

What Color Do You See?

Say the color, not the word.
If you see RED, say Black
If you see GREEN, say Red

1

•RED

2

•ORANGE

3

•BLUE

4

•RED

5

•PURPLE

6

•**GREEN**

7

•**BLACK**

8

•**BLUE**

9

•**RED**

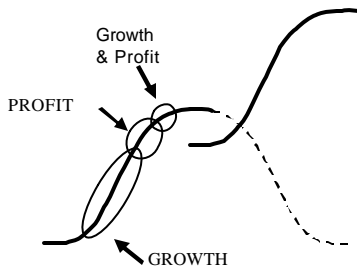
10

•**YELLOW**

WHERE TO FOCUS?

- Results vs. Activities
- Typical, Fundamental Business Results:
 - Growth?
 - Profit?
 - Growth and Profit?

The S Curve



What Is Your Focus?

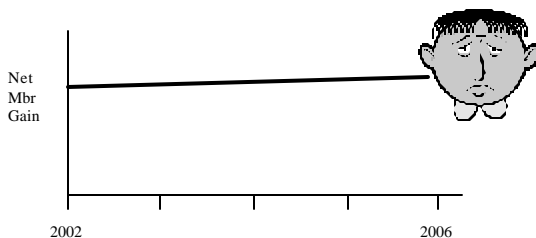
- Facility?
- Equipment?
- Programs?
- Staff?
- Sales?
- Problems?

Solving problems
versus
Achieving objectives

IHRSA 2007 Program

- Operations **70%**
- Sales and Marketing 23%
- HR 3%
- Management 2%
- MANAGING 1%

Mature Clubs Plateau



Fortune Magazine

- Top 100 growth companies.
36% aver. increase in REVENUES
46% aver. increase in EARNINGS

Fortune 500

- Most growth comes from
 - Acquisitions
 - Price Increases
- Real Organic Growth Over 7 years?
 - Under 3 %

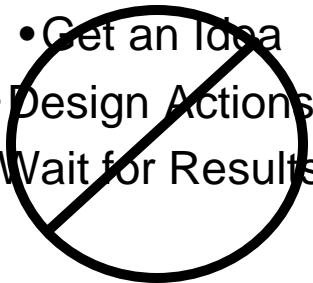
Organic Growth ?

- CAUGHT A WAVE –Boomers
- FOUND A WAVE –Partner with parents in schools
- NEW MODEL FOR AN OLD INDUSTRY-
Curves
- NO COMPETITOR –Cooper Wellness Center
- NICHE –Manage Corporate Wellness Centers
- Non Dues Revenue –48%!
- McKinsey: Execution?-
No, right place at right time



Driving Growth

- Get an Idea
- Design Actions
- Wait for Results



Driving Growth

- Get an Idea
- Design Actions
- **MANAGE**
- For Results

- To want to ACHIEVE
is not enough



- If you don't achieve the
results,
you are not a manager.

**MANAGERS
MUST
MANAGE**

For Those Who Manage

- Most important challenge of the year?
- WHY?
- As soon as something is off, MANAGERS throw everything at it

What if results slipped?

- Find the problem!
- Try a solution.
- Then another
- Then another

- Everything ethical and legal is tested out.

Use Everything You Have:

- Your education
- Your experience
- Everything you can learn from each other
- Your intuition
- Your brains
- **AND ALWAYS USE THE NUMBERS**

MANAGING FOR RESULTS

1. Awareness of GOALS
(Planned vs. Actual)
 - Gaps
 - Trends
 - Surprises
 - Best Practice comparisons

Commitment

2. Top of List Priority
Significant issues (problems, gaps, opportunities moved to top of priority list.
No more than three per person.
These get enough time!!!!
These get first attention.

Understanding

3. $X > Y$
 - What is causing... [Bacteria]
 - What is preventing... [High stress]

Understanding

4. Levers of change [Penicillin/Meditation]
 - NOTE: X>Ys are not always levers
 - Surface several levers

ACT

5. Actions
 - Choose actions and implement
 - Measure

Corrective Action

6. Success –we are in control
OR
7. Failure: It did not work
 - Causes and/or barriers [X>Ys] not true ?
 - Levers of change did not lever.
 - There fore back to X>Y and Leverage

Using The Numbers

- Start with a numbers plan = BUDGET
- Start the next years budget months in advance!
 - Built with thought NOT projections
 - Built with commitment NOT compliance
 - Built before the FY starts NOT after
 - Built with honesty NOT padding

To Manage

- Start with a plan or budget
- Most businesses have widely inaccurate budgets (CFO Jan 2007)
- 50% of managers can't explain the gaps.
- 40% managers don't log on to B&P

To Build Manager Commitment

- Involve in the plan
- Key in own numbers
- Contribute to design of metrics
- Train in use of B & P software/Excel
- Use rolling budgets and update
- Decouple pay from budget targets
- Incentives based on value creation with peer companies.
- *From the Beyond Budgeting Roundtable*

Measure the GAP

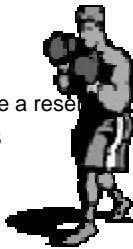
- Planned vs. Actual
- The GAPS are symptoms
- The GAPS are not the problems
- Do not manage the numbers
- Manage the business

Set The Example

- CEO must care about managing.
- CEO must dig into numbers
- CEO must ask about number performance
 - Daily, Weekly, Monthly
- The more managers who MANAGE
 - The better the results

Okay-Surprises Happen

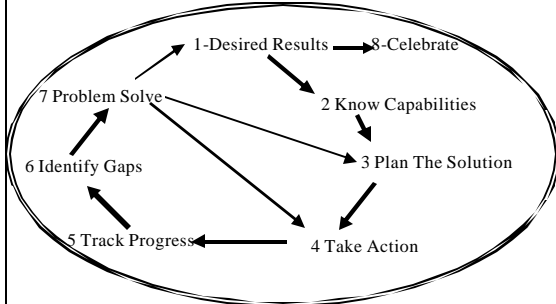
- Then what?
- 1-Scale back costs NOW.
 - Sooner rather than later
 - Scale back far enough to create a reserve
- 2-Use the reserve to drive sales



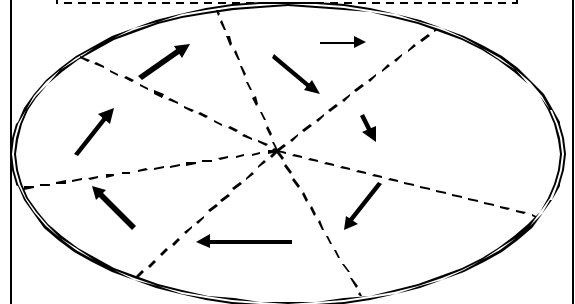
The Goal

- Comprehension of the numbers and what they mean.
- How numbers reveal the business.
- How managing the business drives the numbers

The Management Cycle



The Puzzle: Where Is Your Club Soft?



To MANAGE: Understand 3 Numbers

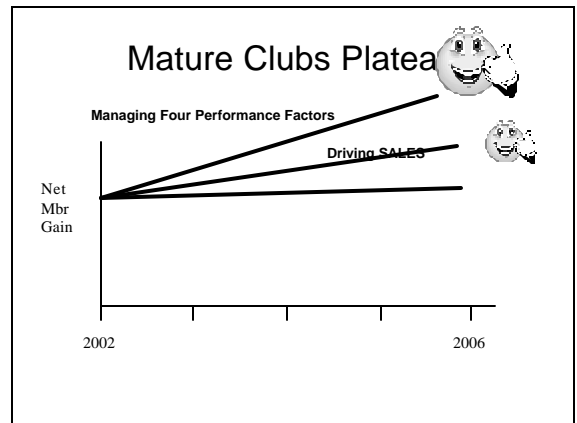
- What drives revenue? How does my work impact it?
- What drives profit? How does my work impact it?
- What drives EBITDA? How does my work impact it?
- LOTS OF PEOPLE MUST UNDERSTAND!!!

What Drives Club Profits

- No single number appears to be causal in EBITDA greater than 25%.
- Based on 14 independent clubs over 14 years.

What Drives Club Profits EBITDA to 30%, 40% or more:

- Above average work in FOUR AREAS:
 1. (Net) Member Gain
 2. Attrition
 3. Cost Per Sale
 4. Payroll as a % of Total Revenue



Remember

- 'Not everything that can be counted counts, and not everything that can be counted counts'
- When two numbers go up together or down together, that proves nothing about their connection.
- The same numbers presented in a different sequence, leads managers to make different decisions. If we do X, 10% of customers will leave vs. 90% will stay.

Thank You

Will Phillips



Resources:

- Key Performance Indicators
 - <http://www.rexonline.org/showbriefs.php?action=keyssuccess>
- Review and Action Planning Sessions-
RAP
 - <http://www.rexonline.org/showbriefs.php?action=rapmeet>
- Profit Driven or Profit Drifting
 - <http://www.rexonline.org/showbriefs.php?action=manprofit>
- Increasing Workflow Productivity
 - <http://www.rexonline.org/showbriefs.php?action=workflow>
- How To Stop Fire Fighting and Start
Solving Problems

-Give me your email and I'll send to you.