American Golf Manages Its Way to 100 Courses

Without fanfare, the staff at American Golf Corporation carried on business as usual last fall when the number of golf courses under their management topped 100. The well-tuned organization was too busy working out the details for adding another six courses to stop and celebrate.

In fact, Mike Heacock, vice president of maintenance, isn't sure which course was the 100th. "Once you get the kinks out of the system, additional growth comes smoothly," states Heacock, who is responsible for the quality of maintenance at all 106 of the company's golf courses. "It took us 11 years to grow from three courses to 28. The remaining 78 courses have been added in the past five years."

This phenomenal spurt of growth was not luck or a fluke — it was the result of a carefully managed growth plan designed to meet a goal set forth by company founder David Price in 1982 to reach 100 courses in five years. The growth would never have been possible without the management system he developed during the company's first 17 years. And he is still constantly refining the system. "I want us to be the best managed company in the business," he remarks. We're at about two thirds of what we are capable of now."

His system was rough 22 years ago when he first became involved with managing golf courses as personal attorney to Los Angeles businessman Joe Drown. Among other properties, such as the Bel-air Hotel and Biff's restaurants, Drown owned the private Yorba Linda Country Club in Orange County, CA. In a diversified property management company one golf course was more a novelty than a business.

Price convinced Drown to develop land he owned near Los Angeles International Airport into a public golf course, Westchester Country Club. "We built the course in 1966 and the first two years of operation were a disaster," recalls Price. "We really didn't know anything about running golf courses."

But they kept on trying and bought El Segundo Golf Course a few miles south of the airport. While complaints from golfers got under Drown's skin, they inspired Price. They weren't one of Drown's better investments, but attorney Price saw their potential.

"I had the idea that if you concentrated on management and treated the customers well and courteously so that they would want to come back, you could make money with a golf course," Price states. To this day Drown remains Price's mentor — his picture sits on Price's desk — but when it came to golf, the successful Drown had little to prove and the young Price felt he could make his mark in the golf business. In 1971, Drown gave Price his blessing to pursue his idea and sold him the three golf courses.

With almost no capital, Price started

David Price.

California Golf. As the story goes, Drown overheard a golfer in the lounge at Yorba Linda Country Club say, "I wonder what Drown is going to do to us next!" The next day Drown came into Price's office and said, "Do you still want to work a deal on those golf courses?" Without hesitation, Price took out a dollar bill, wrote DEAL and his initials on it, and gave it to Drown to sign. By signing it, Drown lost his personal attorney and left the golf course business.

At first, says Price, "We were just operating and doing the best job we could. The biggest surprise was the amount of capital required to restore a run-down course. We also didn't know much about forecasting or even, in some cases, what we were going to do with a specific problem."

One problem he faced immediately was losing all the greens at Westchester. The former Navy pilot had learned that without a top mechanic, flying was a risky business. He needed a superintendent good enough to trust with his business life. Having been impressed with the condition of Heartwell Golf Course in Long Beach, Price asked head pro Jack Henry who the superintendent was. Henry introduced Price to Richard Bermudez. A partnership was formed that continues to this day.

The problem now was the pilot Price also had to be his own navigator. Straining for more capital, Price managed to acquire another dozen courses in the next six years. He learned he didn't have to own the course to run it profitably. He also recognized that municipal courses frequently carry a low priority among municipal services and utilities. When they receive the attention they deserve, they carry more rounds than any other type of course.

By leasing its golf course(s) to Price, a city was assured of income without the headaches of management, labor and some capital improvements. Bermudez would improve the course to attract golfers while Price and his management staff would smooth out any kinks in the pro shop, food service, cart rental and driving range. California Golf promotes the course, provides equipment and staff, and evaluates the golf market in the area so the course can be positioned to make a profit, just as you would any business.

A typical lease pays a city a minimum rent or a percentage of course income, whichever is greater. In many cases, American Golf must invest large sums of money in capital improvements to get the course in shape. It can take the company years to recover its investment. The only way it can recover its investment and make a profit is to make sure the course succeeds. "If that isn't motivation to run a club to the satisfaction of golfers, I don't know what is," states Heacock.

"We have never made money except by getting a course into condition," he continues. "We don't make money by cutting back on equipment, chemicals, irrigation or qualified staff. If the course doesn't attract golfers, we haven't done our job."

In fact, one of Heacock's major responsibilities is seeing that the courses can handle the rounds they must to be profitable. Cart paths are added or enlarged, bigger tees are constructed and the hazards are adjusted to match the ability of the type of golfer playing the course. "We aren't a construction company. We try not to rebuild greens and reconfigure fairways. We put the emphasis on proper maintenance."

By 1982, California Golf had grown to 26 courses. Golf courses and municipalities outside of the Southwest were calling to see if California Golf could manage their courses. Only one other company had ever managed more than 30 courses, Club Corporation of America (CCA) in Dallas. There were a few companies that managed less than ten courses, but primarily on a regional basis. Price had to decide if the potential for his company stretched beyond the Southwest.

His response was clear. The name of the company was changed to American Golf Corporation, a goal of 100 courses in five years was set and a management structure was created to handle golf course management anywhere within the U.S.

Price needed a strong copilot and found one in Bob Williams. Williams was president of Club Corporation and knew the formula of customer satisfaction and professional management. He had put together the management structure that worked for CCA and shared Price's opinion that golf course management could be performed on a national basis.

The country was divided into regions and a director was appointed for each. He was made responsible for the income and expenses of all courses in his region. He was also put in charge of developing and training the general managers at each course and a regional superintendent. The general managers report to the regional director and the superintendent worked for the general manager. The regional superintendent worked for the regional director, serving as an advisor on maintenance of all his courses. If maintenance problems developed that the regional superintendent could not handle, the general manager would consult Bermudez based in Santa Monica, CA.

With a structure in place, Price and Williams created an acquisition department to locate potential customers and to develop bids to take over management. The company now had a track record to sell and an organization capable of managing golf courses almost anywhere in the country.

To tie the whole organization together, Price added one more business motivator — a piece of the action based upon growth of profit. Each region and course operate largely as a separate business. Everyone in the region receives a salary plus a bonus based upon the increase in profit from the previous year. Purchases are made by the individual clubs at local distributors.

To make sure the superintendent has what he needs to meet standards set for his course, his maintenance schedule and budget are reviewed by Santa Monica. Once approved, he is on his own with the exception that he has a regional superintendent and a vice president of maintenance there if he needs them.

As Bermudez became more involved with national concerns, he needed someone to focus his efforts on the Southwest. He knew Heacock, superintendent at prestigious Lakeside Country Club, from the active role Heacock played in both the Southern California Golf Course Superintendents Association and the California Golf Course Association. With only a desk and a phone in the maintenance building at La Mirada Country Club, Heacock went to work backing up American Golf superintendents spread out across Los Angeles and Orange counties.

Both Bermudez and Heacock feel most at home on a golf course. Even though today they both have offices in the company's plush headquarters in Santa Monica, chances are you won't find them there. After travelling extensively to New York, Georgia, Florida and Texas, Bermudez now spends much of his time fine tuning his favorite courses in Southern California. Heacock has taken over troubleshooting on a national basis.

Today there are 11 regional superintendents and 106 superintendents. "They don't work for me," says Heacock. "I'm here to help them in case they get in a jam. They are encouraged to work with their local extension service, distributors and associations like any superintendent should."

That doesn't mean Heacock doesn't know what's going on at any particular course on any day. In a file cabinet beside his desk, he has the maintenance schedules, budgets and progress reports for all 106 courses. Of these, 58 are leased from municipalities, 14 are operated for private owners and 34 are owned by American Golf.

If a problem comes up, Heacock first tries to solve it with the regional superintendent over the phone. If that doesn't work, he throws the file into his briefcase and hops on the next plane. While he's on the road, he stops to look at other courses the acquisition department is working on. On the plane back, he writes his report on a laptop computer.

The system seems to be working quite well. The accusation that a large multi-management company like American Golf cuts corners to squeeze every dime out a course has been answered by the quality of its courses today, says Heacock.

Price's next goal is clear, "To be one of the best managed companies in the world. The company as a whole would be an example to other businesses as superb management no matter what their industry is." He wants that remaining 33 percent. To get it, the company will hold its first Operations College this fall for general managers and superintendents. The college will cover one thing, how to manage their businesses. Every regional director has already attended management training seminars.

"Golf is more than a sport," says Heacock, "it's a business. When you forget that, you get in trouble."