So the next step in the strategic-planning process is establishing goals and objectives. ***Goals*** *are major accomplishments that the company wants to achieve over a long period. In order to challenge and yet manage, SMART is an often-applied acronym that guides the development of goals. A SMART goal is one that is:*

"SMART goals"

- ***Specific***: *The who, what, where, when, why, and the which involved with the goal. Define the goal as much as possible with no ambiguous language.*
- ***Measurable***: *Can you track the progress and measure the outcome? How much, how many, how will I know when my goal is accomplished?*
- ***Attainable***: *Is the goal reasonable enough to be accomplished? Make sure the goal is not out of reach or below standard performance.*
- ***Relevant***: *Is the goal worthwhile and will it meet your and your organization's needs? Is each goal consistent with other established goals, plans, and timelines?*
- ***Timely***: *Your goal should include a time limit. It will establish a sense of urgency and prompt better time management.*

Set objectives

Objectives *are shorter-term performance targets that direct the activities of the organization toward the attainment of a goal. They should be clearly stated, achievable, and measurable: they should give target dates for the completion of tasks and stipulate who's responsible for taking necessary actions.* [4]

An organization will have a number of goals and related objectives. Some will focus on financial measures, such as profit maximization and sales growth. Others will target operational efficiency or quality control. Still, others will govern the company's relationships with its employees, its community, its environment, or all three.

Finally, goals and objectives change over time. As an organization reassesses its place in its business environment, it rethinks not only its mission but also its approach to fulfilling it. An example of this is the golf courses' approach to running their business pre and post-pandemic. As the supply and demand change for tee times, golf courses may need to adjust prices and market to their customers differently than before.

Notes-4-You

In setting strategic goals and performance objectives for Notes-4-You, you should keep things

4. Safranski, S. and Kwon, I. (1991). Strategic Planning for the Growing Business. U.S. Small Business Administration. Retrieved from: http://webharvest.gov/peth04/20041105092332/http://sba.gov/library/pubs/eb-6.pdf

simple. Because you need to make money to stay in business, you could include a financial goal (and related objectives). Your mission statement promises "high-quality, dependable, competitively priced class notes," so you could focus on the quality of the class notes that you'll be taking and distributing. Finally, because your mission is to serve students, one goal could be customer-oriented. Your list of goals and objectives might look like this:

Goal 1: Achieve a 10 percent return on profits in your first five years.

- Objective: Sales of $20,000 and profit of $2,000 for the first 12 months of operation.

Goal 2: Produce a high-quality product.

- Objective: First-year satisfaction scores of 90 percent or higher on quality of notes (based on survey responses on understandability, readability, and completeness).

Goal 3: Attain 98 percent customer satisfaction by the end of your fifth year.

- Objective: Making notes available within two days after class, 95 percent of the time.

Consider how SMART these goals and objectives are.

Tactical Plans

*The overall plan is broken down into more manageable, shorter-term components called **tactical plans**. These plans specify the activities and allocation of resources (people, equipment, money) needed to implement the strategic plan over a given period. Often, a long-range strategic plan is divided into several tactical plans; a five-year strategic plan, for instance, might be implemented as five one-year tactical plans.*

Operational Plans

*The tactical plan is then broken down into various **operational components** that provide detailed action steps to be taken by individuals or groups to implement the tactical and strategic plans. Operational plans cover only a brief period—say, a month or two. At Notes-4-You, note-takers might be instructed to submit typed class notes five hours earlier than normal on the last day of the semester (an operational guideline). The goal is to improve the customer-satisfaction score on dependability (a tactical goal) and, as a result, to earn the loyalty of students through attention to customer service (a strategic goal).*

Plan for Contingencies and Crises

Even with great planning, things don't always turn out the way they're supposed to. Perhaps *your plans were flawed, or maybe something in the environment shifted unexpectedly. Successful managers anticipate and plan for the unexpected. Dealing with uncertainty requires contingency planning and crisis management.*

Contingency Planning

*With **contingency planning**, managers identify those aspects of the business that are most likely to be adversely affected by the change. Then, they develop alternative courses of action in case an anticipated change does occur. You engage in contingency planning any time you develop a backup or fallback plan.*

Crisis Management

Organizations also face the risk of encountering crises that require immediate attention. Rather than waiting until such a crisis occurs and then scrambling to figure out what to do, many firms practice crisis management or "risk" management. Some, for instance, set up teams trained to deal with emergencies. Members gather information quickly and respond to the crisis while everyone else carries out his or her normal duties. The team also keeps the public, the employees, the press, and government officials informed about the situation and the company's response to it.

Leading

Photo by Hunters Race, Unsplash License

*The third management function is **leading**—providing focus and direction to others and motivating them to achieve organizational goals. As owner and president of Notes-4-You, you might think of yourself as an orchestra conductor. You have given your musicians (employees) their sheet music (plans). You've placed them in sections (departments) and arranged the sections (organizational structure) so the music will sound as good as possible. Now your job is to tap your baton and lead the orchestra so that its members make beautiful music together.*[5] *Don't appreciate the conductor metaphor? What metaphor would you use to describe the process of leading?*

5. Reh, J. (n.d.). Management 101. About Money. Retrieved from: http://management.about.com/cs/generalmanagement/a/Management101.htm

Read: A Brush with Greatness – Up close and personal with Ben Cowan-Dewar, one of golf and hospitalities emerging leaders by Rob Foster for Club Management Quarterly (p. 28-33)

Which characteristics should a leader possess? You might consider a leader you know personally e.g., a boss, team captain or think of a leader on the larger stage e.g., in politics, sports, or business. Which attributes make the person an effective leader or capable of leading a team? Google this and you get 50,000,000 hits, but many of the results list common elements.

Take a look at a sound representative of the results from Brian Tracey (using this infographic does not endorse him or his product).

An interactive H5P element has been excluded from this version of the text. You can view it online here:
https://ecampusontario.pressbooks.pub/businessgolfindustry/?p=78#h5p-6

7 Leadership Qualities and Attributes of Great Leaders – An infographic by the team at Brian Tracy International

Leadership Styles

As a conductor, it's fairly easy to pick up a baton, cue each section, and strike up the band; but it doesn't mean the music will sound good. What if your cues are ignored or misinterpreted or ambiguous? Maybe your musicians don't like your approach to making music and will just walk away. On top of everything else, you don't simply want to make music: you want to inspire your musicians to make great music. How do you accomplish this goal? How do you become an effective leader, and what style should you use to motivate others to achieve organizational goals?

Unfortunately, there are no definitive answers to questions like these. Over time, every manager refines his or her own leadership style, or way of interacting with and influencing others. Despite a vast range of personal differences, leadership styles tend to reflect one of the following approaches to leading and motivating people: autocratic, democratic (also known as participative), or free rein.

- ***Autocratic style**. Managers who have developed an autocratic leadership style tend to* *make decisions without soliciting input from subordinates. They exercise authority and expect subordinates to take responsibility for performing the required tasks without undue explanation.*

- ***Democratic style****. Managers who favor a democratic leadership style generally seek input from subordinates while retaining the authority to make the final decisions. They're also more likely to keep subordinates informed about things that affect their work.*
- ***Free-rein style****. In practicing a free rein leadership style, managers adopt a "hands-off" approach and provide relatively little direction to subordinates. They may advise employees but usually give them considerable freedom to solve problems and make decisions on their own.*

At first glance, you'd probably not want to work for an autocratic leader. After all, most people don't like to be told what to do without having any input. Many like the idea of working for a democratic leader; it's flattering to be asked for your input. And though working in a free rein environment might seem a little unsettling at first, the opportunity to make your own decisions is appealing to many people. Each leadership style can be appropriate in certain situations.

Team Project Example

To illustrate, let's say that you're leading a group of fellow students in a team project for your class. Are there times when it would be best for you to use an autocratic leadership style? What if your team was newly formed, unfamiliar with what needs to be done, under a tight deadline, and looking to you for direction? In this situation, you might find it appropriate to follow an autocratic leadership style (on a temporary basis) and assign tasks to each member of the group. In an emergency situation, such as a fire, or in the final seconds of a close ball game, there is generally no time for debate – the leader or coach must make a split-second decision that demands an autocratic style.

But since most situations are non-emergency and most people prefer the chance to give input, the democratic leadership style is often favored. People are simply more motivated and feel more ownership of decisions (i.e., buy-in) when they have had a chance to offer input. Note that when using this style, the leader will still make the decision in most cases. As long as their input is heard, most people accept that it is the leader's role to decide in cases where not everyone agrees.

How about free rein leadership? Many people function most effectively when they can set their own schedules and do their work in the manner they prefer. It takes a great deal of trust for a manager to employ this style. Some managers start with an assumption of trust that is up to the employee to maintain through strong performance. In other cases, this trust must *be earned over a period of time. Would this approach always work with your study group? Obviously not. It will work if your team members are willing and able to work independently and welcome the chance to make decisions. On the other hand, if people are not ready to work responsibly to the best of their abilities, using the free rein style could cause the team to miss deadlines or do poorly on the project.*

The point being made here is that no one leadership style is effective all the time for all people or in all corporate cultures. While the democratic style is often viewed as the most appropriate (with the free rein style a close second), there are times when following an autocratic style is essential. Good leaders learn how to adjust their styles to fit both the situation and the individuals being directed.

Transformational Leadership

Theories on what constitutes effective leadership evolve over time. One theory that has received a lot of attention in the last decade contrasts two leadership styles: transactional and transformational. So-called ***transactional leaders*** *exercise authority based on their rank in the organization. They let subordinates know what's expected of them and what they will receive if they meet stated objectives. They focus their attention on identifying mistakes and disciplining employees for poor performance. By contrast,* ***transformational leaders*** *mentor and develop subordinates, providing them with challenging opportunities, working one-on-one to help them meet their professional and personal needs, and encouraging people to approach problems from new perspectives. They stimulate employees to look beyond personal interests to those of the group.*

So, which leadership style is more effective? You probably won't be surprised by the opinion of most experts. In today's organizations, in which team building and information sharing are important and projects are often collaborative in nature, transformational leadership has proven to be more effective. Modern organizations look for managers who can develop positive relationships with subordinates and motivate employees to focus on the interests of the organization. Leaders who can be both transactional and transformational are rare, and those few who have both capacities are very much in demand. [6]

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6. Burke, S., & Collins, K. M. (2001). Gender differences in leadership styles and management skills. Women in Management Review.

Controlling

Let's pause for a minute and reflect on the management functions that we've discussed so far—planning, organizing, and leading. As founder of Notes-4-You, you began by establishing plans for your new company. You defined its mission and set objectives, or performance targets, which you needed to meet in order to achieve your mission. Then, you organized your company by allocating the people and resources required to carry out your plans. Finally, you provided focus and direction to your employees and motivated them to achieve organizational objectives. Is your job finished? Can you take a well-earned vacation? Unfortunately, the answer is no: your work has just begun. Now that things are rolling along, you need to monitor your operations to see whether everything is going according to plan. If it's not, you'll need to take corrective action. This process of comparing actual to planned performance and taking necessary corrective action is called ***controlling****.*

A Five-Step Control Process

1. *Set the standards by which performance will be measured.*
2. *Measure performance.*
3. *Compare actual performance with the standard and identify any deviations from the standard.*
4. *Determine the reasons for the deviation.*
5. *Take corrective action if needed.*

You can think of the control function as the five-step process outlined above. Let's see how this process might work at Notes-4-You. Let's assume that, after evaluating class enrollments, you estimate that you can sell one hundred notes packages per month to students taking a popular first-year geology course. So you set your standard at a hundred units. At the end of the month, however, you look over your records and find that you sold only eighty. In talking with your salespeople, you learn why you came up twenty packages short: it turns out that the copy machine broke down so often that packages frequently weren't ready on time. You immediately take corrective action by increasing maintenance on the copy machine.


At golf courses, certain processes are crucial to successful operations. As a manager

it is important to work with key staff to review processes and set up controls as the guiding principles for staff. As a golf course superintendent, you may have processes and standards for cutting the greens. Using the 5 step control process outlined above, here are some things to keep in mind;

1. Cutting greens is one of the most important routines that is practiced on a daily basis. This is based on speed and quality of the cut.
2. Performance is measured based on the expectation that 18 greens will be cut in 2 hours or less
3. The performance expectations are measured against industry data (i.e. the estimated time to cut a green based on square footage)
4. If the worker took too long to cut the greens, what were some potential reasons? (Weather, golfer traffic, inexperienced staff, deviation of the cutting route, mechanical issues etc.)
5. Though weather is out of our hands… maybe tee times are set too early, the worker made a mistake on the cutting route, the machine needs to be serviced. Regardless of the reason, the superintendent may need to provide further training or demonstrate the preferred cutting method to meet the expectations and standards

Benchmarking

Benchmarking could be considered a specialized kind of control activity. Rather than controlling a particular aspect of performance (say, defects for a specific product), benchmarking aims to improve a club's overall performance. The process of ***benchmarking*** *involves comparisons to other organizations' practices and processes with the objective of learning and improvement in both efficiency and effectiveness. Benchmarking exercises can be conducted in a number of ways:*

- *Organizations often monitor publicly available information to keep tabs on the competition. Annual reports, news articles, and other sources are monitored closely in order to stay aware of the latest developments. The National Golf Course Owners Association provides data from golf courses in Key Performance Indicator (KPI) studies and polls to help regional clubs compare their performance to other clubs. For example, total rounds of golf in a given season compared to the regional average.*
- *Organizations may also work directly with companies in unrelated industries in order to compare those functions of the business which are similar.*
- *In order to compare more directly with the competition without relying solely on publicly available data, companies may enter into benchmarking consortiums in which an*

outside consultant would collect key data from all participants, anonymize it, and then share the results with all participants. Companies can then gauge how they compare to others in the industry without revealing their own performance to others. [Global Golf Advisors](#) is an example of consultants who have a strong and proven reputation for helping its clients maximize the performance of golf, club, and leisure-related assets in order to realize specific lifestyle or investment objectives.

Managerial Skills

To be a successful manager, you'll have to master a number of skills. To get an entry-level position, you'll have to be technically competent at the tasks you're asked to perform. To advance, you'll need to develop strong interpersonal and conceptual skills. The relative importance of different skills varies from job to job and organization to organization, but to some extent, you'll need them all to forge a managerial career.

Throughout your career, you'll also be expected to communicate ideas clearly, use your time efficiently, and reach sound decisions.

Technical Skills

You'll probably be hired for your first job based on your ***technical skills****—the ones you need to perform specific tasks—and you'll use them extensively during your early career. If your college major is in professional golf management, you'll use what you've learned in your accounting class to prepare financial statements. Your marketing class will provide the skills to prepare social media campaigns for the club or proshop. Technical skills will come in handy when you move up to a first-line managerial job and oversee the task performance of subordinates. Technical skills, though developed through job training and work experience, are generally acquired during the course of your formal education.*

Interpersonal Skills

*As you move up the golf course ladder, you'll find that you can't do everything yourself: you'll have to rely on other people to help you achieve the goals for which you're responsible. That's why i****nterpersonal skills****, also known as relational or "soft" skills—the ability to get along with and motivate other people—are critical for managers in mid-level positions. These managers play a pivotal role because they report to top-level managers (ie. GM's, COO or board of directors) while overseeing the activities of first-line managers. Thus, they need* *strong working relationships with individuals at all levels and in all areas. More than most other managers, they must use "people skills" to foster teamwork, build trust, manage conflict, and encourage improvement.*[7]

Conceptual Skills

Managers at the top, who are responsible for deciding what's good for the organization from the broadest perspective, rely on conceptual skills—the ability to reason abstractly and analyze complex situations. Senior executives are often called on to "think outside the box"—to arrive at creative solutions to complex, sometimes ambiguous problems. They need both strong analytical abilities and strong creative talents.

Communication Skills

Effective communication skills are crucial to just about everyone. At all levels of an organization, you'll often be judged on your ability to communicate, both orally and in writing. Whether you're talking informally or making a formal presentation, you must express yourself clearly and concisely. Talking too loudly, rambling, and using poor grammar reduces your ability to influence others, as does poor written communication. Confusing and error-riddled documents (including emails) don't do your message any good, and they will reflect poorly on you.[8]

Time-Management Skills

Managers face multiple demands on their time, and their days are usually filled with interruptions. Ironically, some technologies that were supposed to save time, such as voicemail and email/texting, have actually increased workloads. Unless you develop certain time-management skills, you risk reaching the end of the day feeling that you've worked a lot but accomplished little. What can managers do to ease the burden? Here are a few common-sense suggestions:

7. Perkins, B. (2000). Defining Crisis Management. Wharton Magazine. Retrieved from: http://whartonmagazine.com/issues/summer-2000/reunion-2000/
8. Davis, B. L., et al. (1992). Successful Manager's Handbook: Development Suggestions for Today's Managers. Minneapolis: Personnel Decisions Inc.

- *Prioritize tasks, focusing on the most important things first.*
- *Set aside a certain time each day to return phone calls and answer emails/texts.*
- *Delegate routine tasks.*
- *Don't procrastinate.*
- *Insist that meetings start and end on time, and stick to an agenda.*
- *Eliminate unnecessary paperwork.*[9]

Decision-Making Skills

Every manager is expected to make decisions, whether alone or as part of a team. Drawing on your decision-making skills is often a process in which you must define a problem, analyze possible solutions, and select the best outcome. As luck would have it, because the same process is good for making personal decisions, we'll use a personal example to demonstrate the process approach to decision making. Consider the following scenario: you're upset because your midterm grades are much lower than you'd hoped. To make matters worse, not only are you in trouble academically but also the other members of your golf business-project team are annoyed because you're not pulling your weight. Your golf coach is very upset because you've missed too many practices, and members of your hockey team and coaching staff of which you're the captain are talking about demoting you if you don't show up at the next team meeting. And your significant other is feeling ignored.

A Six-Step Approach to Decision Making

Assuming that your top priority is salvaging your GPA, let's tackle your problem by using a six-step approach to solving problems that don't have simple solutions.

*1. **Identify the problem:** Step one is getting to know your problem, which you can formulate by asking yourself a basic question: how can I improve my grades?*

*2. **Gathering relevant data:** Step two is gathering information that will shed light on the problem. Let's rehash some of the relevant information that you've already identified: (a) you did poorly on your finals because you didn't spend enough time studying; (b) you didn't study because you went to see your partner (who lives about three hours from campus) over the weekend before your exams (and on most other weekends, as a matter of fact); (c) what little studying you got in came at the expense of your team project and golf practice; and (d) while*

9. Davis, B. L., et al. (1992). Successful Manager's Handbook: Development Suggestions for Today's Managers. Minneapolis: Personnel Decisions Inc.

you were away for the weekend, you forgot to tell members of your hockey team that you had to cancel the planned meeting.

3. ***Clarify the problem:*** *Once you review all the given facts, you should see that your problem is bigger than simply getting your grades up; your life is pretty much out of control. You can't handle everything to which you've committed yourself. Something has to give. You clarify the problem by summing it up with another basic question: what can I do to get my life back in order?*

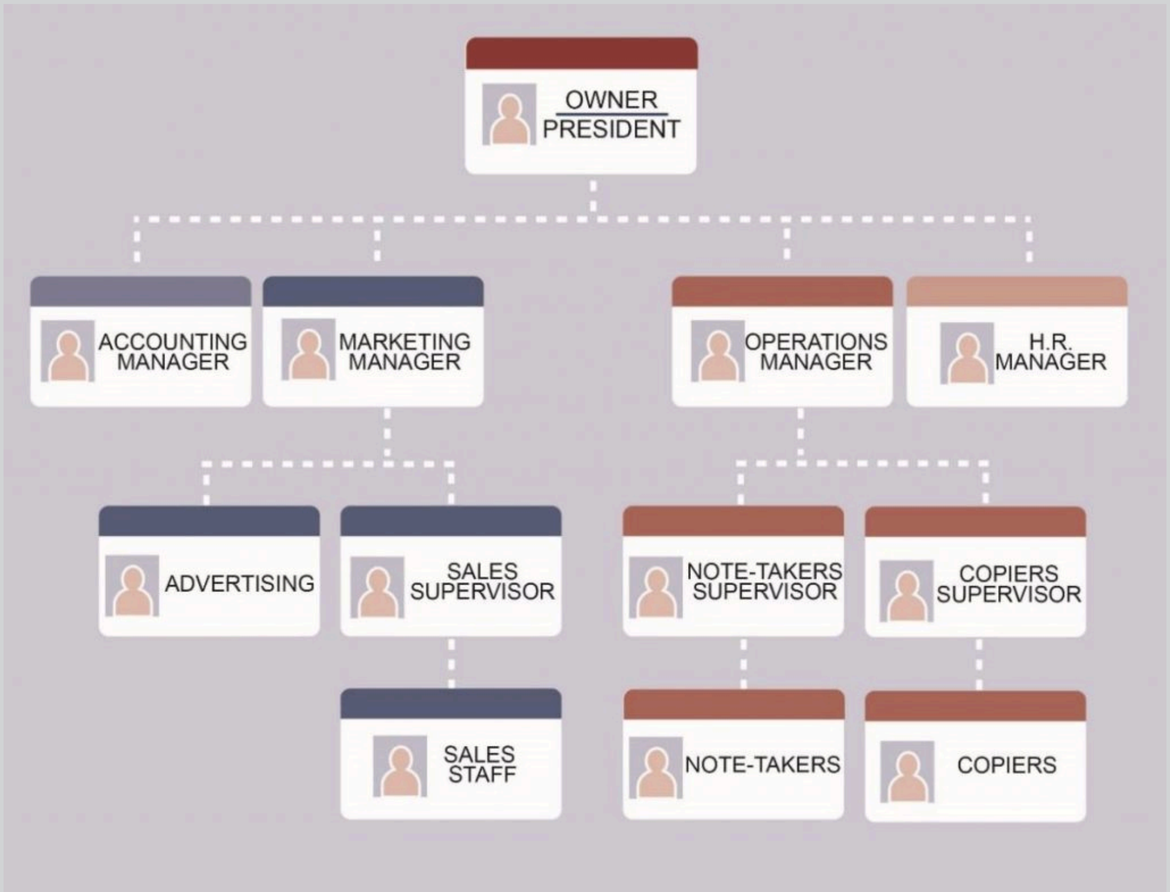
4. ***Generate possible solutions:*** *Let's say that you've come up with the following possible solutions to your problem: (a) quit the golf team, (b) step down as captain of the hockey team, (c) let team members do your share of work on the golf-business project, and (d) stop visiting your significant other so frequently. The solution to your main problem—how to get your life back in order—will probably require multiple actions.*

5. ***Select the best options****: Options to consider are; ask the assistant captain to take over the captaincy duties on the hockey team. Be upfront with your coach on attending golf practice, find ways to get caught up on your team golf-business project, and catch up in all your other classes.*

6. ***Implement your decision and monitor your choice:*** *When you call, you're pleasantly surprised to find that your partner understands. The assistant captain is happy to take over the captaincy of the hockey team. After the first week, you're able to attend golf practice, get caught up on your team golf-business project, and catch up in all your other classes. The real test of your solution will be the results of the semester's finals*

Applying Your Skills at Notes-4-You

So, what types of skills will managers at Notes-4-You need? To oversee note-taking and copying operations, first-line managers will require technical skills, probably in operations and perhaps in accounting. Middle managers will need strong interpersonal skills to maintain positive working relationships with subordinates and motivate them. As president (the top manager), because you have to solve problems and come up with creative ways to keep the business growing, you'll need conceptual skills. And everyone will have to communicate effectively: after all, because you're in the business of selling written notes, it would look pretty bad if your employees wrote poorly. Finally, everyone will have to use time efficiently and call on problem-solving skills to handle the day-to-day crises that seem to plague every new company. Here is an example of an organization structure Notes-4-You might employ:



"Potential organization chart for the Note-4-You company"

Key Terms

Strategic planning: the process of establishing an overall course of action.

A **mission statement** describes the purpose of your organization—the reason for its existence.

Clublink is Canada's largest owner and operator of high-quality golf courses and resort properties.

Mission: Enrich the experience of dedicated golfers through products and services of superior performance, quality, and innovation.

Vision: Build a family of golf performance brands that are unrivaled leaders in every category in which we compete.

Core values are the fundamental beliefs about what's important and what is and isn't appropriate in conducting company activities.

SWOT Analysis: A common approach to environmental analysis to matching the strengths of your business with the opportunities available to it.

Internal factors could influence company performance in either a positive or negative way.

Goals are major accomplishments that the company wants to achieve over a long period.

Objectives are shorter-term performance targets that direct the activities of the organization toward the attainment of a goal.

Tactical plans are the manageable shorter-term components of the overall plan.

Operational Components that provide detailed action steps to be taken by individuals or groups to implement the tactical and strategic plans.

Contingency planning helps to identify those aspects of the business that are most likely to be adversely affected by the change.

Leading means to providing focus and direction to others and motivating them to achieve organizational goals.

Transactional leaders exercise authority based on their rank in the organization.

Transformational leaders mentor and develop subordinates, providing them with challenging opportunities, working one-on-one to help them meet their professional and personal needs, and encouraging people to approach problems from new perspectives.

Controlling is the process of comparing actual to planned performance and taking necessary corrective action.

Benchmarking involves comparisons to other organizations' practices and processes with the objective of learning and improvement in both efficiency and effectiveness.
Technical skills that are needed to perform specific tasks.

Interpersonal skills are the ability to get along with and motivate other people.

Key Takeaways

1. Management must include both efficiency (accomplishing goals using the fewest resources possible) and effectiveness (accomplishing goals as accurately as possible).
2. The management process has four functions: planning, organizing, leading, and controlling.
3. Planning for a business starts with strategic planning—the process of establishing an overall course of action.
4. Management first identifies its purposes, creates a mission statement, and defines its core values.
5. A SWOT analysis assesses the company's strengths and weaknesses and its fit with the external environment.
6. Goals and objectives, or performance targets, are established to direct company actions, and tactical plans and operational plans implement objectives.
7. A manager's leadership style varies depending on the manager, the situation, and the people being directed. There are several management styles:
    - An autocratic manager tends to make decisions without input and expects subordinates to follow instructions.
    - Managers who prefer a democratic style seek input into decisions.
    - A free rein manager provides no more guidance than necessary and lets subordinates make decisions and solve problems.
8. Transactional style managers exercise authority according to their rank in the organization, let subordinates know what's expected of them, and step in when mistakes are made.
9. Transformational style managers mentor and develop subordinates and motivate them to achieve organizational goals.
10. The control process can be viewed as a five-step process: (1) establish standards, (2) measure performance, (3) compare actual performance with standards and identify any deviations, (4) determine the reason for deviations, and (5) take corrective action if needed. Benchmarking is a process for improving overall company efficiency and effectiveness by comparing performance to competitors.
11. Top managers need strong conceptual skills, while those at midlevel need good interpersonal skills, and those at lower levels need technical skills.
12. All managers need strong communication, decision-making, and time management skills.

Chapter 8: Organizational Structure

Learning Objectives

By the end of the chapter, you should be able to:

- Identify the three levels of management and the responsibilities at each level.
- Discuss various options for organizing a business, and create an organization chart.
- Explain how specialization helps make organizations more efficient.
- Discuss the different ways that an organization can departmentalize.
- Explain other key terms related to this chapter such as chain of command, a delegation of authority, and span of control.

Organizing

If you read [Chapter 7: Management and Leadership](), you will recall developing a strategic plan for your new company, Notes-4-You. Once a business has completed the planning process, it will need to organize the company so that it can implement that plan. A manager engaged in organizing allocates resources (people, equipment, and money) to achieve a company's objectives. Successful managers make sure that all the activities identified in the planning process are assigned to some person, department, or team and that everyone has the resources needed to perform assigned activities.

Levels of Management: How Managers Are Organized

A typical organization has several layers of management. Think of these layers as forming a pyramid, with top managers occupying the narrow space at the peak, first-line managers the broad base, and middle managers the levels in between.

“Management Levels Pyramid”

As you move up the pyramid, management positions get more demanding, but they carry more authority and responsibility (along with more power, prestige, and pay). Top managers spend most of their time in planning and decision-making, while first-line managers focus on day-to-day operations. For obvious reasons, there are far more people with positions at the base of the pyramid than there are at the other two levels. Let’s look at each management level in more detail.

Top managers	*Are responsible for the health and performance of the organization. They set the objectives, or performance targets, designed to direct all the activities that must be performed if the company is going to fulfill its mission. Top-level executives routinely scan the external environment for opportunities and threats, and they redirect the club's efforts when needed. They spend a considerable portion of their time planning and making major decisions. They represent the company in important dealings with other businesses and government agencies, and they promote it to the public. Job titles at this level typically include chief executive officer (CEO), chief financial officer (CFO), chief operating officer (COO), president, and vice president. In the case of golf courses, the top manager is the liaison between the owner, board of directors and the members/staff.*
Middle managers	*Are at the center of the management hierarchy: they report to top management and oversee the activities of first-line managers. They're responsible for developing and implementing activities and allocating the resources needed to achieve the objectives set by top management. Common job titles include Head Golf professional, Food and Beverage Manager, Executive Chef and Golf course Superintendent*
First-line managers	*Supervise employees and coordinate their activities to make sure that the work performed throughout the company is consistent with the plans of both top and middle management. It's at this level that most people acquire their first managerial experience. The job titles vary considerably but include such designations as Assistant or Associate golf professional, assistant to the food and beverage manager, first or second assistant to the golf course superintendent or sous-chef.*

Notes-4-You

Let's take a quick survey of the management hierarchy at Notes-4-You. As president, you are a member of top management, and you're responsible for the overall performance of your company. You spend much of your time setting performance targets, to ensure that the company meets the goals you've set for it— increased sales, higher-quality notes, and timely distribution.

Several middle managers report to you, including your operations manager. As a middle manager, this individual focuses on implementing two of your objectives: producing high-quality notes and distributing them to customers in a timely manner. To accomplish this task, the operations manager oversees the work of two first-line managers—the note-taking supervisor and the copying supervisor. Each first-line manager supervises several non-managerial employees to make sure that their work is consistent with the plans devised by the top and middle management.

Organizational Structure: How Companies Get the Job Done

Building an organizational structure engages managers in two activities: job specialization (dividing tasks into jobs) and departmentalization (grouping jobs into units). An organizational structure outlines the various roles within an organization, which positions report to which, and how an organization will departmentalize its work. Take note that an organizational structure is an arrangement of positions that are most appropriate for your company at a specific point in time. Given the rapidly changing environment in which businesses operate, a structure that works today might be outdated tomorrow. That's why you hear so often about companies restructuring—altering existing organizational structures to become more competitive once conditions have changed. Let's now look at how the processes of specialization and departmentalization are accomplished.

Specialization

*Organizing activities into clusters of related tasks that can be handled by certain individuals or groups is called **specialization**. This aspect of designing an organizational structure is twofold:*

1. *Identify the activities that need to be performed in order to achieve organizational goals.*
2. *Break down these activities into tasks that can be performed by individuals or groups of employees.*

Specialization has several advantages. First and foremost, it leads to efficiency. Specialization results in jobs that are easier to learn and roles that are clearer to employees. An example of this are workers who have expertise in areas such as culinary, teaching golf, equipment operation on the grounds crew, etc. But the approach has disadvantages, too. Doing the same thing over and over sometimes leads to boredom and may eventually leave employees dissatisfied with their jobs. Before long, companies may notice decreased performance and increased absenteeism and turnover (the percentage of workers who leave an organization and must be replaced). It is important that the top and middle management keep the job positions engaging. One way to accomplish this is through "job-rotation"

Departmentalization

*The next step in designing an organizational structure is **departmentalization**—grouping specialized jobs into meaningful units. Depending on the organization and the size of the work units, they may be called divisions, departments, or just plain groups.*

Traditional groupings of jobs result in different organizational structures, and for the sake of simplicity, we'll focus on two types—functional and divisional organizations.

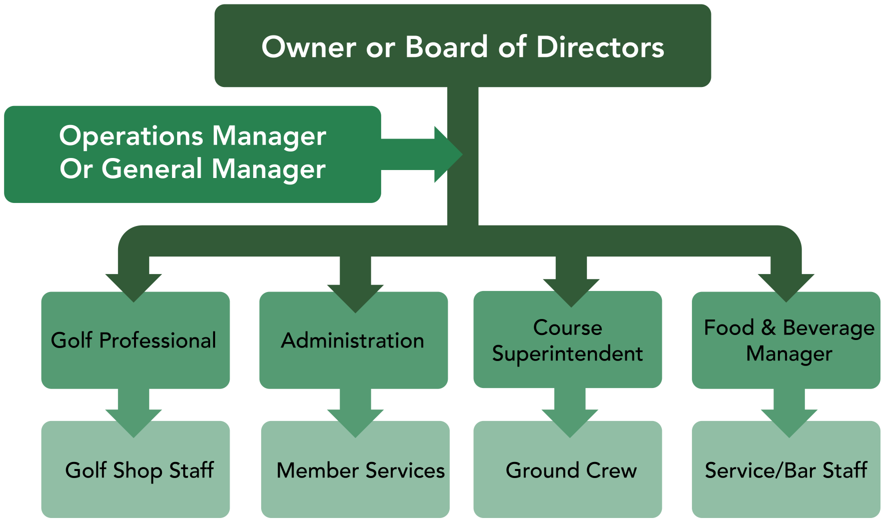
- *A **functional organization** groups together people who have comparable skills and perform similar tasks. This form of organization is fairly typical for small to medium-size companies, which group their people by business functions: accountants are grouped together, as are people in finance, operations, marketing and sales, human resources, production, and research and development. Each unit is headed by an individual with expertise in the unit's particular function. For example, Pro Shop, Grounds Operation, Administration, Food/Beverage (Front and Back of House).*

There are a number of advantages to the functional approach. The structure is simple to understand and enables the staff to specialize in particular areas; everyone in the grounds department would probably have similar interests and expertise. But homogeneity also has drawbacks: it can hinder communication and decision-making between units and even promote interdepartmental conflict. The grounds department, for example, might butt heads with the pro shop because the grounds crew's goal is to get the daily maintenance routines completed, however they may disrupt play on the golf course, which could lead to complaints to the proshop by members and guests

*Large companies often find it unruly to operate as one large unit under a functional organizational structure. Sheer size makes it difficult for managers to oversee operations and serve customers. To rectify this problem, most large companies are structured as **divisional organizations**. They are similar in many respects to stand-alone companies, except that certain common tasks, like legal work, tends to be centralized at the headquarters level. Each division functions relatively autonomously because it contains most of the functional expertise (production, marketing, accounting, finance, human resources) needed to meet its objectives. The challenge is to find the most appropriate way of structuring operations to achieve overall company goals. Toward this end, divisions can be formed according to products, customers, processes, or geography. A good example of this is Golf North Properties or Clublink, where they have several golf courses with one central headquarters.*

The Organization Chart

*Once an organization has set its structure, it can represent that structure in an **organization chart**: a diagram delineating the interrelationships of positions within the organization. Here is an example of this type of organization chart as it pertains to the golf and club industry:*

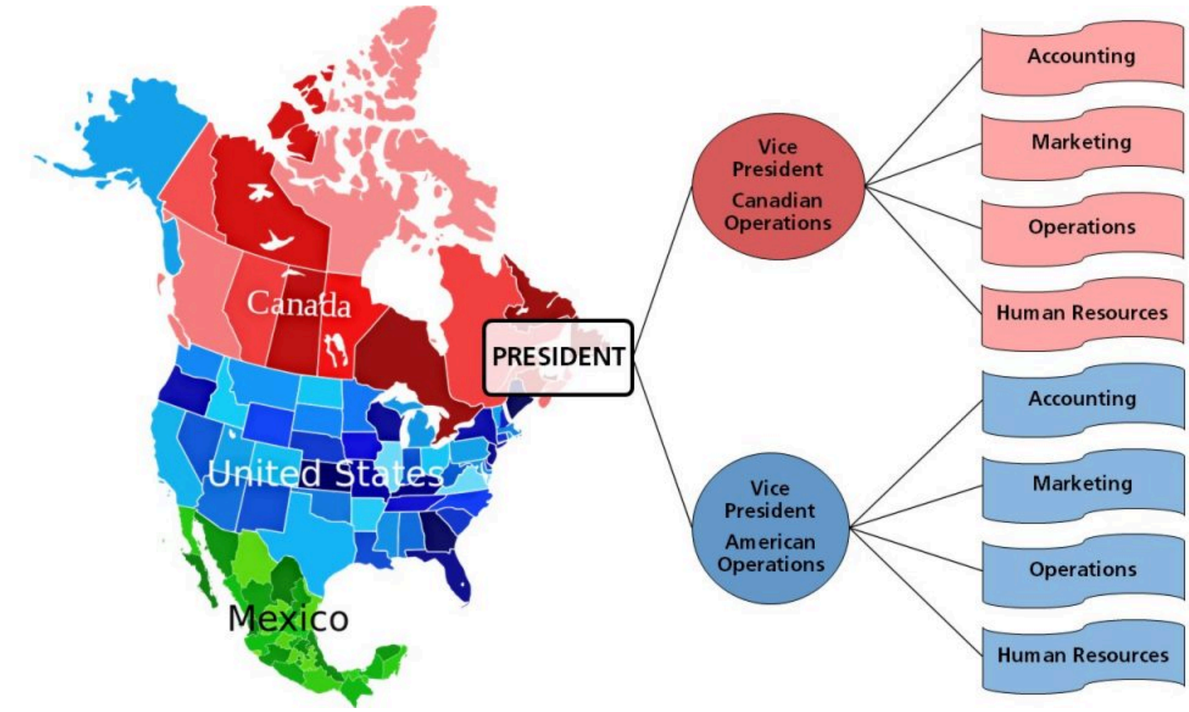


"Golf Course Organization Structure" by Alyssa Giles [CC BY-NC-SA 4.0]

Imagine putting yourself at the top of the chart, as the company's owner. You would then fill in the level directly below with the name of the general manager. Then the names of the people who work in each functional area: golf professional, administration, course superintendent and food and beverage manager

Although the structure suggests that you will communicate only with the general manager, this isn't the way things normally work in practice. Behind every formal communication network there lies a network of informal communications—unofficial relationships among members of an organization. You might find that over time, you receive communications directly from members of the service staff; in fact, you might encourage this line of communication.

Over time, some golf course operations revise their organizational structures to accommodate growth and changes in the external environment. It's not uncommon, for example, for a golf operation to adopt a functional structure in its early years. Then, as it becomes bigger and more complex, it might move to a ***divisional structure****—perhaps to accommodate new services or to become more responsive to certain member/customers or geographical areas. Some golf course operations might ultimately rely on a combination of functional and divisional structures. This could be a good approach for Club Link that operates in both the United States and Canada. An outline of this organization chart might look like the following diagram.*



"Divisional Structure Organizational Chart"

Chain of Command

The vertical connecting lines in the organization chart show the club's ***chain of command****: the authority relationships among people working at different levels of the organization. That is to say, they show who reports to whom. When you're examining an organization chart, you'll probably want to know whether each person reports to one or more supervisors: to what extent, in other words, is there unity of command? To understand why unity of command is an important organizational feature, think about it from a personal standpoint. Would you want to report to more than one boss? What happens if you get conflicting directions? Whose directions would you follow?*

Span of Control

Another thing to notice about a firm's chain of command is the number of layers between the top managerial position and the lowest managerial level. As a rule, new organizations have only a few layers of management—an organizational structure that's often called flat. Let's say, for instance, that a member of the Notes-4-You sales staff wanted to express concern about slow sales among a certain group of students. That person's message would have to *filter upward through only two management layers—the sales supervisor and the marketing manager—before reaching the president.*

As a company grows, however, it tends to add more layers between the top and the bottom; that is, it gets taller. Added layers of management can slow down communication and decision-making, causing the organization to become less efficient and productive. That's one reason why many of today's organizations are restructuring to become flattered.

There are trade-offs between the advantages and disadvantages of flat and tall organizations. Companies determine which trade-offs to make according to a principle called span of control, which measures the number of people reporting to a particular manager. If, for example, you remove layers of management to make your organization flatter, you end up increasing the number of people reporting to a particular supervisor.

Notes-4-You

If you refer back to the organization chart for Notes-4-You, you'll recall that, under your present structure, four managers report to you as the president: the heads of accounting, marketing, operations, and human resources. In turn, two of these managers have positions reporting to them: the advertising manager and sales supervisor report to the marketing manager, while the notetakers supervisor and the copiers supervisor report to the operations manager. Let's say that you remove a layer of management by getting rid of the marketing and operations managers. Your organization would be flatter, but what would happen to your workload? As president, you'd now have six direct reports rather than four: accounting manager, advertising manager, sales manager, notetaker supervisor, copier supervisor, and human resources manager.

So what's better—a narrow span of control (with few direct reports) or a wide span of control (with many direct reports)? The answer to this question depends on a number of factors, including frequency and type of interaction, the proximity of subordinates, the competence of both supervisor and subordinates, and the nature of the work being supervised. For example, you'd expect a much wider span of control in each individual department of a golf course than perhaps decisions being made from the top-down and the need for certain processes or procedures to be followed to achieve a specific organizational goal.

Delegating Authority

Given the tendency toward flatter organizations and wider spans of control, how do *managers handle increased workloads? They must learn how to handle **delegation**—the process of entrusting work to subordinates. Unfortunately, many managers are reluctant to delegate. As a result, they not only overburden themselves with tasks that could be handled by others, but they also deny subordinates the opportunity to learn and develop new skills.*

Responsibility and Authority

As the owner of a Golf Course, you'll probably want to control every aspect of your business, especially during the start-up stage. But as the organization grows, you'll have to assign responsibility for performing certain tasks to other people. You'll also have to accept the fact that responsibility alone—the duty to perform a task—won't be enough to get the job done. You'll need to grant subordinates the authority they require to complete a task—that is, the power to make the necessary decisions. (And they'll also need sufficient resources.) Ultimately, you'll also hold your subordinates accountable for their performance.

Centralization and Decentralization

If and when your company expands, you'll have to decide whether most decisions should still be made by individuals at the top or delegated to lower-level employees. The first option, in which most decision-making is concentrated at the top, is called centralization. The second option, which spreads decision-making throughout the organization, is called decentralization.

- ***Centralization** has the advantage of consistency in decision-making. Since in a centralized model, key decisions are made by the same top managers, those decisions tend to be more uniform than if decisions were made by a variety of different people at lower levels in the organization. In most cases, decisions can also be made more quickly provided that top management does not try to control too many decisions. However, centralization has some important disadvantages. If top management makes virtually all key decisions, then lower-level managers will feel under-utilized and will not develop decision-making skills that would help them become promotable. An overly centralized model might also fail to consider information that only front-line employees have or might actually delay the decision-making process. Fortunately, many golf courses have a board of directors or member committee that help make democratic decisions by taking into consideration on how decisions will affect all areas of the operation.*
- *An overly **decentralized** decision model (similar to the club link example) has its risks as well. Imagine a case in which a company had adopted a geographically-based divisional structure and had greatly decentralized decision making. In order to expand its business, suppose one division decided to expand its territory into the geography of another division. If headquarters approval for such a move was not required, the*

divisions of the company might end up competing against each other, to the detriment of the organization as a whole. Companies that wish to maximize their potential must find the right balance between centralized and decentralized decision-making.

Key Terms

Top managers are responsible for the health and performance of the organization.

Middle managers are at the center of the management hierarchy: they report to top management and oversee the activities of first-line managers.

First-line managers supervise employees and coordinate their activities to make sure that the work performed throughout the company is consistent with the plans of both top and middle management.

Specialization: Organizing activities into clusters of related tasks that can be handled by certain individuals or groups.

Departmentalization: Grouping specialized jobs into meaningful units.

A **functional organization** groups together people who have comparable skills and perform similar tasks.

Product division means that a company is structured according to its product lines.

Division structure because it enables companies to better serve their various categories of customers.

Geographical division enables companies that operate in several locations to be responsive to customers at a local level.

Organization chart: A diagram delineating the interrelationships of positions within the organization.

Chain of Command: The authority relationships among people working at different levels of the organization.

Delegation: The process of entrusting work to subordinates.

Centralization: The first option, in which most decision-making is concentrated at the top.

Decentralization: The second option, which spreads decision-making throughout the organization.

Key Takeaways

1. Managers coordinate the activities identified in the planning process among individuals, departments, or other units and allocate the resources needed to perform them.
2. Typically, there are three levels of management: top managers, who are responsible for overall performance; middle managers, who report to top managers and oversee lower-level managers; and first-line managers, who supervise employees to make sure that work is performed correctly and on time.
3. Management must develop an organizational structure, or arrangement of people within the organization, that will best achieve company goals.
4. The process begins with specialization—dividing necessary tasks into jobs; the principle of grouping jobs into units is called departmentalization.
5. Units are then grouped into an appropriate organizational structure. Functional organization groups people with comparable skills and tasks; divisional organization creates a structure composed of self-contained units based on product, customer, process, or geographical division. Forms of organizational division are often combined.
6. An organization's structure is represented in an organization chart—a diagram showing the interrelationships of its positions.
    - This chart highlights the chain of command, or authority relationships among people working at different levels.
    - It also shows the number of layers between the top and lowest managerial levels. An organization with few layers has a wide span of control, with each manager overseeing a large number of subordinates; with a narrow span of control, only a limited number of subordinates reports to each manager.

Chapter 9: Motivating Employees

Learning Objectives

By the end of the chapter, you should be able to:

- Define motivation, and understand why it is important in the workplace.
- Explain the difference between intrinsic and extrinsic motivation.
- Explain the basics of major theories of motivation:
    - The Hierarchy of Needs theory
    - The Two-Factor theory
    - Expectancy theory
    - Equity theory

Read: The Challenging Labour Market – Finding New Ways to Make Lemonade Out of Lemons [Page 10] by Shawn Hunter – Summer 2022, Golf Business Canada magazine
Read: Don't be Salty Brah! Keep your Sanity when Managing Younger Generations by James Cronk [Page 10] Spring 2020, Golf Business Canada magazine

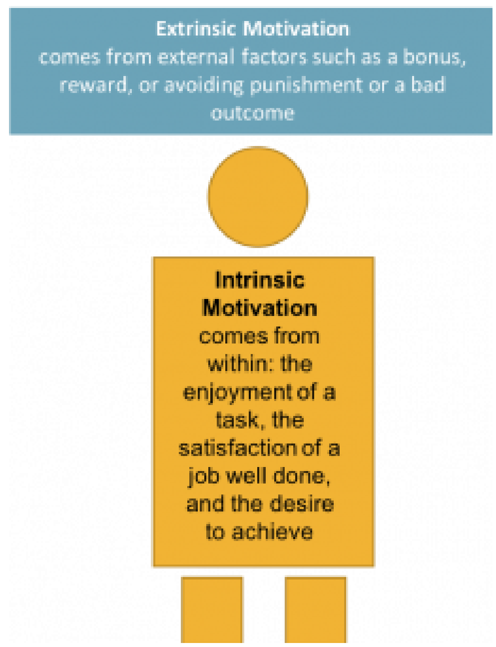
Though the aforementioned articles discuss the current labour markets and the importance of attracting good talent. The key to motivating employees is based on generational connection to what motivates someone to work at your place of business, whether your 18 or 65 years of age! In order to understand this, one must have a basic understanding of the science of motivation, so we know what makes people "tick"!

Motivation

Motivation refers to an internally generated drive to achieve a goal or follow a particular course of action. Highly motivated employees focus their efforts on achieving specific goals. It's the manager's job, therefore, to ***motivate employees****—to get them to try to do the best job* *they can. Motivated employees call in sick less frequently, are more productive, and are less likely to convey bad attitudes to customers and coworkers. They also tend to stay in their jobs longer, reducing turnover and the cost of hiring and training employees. But what motivates employees to do well? How does a manager encourage employees to show up for work each day and do a good job? Paying them helps, but many other factors influence a person's desire (or lack of it) to excel in the workplace. What are these factors, are they the same for everybody, and do they change over time? To address these questions, we'll examine four of the most influential theories of motivation: hierarchy-of-needs theory, two-factor theory, expectancy theory, and equity theory.*

Extrinsic and Intrinsic Motivation

Before we begin our discussion of the various theories of motivation, it is important to establish the distinction between intrinsic and extrinsic motivation. Simply put, ***intrinsic motivation*** *comes from within: the enjoyment of a task, the satisfaction of a job well done, and the desire to achieve are all sources of intrinsic motivation. On the other hand, extrinsic motivation comes about because of external factors such as a bonus or another form of reward. Avoiding punishment or a bad outcome can also be a source of* ***extrinsic motivation****; fear, it is said, can be a great motivator.*

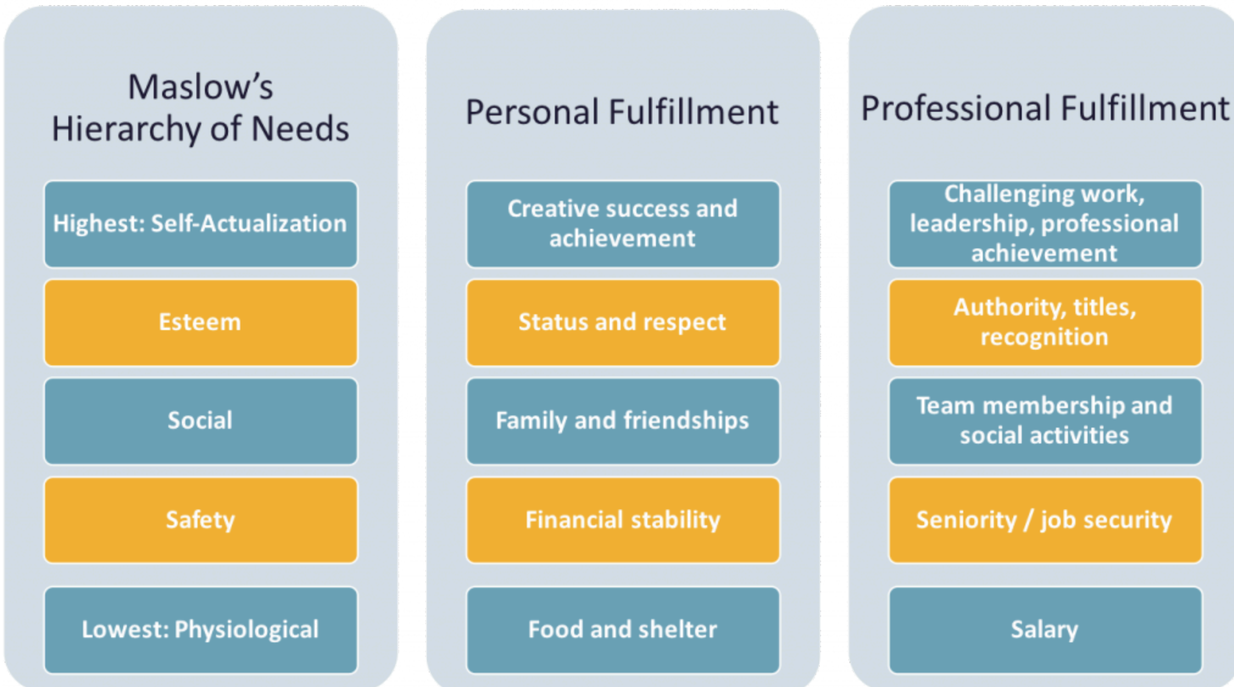


"Extrinsic and Intrinsic Motivation"

Hierarchy of Needs Theory

Psychologist Abraham Maslow's hierarchy of needs theory proposed that we are motivated by the five initially unmet needs, arranged in the hierarchical order shown below, which also lists specific examples of each type of need in both the personal and work spheres of life. Look, for instance, at the list of personal needs in the middle column. At the bottom are physiological needs (such life-sustaining needs as food and shelter). Working up the hierarchy we experience safety needs (financial stability, freedom from physical harm), social needs (the need to belong and have friends), esteem needs (the need for self-respect and status), and self-actualization needs (the need to reach one's full potential or achieve some creative success). There are two key things to remember about Maslow's model:

1. *We must satisfy lower-level needs before we seek to satisfy higher-level needs.*
2. *Once we've satisfied a need, it no longer motivates us; the next higher need takes its place.*[1]



"Maslow's Hierarchy of Needs/ Personal & Professional Fulfillment"

Needs

Let's say, for example, that for a variety of reasons that aren't your fault, you're broke, hungry, and homeless. Because you'll probably take almost any job that will pay for food and housing (physiological needs), you go to work at a fast food restaurant. Fortunately, your student loan finally comes through, and with enough money to feed yourself, you can go back to school and

1. Maslow, A. H. (1943). A theory of human motivation. Psychological Review, 50(4), 370–396. https://doi.org/10.1037/h0054346

look for a job that's not so risky (a safety need). You find a job as a night time irrigator at a golf course, and though you feel secure, you start to feel cut off from your friends, who are active during daylight hours. You want to work among people, not alone at night on a golf course (a social need). So now you join several of your friends as a back shop attendant at a local golf course. This job improves your social life, but even though you're very good at your job, it's not terribly satisfying. You'd like something that your friends will respect enough as you move toward a higher ranking position (an esteem need). So you enroll in a Professional Golf Management program at your local college and graduate with a diploma. On graduation, you move up through a series of positions within the golf club and after several years you are hired as the Chief Operating Officer (COO) of the club you once started as a back shop attendant. As you settle into the new position, you realize that you've reached your full potential (a self-actualization need) and your comment to yourself, "It doesn't get any better than this."

Needs Theory and the Workplace

What implications does Maslow's theory have for business managers? There are two key points:

1. *Not all employees are driven by the same needs,*
2. *The needs that motivate individuals can change over time.*

Managers should consider which needs different employees are trying to satisfy and should structure rewards and other forms of recognition accordingly. For example, when you got your first job as a back shop attendant, you were motivated by the need for money to buy food or to play golf. If you'd been given a choice between a raise or a plaque recognizing your accomplishments, you'd undoubtedly have opted for the money. As a general manager, by contrast, you may prefer public recognition of work well done to a pay raise

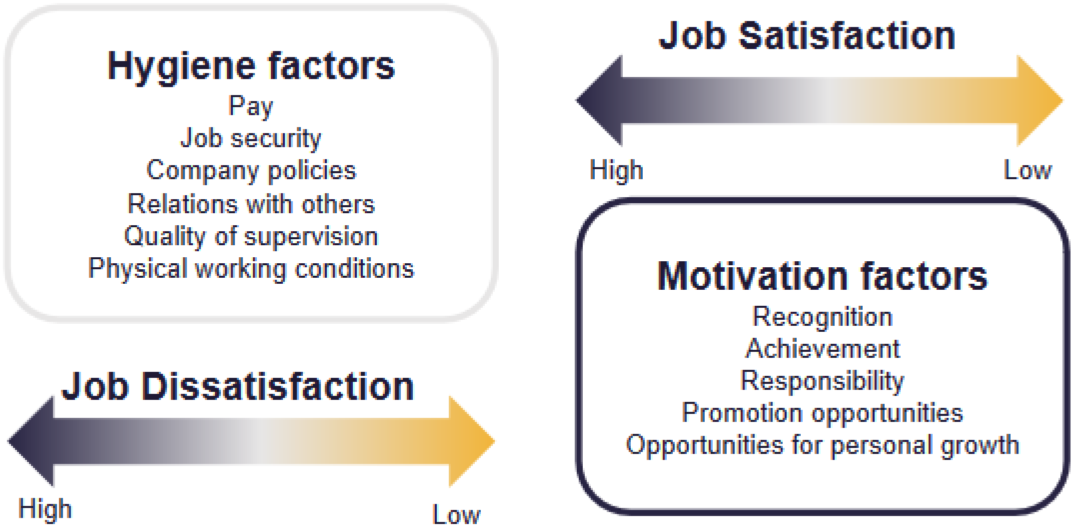
Two-Factor Theory

Another psychologist, Frederick Herzberg, set out to determine which work factors (such as wages, job security, or advancement) made people feel good about their jobs and which factors made them feel bad about their jobs. He surveyed workers, analyzed the results, and concluded that to understand employee satisfaction (or dissatisfaction), he had to divide work factors into two categories:

- ***Motivation factors**. Those factors that are strong contributors to job satisfaction*
- ***Hygiene factors**. Those factors that are not strong contributors to satisfaction but that*

must be present to meet a worker's expectations and prevent job dissatisfaction

The graphic below illustrates Herzberg's two-factor theory. Note that motivation factors (such as promotion opportunities) relate to the nature of the work itself and the way the employee performs it. Hygiene factors (such as physical working conditions) relate to the environment in which it's performed.[2]



"Herzberg's Two-Factor theory": Poor hygiene factors will increase job dissatisfaction, while good motivators will increase satisfaction.

Two-Factor Theory and the Workplace

We'll ask the same question about Herzberg's model as we did about Maslow's: What does it mean for managers? Suppose you're a senior manager in an accounting firm, where you supervise a team of accountants, each of whom has been with the firm for five years. How would you use Herzberg's model to motivate the employees who report to you? Let's start with hygiene factors. Are salaries reasonable? What about working conditions? Does each accountant have his or her own workspace, or are they crammed into tiny workrooms? Are they being properly supervised or are they left on their own to sink or swim? If hygiene factors like these don't meet employees' expectations, they may be dissatisfied with their jobs.

Fixing problems related to hygiene factors may alleviate job dissatisfaction, but it won't necessarily improve anyone's job satisfaction. To increase satisfaction (and motivate

2. Herzberg, F. (1959). The motivation to work.

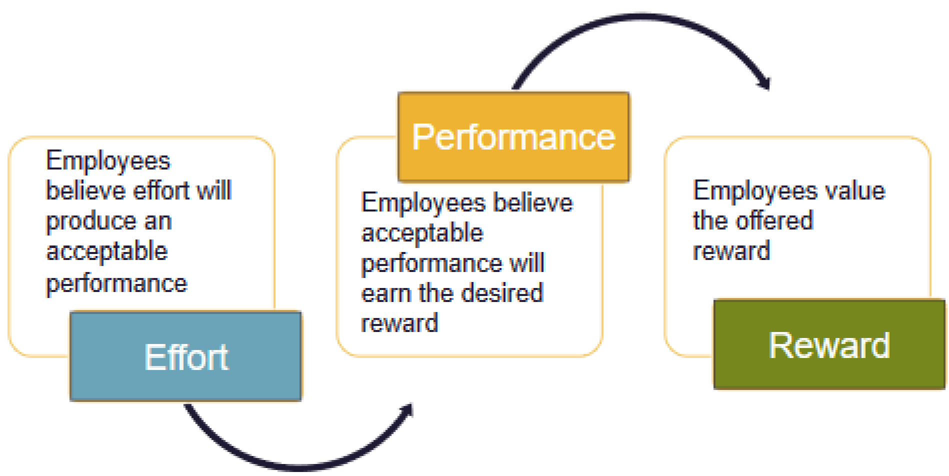
someone to perform better), you must address motivation factors. Is the work itself challenging and stimulating? Do employees receive recognition for jobs well done? Will the work that an accountant has been assigned help him or her to advance in the firm? According to Herzberg, motivation requires a twofold approach: eliminating "dissatisfiers" and enhancing satisfiers.

Expectancy Theory

If you were a manager, wouldn't you like to know how your employees decide whether to work hard or goof off? Wouldn't it be nice to know whether a planned rewards program will have the desired effect—namely, motivating them to perform better in their jobs? These are the issues considered by psychologist Victor Vroom in his expectancy theory, which proposes that employees will work hard to earn rewards that they value and that they consider "attainable".

As you can see from the figure below, Vroom argues that an employee will be motivated to exert a high level of effort to obtain a reward under three conditions – the employee:

1. *believes that his or her efforts will result in acceptable performance.*
2. *believes that acceptable performance will lead to the desired reward.*
3. *values the reward.*



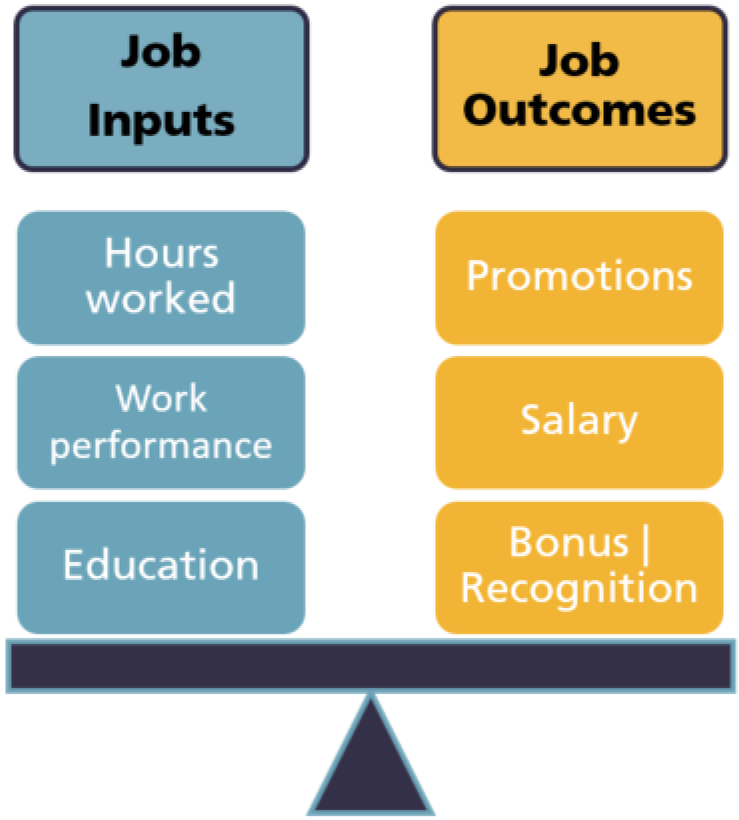
"Expectancy Theory"

Equity Theory

What if you spent thirty hours working on a class report, did everything you were supposed *to do, and handed in an excellent assignment (in your opinion). Your roommate, on the other hand, spent about five hours and put everything together at the last minute. You know, moreover, that he ignored half the requirements and never even ran his assignment through a spell-checker. A week later, your teacher returns the reports. You get a C and your roommate gets a B+. In all likelihood, you'll feel that you've been treated unfairly relative to your roommate.*

Your reaction makes sense according to the equity theory of motivation, which focuses on our perceptions of how fairly we're treated relative to others. Applied to the work environment, this theory proposes that employees analyze their contributions or job inputs (hours worked, education, experience, work performance) and their rewards or job outcomes (salary, bonus, promotion, recognition). Then they create a contributions/rewards ratio and compare it to those of other people. The basis of comparison can be any one of the following:

- *Someone in a similar position*
- *Someone holding a different position in the same organization*
- *Someone with a similar occupation*
- *Someone who shares certain characteristics (such as age, education, or level of experience)*
- *Oneself at another point in time*



"Equity Theory"

When individuals perceive that the ratio of their contributions to rewards is comparable to that of others, they perceive that they're being treated fairly or ***equitably****; when they perceive that the ratio is out of balance, they perceive* ***inequity****. Occasionally, people will perceive that they're being treated better than others. More often, however, they conclude that others are being treated better (and that they themselves are being treated worse). This is what you concluded when you saw your grade in the previous example. You've calculated your ratio of contributions (hours worked, research and writing skills) to rewards (project grade), compared it to your roommate's ratio, and concluded that the two ratios are out of balance.*

What will an employee do if he or she perceives an inequity? The individual might try to bring the ratio into balance, either by decreasing inputs (working fewer hours, not taking on additional tasks) or by increasing outputs (asking for a raise). If this strategy fails, an employee might complain to a supervisor, transfer to another job, leave the organization, or rationalize the situation (e.g., deciding that the situation isn't so bad after all). ***Equity***

***theory** advises managers to focus on treating workers fairly, especially in determining compensation, which is, naturally, a common basis of comparison.*

Key Terms

Motivate employees: to get them to try to do the best job they can.

Intrinsic motivation comes from within the enjoyment of a task.

Extrinsic motivation comes about because of external factors such as a bonus or another form of reward.

Motivation factors: Those factors are strong contributors to job satisfaction.

Hygiene factors: Those factors that are not strong contributors to satisfaction must be present to meet a worker's expectations and prevent job dissatisfaction.

Equitably: When individuals perceive that the ratio of their contributions to rewards is comparable to that of others.

Inequity: when they perceive that the ratio is out of balance.

Equity theory advises managers to focus on treating workers fairly, especially in determining compensation, which is, naturally, a common basis of comparison.

Key Takeaways

1. Motivation describes a generated drive that propels people to achieve goals or pursue particular courses of action.
2. There are four influential theories of motivation: hierarchy-of-needs theory, two-factor theory, expectancy theory, and equity theory:
    - Hierarchy-of-needs theory proposes that we're motivated by five unmet needs—physiological, safety, social, esteem, and self-actualization— and must satisfy lower-level needs before we seek to satisfy higher-level needs.
    - Two-factor theory divides work factors into motivation factors (those that are strong

contributors to job satisfaction) and hygiene factors (those that, though not big contributors to satisfaction, must be present to prevent job dissatisfaction).
    - Expectancy theory proposes that employees work harder to obtain a reward when they value the reward, believe that their efforts will result in acceptable performance, and believe that acceptable performance will lead to a desired outcome or reward.
    - Equity theory focuses on our perceptions of how fairly we're treated relative to others. This theory proposes that employees create rewards ratios that they compare to those of others and will be less motivated when they perceive an imbalance in treatment.

Chapter 10: Managing Human Resources in the Golf and Club Industry

Learning Objectives

By the end of this chapter, you should be able to:

- Define human resource management and explain how managers develop and implement a human resource plan.
- Explain how companies train and develop employees, and discuss the importance of a diverse workforce.
- Identify factors that make an organization a good place to work, including competitive compensation and benefits packages.
- Explain how managers evaluate employee performance and retain qualified employees.

Human Resources at RiverBend Golf Community

Photo by Riverbend Golf Club Staff used with permission, All Rights Reserved.

"At RiverBend Golf Community we believe that finding the right candidate who fits with our existing team is the key to our success. When recruiting for new team members, it is imperative that all new staff understand the level of service they need to provide on a daily basis. During the interview process we rely on our Human Resources specialist to assist with questions that will draw out their understanding of customer service and what detailed experiences they have had during their prior employment. Once hired, the onboarding process for new employees is extensive where they meet with not just their direct supervisor but also other senior leaders. Our success relies on individuals who understand and appreciate that they are working for the Club and Community and not solely their specific department. Our belief at RiverBend is to support all team members by providing them with professional development opportunities that will further their skillset which will assist them in their professional pursuits. Ultimately, we realize that our success depends on how well we hire, train and develop these employees each and every season.”[1]

Human Resource Management

Employees at Golf Courses and Club’s are vital to business success. In most cases, they are the face of the business, and every dollar of sales passes through their hands. If a customer has a positive interaction with an employee, the customer will come back. If an encounter is negative, the customer is probably gone for good. That’s why it’s crucial for Golf courses and clubs to recruit and hire the right people, train them properly, motivate them to do their best, and encourage them to stay. Thus, the golf course and club’s works to provide satisfying jobs, a positive work environment, appropriate work schedules, and fair compensation and benefits. These activities should be the core strategy of golf courses and clubs to deploy human resources in order to gain a competitive advantage.

*This process is called **human resource management (HRM)**, which consists of all actions that an organization takes to attract, develop, and retain quality employees. Each of these activities is complex. Attracting talented employees involves the recruitment of qualified candidates and the selection of those who best fit the organization’s needs. Development encompasses both new-employee orientation and the training and development of current workers. Retaining good employees means motivating them to excel, appraising their performance, compensating them appropriately, and doing what’s possible to keep them.*

Human Resource Planning

*How do golf courses and clubs make sure that their organizations are staffed with the right number of committed employees? Managing these tasks is a matter of strategic **human***

1. Simon Bevan (General Manager) RiverBend Golf Community in discussion with author June 2022.

resource planning*—the process of developing a plan for satisfying an organization's human resources (HR) needs.*

A strategic HR plan lays out the steps that an organization will take to ensure that it has the right number of employees with the right skills in the right places at the right times. HR managers begin by analyzing the company's mission, objectives, and strategies.

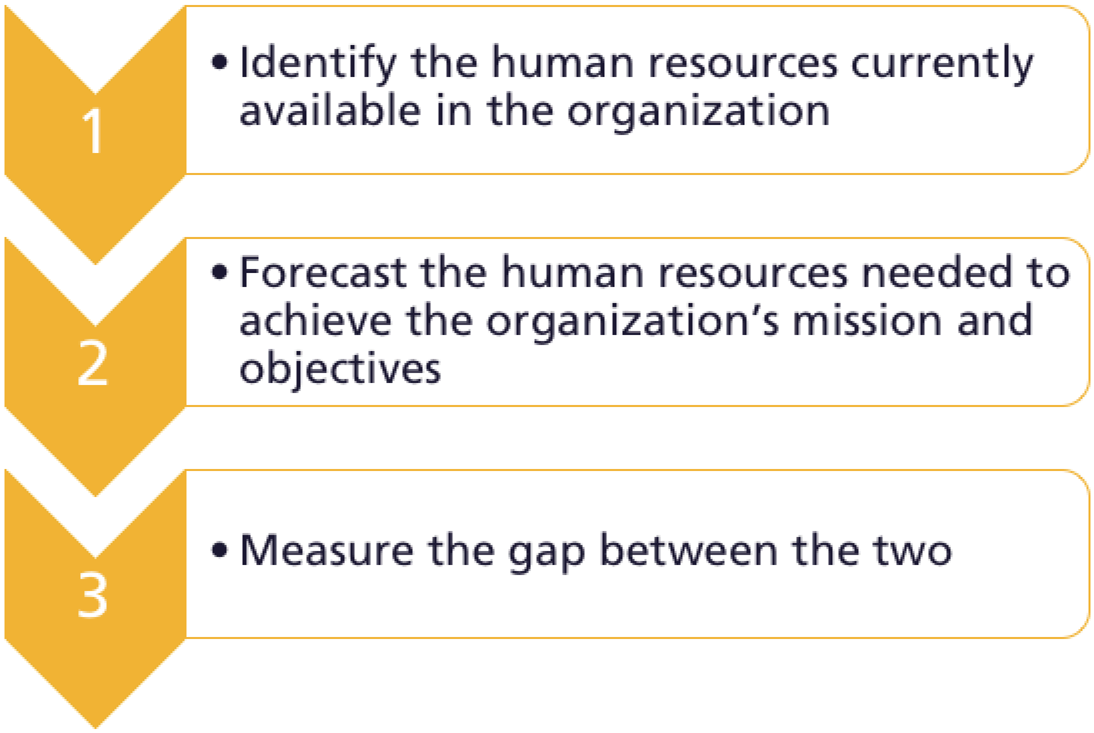
Job Analysis

To develop an HR plan, HR managers must be knowledgeable about the jobs that the organization needs to perform. They organize information about a given job by performing a job analysis to identify the tasks, responsibilities, and skills that it entails, as well as the knowledge and abilities needed to perform it. Managers also use the information collected for the job analysis to prepare two documents:

- *A job description, which lists the duties and responsibilities of a position*
- *A job specification, which lists the qualifications—skills, knowledge, and abilities—needed to perform the job*

HR Supply and Demand Forecasting

Once they've analyzed the jobs within the organization, HR managers must forecast future hiring (or firing) needs. This is the three-step process summarized below.



"How to Forecast Hiring (and Firing) Needs"

After calculating the disparity between supply and future demand, HR managers must draw up plans for bringing the two numbers into balance. If the demand for labour is going to outstrip the supply, they may hire more workers, encourage current workers to put in extra hours, subcontract work to other suppliers, or introduce labour-saving initiatives. If the supply is greater than the demand, they may deal with overstaffing by not replacing workers who leave, encouraging early retirements, laying off workers, or (as a last resort) firing workers.

Recruiting Qualified Employees

Armed with information on the number of new employees to be hired and the types of positions to be filled, the HR manager then develops a strategy for recruiting potential employees. ***Recruiting*** *is the process of identifying suitable candidates and encouraging them to apply for openings in the organization.*

Before going any further, we should point out that in recruiting and hiring, managers must comply with anti-discrimination laws; violations can have legal consequences. ***Discrimination*** *occurs when a person is treated unfairly on the basis of a characteristic* *unrelated to ability. Under Section 3 of the [Canadian Human Rights Act](), it's illegal to discriminate on the basis of "race, national or ethnic origin, colour, religion, age, sex, sexual orientation, gender identity or expression, marital status, family status, genetic characteristics, disability or conviction for an offence for which a pardon has been granted or in respect of which a record suspension has been ordered."*

The Canadian Human Rights Commission and Canada's Charter of Rights and Freedoms protect and enforce a number of federal employment laws and protect each Canadian's right to equal treatment under the law, including the following:

- ***Equal Pay**: Section 11 of the CHRA which protects male and female employees who do substantially equal work from a difference in wages.*
- ***Other Factors**: Section 15(1) of the Charter protects every Canadian's right to equal treatment with respect to employment regardless of race, national or ethnic origin, colour, religion, sex, age or mental or physical disability*

In Canada, each jurisdiction (3 territories and 10 provinces) is governed by its own Human Rights Code or a version of it that offers its citizens an additional layer of protection against discriminatory practices. For example, in Ontario, it is the Ontario Human Rights Act.

- ***The Employment Equity Act** of 1986 identifies specific populations which are protected from discrimination (women, visible minorities, indigenous peoples, and people with disabilities). Individuals who feel that they have been discriminated against can take their case to the Canadian Human Rights Tribunal. Other legislation includes the Canadian Human Rights Act and the Canadian Labour code.*

Where to Find Candidates

The first step in recruiting is to find qualified candidates. Where do you look for them, and how do you decide whether they're qualified? Golf courses and clubs must assess not only the ability of a candidate to perform the duties of a job but also whether he or she is a good "fit" for the company– i.e., how well the candidate's values and interpersonal style match the organizations values and culture.

Internal Versus External Recruiting

Where do you find people who satisfy so many criteria? Basically, you can look in two places: inside and outside your own organization. Both options have pluses and minuses. Hiring internally sends a positive signal to employees that they can move up in the company—a strong motivation tool and a reward for good performance. In addition, because an internal candidate is a known quantity, it's easier to predict his or her success in a new position.

Finally, it's cheaper to recruit internally. On the other hand, you'll probably have to fill the promoted employee's position. Going outside gives you an opportunity to bring fresh ideas, skills and talent to the company. In any case, it's often the only alternative, especially if no one inside the company has just the right combination of skills and experiences. Entry-level jobs are usually filled from the outside.

How to Find Candidates

Whether you search inside or outside the organization, you need to publicize the opening. If you're looking internally in a small organization, you can alert employees informally. In larger organizations, HR managers generally post openings on bulletin boards (often online) or announce them in newsletters. They can also seek direct recommendations from various supervisors.

Recruiting people from outside is more complicated. It's a lot like marketing a product to buyers: in effect, you're marketing the virtues of working for your company. The following are ways to advertise openings:

- *A dedicated section of the corporate website ("Job Centre," which lists openings, provides information about the golf course or club experience, and facilitates the submission of online applications)*
- *College and university campus recruiting (holding on-campus interviews and information sessions and participating in career fairs)*
- *Internships or Co-ops designed to identify future talent among college students*
- *Announcements on employment websites like LinkedIn, Workopolis, Indeed, LeapOut, JobBank, Eluta.*
- *Social Media*
- *Local job fairs*
- *In-house recruiting posters*
- *Word-of-mouth*

Read: Non-Amazing, Need Not Apply by Barry Forth, Copetown Woods Golf Club Golf Business Canada Magazine (page 44)

"We knew that many of the positions we were hiring for would have applicants that would have little to no experience… We knew that if we found the right people, we could train them to become great in their role… Rather than a document full of lies and overstated skills everyone else has, we opted for a 30 second elevator pitch video… The videos allowed their personalities to come out, provided a chance for their creativity to shine and it allowed us to understand who they are as a person as opposed to what we could read on a piece of paper. "[2]

"Copetown Woods Golf Club Instagram Post" © Copetown Woods Golf Club, used with permission.

The Selection Process

Recruiting gets people to apply for positions, but once you've received applications, you still have to select the best candidate—another complicated process.

*The **selection process** entails gathering information on candidates, evaluating their qualifications, and choosing the right one. At the very least, the process can be time-consuming—particularly when you're filling a high-level position—and often involves several members of an organization.*

Contingent Workers

Though most people prefer to hold permanent, full-time positions, there's a growing number of individuals who work at temporary or part-time jobs, either by choice or as the only available option. Many of these are contingent workers hired to supplement a company's permanent workforce. Most of them are independent contractors, consultants, or freelancers

2. Forth, B. (2022) Non- Amazing, Need Not Apply. Golf Business Canada pp.44. http://online.flipbuilder.com/gbcmagazine/hsel/#p=45

who are paid by the firms that hire them. Others are on-call workers who work only when needed, such as substitute teachers. Still, others are temporary workers (or "temps") who are employed and paid by outside agencies or contract firms that charge fees to client companies. In the golf and club industry, many entry level positions are hired seasonally. In Canada, most seasonal golf course positions start in April and end late October.

Watch the video: [What is the 'gig' economy](#) by Financial Times [6:32] (transcript available).

> *One or more interactive elements has been excluded from this version of the text. You can view them online here: https://ecampusontario.pressbooks.pub/businessgolfindustry/?p=108#oembed-1*

The Positives and Negatives of Seasonal Workers

The use of seasonal workers provides golf courses with a number of benefits. Because they can be hired and fired easily, employers can better control labour costs. When things are busy, they can add workers, and when business is slow, they can release unneeded workers. Seasonal workers are often cheaper than permanent workers, particularly because they rarely receive costly benefits. Employers can also bring in people with specialized skills and talents to work in specific areas of the operation without entering into long-term employment relationships. Finally, companies can "try out" seasonal workers: if someone does well, the golf course can offer permanent employment; if the fit is less than perfect, the employer can easily terminate the relationship or not invite the employee back the next season. There are downsides to the use of seasonal workers, including increased training costs and decreased loyalty to the golf course. Also, many employers believe that because seasonal workers are usually less committed to company goals than permanent workers, productivity and motivation suffers. In many cases, it is very difficult to retain your most talented seasonal workers because their is a risk of losing them to competitors who provide permanent positions with better stability.

Developing Employees

Because companies can't survive unless employees do their jobs well, it makes economic sense to train them and develop their skills. This type of support begins when an individual enters the organization and continues as long as he or she stays there.

New-Employee Orientation

Have you ever started your first day at a new job feeling upbeat and optimistic only to walkout at the end of the day thinking that maybe you've taken the wrong job? If this happens too often, your employer may need to revise its approach to orientation—the way it introduces new employees to the organization and their jobs. Starting a new job is a little like beginning college; at the outset, you may be experiencing any of the following feelings:

- *Somewhat nervous but enthusiastic*
- *Eager to impress but not wanting to attract too much attention*
- *Interested in learning but fearful of being overwhelmed with information*
- *Hoping to fit in and worried about looking new or inexperienced* [3]

The employer who understands how common such feelings are is more likely not only to help newcomers get over them but also to avoid the pitfalls often associated with new-employee orientation:

- *Failing to have a workspace set up for you or orientating you to the job you were hired to do*
- *Ignoring you or failing to supervise you*
- *Neglecting to introduce you to coworkers*
- *Swamping you with facts about the company* [4]

A good employer will take things slowly, providing you with information about the company and your job on a need-to-know basis while making you feel as comfortable as possible. You'll get to know the company's history, traditions, policies, and culture over time. You'll learn more about salary and benefits and how your performance will be evaluated. Most importantly, you'll find out how your job fits into overall operations and what's expected of you.

Training and Development

It would be nice if employees came with all the skills they need to do their jobs. It would also be nice if job requirements stayed the same: once you've learned how to do a job, you'd know how to do it forever. In reality, new employees must be trained; moreover, as they grow in their

3. Price, A. (2004). Human Resource Management in a Business Context. Hampshire, U.K.: Cengage EMEA. Retrieved from: http://www.bestbooks.biz/learning/induction.html
4. Heathfield, S., M. (2015). "Top Ten Ways to Turn Off a New Employee." Retrieved from: http://humanresources.about.com/library/weekly/aa022601a.htm

jobs or as their jobs change, they'll need additional training. Unfortunately, training is costly and time-consuming. Fortunately, for students attending or graduating from a Professional Golf Management program, they already have a foundation of knowledge of the golf and club business with the necessary technical skills employers are seeking.

Many Canadian companies focus much of their training on diversity skills. What's the payoff? They create a more inclusive workplace and bring new voices and ideas to their way of doing business. Some of these companies also get additional rewards by being recognized as being [Canada's Best Diversity Employers](). Diversity and inclusion give these company's a competitive advantage.

Equity, Inclusion, and Diversity in the Workplace

The makeup of the Canadian workforce has changed dramatically over the past 50 years. In the 1950s, more than 70 percent was composed of males. [5] *Today's workforce reflects the broad range of differences in the population—differences in gender, race, ethnicity, age, physical ability, religion, education, and lifestyle. As you can see below, more women have entered the workforce. However there is continual need for females in the golf industry, which is currently underserved.*[20]

	Females	Males
Population	50.7%	49.3%
Workforce	47.4%	52.6%
Relative Participation Rate	0.93	1.06

"Employment by GenderGroup, 2017"

Most companies today strive for diverse workforces. HR managers work hard to recruit, hire, develop, and retain a diverse workforce. In part, these efforts are motivated by legal concerns: discrimination in recruiting, hiring, advancement, and firing is illegal under federal

5. Usalcas, J. & Kinack, M. (2017). History of the Canadian Labour Force Survey, 1945 to 2016. Statistics Canada. Retrieved from: https://www150.statcan.gc.ca/n1/en/pub/75-005-m/75-005-m2016001-eng.pdf?st=VUjdeAww

law and is prosecuted by the Canadian Human Rights Tribunal. Companies that violate anti-discrimination laws are subject to severe financial penalties and also risk reputational damage.

Reasons for building a diverse workforce go well beyond mere compliance with legal standards. It even goes beyond commitment to ethical standards. It's good business. People with diverse backgrounds bring fresh points of view that can be invaluable in generating ideas and solving problems. In addition, they can be the key to connecting with an ethnically diverse customer base. In short, capitalizing on the benefits of a diverse workforce means that employers should view differences as assets rather than liabilities.

What Makes a Great Place to Work?

Every year, [Great Place to Work Canada] analyzes comments from thousands of employees and compiles a list of "The 100 Best Companies to Work for in Canada," which is published in Fortune magazine. Having compiled its list for more than twenty years, the institute concludes that the defining characteristic of a great company to work for is trust between managers and employees. Employees overwhelmingly say that they want to work at a place where employees "trust the people they work for, have pride in what they do, and enjoy the people they work with." [6] *They report that they're motivated to perform well because they're challenged, respected, treated fairly, and appreciated. They take pride in what they do, are made to feel that they make a difference, and are given opportunities for advancement.* [7] *The most effective motivators, it would seem, are closely aligned with Maslow's higher-level needs and Herzberg's motivating factors. The top ten companies are listed below.*

Job Redesign

The average employee spends more than two thousand hours a year at work. If the job is tedious, unpleasant, or otherwise unfulfilling, the employee probably won't be motivated to perform at a very high level. Many companies practice a policy of job redesign to make jobs

6. Great Place to Work Institute® (2018). "The Definition of A Great Workplace" Retrieved from: https://www.greatplacetowork.ca/en/about-us/trust-model
7. Rohman, J. (2015). "15 Practice Areas Critical to Achieving a Great Workplace." Great Place to Work Institute® Retrieved from: http://www.greatplacetowork.com/events-and-insights/blogs-and-news/3040-15-practice-areas-critical-to-achieving-a-great-workplace

more interesting and challenging. Common strategies include job rotation, job enlargement, and job enrichment.

Job Rotation

*Specialization promotes efficiency because workers get very good at doing particular tasks. The drawback is the tedium of repeating the same task day in and day out. The practice of **job rotation** allows employees to rotate from one job to another on a systematic basis, often but not necessarily cycling back to their original tasks. When working your college co-op in the golf industry, it is encouraged that students rotate jobs throughout the entire operation to gain a better understanding of the business as a whole. Through job rotation, employees develop new skills and gain experience that increases their value to the company, especially if they are working towards a management position. So great is the benefit of this practice that many golf courses and clubs (especially public and semi-private) have established rotational training programs. Companies benefit because cross-trained employees can fill in for absentees, thus providing greater flexibility in scheduling, offering fresh ideas on work practices, and becoming promotion-ready more quickly.*

Job Enlargement

*Instead of a job in which you performed just one or two tasks, wouldn't you prefer a job that gave you many different tasks? In theory, you'd be less bored and more highly motivated if you had a chance at **job enlargement**—the policy of enhancing a job by adding tasks at similar skill levels. The job of pro shop attendant, for example, might be expanded to include merchandising and setting up clothing and equipment displays in the pro shop . The additional duties would add variety without entailing higher skill levels.*

Job Enrichment

Merely expanding a job by adding similar tasks won't necessarily "enrich" it by making it more challenging and rewarding. Job enrichment is the practice of adding tasks that increase both responsibility and opportunity for growth. It provides the kinds of benefits that, according to Maslow and Herzberg, contribute to job satisfaction: stimulating work, a sense of personal achievement, self-esteem, recognition, and a chance to reach your potential.

The aforementioned example of the pro shop attendant expanding his/her duties to include *merchandising, provides a sense of satisfaction and if the job is done right and sales increase, achievement and recognition!*

Work | Life Quality

Building a career requires a substantial commitment of time and energy, and most people find that they aren't left with much time for non-work activities. Fortunately, many organizations recognize the need to help employees strike a balance between their work and home lives. [8] *By helping employees combine satisfying careers and fulfilling personal lives, companies tend to end up with a happier, less stressed, and more productive workforce. The financial benefits include lower absenteeism, turnover, and health care costs.*

Alternative Work Arrangements

Some companies, which have consistently made the list of the "Canada's Top Family-Friendly Employers", [9] *and is committed to helping "employees balance work and their personal lives through a variety of flexible work options."* [10]

- ***Flextime –*** *Employers who provide for flextime set guidelines that allow employees to designate starting and quitting times. Guidelines, for example, might specify that all employees must work eight hours a day (with an hour for lunch) and that four of those hours must be between 10 a.m. and 3 p.m. Thus, you could come in at 7 a.m. and leave at 4 p.m., while coworkers arrive at 10 a.m. and leave at 7 p.m. With permission, you could even choose to work from 8 a.m to 2 p.m., take two hours for lunch, and then work from 4 p.m. to 6 p.m.*
- ***Compressed Workweeks*** *– Rather than work eight hours a day for five days a week, you might elect to earn a three-day weekend by working ten hours a day for four days a week. In the hospitality industry, this is obvious not possible, however, schedules can be devised to allow rotating weekends off.*
- ***Job sharing – T****wo people share one full-time position, splitting the salary and benefits of the position as each handles half the job. Often they arrange their schedules to include at least an hour of shared time during which they can communicate about the job.*

8. Greenhaus, J., Collins, K., & Shaw, J. (2003). "The Relationship between Work-Family Balance and Quality of Life." Journal of Vocational Behavior 63(3). p. 510–31.
9. Canada's Top Family-Friendly Employers. (2019). Retrieved from: http://www.canadastop100.com/family/
10. Mediacorp Canada Inc. (2019). Retrieved from: https://content.eluta.ca/top-employer-kpmg

- ***Telecommuting*** *means that you regularly work from home (or from some other non-work location). You're connected to the office by computer and cell phone. You save on commuting time, enjoy more flexible work hours, and have more opportunities to spend time with your family. According to Statistics Canada, almost 40% of Canadian jobs can be done from home.*[11] *Telecommuting isn't for everyone. Working at home means that you have to discipline yourself to avoid distractions, such as TV, personal phone calls, and home chores and also not be impacted by feeling isolated from the social interaction in the workplace. As a result of the pandemic, golf course middle and upper management have more readily adopted the idea of conducting meetings through tele-conferencing application.*
- ***Family-Friendly Programs****– In addition to alternative work arrangements, many employers, offer programs and benefits designed to help employees meet family and home obligations while maintaining busy careers. Health Benefits that cover the employee and dependents is a way companies demonstrate a commitment to their workforce. See below for some examples of family friendly programs.*

Family Friendly Programs

Dependent Care

Caring for dependents—young children and elderly parents—is of utmost importance to some employees, but combining dependent-care responsibilities with a busy job can be particularly difficult. Some companies provide employees with up to 50 hours of paid time off annually to help with a range of personal matters. This flexibility is a good "piece-of-mind" for employees.

Parental Leave and Support

New parents in Canada are guaranteed paid leave via Employment Insurance Maternity and Parental Benefits. Some companies may go a step further with a tops-up payment for new parents to 100% of their salary for up to specified amount of weeks. Some companies provide further supports for new parents by providing those on leave support with their transition back to work.

11. Mehdi, T. & Morissette, R. (2021, October 27). Working from home in Canada: what have we learned so far? Statistics Canada. Economic and Social Reports. https://www150.statcan.gc.ca/n1/pub/36-28-0001/2021010/article/00001-eng.htm

Caring for Yourself

Some companies offer employees comprehensive health and dental benefit coverage programs. They also provide employees with generous vacation allowances and personal days for employees to use in any way they want. They may also offer an Employee Assistance Program for employees experiencing personal and/or work-related problems that may negatively affect their job performance and overall well-being. If staying fit makes you happier and more productive, some companies, for example, may offer a $400 fitness club subsidy and/or offer the equivalent of 1.25% of an employee's salary for home gym equipment. [12]

Unmarried Without Children

You've undoubtedly noticed by now that many programs for balancing work and personal lives target married people, particularly those with children. Single individuals also have trouble striking a satisfactory balance between work and non-work activities, but many single workers feel that they aren't getting equal consideration from employers [13] They report that they're often expected to work longer hours, travel more, and take on difficult assignments to compensate for married employees with family commitments.

Needless to say, requiring singles to take on additional responsibilities can make it harder for them to balance their work and personal lives. It's harder to plan and keep personal commitments while meeting heavy work responsibilities. Frustration can lead to increased stress and job dissatisfaction. In several studies of stress in the accounting profession, unmarried workers reported higher levels of stress than any other group, including married people with children. [14]

With singles, as with married people, companies can reap substantial benefits from programs that help employees balance their work and non-work lives. For example, some companies offer a "concierge service," which maintains a dry cleaner, travel agency, convenience store, and fitness centre close to their place of work. , New York. [15] Single

12. Yerema, R. & Leung, K. (2018). KPMG LLP: Recognized as one of Canada's top 100 employers (2019). Retrieved from: https://content.eluta.ca/top-employer-kpmg
13. Collins, K., & Hoover, E. (1995). "Addressing the Needs of the Single Person in Public Accounting." Pennsylvania CPA Journal. p. 16.
14. Collins, K., & Killough, L. (1989). "Managing Stress in Public Accounting." Journal of Accountancy 167 (5), p. 92.
15. Withiam, G. (1993). "American Concierges Set Service Standards." The Cornell Hotel and Restaurant Administration Quarterly 34 (4) p. 26.

employees seem to find these services helpful, but what they value most of all is control over their time. In particular, they want predictable schedules that allow them to plan social and personal activities. They don't want employers assuming that being single means that they can change plans at the last minute. It's often more difficult for singles to deal with last-minute changes because, unlike married coworkers, they don't have the at-home support structure to handle such tasks as tending to elderly parents or caring for pets.

Compensation and Benefits

Though paychecks and benefits packages aren't the only reasons why people work, they do matter. Competitive pay and benefits also help organizations attract and retain qualified employees. Companies that pay their employees more than their competitors generally have lower turnover. This strategy allows the company to attract extremely talented workers who, moreover, aren't likely to leave the company. Low turnover is particularly valuable in the hospitality industry because it depends on service-oriented personnel to generate repeat business and a loyal customer base. In addition to salary and wages, compensation packages often include other financial incentives, such as bonuses and profit-sharing plans, as well as benefits, such as medical insurance, vacation time, sick leave, and retirement accounts (ie. RRSP matching].

Wages and Salaries

The largest, and most important, component of a compensation package is the payment of wages or salary. In order to meet your minimum obligations and pay for the expenses in your life, you need to know the wage or salary of the given position you are applying for! The National Golf Course Owners Association (NGCOA) provides an annual benefits and compensation report. [https://www.ngcoa.ca/research/compensation-benefits-report]

Piecework and Commissions

Sometimes it makes more sense to pay workers according to the quantity of products that they produce or sell. If you're working on commission, you're probably getting paid a percentage of the total dollar amount you sell. If you were paid a commission for pro shop sales, you'd get a certain amount of money for item you sold.

Incentive Programs

*In addition to regular paychecks, many people receive financial rewards based on performance, whether their own, their employer's, or both. Other **incentive** programs designed to reward employees for good performance include bonuses or gifts. In the golf industry, one of the major perks is a free golf membership!*

Bonus Plans

Bonus plans have become quite common, and the range of employees eligible for bonuses has widened in recent years. In the past, bonus plans were usually reserved for managers above a certain level. Today, companies have realized the value of extending plans to include employees at virtually every level. The magnitude of bonuses still favors those at the top. An example of this is a retro-active wage increase for every hour that you worked in a golf season provided you stay employed until the end of the contract.

Profit-Sharing Plans

Though profit-sharing is not common in the golf and club industry, an employee's profit share is paid annually as a percentage of the employee's earnings and is based on the company's net profit. This is a great incentive and motivator to reach the companies goals and targets.

Stock-Option Plans

This is only possible for golf companies that are publicly traded on the stock exchange. Here are examples from other industries on how it would work; WestJet's [a popular Canadian Airline] compensation plan gives employees the right to participate in their Employee Share Purchase Plan. This enables employees to purchase WestJet shares amounting to up to 20 per cent of their gross salary and the company will match their contributions. [16] *This is used as an incentive to attract and retain good people.*

16. Atkins, E. & Jones, J. (2019, May 14). WestJet seeks to allay employee concerns over share purchase plan, job security following Onex takeover. The Globe and Mail.https://www.theglobeandmail.com/business/article-westjet-assures-employees-about-jobs-financial-security-following/#:~:text=Instead%20of%20a%20pension%20plan,slogan%2C%20%E2%80%9COwners%20care.%E2%80%9D

U.S.-based Starbucks, by contrast, isn't nearly as selective in awarding stock options. At Starbucks, all employees can earn "Bean Stock"—the Starbucks employee stock-option plan. Both full- and part-time employees get Starbucks shares based on their earnings and their time with the company. If the company does well and its stock goes up, employees make a profit. CEO Howard Schultz believes that Bean Stock pays off because employees are rewarded when the company does well, they have a stronger incentive to add value to the company (and so drive up its stock price). Starbucks has a video explaining its employee stock option program on this webpage.[17]

Benefits

*Another major component of an employee's compensation package is **benefits**—compensation other than salaries, hourly wages, or financial incentives. Types of benefits include the following:*

- *Legally required benefits (Employment Insurance, Canada Pension Plan, Workplace Safety and Insurance Boards)*
- *Paid time off (vacations, holidays, sick leave)*
- *Insurance (health benefits, life insurance, disability insurance)*
- *Retirement benefits*
- *Fringe Benefits; like golf privilege's, food programs, pro shop discounts etc.*

The cost of providing benefits is staggering. According to a 2015 survey by the Conference Board of Canada, it costs employers an average of $8,330 to provide benefits for each full-time employee. More than half of the employers surveyed indicated a rise in benefit costs, with an average 6.2 percent increase between 2013 and 2014.[18]

Many workers received benefits in addition to those required by law, including vision care, semi-private hospital stays, and out-of-country medical coverage.[19] *Plus the majority of companies surveyed indicated that they provided benefits to permanent part-time*

17. Starbucks, Inc. (2016). About bean stock. Retrieved from: http://starbucksbeanstock.com/en-us/welcome-en-us/about-bean-stock-en-us/
18. Stewart, N. (2015). Benefits benchmarking 2015. Retrieved from: http://www.conferenceboard.ca/e-library/abstract.aspx?did=7364
19. Stewart, N. (2015). Benefits benchmarking 2015. Retrieved from: http://www.conferenceboard.ca/e-library/abstract.aspx?did=7364

employees who work a minimum number of hours per week. Part-timers often receive no benefits at all. [20]

Performance Appraisal

Employees generally want their managers to tell them three things: what they should be doing, how well they're doing it, and how they can improve their performance. Good managers address these issues on an ongoing basis. On a semiannual or annual basis, they also conduct formal performance appraisals to discuss and evaluate employees' work performance.

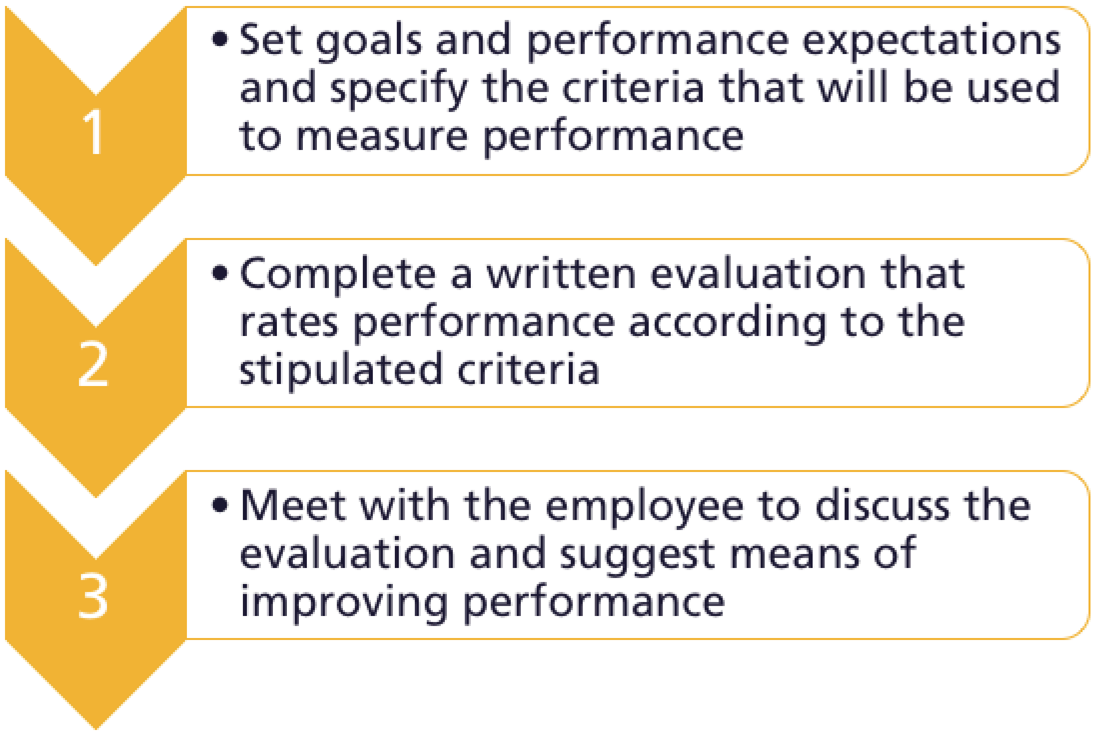
The Basic Three-Step Process

Appraisal systems vary both by an organization and by the level of the employee being evaluated, but as you can see in Figure 11.8, it's generally a three-step process:

1. *Before managers can measure performance, they must set goals and performance expectations and specify the criteria (such as quality of work, quantity of work, dependability, initiative) that they'll use to measure performance.*
2. *At the end of a specified time period, managers complete written evaluations that rate employee performance according to the predetermined criteria.*
3. *Managers then meet with each employee to discuss the evaluation. Jointly, they suggest ways in which the employee can improve performance, which might include further training and development.*

It sounds fairly simple, but why do so many managers report that, except for firing people, giving performance appraisals is their least favorite task? [21] *To get some perspective on this question, we'll look at performance appraisals from both sides, explaining the benefits and identifying potential problems with some of the most common practices.*

20. Starbucks (2016). Expect more than coffee. Retrieved from: http://www.starbucks.com/careers/working-at-starbucks
21. Heathfield, S. (2018). "Performance Appraisals Don't Work: The Traditional Performance Appraisal Process." About Money. Retrieved from: http://humanresources.about.com/od/performanceevals/a/perf_appraisal.htm



"The Performance Appraisal Process"

Among other benefits, formal appraisals provide the following:

- *An opportunity for managers and employees to discuss an employee's performance and to set future goals and performance expectations*
- *A chance to identify and discuss appropriate training and career-development opportunities for an employee*
- *Formal documentation of the evaluation that can be used for salary, promotion, demotion, or dismissal purposes* [22]

As for disadvantages, most stem from the fact that appraisals are often used to determine salaries for the upcoming year. Consequently, meetings to discuss performance tend to take on an entirely different dimension: the manager may appear judgmental (rather than supportive), and the employee may get defensive. This adversarial atmosphere can make many managers not only uncomfortable with the task but also less likely to give honest feedback. (They may give higher marks in order to avoid delving into critical evaluations.) HR professionals disagree about whether performance appraisals should be linked to pay

22. Nelson B., & Economy, P. (2003). Managing for Dummies, 2nd ed. New York, NY: Wiley. p. 140.

increases. Some experts argue that the connection eliminates the manager's opportunity to use the appraisal to improve an employee's performance. Others maintain that it increases employee satisfaction with the process and distributes raises on the basis of effort and results. [23]

360-Degree and Upward Feedback

*Instead of being evaluated by one person, how would you like to be evaluated by several people—not only those above you in the organization but those below and beside you? The approach is called **360-degree feedback**, and the purpose is to ensure that employees (mostly managers) get feedback from all directions—from supervisors, reporting subordinates, coworkers, and even customers. If it's conducted correctly, this technique furnishes managers with a range of insights into their performance in a number of roles.*

Retaining Valuable Employees

When a valued employee quits, the loss to the employer can be serious. Not only will the firm incur substantial costs to recruit and train a replacement, but it also may suffer temporary declines in productivity and lower morale among remaining employees who have to take on heavier workloads. Given the negative impact of turnover—the permanent separation of an employee from a company—most organizations do whatever they can to retain qualified employees. Compensation plays a key role in this effort: companies that don't offer competitive compensation packages tend to lose employees. Other factors also come into play, such as training and development, as well as helping employees achieve a satisfying work/non-work balance. In the following sections, we'll look at a few other strategies for reducing turnover and increasing productivity. [24]

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23. Archer North & Associates (2010). Reward Issues. Retrieved from: http://www.performance-appraisal.com/rewards.htm
24. Smith, G. P. (2017) "5 Tips to Attract, Keep and Motivate Your Employees." Retrieved from: http://www.businessknowhow.com/manage/attractworkforce.htm

Creating a Positive Work Environment

Employees who are happy at work are more productive, provide better customer service, and are more likely to stay with the company.[25]

Take a few moments and watch the video: [RSA Shorts "Drive" video] by Daniel Pink at RSA [10:47] (transcript avaiable) which summarizes recent research on motivation and comes to some interesting conclusions.

One or more interactive elements has been excluded from this version of the text. You can view them online here: https://ecampusontario.pressbooks.pub/businessgolfindustry/?p=108#oembed-2

The Employee-Friendly Workplace

What sort of things improves employee attitudes? Ask yourself… "what would my employer need to do to make me a happier worker?" Is it job security? Better pay? Better amenities? Better work conditions? There are several things that contribute to a "happier worker" and it's the companies responsibility to unlock the potential of all staff members. By doing this, studies indicate a reduction of employee turnover which is the result of a satisfied workforce.

Recognizing Employee Contributions

Thanking people for work done well is a powerful motivator. People who feel appreciated are more likely to stay with a company than those who don't.[26] *While a personal thank-you is always helpful, many companies also have formal programs for identifying and rewarding good performers. The BIG question for employers is what form of recognition is a perfect motivator for the employee? Is it money, gifts, or is it just the act of recognizing a "job well done" or "pat on the back"?*

25. Lindzon, J. (2014) How employee engagement can boost the bottom line. Retrieved from: https://www.theglobeandmail.com/report-on-business/careers/career-advice/life-at-work/how-employee-engagement-can-boost-the-bottom-line/article21875491/
26. McGarvey, R. (2004). "A Tidal Wave of Turnover." American Way. p. 32–36.

Involving Employees in Decision Making

Companies have found that involving employees in decisions saves money, makes workers feel better about their jobs, and reduces turnover. Some have found that it pays to take their advice! In many cases, our front-line worker… those who are closest to our members and customers, can have great ideas on how to improve processes, procedures and quality of service. As a result, this provides employees with a sense of purpose and a feeling of value within the organization.

Why People Quit

> ***"Employees don't leave jobs, they leave managers"***

As important as such initiatives can be, one bad boss can spoil everything. The way a person is treated by his or her boss may be the primary factor in determining whether an employee stays or goes. People who have quit their jobs cite the following behavior by superiors:

- *Making unreasonable work demands*
- *Refusing to value their opinions*
- *Failing to be clear about what's expected of subordinates*
- *Showing favoritism in compensation, rewards, or promotions* [27]

Holding managers accountable for excessive turnover can help alleviate the "bad-boss" problem, at least in the long run. In any case, whenever an employee quits, it's a good idea for someone—other than the individual's immediate supervisor—to conduct an exit interview to find out why. Knowing why people are quitting gives an organization the opportunity to correct problems that are causing high turnover rates.

Involuntary Termination

Before we leave this section, we should say a word or two about termination—getting fired. Though turnover—voluntary separations—can create problems for employers, they're not nearly as devastating as the effects of involuntary termination on employees. Losing your job is what psychologists call a "significant life change," and it's high on the list of "stressful

27. Smith, G. P. (2013) "Top Ten Reasons Why People Quit Their Jobs." Retrieved from: http://www.businessknowhow.com/manage/whyquit.htm

life events" regardless of the circumstances. Sometimes, employers lay off workers because revenues are down and they must resort to downsizing—to cutting costs by eliminating jobs. Sometimes a particular job is being phased out, and sometimes an employee has simply failed to meet performance requirements.

Employment at Will

Is it possible for you to get fired even if you're doing a good job and there's no economic justification for your being laid off? In some cases, yes—especially if you're not working under a contract. Without a formal contract, you're considered to be employed at will, which means that both you and your employer have the right to terminate the employment relationship at any time. You can quit whenever you want, but your employer can also fire you whenever they want.

Fortunately for employees, over the past several decades, the courts have made several decisions that created exceptions to the employment-at-will doctrine. [28] *Since managers generally prefer to avoid the expense of fighting wrongful discharge claims in court, many no longer fire employees at will. Good practice in managing terminations is to maintain written documentation so that employers can demonstrate just cause when terminating an employee. If it's a case of poor performance, the employee would be warned in advance that his or her current level of performance could result in termination and then be permitted an opportunity to improve performance. When termination is necessary, communication should be handled in a private conversation, with the manager explaining precisely why the action is being taken.*

Key Terms

Partners: Those working at Starbucks are called partners.

Human resource management (HRM): The process, which consists of all actions that an organization takes to attract, develop, and retain quality employees. Each of these activities is complex.

28. Muhl, C. (2001). "The Employment-at-Will Doctrine: Three Major Exceptions." Bureau of Labor Statistics Monthly Labor Review. Retrieved from: http://www.bls.gov/opub/mlr/2001/01/art1full.pdf

Human Resource Planning: The process of developing a plan for satisfying an organization's human resources (HR) needs.

Recruiting is the process of identifying suitable candidates and encouraging them to apply for openings in the organization.

Discrimination occurs when a person is treated unfairly on the basis of a characteristic unrelated to ability.

Equal Pay: Section 11 of the CHRA protects male and female employees who do substantially equal work from a difference in wages.

The Employment Equity Act of 1986 identifies specific populations which are protected from discrimination.

The **selection process** entails gathering information on candidates, evaluating their qualifications, and choosing the right one.

Job rotation allows employees to rotate from one job to another on a systematic basis, often but not necessarily cycling back to their original tasks.

Job enlargement: The policy of enhancing a job by adding tasks at similar skill levels.
Job enrichment is the practice of adding tasks that increase both responsibility and opportunity for growth.

Job sharing: two people share one full-time position, splitting the salary and benefits of the position as each handles half the job.

Telecommuting means that you regularly work from home. You're connected to the office by computer and cell phone.

Incentive: Many people receive financial rewards based on performance, whether their own, their employer's, or both.

Bonuses: Annual income is given in addition to salary.

The **compensation Plan** also gives employees the right to participate in their Employee Share Purchase Plan.

Benefits: Compensation other than salaries, hourly wages, or financial incentives.

360-Degree Feedback: The approach in which employees (mostly managers) to be evaluated by several people or get feedback from all directions—from supervisors, reporting subordinates, coworkers, and even customers.

Upward Feedback: The approach that requires only the manager's subordinates to provide feedback.

The employee-friendly work environment helps SAS employees focus on their jobs and contribute to the attainment of company goals.

Key Takeaways

1. The process of human resource management consists of actions that an organization takes to attract, develop, and retain quality employees.
2. Human resource managers engage in strategic human resource planning—the process of developing a plan for satisfying the organization's human resource needs.
3. The HR manager forecasts future hiring needs and begins the recruiting process to fill those needs.
4. In recruiting and hiring, managers must comply with anti-discrimination laws enforced by the Equal Employment Opportunity Commission (EEOC). They cannot treat people unfairly on the basis of a characteristic unrelated to ability, such as race, color, religion, sex, national origin, age, or disability.
5. HR managers also oversee employee training, from the first orientation to continuing on– or off-the-job training.
6. Attracting a diverse workforce goes beyond legal compliance and ethical commitments, because a diverse group of employees can offer perspectives that may be valuable in generating ideas, solving problems, and connecting with an ethnically diverse customer base.
7. Employees are motivated to perform well when they're challenged, respected, treated fairly, and appreciated.
8. Some other factors that contribute to employee satisfaction include job redesign to make jobs more interesting and challenging, job rotation, which allows employees to rotate from one job to another, job enlargement, which enhances a job by adding tasks at similar skill levels, and job enrichment, which adds tasks that increase both responsibility and opportunity for growth.
9. Many organizations recognize the need to help employees strike a balance between their work and home lives and offer a variety of work arrangements to accommodate different employee needs, such as flextime (flexible scheduling), job sharing (when two people share a job), and telecommuting (working from outside the office).
10. Compensation includes pay and benefits. Workers who are paid by the hour earn wages, while those who are paid to fulfill the responsibilities of the job earn salaries. Some people receive commissions based on sales or are paid for output, based on a piecework approach.
11. In addition, employees can receive year-end bonuses, participate in profit-sharing plans, or receive stock options.
12. Managers conduct performance appraisals to evaluate work performance.
13. Turnover is the permanent separation of an employee from a company and may happen if an employee is unsatisfied with their job, or because the organization is not satisfied with the employee. Sometimes, firms lay off workers, or downsize, to cut costs.

Chapter 11: Golf and Club Marketing

Learning Objectives

By the end of the chapter, you should be able to:

- Define the terms marketing, marketing concept, and marketing strategy.
- Outline the tasks involved in selecting a target market.
- Identify the four P's of the marketing mix.
- Explain how to conduct marketing research.
- Discuss various branding strategies and explain the benefits of packaging and labelling.
- Describe the elements of the promotion mix.
- Explain how companies manage customer relationships.
- Identify the advantages and disadvantages of social media marketing.

Photo by Naassom Azevedo Unsplash License

Marketing to Millennials

Read: Marketing to Millennials by Darren Cabral in Golf Business Canada (p.22)

What Is Marketing?

When you consider the functional areas of business—accounting, finance, management, ***marketing****, and operations—marketing is the one you probably know the most about. After* *all, as a consumer and target of all sorts of advertising messages, you've been on the receiving end of marketing initiatives for most of your life. What you probably don't appreciate, however, is the extent to which marketing focuses on providing value to the customer. According to the American Marketing Association, "Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large."* [1]

In other words, marketing isn't just advertising and selling. It includes everything that organizations do to satisfy customer needs:

- *Coming up with a product/services and defining its features and benefits*
- *Setting its price*
- *Identifying its target market*
- *Making potential customers aware of it*
- *Getting people to buy it*
- *Delivering it to people who buy it*
- *Managing relationships with customers after it has been delivered*

Think about a typical golf business. It's easy to see how the person who decides what golf promotion/deal is involved in marketing: he or she selects the promo, time of day/week to sell the tee times. It's even easier to see how the person who puts ads on social media works in marketing: he or she is in charge of advertising—making people aware of the promotion/deal and getting them to buy it. What about the food and beverage department and the person behind the counter who sells hot dogs, sandwiches and beverages? Are they marketing the business? Absolutely. The purpose of every job in the golf business is satisfying customer needs, and as we've seen, identifying and satisfying customer needs is what marketing is all about. Marketing is a team effort involving everyone in the organization.

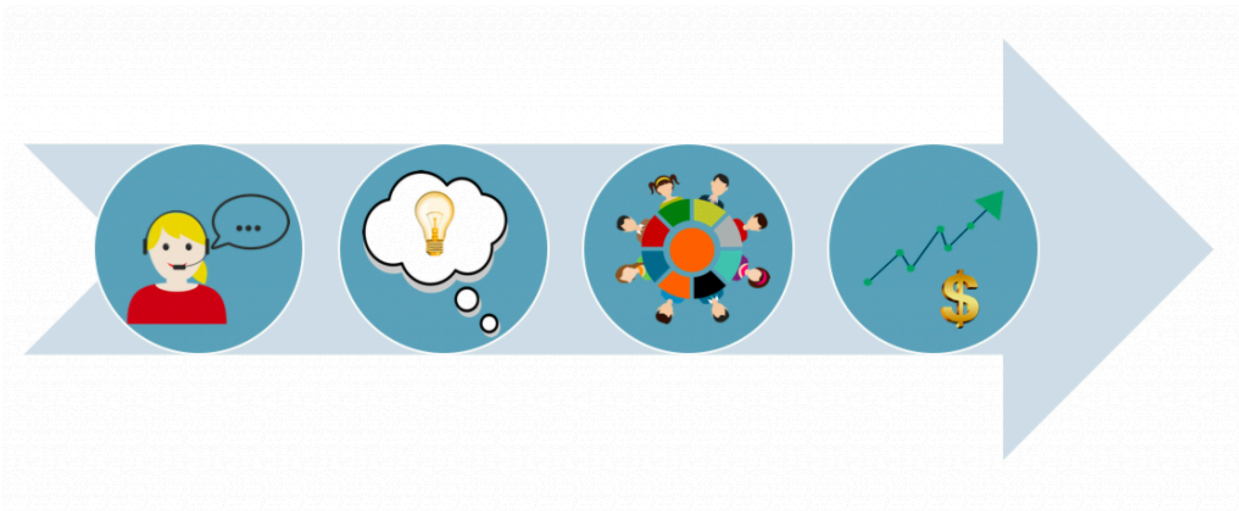
If everyone is responsible for marketing, can the average golf course do without an official marketing department? Not necessarily: most golf organizations (that can afford to) have a marketing department in which individuals are actively involved in some marketing-related activity—product/service design and development, pricing, promotion, sales, and distribution. As specialists in identifying and satisfying customer needs, members of the marketing department manage, plan, organize, lead, and control the organization's overall marketing efforts.

1. American Marketing Association (2013). "Definition of Marketing." Retrieved from: https://www.ama.org/AboutAMA/Pages/Definition-of-Marketing.aspx

The Marketing Concept

The following flowchart is designed to remind you that to achieve company profitability goals, you need to start with three things:

1. *Find out what customers or potential customers need.*
2. *Develop products/services to meet those needs.*
3. *Engage the entire organization in efforts to satisfy customers.*



"The Marketing Concept Leads to Company Profit"

At the same time, you need to achieve organizational goals, such as profitability and growth. This basic philosophy—satisfying customer/member needs while meeting organizational goals—is called the ***marketing concept****, and when it's effectively applied, it guides all of an organization's marketing activities.*

The marketing concept puts the customer first: as your most important goal, satisfying the customer must be the goal of everyone in the organization. But this doesn't mean that you ignore the bottom line; if you want to survive and grow, you need to make some profit. What you're looking for is the proper balance between the commitments to customer satisfaction and company survival.

Selecting a Target Market

Businesses earn profits by selling goods or providing services. It would be nice if everybody in *the marketplace was interested in your product, but if you tried to sell it to everybody, you'd probably spread your resources too thin. You need to identify a specific group of consumers who should be particularly interested in your product, who would have access to it, and who have the means to buy it. This group represents your* ***target market****, and you need to aim your marketing efforts at its members.*

Identifying Your Market

How do marketers identify target markets? First, they usually identify the overall market for their product/service—the individuals or organizations that need a product/service and are able to buy it. This market can include either or both of two groups:

1. *A consumer market—buyers who want the product/service for personal use (ie. playing golf for entertainment)*
2. *An industrial market—buyers who want the product/service for use in making other products (this is most common in manufacturing settings)*

In the case of golf and clubs, you will focus primarily on the consumer market

Segmenting the Market

The next step in identifying a target market is to divide the entire market into smaller portions, or ***market segments****—groups of potential customers with common characteristics that influence their buying decisions. You can use a number of characteristics to narrow a market. Let's look at some of the most useful categories in detail.*

Demographic Segmentation	*divides the market into groups based on such variables as age, marital status, gender, ethnic background, income, occupation, and education. When developing price categories for golf memberships, we will want to take into consideration of age and marital status. This is the basis for Junior, Intermediate, Adult and Senior price categories*
Geographic Segmentation	*dividing a market according to such variables as climate, region, and population density (urban, suburban, small-town, or rural)—is also quite common. Geography might be a factor for promotional memberships for those who reside a specific distance away from the golf course.*
Behavioural Segmentation	*is dividing consumers by such variables as attitude toward the product/service, user status, or usage rate. This will help determine the amount customers are will to pay based on the value proposition in comparison to your closest competition.*
Psychographic Segmentation	*classifies consumers on the basis of individual lifestyles as they're reflected in people's interests, activities, attitudes, and values. Do you live an active life? Like recreation, sports and love the outdoors? If so, you may be a potential golf consumer and a buyer of memberships, green fees, golf equipment etc.*

Clustering Segments

Typically, marketers determine target markets by combining, or "clustering," segmenting criteria. What characteristics does a golf course look for in marketing its service/products? Three demographic variables come to mind: age, geography, and income. Buyers are likely to be males and females ranging in age from about 18 to 65 . Geography is a factor as customers tend to live or work in cities or upscale suburban areas. Those with relatively mid to higher incomes are willing to join a golf course and so income—a socioeconomic factor—is also important.

The Marketing Mix

After identifying a target market, your next step is developing and implementing a marketing program designed to reach it. As the graphic below shows, this program involves a combination of tools called the ***marketing mix****, often referred to as the "four P's" of marketing:*

1. *Developing a* ***product or service*** *that meets the needs of the target market*
2. *Setting a* ***price*** *for the product or service*
3. *Distributing the product or service—getting it to a* ***place*** *where customers can buy it (or attracting customers to your location)*
4. ***Promoting*** *the product or service—informing potential buyers about it*

"The Marketing Mix"

Developing a Product or Providing a Service

The development of a golf proposition is multi-faceted. In the golf business, we generally do not develop products (unless you count the overall aesthetics of the golf course as a product), we promote products and work with our golf suppliers to buy and sell what is best suitable for our range of customers and to ultimately maximize profits by seasons end. The services *we provide are crucial to fulfill the needs and wants the brings "value" to our members and guests.*

*A value proposition is part of a golf operation's overall marketing strategy. The **value proposition** introduces a company's brand to consumers by telling them what the company stands for, how it operates, and why it deserves their business. This message can convince a customer that the company's product or service offering will add more value than offerings will.* [2] *For example, the Nike value proposition focuses on satisfying its customers with a superior product made out of the best available materials and latest technologies, which is also fashionable and worn by supreme athletes and accessible to anyone. [Footnote] Bandara, I. (n.d.). The unbelievable story behind the top shoe brand in the world. EconHustler.* *https://ecomhustler.com/nike-value-proposition/[/Footnote]*

Conducting Marketing Research

Before settling on a strategy for your Golf Course, marketers need to some homework. First, to zero in on the target market, the marketers need to find out what various people thought of the location, product and service. More precisely, they needed answers to questions like the following:

- *Who are our potential customers?*
- *What do they like about the golf course? What would they change?*
- *How much are they willing to pay for a tee time?*
- *Where will they purchase green fees? At the pro shop counter or online?*
- *How can we distinguish it from competing golf courses? What sets us apart from the competition?*
- *Will enough people buy tee times to return a reasonable profit for the golf course?*

*The last question would be left up to management, but, given the size of the investment needed to bring a new golf course to market, management can't afford to make the wrong decision. Ultimately, a golf course can make informed decisions based on information from the marketing team called **marketing research**—the process of collecting and analyzing the data that are relevant to a specific marketing situation. This data had to be collected in a systematic way. Market research seeks two types of data:*

2. Twin, A. (2022, March 10). Value Proposition Definition. Investopedia.https://www.investopedia.com/terms/v/valueproposition.asp#:~:text=A%20value%20proposition%20is%20part,why%20it%20deserves%20their%20business.

1. *Marketers generally begin by looking at **secondary data**—information already collected, whether by the company or by others, that pertains to the target market.*
2. *With secondary data in hand, they're prepared to collect **primary data**—newly collected information that addresses specific questions.*

Secondary data can come from inside or outside the organization. Internally available data includes sales reports and other information on customers. External data can come from a number of sources. Statistics Canada, for example, posts demographic information on Canadian households (such as age, income, education, and a number of members), both for the country as a whole and for specific geographic areas. Population data from reliable sources, also helps marketers estimate the size of its potential target market.

Using secondary data that is already available (and free) is a lot easier than collecting your own information. Unfortunately, however, secondary data didn't answer all the questions that marketers might ask in this particular situation. To get these answers, the marketing team had to conduct primary research, working directly with members of their target market. First, they had to decide exactly what they needed to know, then determine who to ask and what methods would be most effective in gathering the information.

We know what they wanted to know—we've already listed example questions. As for whom to talk to, they randomly selected representatives from their target market. There is a variety of tools for collecting information from these people, each of which has its advantages and disadvantages. To understand the marketing-research process fully, we need to describe the most common of these tools:

- ***Surveys –** Sometimes marketers mail questionnaires to members of the target market. The process is time-consuming and the response rate is generally low. Online surveys are easier to answer and so get better response rates than other approaches.*
- ***Personal interviews –** Though time-consuming, personal interviews not only let you talk with real people but also let you demonstrate the product. You can also clarify answers and ask open-ended questions.*
- ***Focus groups –** With a focus group, you can bring together a group of individuals (perhaps six to ten) and ask them questions. A trained moderator can explain the purpose of the group and lead the discussion. If sessions are run effectively, you can come away with valuable information about customer responses to both your product and your marketing strategy.*

Marketers use focus groups and personal interviews because both approaches have the advantage of allowing people to interact or perhaps play the new golf course and provide feedback on their experience. In particular, focus-group sessions provided valuable opinions about the product and service, proposed pricing, quality, and promotion strategies.

Branding

*The term **branding** refers to a business and marketing concept that helps people identify a particular company, product, or service. Brands are intangible, and they help shape people's perceptions of companies, their products, or service.* [3] *Brands commonly use identifying markers (i.e.. the Nike swoosh or master's logo) to help create brand identities within the marketplace. They provide enormous value to the company, giving them a competitive edge over others in the same industry. As such, many entities seek legal protection for their brands by obtaining trademarks.*

Branding Strategies

Companies can adopt one of three major strategies for branding a product or service:

"Golf Bag" by Rob Foster, [CC BY-NC-SA]()

1. *With **private branding** (or private labelling), a company makes a product and sells it to a retailer who in turn resells it under its own name. Big golf companies like Titleist will allow golf courses to add their club logo or crest to Titleist hats and Foot Joy Golf Shirts.*
2. *With **generic branding**, the maker attaches no branding information to a product except a description of its contents. Customers are often given a choice between a brand-name a cheaper generic version*
3. *With **manufacturer branding**, a company sells one or more products under its own brand names. Adopting a multi-product branding approach, it sells all its products under one brand name (generally the company name). Using a multi-branding approach, it will assign different brand names to different products covering different segments of the market. Golf suppliers generally use multi-branding. For example, Achushnet is the parent company that markets various equipment and apparel, such as Titleist, Foot Joy, Scotty Cameron and Vokey.*

3. Kenton, W. (2022, March 24). Brand definition. Investopedia. https://www.investopedia.com/terms/b/brand.asp

With the popularity of global golf travel, hotels are competing for consumer business. Branding is used in hotels to allow chains (i.e. Marriott, Hyatt, and Hilton) to offer brands that meet various customers' travel needs in hotels while still maintaining their loyalty to the chain. The same customer who would choose an extended stay hotel with a full kitchen when on a long term golf trip might stay at a convention hotel when attending a golf trade show and then stay in a resort property when traveling with their golf buddies.

By segmenting different types of hotel locations, amenities, room sizes and décor, hotel chains can meet the needs of a wide variety of travelers. In the past decade "soft" branding has become common to allow unique hotels to take advantage of being part of a chain reservation system and loyalty program. For example, Marriott has over 100 affiliated independent hotels in its Autograph Collection. [4]

Type of Hotel	Marriott	Hilton	Hyatt
Luxury	Ritz Carlton JW Marriott	Waldorf Astoria Conrad	Park Hyatt Andaz
Independent	Autograph Collection	Curio Collection	Unbound Collection
Full Service	Marriott Renaissance Gaylord	Hilton Canopy Doubletree	Hyatt
Select Service	Courtyard by Marriott AC Hotels	Hilton Garden Inn Hampton Inn	Hyatt Place
Extended Stay	Residence Inn	Homewood Suites	Hyatt House

"Major Hotel Chains and Their Hotels"

Loyalty programs are heavily used in the hospitality industry, especially airlines and hotels, as part of their Customer Relationship Management programs. Some examples of popular Canadian Loyalty programs include Air Miles, Canadian Tire Rewards, Aeroplan, HBC

4. Marriott (2016). "Autograph Collection Hotels." Retrieved from: http://www.autograph-hotels.marriott.com/

Rewards, and PC Optimum. Airline loyalty programs such as Air Canada Loyalty, are often targeted to high-value business travelers with less price sensitivity. They achieve loyalty status and perks while traveling as well as earning points to use for personal travel rewards. Once a loyalty program member obtains elite status with significantly associated perks such as guaranteed room availability, airport club lounge access, etc., the customer is much less likely to use other brands.

This is a concept that has been embraced at golf courses as well. Whether it is collecting customer data through VIP cards or special promotions, obtaining customer information is very important. Once members and guests have opted to receive communications, golf course's can provide special offers to keep bringing them back to the course. Loyalty can be gained through tracking golfers spending and rewarding them for their business.

Building Brand Equity

Brand equity *refers to a value premium that a company generates from a product with a recognizable name when compared to a generic equivalent.* [5] *Companies can create brand equity for their products by making them memorable, easily recognizable, and superior in quality and reliability. Mass marketing campaigns also help to create brand equity.*

When a company has positive brand equity, customers willingly pay a high price for its products, even though they could get the same thing from a competitor for less. Customers, in effect, pay a price premium to do business with a business they know and admire. Because the company with brand equity does not incur a higher expense than its competitors to produce the product/service and bring it to market, the difference in price goes to their margin. The businesses brand equity enables it to make a bigger profit on each sale.

Packaging and Labelling

Packaging can influence a consumer's decision to buy a product or pass it up. The packaging gives customers a glimpse of the product, and it should be designed to attract their attention, with consideration given to color choice, style of lettering, and many other details. Labelling not only identifies the product but also provides information on the package contents: who made it and where or what risks are associated with it (such as being unsuitable for small children).

5. Kenton, W. (2022, March 24). Brand definition. Investopedia. https://www.investopedia.com/terms/b/brand.asp

"Golf Balls" by Rob Foster, [CC BY-NC-SA]

When we think of the packaged products in the pro shop, what comes to mind? Perhaps golf balls, and golf gloves. Meanwhile, the labelling on the package details some of the products attributes. The name is highlighted in big letters above the descriptive tagline "Titleist: #1 ball in golf."

On the side or back of the packaging you will find the composition of the materials and perhaps what type or level of golfer the product might best suit. These colorful descriptions are conceived to entice the consumer to make a purchase because its product features will satisfy some need or want.

Place

A great deal is involved in getting a product to the place in which it is ultimately sold. If you're a golf retailer, for example, you'll want your business to be in high-traffic areas to maximize your potential business. If your business is selling beer, you'll want it to be offered in the golf course restaurant, bar and most importantly, on the beverage cart! Unlike golf courses, placing a product in general retail locations requires substantial negotiations with the owners of the space, and often the payment of slotting fees [an allowance paid by the manufacturer] or product discounts, to secure space on retail shelves.

Retailers are marketing intermediaries that sell products to the eventual consumer. Without retailers, companies would have a much more difficult time selling directly to individual consumers, no doubt at a substantially higher cost. Gaining positive relationship with suppliers that understand your business and the customers you cater to, will help product placement that drives profits.

Promotion

Your ***promotion mix****—the means by which you communicate with customers—may include advertising, personal selling, sales promotion, and publicity. These are all tools for telling* *people about your product/service and persuading potential customers to buy it. Before deciding on an appropriate promotional strategy, you should consider a few questions:*

- *What's the main purpose of the promotion?*
- *What is my target market?*
- *Which product/service features should I emphasize?*
- *How much can I afford to invest in a promotion campaign?*
- *How do my competitors promote their products/services?*

To promote a product/service, you need to imprint a clear image of it in the minds of your target audience. What do you think of, for instance, when you hear "Augusta"? What about "Top Golf"? They're both golf related, that have been quite successful in the golf and hospitality industry, but they project very different images to appeal to different clienteles. The differences are evident in their promotions. Augusta, which is the home of the Master's tournament and can be described as the "gold standard" of golf, with meticulously manicured turf and ultra-exclusive. Whereas, Top Golf is known for easy access to the public and a fun way to spend time with friends of all golfing levels. The concept of golf and hospitality is what promotes returning customers.

Promotional Tools

We'll now examine each of the elements that can go into the promotion mix— advertising, personal selling, sales promotion, and publicity.

Advertising

***Advertising** is paid, non-personal communication designed to create an awareness of a product or company. Ads are everywhere—in print media (such as newspapers, magazines, mailers), on billboards, in broadcast media (radio and TV), and, increasingly, online. It's hard to escape the constant barrage of advertising messages; it's estimated that the average consumer is confronted by about 5,000 ad messages each day (compared with about 500 ads a day in the 1970s).*[6] *For this very reason, ironically, ads aren't as effective as they used to be. Because we've learned to tune them out, companies now have to come up with innovative ways to get through to potential customers. A New York Times article*[7] *claims that "anywhere the eye can see, it's likely to see an ad." Subway cars are plastered with ads for cell phone companies. Advertising is still the most prevalent form of promotion. The choice of advertising media depends on your product, target audience, and budget. In the golf industry, many clubs have turned to social media to identify and solicit to their target audiences rather than the traditional forms of mass media, which will be explored further on in the chapter.*

Downtown Toronto at night by AILAFA, CC BY-NC-ND 2.0

Personal Selling

***Personal selling** refers to one-on-one communication with customers or potential customers. This type of interaction is necessary in selling large-ticket items, such as selling a golf membership, and it's also effective in situations in which personal attention helps to close a sale, such as the sale of a $3,000 set of Titleist clubs!*

6. Johnson, C. A. (2006). "Cutting Through Advertising Clutter." Retrieved from: http://www.cbsnews.com/stories/2006/09/17/sunday/main2015684.shtml
7. Story, L. (2007). "Anywhere the Eye Can See, It's Likely to See an Ad." Retrieved from: http://www.nytimes.com/2007/01/15/business/media/15everywhere.html?pagewanted=all

Many pro shops depend on the expertise and enthusiasm of their salespeople to persuade customers to buy. Traditional pro shops have a lot of competitors like Golf Town and Online retailers such as Amazon. Therefore it is very important that golf professionals and staff engage with the members to help educate them on the products they are seeking. Where local pro shops lack the space to carry large inventory, they make that up in the relationships they development with members and the trust that they are experts in their respective fields. Members make contact with the pro shop several times per week, so it makes sense that "Personal Selling" is a contributing factor to successful sales for the golf club.

"Pro Shop" by Fort Carson, CC BY 2.0

Sales Promotion

Photo by Tim Evanson CC-BY-SA- 2.0

*It's likely that at some point, you have purchased an item with a coupon or because it was advertised as a buy-one-get-one special. If so, you have responded to a **sales promotion** – one of the many ways that sellers provide incentives for customers to buy. Sales promotion activities include not only those mentioned above but also other forms of discounting, sampling, trade shows, in-store displays, and even contests. Some promotional activities are targeted directly to consumers and are designed to motivate them to purchase now. You've probably heard advertisers make statements like "limited time only" or "while supplies last". If so, you've encountered a sales promotion directed at consumers. Other forms of sales promotion are directed at dealers and intermediaries. Trade shows are one example of a dealer-focused promotion. Mammoth convention centres such as the Enercare Centre in Toronto host enormous events in which golf manufacturers can display their new products to golf retailers and other interested parties. At the annual golf shows, for example, potential buyers can sample products (i.e.. test drive) that golf manufacturers hope to launch on the market in the upcoming season. Feedback from prospective buyers can even result in changes to new product designs or decisions not to launch.*

Losing money to make money

A **loss leader** (also **leader**) is a pricing strategy where a product is sold at a price below its market cost to stimulate other sales of more profitable goods or services. With this sales promotion/ marketing strategy, a "leader" is used as a related term and can mean any popular item, i.e., one sold at a normal price.[8] Some examples of loss leaders are popular grocery items, like milk and eggs. Grocery stores will frequently discount these items to encourage shoppers to come to the store.

Publicity and Public Relations

Free publicity—say, getting your company or your product mentioned or pictured in a newspaper or on TV—can often generate more customer interest than a costly ad. In the golf industry, we commonly get free publicity when we host a charity tournament. The charity advertises the tournament on social media, TV, Radio and News Print with the golf course being the attraction for interested golfers aside from donating to a worthy cause.

Photo by dmulligan, Pixabay License

Consumer perception of a golf course is often important to it's success. Many golf courses, therefore, manage their public relations in an effort to garner favorable publicity for themselves and their products/services. When the golf course does something noteworthy, such as sponsoring a fund-raising event, the public relations department (if one exists) may issue a press release to promote the event. If the golf course does something negative, the public relations department will work to control the damage to the golf courses reputation. An example of this is customer reviews on line or negative responses on social media platforms.

8. Wikipedia. (n.d.). Loss Leader. https://en.wikipedia.org/wiki/Loss_leader

Customer-Relationship Management (CRM)

Customers are the most important asset that any golf business has. Without enough good customers, no company can survive. Businesses must not only attract new customers but also retain current customers. In fact, repeat customers are more profitable. It's estimated that it costs as much as five times more to attract and sell to a new customer than to an existing one. [9] *Repeat customers also tend to spend more, and they're much more likely to recommend you to other people.*

Retaining customers is the purpose of customer-relationship management—a marketing strategy that focuses on using information about current customers to nurture and maintain strong relationships with them. The underlying theory is fairly basic: to keep customers happy, you treat them well, give them what they want, listen to them, reward them with discounts and other loyalty incentives, and deal effectively with their complaints.

Golf Software companies like Tee-On have integration of email marketing and loyalty programs that allow them to communicate with their customers and generate more sales. Another advantage of keeping in touch with customers is the opportunity to offer them additional products. Amazon is a master at this strategy. When you make your first purchase at Amazon, you're also making a lifelong "friend"—one who will suggest (based on what you've bought before) other things that you might like to buy. Because Amazon continually updates its data on your preferences, the company gets better at making suggestions.

Read: **Crush It on Social Media** by Spencer Hadelman Golf business Canada (Summer 2020) [p.24]

Social Media Marketing

In the last several years, the popularity of social media marketing has exploded. You already know what social media is — Facebook, Twitter, Instagram, TikTok, LinkedIn, YouTube, and any number of other online sites that allow you to network, share your opinions, ideas, photos, etc. Social media marketing is the practice of including social media as part of a company's marketing program.

9. Lawrence, A. (2012). "Five Customer Retention Tips for Entrepreneurs." Retrieved from: http://www.forbes.com/sites/alexlawrence/2012/11/01/five-customer-retention-tips-for-entrepreneurs/#56de8ec717b0

Why do golf businesses use social media marketing? Before responding, ask yourself these questions: how much time do I spend watching TV? When I watch TV, do I sit through the ads? Do I read newspapers or magazines and flip right past the ads? Now, put yourself in the place of a golf course owner. Does it make sense for him/her to spend thousands of dollars to place an ad on TV or in a newspaper or magazine? Or should he/she instead spend the money on social media marketing initiatives that have a high probability of connecting to the golfing market?

For golf courses, the answer is clear. The days of trying to reach customers through ads on TV, in newspapers, or in magazines are over. Most television watchers skip over commercials, and few golf customers read newspapers or magazines, and even if they do, they don't focus on the ads. Social media marketing provides a number of advantages to golf businesses, including enabling them to:[10]

- *create brand awareness;*
- *connect with golfers and potential customers by engaging them in two-way communication;*
- *build brand loyalty by providing opportunities for a targeted audience to participate in company-sponsored activities, such as contests;*
- *offer and publicize incentives, such as special discounts or coupons;*
- *gather feedback and ideas on how to improve products and marketing initiatives;*
- *allow customers to interact with each other and spread the word about a company's products or marketing initiatives; and*
- *take advantage of low-cost marketing opportunities by being active on free social sites, such as Facebook.*

10. Godin, S. (1999). Permission Marketing: Turning Strangers into Friends, and Friends into Customers. New York: NY. Simon & Schuster. p. 40-52.

Social Media Marketing Example

To get an idea of the power of social media marketing, think of the ALS Ice Bucket Challenge. According to the ALS Association: “the ALS Ice Bucket Challenge started in the summer of 2014 and became the world’s largest global social media phenomenon. More than 17 million people uploaded their challenge videos to Facebook; these videos were watched by 440 million people a total of 10 billion times.”[11] The ALS Association raised $115 million in six weeks (their usual annual budget was only $20 million).[12]

“ALS Bucket Challenge” by slgckgc, CC BY 2.0

Social Media Marketing Challenges

The main challenge of social media marketing is that it can be very time-consuming. It takes determination and resources to succeed. Small companies often lack the staff to initiate and manage social media marketing campaigns.[13] *Even large companies can find the management of media marketing initiates overwhelming. A recent study of 1,700 chief marketing officers indicates that many are overwhelmed by the sheer volume of customer data available on social sites, such as Facebook and Twitter.*[14] *This is not surprising given that in 2017, Facebook had more than 2.1 billion active users,*[15] *and five hundred million tweets are*

11. ALS Association (n.d.). “ALS Ice Bucket Challenge – FAQ.” Retrieved from: http://www.alsa.org/about-us/ice-bucket-challenge-faq.html?referrer=https://www.google.com/
12. ALS Association (n.d.). “ALS Ice Bucket Challenge – FAQ.” Retrieved from: http://www.alsa.org/about-us/ice-bucket-challenge-faq.html?referrer=https://www.google.com/
13. Ward, S. (2016). “Social Media Marketing.” Retrieved from: http://sbinfocanada.about.com/od/socialmedia/g/socmedmarketing.htm
14. Prodhan, G. (2011). “Marketers struggle to harness social media – survey.” Retrieved from: http://www.reuters.com/article/socialmedia-ibm-idUSL5E7LA3JO20111011
15. Statista (2016). “Number of monthly active Facebook users worldwide as of 1st quarter 2016 (in millions).” Retrieved from: http://www.statista.com/statistics/264810/number-of-monthly-active-facebook-users-worldwide/

sent each day. [16] *The marketing officers recognize the potential value of this data but are not always capable of using it. A chief marketing officer in the survey described the situation as follows: "The perfect solution is to serve each consumer individually. The problem? There are 7 billion of them."* [17] *In spite of these limitations, 82 percent of those surveyed plan to increase their use of social media marketing over the next 3 to 5 years. To understand what real-time information is telling them, companies will use analytics software, which is capable of analyzing unstructured data. This software is being developed by technology companies, such as IBM, and advertising agencies.*

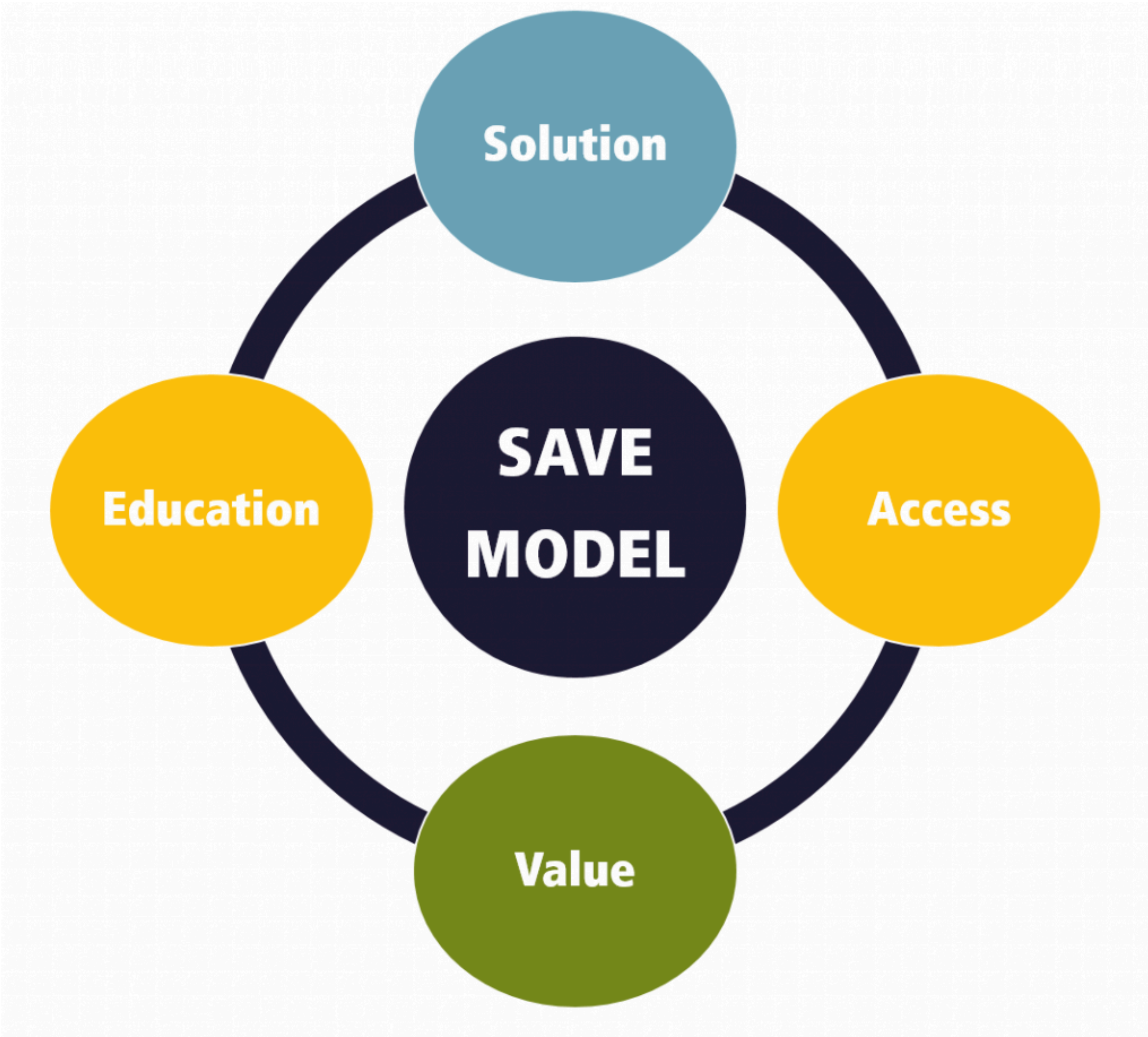
The bottom line: what is clear is that marketing, and particularly advertising, has changed forever. As Simon Pestridge, Nike's global director of marketing for Greater China, said about Nike's marketing strategy, "We don't do advertising anymore. Advertising is all about achieving awareness, and we no longer need awareness. We need to become part of people's lives, and digital allows us to do that". [18]

A New Marketing Model

The 4 P's have served marketers well for generations, but new innovations can disrupt even the most tried-and-true ways of doing business. A new framework is taking hold in marketing – the SAVE method. ***SAVE*** *is an acronym that stands for Solution, Access, Value, and Education. The framework was developed by Richard Ettenson, Eduardo Conrado, and Jonathan Knowles, and was first published in Harvard Business Review in 2013.* [19] *The authors advocate replacing the 4P's with SAVE as companies define their offerings. The essence of the SAVE framework is as follows:*

16. Internet Live Stats (2016). "Twitter Usage Statistics." Watch the ticker count tweets here: http://www.internetlivestats.com/twitter-statistics/
17. Prodhan, G. (2011). "Marketers struggle to harness social media – survey." Retrieved from: http://www.reuters.com/article/socialmedia-ibm-idUSL5E7LA3JO20111011
18. Ronnestam, J. (n.d.) "Simon Pestridge from Nike makes future advertising sound simple." Retrieved from: http://www.ronnestam.com/simon-pestridge-from-nike-make-future-advertising-sound-simple/
19. Ettenson, R., Conrado, E., & Knowles, J. (2013). "Rethinking the 4 P's." Harvard Business Review, 91, (1-2).

Solution	*Solution replaces Product: Products solve a need for a customer; the SAVE framework seeks to move the orientation of businesses away from a product focus to more of a customer-based perspective. Customers, after all, will only care about your product if it solves a problem for them or at least contributes meaningfully to doing so.*
Access	*Access instead of Place: Both “access” and “place” speak to the same point – how can my customers obtain my product or service? But in an age where so many products and services are obtained online, the word “access” incorporates more than just a physical location.*
Value	*Value takes the place of Price: Marketers have sought to value-price for years. It is only when they see the value in a product or service that they become willing to pay the price to obtain it. The SAVE model seeks to orient companies to their full value proposition as opposed to focusing on how much they will charge.*
Education	*Education replaces Promotion: In its most basic form, promotion is about informing potential customers so that they will recognize the value in a product or service and part with the funds necessary to obtain it. The SAVE model logically employs the word “education” in its acronym. However, as we have seen, promotion is more than information; it may also involve incentives such as discounts and other forms of sales promotion. In this respect, the 4 P’s seems more complete than the SAVE model.*



"SAVE model"

The SAVE framework appears to be gaining traction, and it may eventually replace Marketing's 4 Ps altogether.

Key Terms

Marketing is the organizational function that aims to promote and sell the goods and/or services of the business.

Marketing Concept is satisfying customer/member needs while meeting organizational goals.

Target market is a specific group of consumers who are particularly interested in a product, would have access to it, and are able to buy it.

Market segmentation is finding specific subsets of the overall target market that have common characteristics that influence buying decisions.

Marketing mix refers to the set of actions, tools, or tactics, that a company uses to promote its brand or product in the market. The 4Ps make up a typical marketing mix – Price, Product, Promotion, and Place. In recent years commentators refer to the 7 Ps which include People, Process, and Physical Evidence.

Marketing research—the process of collecting and analyzing the data that are relevant to a specific marketing situation.

Secondary data is information already collected, whether by the company or by others, that pertains to the target market.

Primary data is newly collected information that addresses specific questions.

Branding is about establishing an identity for a company's product that distinguishes it from the competition. Successful branding adds value to a product and can ensure brand loyalty.

Brand equity refers to a value premium that a company generates from a product with a recognizable name when compared to a generic equivalent.

Promotion mix the means by which you communicate with customers—may include advertising, personal selling, sales promotion, and publicity.

Advertising is paid, non-personal communication designed to create an awareness of a product or company.

Personal selling refers to one-on-one communication with customers or potential customers.

Sales promotion a way that sellers provide incentives for customers to buy.

A **loss leader** (also **leader**) is a pricing strategy where a product is sold at a price below its market cost to stimulate other sales of more profitable goods or services.

SAVE is a marketing concept where the acronym stands for Solution, Access, Value, and Education.

Key Takeaways

1. Marketing is a set of processes for creating, communicating, and delivering value to customers and for improving customer relationships.
2. A target market is a specific group of consumers who are particularly interested in a product, would have access to it, and are able to buy it.
3. Target markets are identified through market segmentation—finding specific subsets of the overall market that have common characteristics that influence buying decisions.
4. Markets can be segmented on a number of variables including Demographics, Geographics, Behaviour, and Psychographics (or lifestyle variables).
5. Developing and implementing a marketing program involves a combination of tools called the marketing mix: product, price, place, and promotion.
6. Before settling on a marketing strategy, marketers often do marketing research to collect and analyze relevant data.
7. Methods for collecting primary data include surveys, personal interviews, and focus groups.
8. To protect a brand name, companies register trademarks.
9. There are three major branding strategies:
    - With private branding, the maker sells a product to a retailer who resells it under its own name.
    - Under generic branding, a no-brand product contains no identification except for a description of the contents.
    - Using manufacturer branding, a company sells products under its own brand names.
10. When consumers have a favorable experience with a product, it builds brand equity.
    - If consumers are loyal to it over time, it enjoys brand loyalty.
11. Retailers are intermediaries that sell to the end consumer. Types of retailers include category killers, convenience stores, department stores, discount stores, specialty stores, supermarkets, and warehouse club stores.
12. The promotion mix includes all the tools for telling people about a product and persuading potential customers to buy it. It can include advertising, personal selling, sales promotion, and publicity.

Version History

This page provides a record of edits and changes made to this book since its initial publication. Whenever edits or updates are made in the text, we provide a record and description of those changes here. If the change is minor, the version number increases by 0.1. If the edits involve a number of changes, the version number increases to the next full number.

The files posted alongside this book always reflect the most recent version.

Version	***Date***	***Change***	***Affected Web Page***
1.0	*05 July 2022*	*First Publication*	*N/A*