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THE PROFIT-DRIVEN ACTION SPORT INDUSTRY WORKING WITHIN THE NOT-FOR-PROFIT AUSTRALIAN SPORT SYSTEM: THE CASE OF FREESTYLE BMX AUSTRALIA AND THE AUSTRALIAN SPORTS COMMISSION.

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Abstract

When not-for-profit organisations and for-profit organisations are forced to work together, conflict can arise. This paper explores the tensions that have resulted in the Australian sport setting when the Australian Sport Commission (ASC), with its emphasis predominantly directed at not for profit sport, sought to embrace the traditionally for profit sport of Freestyle BMX into the mainstream sport system. This case study traces the development and implementation of the ASC’s Street Active program through Freestyle BMX. It was found that Freestyle BMX experienced mission drift and did not provide a product or service relevant to its consumers by adhering to the guidelines required by the ASC. Further, in the development of the program, the ASC did not expect the rivalry between suppliers in the free market action sport industry when it engaged three management groups to deliver the Street Active program. As a result the action sport industry is further fragmented into for-profit agencies, and farther removed from the Australia’s federal governing agency, the ASC.

Introduction

There is increasing social and economic pressure for not-for-profit organisations to pursue business practices that aim to turn profit (e.g., Foster & Bradach, 2005; Goerke, 2003). When not for-profits launch into earned income ventures, a range of tensions can occur both internally and externally. This paper will explore the tensions that have resulted in the Australian sport setting when the ASC sought to embrace the traditionally for profit sport of Freestyle BMX into the mainstream sport system.

In the Australian setting, mainstream sport organisations have traditionally engaged in activities that can be represented as not for profit (Turner, 2005). Mainstream sports (such as football, netball, cricket, and basketball for example) in Australia are organised by their National Sport Organisations (or governing bodies) who receive public funding which is distributed by the Australian Sport Commission (ASC). The ASC is the federal legislative body responsible for developing sport policy and distributing resources to National Sport Organisations (Shilbury, Deane & Kellett, 2005). Through the formal support programs and initiatives that it offers, the ASC seeks to “enhance the contribution of sport to the social and economic well being of Australia” (ASC Strategic Plan, 2002-2005). Their mission is “To enrich the lives of all Australians through sport”. The mission and goals of non-profit organisations are often closely aligned with the wishes and intentions of donors (e.g., Oster, 1995). As such, the defining characteristic of the ASC as a supporter of predominantly non-profit sport organisations is their aim to provide social and economic value through sport to their stakeholders – the Australian public.

In order to receive maximum financial resources from the ASC, National Sport Organisations are required to be accountable for the responsible operations of their sport including provisions for sport development and elite competition. The sports that claim lofty international successes and/or high participation rates (membership) over time (such as swimming, field hockey, rowing and AFL) consistently receive high levels of funding from the ASC. Several authors have noted that when federal funding is on offer, the primary aim of mainstream sport organisations has been to develop and nurture the sport for participation and excellence at elite levels (as it attracts ASC funding as reward), rather than to be profit-driven (Shilbury, Deane & Kellett, 2005; Stewart, Nicholson, Smith & Westerbeek, 2004). As such, a focus on vertically integrated formal infrastructures for sport development (clubs,
facilities, teams, and coaches) is of utmost importance. Innovation (which drives competitive advantage and profit in free market environments), in such cloistered environments is hence not cultivated. Rather, the environment in which mainstream sports in Australia have developed has been a highly regulated and formal setting – a setting which has been shown internationally to foster ‘social loafing’ and rewards them for not attempting to strive for competitive advantage and maximising profit (de Rauch & Kellett, 2004; Rasher, Nagel, McEvoy & Brown, 2004).

One sport industry that is traditionally profit driven is the action sport industry. The action sport industry exists in a capitalist free market. The catalyst for the development of the action sports industry was the work of Ron Semiao, the once programming manager of ESPN (Finger, 2001). Semaio was seeking to connect with generation Y, and to do so, carefully orchestrated a chain of events to capture a market to capitalise on the commercialisation of street stunts. He created the first eXtreme Games (now known as the X Games) in 1995. The X Games became so popular that ESPN developed a channel specifically for action sports, EXPN, of which Semaio became vice president and managing director. EXPN provided a foundation for the development of the actions sports industry, and remains a core distribution channel through digital or pay TV.

Participation in action sports is dominated by Generation Y, who are individuals born between 1982 and 2003 (Howe & Strauss, 2000). Action sports (such as Freestyle BMX, Motocross, snowboarding, inline skating and skateboarding) tend to attract individuals who enjoy risk and alternative sporting activities. Activities are not facility dependent, but rather are about informal gatherings of individuals that often use ‘streetscapes’ as facilities (such as stairs, railings, and covered walkways). The culture and demographics of the participants has attracted highly competitive corporate interests in marketing and sponsorship (Bennett & Lachowetz, 2004), which have in turn contributed to this industry’s rapid growth. Action sports are profit driven (Bennett & Lachowetz, 2004), and entrepreneurial individuals appear to have captured different parts of the industry where they have seen opportunities, not necessarily to improve their sports, but rather to make money.

There is scant literature to date that examines action sports in the Australian context. The ABS currently collects data on organised (mainstream) as well as unstructured sports and current data suggests that participation in unstructured sports (of which action sports are part) is greater than that of mainstream organised sport. In 2001, one third of the population aged 18 and over had participated in some organised sport. However, over half of the population of the same age had participated in unstructured activities (ABS, 2002). For youth aged 5-14 years, the statistics suggest a similar trend. Sixty two percent of youths participated in organised sport activities, while 99.8% participated in unstructured leisure activities (ABS, 2003). Of the unstructured activities 62% rode a bicycle. The proportion of those riders who were BMX riders is unable to be identified from the data collection methods. Such statistics suggest that there is a diverse and changing range of sport activities that consumers are demanding within Australia. The ability of traditional ASC structures to deliver services to all sporting segments, particularly the unstructured sports has already been noted to be of concern (Smith & Stewart, 1995). The melding of traditionally not for profit and profit organisations in the context of sport forms the basis for the current case study.

The Case: Profit driven Freestyle BMX operating ‘Street Active’ under the not-for-profit ASC

In 2002, the ASC invested in the trend of action sports nationwide by introducing what they termed the ‘Street Active’ program. The ASC needed action sport organisations to deliver the program. However, the ASC requires that sport organisations adhere to strict guidelines if they are to maintain ‘membership’ (and therefore funding) to the ASC. Amongst other things, national sport organisations must have long term strategic planning and an organisational structure that is consistent with the ASC. For action sports, that have developed in a chaotic and profit driven environment, this might seem to pose a challenge.
With the introduction of Street Active, BMX Australia (although initially reluctant) recognised that they needed to develop a membership for the distinct discipline of Freestyle BMX (BMX Australia Annual Report, 2002) in order to seize funding and deliver the Street Action program. They understood that the unstructured free-spirited stunt performances are core to the sport and result in a culture of Freestyle BMX that is different from, and unrelated to the more structured discipline of BMX racing. Therefore, it was the decision of the Board of Management to develop a subsidiary organisation titled Freestyle BMX (BMX Australia Annual Report, 2002) in order to deliver the ASC Street Active program.

Results and Discussion

At the commencement of the Street Active program, Freestyle BMX’s mission was to:

“promote the sport of freestyle BMX through the provision of membership and program services whilst fostering relations with riders and partners”.

Similarly, their vision was to be:

“a leader in the delivery of Freestyle BMX information, membership, coaching, development and events for both our members and the general freestyle BMX community within Australia.” (Business Plan, 2003).

From observation of the statements at that time, it would appear that the direction of the organisation was congruent with the ASC’s required guidelines.

It has previously been noted that participation is an important part of ASC resource allocation. For that reason, it was important to understand how Freestyle BMX converted street riders into formal members of a structured organisation. Throughout the three years of delivering Street Active, Freestyle BMX obtained in excess of one thousand year long members in 2002 and in 2004 (Street Active Annual Report, 2002, 2004). During 2003, there was an emphasis on conducting regional development and Freestyle BMX reported a lower number of members as a result. Freestyle BMX found that only a limited number of their members renewed their membership subscriptions after one year and even less competed in the major event launched in 2004 (Freestyle BMX Annual Report, 2004).

Initially Freestyle BMX aimed to develop its clubs to be congruent with the traditional structure of clubs within the Australian sports system. That is, they tried to develop clubs that were reliant on formal infrastructures. However, Freestyle BMX found that participants within the sport did not want set times for participation, nor did they want to have to pay to ride (Freestyle BMX Annual Report, 2004). Initially, Freestyle BMX formed two clubs. Due to rider (participant) dissatisfaction, they were renamed Event Centres (EC’s) to attempt to change the image and culture to that of a more informal setting. In 2004, only one EC remained, operating solely for the purpose of events run on a monthly basis for local riders (Freestyle BMX Annual Report, 2004). ECs were not attractive sites for ongoing participation.

Unlike mainstream organised sports, Freestyle BMX also faced the threat of direct substitute suppliers who existed solely to gain market share in the industry. In mainstream sports this is generally unheard of. For example, the AFL has no direct substitute supplier of Australian Rules football. The Street Active program was designed by the ASC to assist Freestyle BMX to develop participation. However, three separate management groups (of which Freestyle BMX were one) were given access to the Street Active program during its three-year development. According to Freestyle BMX (Annual Report, 2004), the largest threat to their operations in the industry was rival management company Planet X. As a result of the rivalry, the management companies have differentiated themselves, and attempted to develop their own participation programs and events to gain competitive advantage in the industry. For example, Planet X has developed their own ‘clinic’ programs called Grom Sessions, and
events called Dirty Deeds. Freestyle BMX have developed their own 'Rampage' programs and are finding that formal competitive events are not popular with the participants.

Perhaps not surprisingly, the ASC developed Street Active program no longer exists. The program was not relevant to the consumers. One might suggest that through adhering to ASC guidelines in order to obtain funding from a not for profit base, Freestyle BMX experienced mission drift. Although originally demonstrating some understanding of the individual culture of Freestyle BMX riders and their consumer habits as different to BMX racers, the Freestyle BMX board of management delivered the Street Active program that had a strategic 'goodness of fit' with a sport industry that was more familiar with embracing tradition, conformity, and formality.

Further, as the program was developed in a not for profit industry that is not familiar with direct competitors offering substitute products, the ASC did not foresee that the involvement of multiple management companies in the delivery of the program would create rivalry among suppliers in the free market. The action sports industry has since further fragmented into smaller agencies that control segments of the industry. The ASC may have limited opportunity to be prominent in a growing area of Australian sport. By exploring the operations of Freestyle BMX, it has highlighted that although the ASC reacted to the trend of increasing participation in unstructured action sports, such programs may not be able to be delivered using traditional criteria and structure that was designed for a largely not for profit system.
References

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