

Resources Contributing to the Financial Success of Gymnastics Businesses in the USA

*This report represents a **snapshot** of the national research study conducted by Dr. Stuart G. McMahon (formerly of Temple University, Pa.). While the information provided is intended to help club owners and managers, there remains a plethora of information. The purpose of this study was to identify those resources which contribute to the financial success of gymnastics businesses in the United States using resource-based theory as the theoretical foundation. Specifically this study attempted to identify which resource types: financial, physical, human, technological, reputational, and/or organizational contribute to the financial success of gymnastics businesses in the United States. Resource-based theory basically says, look within your organization to see what makes you unique. If you can utilize those things which make you unique then you can gain an advantage over your competition. This study consisted of a national survey of gymnastics businesses, including case study analysis and interviews of both successful and unsuccessful gymnastics business owners. Results indicated that out of the six different resource types, the two most important in contributing to the financial success of gymnastics businesses, according to current gymnastics business owners and managers (based on ranked mean scores), were human and reputational resources.*

Public attention of gymnastics during the latter third of this century has marked an astounding increase in gymnastics clubs and their enrollment throughout the United States. Many gymnastics clubs, although continuing to provide the ideals of their forebearers, have become economically driven. As we approach the twenty-first century, gymnastics clubs in the U.S. must find new ways to operate successfully if they are to flourish in the new millennium.

Many gymnastics clubs already have expanded program offerings to provide facilities which cater to entire families' needs, providing such activities as gymnastics, kinder gym, cheerleading, dance, swimming, self defense, indoor climbing, adult fitness, sport camps, day camps, and many more (Sahlein, 1995, February). As they continue to evolve, gymnastics clubs have become more akin to small businesses than their forebearers. With ever increasing competition from other small service-oriented sport businesses such as dance studios, self defense clubs, and swimming clubs, gymnastics club owners and managers are having to utilize a business perspective in order to maintain financial viability. Gymnastics clubs are becoming gymnastics businesses and gymnastics club members (gymnasts) are now being referred to as customers or clients, and maintaining their satisfaction in order to retain their membership has become paramount to club survival (Komara, 1988).

Although gymnastics clubs continue to develop as small service-oriented sport business operations in order to survive in the new millennium, many owners and managers continue to see themselves more as a club than a business. **But we must understand that in order to survive in the gymnastics business we must operate as a business.** In illustrating the irony that many gymnastics club owners face, Rick Feeney (1995) explained: **I learned that a business is a business no matter what type it is....Let me amend my position by saying that yes the business and sport of gymnastics has many unique factors that have to be considered, but it is still at its root a business. (p. 2, emphasis added)**

Feeney strikes at the core of the ultimate reason for failure in most gymnastics clubs: the fact that although many gymnastics practitioners are good coaches, many do not possess the

necessary business acumen to treat and run their gymnastics club as a business.

Review of Literature

No research was found which looked at factors contributing to the financial success of gymnastics businesses. Within the small service-oriented sport business sector, specifically gymnastics clubs, dance studios, self defense clubs, and swimming clubs, there has been no theoretically based research which would help explain those factors contributing to their financial success.

A look to the field of business, in particular the area of entrepreneurship, provides one with an emerging theory of business, whose strategic management focus is on sustained competitive advantage (Mahoney & Pandian, 1992). This new focus, Resource-based Theory, provides a foundation for explaining factors which contribute to sustained financial profit for both corporate and small business strategy because the fundamental goal of resource-based theory is to increase business profits (Conner, 1991; Dollinger, 1995; Grant, 1991; Mahoney & Pandian, 1992). Businesses achieve increased financial profit by sustaining a competitive advantage through resources which are: valuable, rare, imperfectly imitable, and nonsubstitutable. In gymnastics business these resource types can be defined as:

1. Financial: money assets, fungible financial stocks.
2. Physical: tangible property, i.e., facility, equipment, location, amenities.
3. Human: knowledge of coaching staff, training, and experience of owner/manager and his/her team of coaches and staff.
4. Technological: gymnastics aids, i.e., computers and computer software, training aids, technical equipment.
5. Reputational: perceptions of the local community (both parents and gymnasts) towards the gymnastics business.
6. Organizational: gymnastics club's structure, weekly/monthly programming, organizational structure.

Therefore, resource-based theory appears to serve as a theoretical underpinning which helps explain the resources that contribute to the financial success of small service-oriented sport businesses (Conner, 1991; Dollinger, 1995; Grant, 1991; Mahoney & Pandian, 1992).

Gymnastics clubs in the U.S. today must have the ability to operate as small businesses in an ever increasing competitive service-oriented market. If they are to survive and prosper, they must seize the opportunity that social change is bringing. Being able to diversify by gaining an understanding of those factors which will contribute to their financial success is paramount.

Purpose of the Study

So what does all this mean? The purpose of this study was to identify those resources which contribute to the financial success of gymnastics businesses in the U.S. using resource-based theory as the theoretical foundation. Specifically, this study attempted to identify which resource types: financial, physical, human, technological, reputational, and/or organizational contribute to the financial success of gymnastics businesses in the U.S. The secondary purpose of this study was to provide both current and future gymnastics business owners and managers with demographic information that could be utilized in developing

new strategies for improving existing business profits, and providing information for strategic planning of future gymnastics businesses.

Conducting the Research Study

In order to exhaust the largest possible population and in an effort to compare gymnastics businesses, the researcher made the decision to utilize USA Gymnastics' Member Clubs Program list and USA Gymnastics' General Membership list which listed 3,252 gymnastics businesses. A survey questionnaire was mailed randomly throughout the U.S. This questionnaire was reviewed by a panel of national gymnastics experts prior to being mailed.

Based upon the review of literature, the researcher selected two gymnastics businesses (one in Pennsylvania, the other in New Jersey) for mini case study analysis, based upon their successful reputation within the gymnastics club industry, and their convenient geographic location with respect to the researcher. Two former owners of unsuccessful gymnastics businesses were interviewed by telephone, using the in-depth interview methodology, based on the additional need expressed in the review of literature, to look into why businesses fail.

RESULTS DEMOGRAPHICS

Of those surveyed, 88.2% were owners and 11.8% were managers. Majority ownership was distributed in three ways: 45% were female; 36% were male; and 19% consisted of equal ownership between females and males. The average age of owners and managers was 41 years and 2 months, and the racial majority of owners and managers was White (94.3%). The majority of owners and managers were college graduates (71.7%). Of the gymnastics businesses surveyed, the majority were corporations (66.7%) or sole proprietorships (20.3%). Their number of years in business ranged from 2 months to 126 years (a Sokol gymnastic club). The average number of years in business was 12 years and 9 months. Membership ranged between 3 and 3,540 with an average of 534 and the race of members was predominantly White (88.9%). Gymnastics facilities ranged in size from 672 sq.ft. to 39,000 sq.ft., with an average size of 10,101 sq.ft. They employed between 0-50 full-time employees (average = 4) and between 0-75 part-time employees (average = 11). Some businesses only consisted of the owner. Of all businesses surveyed, 77.6% sold products or services other than gymnastics. Products accounted for 6.3% of gross revenue (prior to taxes), while other services accounted for 16.6% of gross revenue (prior to taxes). Over half of all gymnastics businesses surveyed grossed between \$100,000 and \$499,999 per year prior to taxes (51%), while 28.8% grossed less than \$99,000 per year prior to taxes, 14.8% grossed between \$500,000 and \$999,999, and 5.3% grossed over \$1,000,000 prior to taxes. Table 1 provides an overview.

Table 1. Frequencies and Percentages of Gross Revenues of Gymnastics Businesses in the U.S.

Gross Revenue (\$)	No. of Gyms	% (Out of 100)
50,000	44	13.1
<50,000 - 99,999	53	15.7
100,000 - 249,999	92	27.3

250,000 - 499,999	80	23.7
500,000 - 999,999	50	14.8
>1,000,000	18	5.3
TOTAL	337	100.0

Note: Percentages are rounded off to the nearest decimal place.

Resources

Current gymnastics business owners and managers believed that human and reputational resources were the most important resources in contributing to the financial success of their gymnastics businesses. They ranked the human and reputational resource types 1st and 2nd out of all six different resource types.

Their top five individual resources were also human and reputational. Specifically, reputation for quality, professionalism and customer service; knowledgeable coaching staff; reputation for safety; reputation as an educational/ recreational gymnastics club; and staff training, combined to provide the greatest source of financial success for gymnastics businesses, according to current owners and managers.

Conclusions & Discussion

Based upon the findings of this study, several patterns emerged. Clearly gymnastics business owners and managers believed that Human and Reputational Resources were the most important resources in contributing to the financial success of their gymnastics businesses. Conversely, current owners and managers placed less emphasis on Financial Resources in contributing to the financial success of their gymnastics businesses. The lack of emphasis, by current owners and managers, on the importance of financial resources may be explained in several ways:

1. The owners' and managers' reasons and goals prior to getting into the gymnastics business were not primarily financially driven.
2. The owners' and managers' by design or with a degree of luck, surrounded themselves with key persons, who were knowledgeable in finance, both inside and outside their organization. As O'Neill and Duker (1996) suggested, the important resource of utilizing outside professionals (p. 37).
3. The owners' and managers' by design or with a degree of luck, utilized their available resources in a strategically successful way to enhance their level of financial success.

By discussing the role of financial resources with former gymnastics business owners (based upon hindsight), the importance of financial resources became apparent. However, it was not until they had experienced business failure that they understood the importance of financial resources. The lack of importance placed on financial resources (ranked 2nd last out of the six different resource types by current owners and managers may also be attributed to their lack of business experience, and tendency to view gymnastics as a club sport or hobby rather than a business.

In corroborating the importance of human resources in contributing to the financial success of gymnastics businesses, McKenzie (1986) stated, "Just like any prosperous organization, yours depends on the caliber of people who are part of it. One way to continue your success is by hiring and keeping competent employees" (p. 26). Based upon the high ranking which current owners and managers placed on human resources, it became apparent that current owners and managers tended to be people persons first and business managers secondly.

It is evident therefore, that there is an interrelationship between human and reputational resources within the gymnastics business community, to the extent that both the past experiences of the coaching staff and the owner or manager contribute to the reputation of their gymnastics businesses. However, although current owners and managers ranked human and reputational resources as being the most important resources in contributing to the financial success of their gymnastics businesses, the key to achieving a competitive advantage lies with the owner or manager with respect to the way in which they utilize their resources to achieve optimal financial success.

Gymnastics business owners and managers did not get into the gymnastics business primarily to make money. Their love of the sport, their hobby of gymnastics, and the ability to impact children's lives were the key factors. Although gymnastics business owners and managers as a whole had limited business experience prior to getting into the gymnastics business, their businesses, seemed to do well. This may in part, be due to the nature of this business, where human and reputational resources are the keys to success. Therefore, owners and managers who have surrounded themselves with good people may have overcome their limited business skills. Also the experience and ability of the owner or manager to utilize their various resources in the right way may have contributed to the financial success of their gymnastics businesses.

Recommendations

The following recommendations are presented based on the results of the study:

- 1. Don't pay so much attention to your competition. Rather, look within your own gymnastics business to identify those resources that make you unique. If those resources are so rare and valuable that other organizations would have difficulty imitating them, you may have an advantage over your competition. Once you identify these resources, market them. This is what gives you a unique reputation.**
- 2. Pay particular attention to hiring and retaining the right coaching staff. They are your front line and a big part of the key to the success of your gymnastics business.**
- 3. DO NOT overlook your financial resources. If starting out, make sure you have developed a solid business plan. This will provide a road map for your business as well as getting the attention of would-be investors. Remember, a negative cash flow for more than two months could put you out of business!**
- 4. Pay attention to the location and condition of the facility you wish to rent/lease or own. Remember, saving money on monthly rent/mortgage may not be beneficial if your location attracts few clients or your operating and utility expenses are astronomical due to the age or inadequacy of the facility for gymnastics instruction.**
- 5. If you do not already have one, draft a mission statement, and create a logo which**

visually represents this mission. This will give your gymnastics business direction as well as keeping you and your staff focused.

6. Membership in and attendance at meetings of business-related organizations such as: Chamber of Commerce; Small Business Association; American Business Association and USA Gymnastics Member Club program, are excellent resources which should be tapped in order to foster professional support and development.

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