

CHAPTER 1.4: BUILDING THE CAPACITY OF OUR NATIONAL SPORTING ORGANISATIONS

National sporting organisations (NSOs) are key drivers of national elite sports performance. Their role in community sports structures is less clear-cut but their potential contribution is huge.

There are over 90 recognised NSOs and their annual revenues range from hundreds of millions of dollars to very little. These differences make generalisations difficult but there are some common issues that the Panel believes need to be addressed. Many national sporting organisations are typically small organisations, under-resourced and dependent on public funding to survive.⁶

There is a need to strengthen the governance, capability and effectiveness of many of them. And the NSOs must become fully responsible for their own high performance programs and also play a greater role in encouraging participation. The new Australian Sports Commission (ASC) needs to play a lead role in supporting a process of change.

When the ASC funded *Olympic Athlete Program (OAP)* commenced in 1993, the ASC took an appropriately interventionist approach with many NSOs to ensure that program improvements came with the extra funds. Today, as the Panel understands it, there is divided opinion on whether the organisations best qualified to run elite programs are the sports themselves. It would seem that something is seriously wrong if sports that have received major funding for almost two decades have not yet acquired the expertise to manage their own sports.

Some have argued that the Australian Institute of Sport (AIS) and state and territory institutes and academies of sport (SIS/SAS) need to maintain control of the elite programs to protect government investment. But the Panel believes while appropriate accountability is required, it is time to give sports more control over their own programs. Sports that receive elite funding and have a history of success should take direct responsibility for their own programs. There are a number of sports that are capable of taking responsibility for their own programs but the capacity of sports to run themselves under the new paradigm needs careful assessment.

⁶ Australian Sports Commission, *Submission to the Commonwealth Government's Independent Review of Sport in Australia*, October 2009, pp. 14.

In the future, an NSO should develop its plan covering high performance programs and community participation with guidance from the ASC. It would then apply to the ASC for funding. The ASC would then allocate funding. The NSO could then 'buy' services from various providers to deliver elite programs, the NSO choosing from providers such as the Australia Institutes of Sport (AIsS) but also universities, private operators, and overseas bases.

The NSOs would then report outcomes to the ASC whose job would include monitoring and evaluation. The provision of funding in the first place would be subject to adequate plans and targets being in place. Provision of funding would give the ASC leverage to push sports to focus on participation strategies as well.

Participation strategies are a major challenge for many NSOs. A pre-occupation with elite performance and winning medals has led some NSOs to neglect grassroots participation. As well, lifestyle changes are driving growth towards non-structured recreational activities because participants want less competitive exercise at times of their choosing rather than being committed to structured competition over months of the year. Some NSOs have ambivalent views about this (the Panel heard about 'fast food sports') and have failed to grasp the commercial opportunities that accompany them. In many instances, recreational participants are now 'owned' by private providers and for-profit interests. The huge numbers of recreational cyclists, many of whom spend large sums of money on their recreation are a prime example. Others include recreational skiers, runners, indoor soccer players and some netballers. These are casual participants who often have no affiliation to an NSO.

While community-level participants may be part of independently managed leagues and competitions, NSOs must work hard to ensure these participants are affiliated with the NSO and that the NSO is able to support them in ways that both parties see as valuable. The affiliation of the hundreds of independent local leagues to the Australian Football League (AFL) and the AFL's direct ownership of community programs like Auskick are good examples. By 'owning' the participation base, the AFL can support its growth and also 'bundle' up its numbers around the country in ways that attract sponsors.

Furthermore, NSOs that build a relationship with their community structures will be better placed to attract funding to assist the government achieve its preventative health and inclusion objectives through sport. Later in this report the Panel recommends that government increases funding support for strategies to boost sports participation across sectors of our population currently under represented such as migrant groups, Indigenous people, the 'time poor' and others. The NSOs are obvious vehicles through which some of these efforts can be channelled.

Arguments have been made to the Panel that commercially successful (the so called professional) sports should receive no government support because they are wealthy and can look after themselves. Presumably, this view could also be extended to any sport—such as cycling, surfing, tennis or golf—where individual athletes can become very wealthy. In the Panel’s opinion, these views misunderstand how these sports are structured, usually with a very small professional elite level at the top (compared to overall participation in that sport), but with grassroots competitions that are as amateur and dependent on volunteers as any other. Government support for these community-level programs is both appropriate and sensible because of the large number of participants in sports such as netball, cricket and the football codes across the country. The only rider that the Panel would make is that government support for the grassroots programs of professional sports ought to be linked to the readiness of the sport to invest some of its own funds into the grassroots as well.

NSOs that focus mostly on Olympic medals face a particular challenge in achieving financial viability. The Olympic Games may be the world’s greatest sporting event but it comes with strings attached for the competing NSOs. The sports are required to sign over their games-related intellectual property and commercial assets to the Australian Olympic Committee (AOC) for several weeks around the event itself during which time the International Olympic Committee and AOC control the rights and receive the revenues. In addition, the *Olympic Insignia Protection Act 1987* provides intellectual property protection to the AOC over particular Olympic symbols and words at all times.

It appears participating sports receive limited revenue in return from the Olympic movement. For example, approximately \$500 million was appropriated by the Australian Government to the ASC for high performance sport for the four year period ending in 2008–09 yet for a similar period (calendar years 2005–2008) the AOC annual income statements indicate that the AOC contributed approximately \$33 million⁷ in direct support to Olympic teams, National Federations and medallists and their coaches. The Panel suggests that further analysis be carried out on the commercial restrictions placed on the NSOs (and athletes) by the AOC as well as the proportion of AOC and International Olympic Committee (IOC) revenue returned to NSOs. The Panel’s preliminary analysis suggests the commercial restrictions in Australia are even more stringent than those that apply in some other countries such as the United States of America (USA).

The problem for Olympic sports is that their big day occurs once every four years and on these occasions their revenue potential is wholly signed over to the AOC. It seems, therefore, that it is no coincidence that sports most dependent on the Olympic Games for their ‘day in the sun’ are also

⁷ Australian Olympic Committee Annual Reports 2005–2008.

among the least financially self-sufficient. Only by developing commercially valuable ‘properties’ outside of the Olympics will a sport be able to develop independent sources of revenues.

There is also a large opportunity for sporting organisations, clubs and associations to share services to create efficiencies and cost savings. Currently most work independently of each other which results in duplication and loss of expertise. They would function more effectively and efficiently if they were able to share administrative support and aggregate purchasing of items like equipment and insurance. Even marketing functions can be shared. NSOs, leagues and individual clubs working collaboratively and sharing support functions would reduce costs, increase skill and lower the burden on volunteers. In a world cheaply connected by internet, this sharing can operate across distances.

The main obstacle, of course, is the usual reluctance of independent organisations to give up any of their roles. The Panel sees a major role for the ASC in promoting large scale adoption of the sharing model. Grants to financially strapped NSOs and community sports bodies can be tied to readiness to participate in ‘shared function’ schemes. The ASC can encourage and support organisations that promote shared ventures. The Panel notes that even highly competitive (and regarded by many as wealthy) AFL clubs are sharing back-office functions even including, in some instances, marketing functions. Organisations like the Melbourne Cricket Club (MCC) are already home to clubs involved in a variety of sports and could be encouraged to grow this activity as a stand-alone business.

The ability to reduce costs and increase expertise by simplifying administration, increasing collaboration and sharing resources between NSOs and state sporting organisations (SSOs) is significant.

Achieving many of these changes requires leadership and this is where many NSOs run into trouble. Most of the NSOs are hindered by their ‘federated’ structures, making it harder for the sport to build commercial capability and make decisions that cut across their state and territory structures. By ‘federated’ we mean the national governing body of the NSO consists of representatives of state and territory associations and each state and territory, all with their own chief executive is independent of the others.

These overly complex structures mean most NSOs are still struggling to gain consensus, alignment and the resources to create a nationally unified vision and product. They involve duplication. Being independent and sub-scale they also provide inferior pathways to talented people which means they don’t always attract the best talent.

The Panel has no issue at all with community sport being controlled by community governance structures. Not even the commercially most successful sports in Australia, cricket and the football codes, seek to control community cricket or football structures across the country. There are

hundreds of grassroots cricket associations and football leagues across Australia that, while mostly affiliated with their governing bodies, are independently governed and will remain that way.

It is at the high performance level where the athletes are elite and the financial opportunities are large that the local and state and territory based structures become problematic. They do not work well because of the inherent conflicts of interest.

The elite sport business is a national activity and it should be managed as such. The federal structures are flawed because directors are expected to represent their state or territory constituencies even at the expense of the national interest. This is precisely what good directors responsible for national performance and sponsorship outcomes ought not to do.

National talent pathways must be managed nationally and funded according to need rather than state and territory interests. Major sponsors must be managed and protected nationally if they are to sponsor national teams or competitions. Information on participants which form the basis for sponsorships (such as Auskick and in2cricket) must be collected and aggregated in the same way across the nation.

Federal structures are fine if the sport has no aspiration beyond being a community based sport and has no interest in securing national sponsors. But if the sport wants to build a national commercial franchise as well as a strong national talent pool and pathways, it should develop governance structures that separate the elite and professional programs from community-level programs. Sports cannot commercialise their national assets without control over these assets at a national level.

It is time for the elite end of a sport to be run as a national business with a governance board selected on the basis of skills and not state/territory representation.

The state or territory organisations would not be disadvantaged because they would still be the 'shareholders' in a 'business' that is striving to be successful. Their role would be to appoint the board and act as shareholders would in any organisation. The board would then be empowered to 'run the business'.

The board would appoint a national chief executive to oversee the staff, including staff based in the states and territories. The day of each state/territory having its own separate 'company' with its own chief executive officer (CEO) has surely passed. There is duplication across the country. The systems are incompatible. Each business is sub-scale which limits the capacity to hire and offer career progression to good people. National sponsors are not interested where neither state and territory participation nor even consistent participant data collection can be assured.

The ASC has provided advice on governance structures to sporting organisations and mostly we agree with that advice. But there is one area where we strongly disagree. The ASC's governance advice says that the CEO should not be a member of the board and in describing the roles states that 'the board is the mind of the organisation and the executives are the hands'.⁸

This is a diminished view of the role of management. It is wrong and goes to the heart of the huge challenges facing sports. Lifestyle and demographic changes have to be faced. Young people have many other entertainment options. We live in a complex era where executive teams must be the main initiator of strategy and change. The old style of sports organisation might still be appropriate to a local sporting club where the management is part-time or volunteer. But it is completely wrong in a professional management environment where the executive team is responsible for developing strategies and negotiating commercial arrangements with sponsors, governments and media organisations. Here, the role of the board is to appoint, support and challenge the executive team but it is the executive team that drives the business. They are 'minds' as well as 'arms'. And as is the common practice in the corporate world, the CEO should be a member of the board.

The Football Federation of Australia (FFA) and the AFL have made dramatic changes to their governance and the benefits are beyond dispute. But most sports leaders have shown themselves reluctant to vote themselves out of their jobs. Even the initial governance changes at the AFL and FFA only came about because extreme pressure was applied and so the new ASC should consider tying funding support to NSOs' readiness to change.

⁸ Australian Government, Australian Sports Commission, *Governance Principles: A good practice guide for sporting organisations*, pp. 5.

Recommendations:

- 4.1 National sporting organisations should have primary responsibility for development of their own high-performance programs with assistance from the Australian Sports Commission as appropriate on a case-by-case basis.
- 4.2 The Australian Sports Commission should make the adoption of appropriate and national skills-based governance structures that reflect the diversity of membership a funding condition for national sporting organisations.
- 4.3 National sporting organisations boards and managements should place engagement of recreational participation as a key priority and that this focus should be backed by government policy at all levels.
- 4.4 All national sporting organisations that are highly dependent on public funding should have rolling five year national plans that set the targets and measures by which the national sporting organisations should be judged.
- 4.5 To address duplications of functions, the Australian Sports Commission should encourage ventures that provide 'shared functions' to sporting clubs and bodies and should make 'sharing' a condition of financial support to identified national sporting organisations.
- 4.6 National sporting organisations that are engaged in the Olympics should explore events that raise profile outside the Olympics.