

Business of Sport in Nonprofit Organizations

Financial management is an essential proficiency to acquire for any sport manager and the key to a sound financial program begins with a well-planned operating budget. Many of the challenges in the administration of sports programs stem from the need for financial support. Thus, financial management is one of the most important duties of athletic directors and sport administrators in nonprofit organizations. Good budgets reflect carefully planned projects and programs. The opportunities for recreation, leisure and sport managers are plentiful today due to the explosion of sport organizations and programs throughout the nation.

According to Plunkett Research, Ltd., the estimated size of the entire sports industry at the end of 2010 in the United States is \$414 billion dollars.

(www.plunkettresearch.com/sports). These numbers are quite staggering. That is why when administering the financial operations of sport and leisure programs, sound business methods and budgeting skills are necessary for every sports administrator.

The golden era of unparalleled growth and optimism that characterized the 1990's has given way to a future that is less certain. Successful managers will have to find ways to deal with greater competition in the marketplace than ever before. (Howard & Crompton,

2005) If we tossed around a few numbers, there are roughly 300 university undergraduate sport management programs in the United States today. If we assume that there are 100 students on average in each program, this would translate out to over 30,000 sport management students. At some point these students will be seeking quality internships and full-time employment. The question is which are the ones who will be hired? After spending almost three decades in my career recruiting and hiring staffs, my bet is on the student who can separate him/herself out from the rest of the pack. Those students who understand and embrace the value of cultivating positive relationships with others while at the same time developing outstanding business/finance related skills will most certainly set themselves apart from the rest of the class.

Most nonprofit agencies are operated in an efficient and business-like manner; however it's becoming increasingly common for a growing number of nonprofit organizations that find themselves on the edge of calamity, with shrinking funding sources, bleak finances, and poor cash flow. Sport managers and executives of nonprofit organizations face many complex challenges today. Such as rapidly rising expenses, escalating health care costs, dwindling program revenues, and competition for limited outside central funding sources. Agency leaders endeavor to bring to a close their fiscal year with at a minimum a break even budget.

The experts often say agencies today require their managers to do “more work with fewer resources”. I say that is an impossible and daunting task. How can we keep piling on

more job tasks and responsibilities with our employees and expect the output of work to remain unchanged? When times are tough and sport managers are forced to downsize their staffs, is it reasonable to expect that we maintain the same levels of service and programs to our constituents? Realistically your mindset unfortunately is “doing less with less”.

The priority of any sport manager is to achieve financial stability within their organization. According to Stuart Slatter and David Lovett in *Corporate Recovery* (Beard Books, www.beardbooks.com), achieving financial stability involves “doing things better” rather than “doing better things.” Your initial tasks from the expense side of your ledger should be to cut as many unnecessary expenses as feasibly possible, control overspending, and create a disciplined financial approach. From the revenue side of the ledger, the sports manager’s ability to secure funding sources for their organization represents a critical element related to the future success and solvency of the nonprofit agency as well. The agency leader should demonstrate ways to develop new, attractive, fresh and unique programming. Sharing resources and developing collaborative efforts with like-minded community agencies, cultivating relationships with donors and stakeholders would be an excellent place to begin. As Slatter and Lovett make clear, organizations must direct their resources to the most critical areas. “The key therefore is to rapidly choose the core businesses to focus on.” There were certain occasions where I was faced with the difficult task of selecting which programs shall continue and which services were to be cut. In order to escape from an exigent situation and achieve financial

strength and agency stability, without question always revert back to your organization's mission statement.

For those programs, services, or activity that did not attract at least the minimum amount of participants or at a minimum break even financially or was not consistent with the agency mission, were often the first ones to be eliminated. An unpleasant task was informing users of these programs of our decision to cut this activity. It was never met with any agreement. Can you blame the members for being upset? We were eliminating a favorite program that they enjoyed partaking in. For some, this class might have been the only reason why they affiliated with the organization at all.

Demonstrating strong leadership skills as an agency head is paramount, especially when it deals with agency finances and the ultimate survival of the entity. Be sensitive to your constituent needs. Listen to them and appreciate their affiliation and membership. But when a tough financial decision needs to be made, make it, don't waver. No matter how hard you try, you are never going to please everyone all the time. Your followers (members and staff) want you to be strong and decisive no matter how painful some decisions can be. Successful organizations focus on quality and value and being the best at what they do in everything that they do. Don't manage with the belief that offering an abundance of programs rules out over delivering quality service.

Early in my career, I was selected to participate in an executive development training program sponsored by the JCC Association, the national organization representing over 300 Jewish Community Centers throughout the world. I was one of only fifteen assistant executive directors at that time to take part in this fairly prestigious program. For the first phase of this five-phase learning program, we met on the campus of Temple University in Philadelphia for a ten day period. Each day the sponsoring group had a seasoned and standing executive address us on a number of relevant topics. The daily topics included a full dose of learning in areas like: programming, community relations, membership and marketing, customer service, leadership development, event planning and of course finance and budgeting. Each day my colleagues and I were lectured by a different executive trainer on the importance of each topic and each day the trainer would tell us that in order for us to be a successful leader; we would have to dedicate a minimum of 10-15 hours a week in each of the special subject areas. By the end of the ten day training program when all the learning sessions were concluded, we all realized that if we spent 10 hours a week times the 10 topics that were presented, that we would be working a 100 hour week. I was never crazy enough to work a 100 hour work week as an executive director, probably 50-60 hours a week was more like it. However what I did learn to be true was spending a minimum of 15-20 hours a week focused on some aspect of the business and financial side of the operation was realistic.

There are professionals and volunteers who work together who rise to the occasion and manage their agency finances well, while there are a number of others who are quite intimidated by the subject of financial management. However simply put, the annual

operating budget is the program of your agency expressed in dollars. An annual operating budget is an organization's financial blueprint for fulfilling its mission. In today's environment of ever-increasing competition for funding, it's more critical than ever those nonprofit organizations create and follow meaningful financial plans. The goal for any sport manager is to examine the many business and financial challenges that exist and to explore the varied skills needed to succeed in nonprofit sport organizations.

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