

Sports Entrepreneurship: A Theoretical Approach

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INTRODUCTION

Sport is a dynamic and unique industry that is inherently entrepreneurial on numerous fronts, and while entrepreneurship literature has expanded to include various categories of entrepreneurship, including social, community-based, and corporate entrepreneurship, few connections between sport and entrepreneurship exist in current literature. Santomier (2002) argues that the uniqueness of sport in the U.S. provides “dynamic opportunities for sport entrepreneurs” and yet entrepreneurial contributions “have been undervalued and underemphasized” (p. 5). Plunkett Research (2009, para. 1) notes that “sports provide a lucrative and continually growing marketplace worthy of immense investments,” providing not only economic impact, but also entertainment for millions of people globally.

Entrepreneurship is pervasive, crossing industries and organizations, and its role in sports in creating competitive advantage and delivering value to consumers is significant. Entrepreneurship is a necessary component of a successful industry and a healthy economy (Gorman, Hanlon, & King, 1997; Hisrich & Peters, 1998; Jack & Anderson, 1998; Morrison, Rimmington, & Williams, 1999; Henry, Hill, & Leitch, 2003). As competition for consumer dollars increases and globalization presents challenges and opportunities within a complex, changing environment, an entrepreneurial approach may offer insight for sports organizations.

THE IMPACT OF SPORTS

The sports industry is extensive and growing, worth an estimated \$600 billion globally. While the global recession impacted sports, opportunities continue to exist, particularly “exciting, high-value opportunities for sports fans” (Plunkett, 2009, para. 13). In the United States alone, the sports market is valued at approximately \$400 billion, including the revenue derived from professional sports, sports equipment sales, sports apparel and athletic footwear (Plunkett, 2009, para. 2). PricewaterhouseCoopers estimates global sports spending to increase nearly 4% from 2009 through 2013, from \$114 billion to \$133 billion (Clark, 2010).

Numerous factors have impacted the consumption of sport. Standeven and DeKnop (1999) refer to the “sportification of society” by changes in social attitudes and values (Jackson, Batty, & Scherer, 2001; Redmond, 1991) as well as politics and economics (Nauright, 1996; Cooper, Fletcher, Gilbert, & Wanhill, 1993; Collins, 1991). Forces that have shaped the consumption of sport include globalization (Bernstein, 2000), democratization (Standeven & DeKnop, 1999), the role of sport and sport events in urban renewal (Getz, 1998), including implications for civic pride and economic development (Groothuis, Johnson, & Whitehead, 2004), and technological advances, including satellite television (Halberstam, 1999).

Sports-related organizations are business enterprises, contributing to the economy and forging connections with multiple stakeholders, including employees, government, consumers, competitors, and the community. Hardy’s (1986) conception of the sport industry acknowledges “the dynamic nature of the industry” comprised of “a game form, services, and goods” (p. 19). Porter (2009) addressed the dissolving boundaries between sport and business, suggesting sport history and business history compare notes, as commercialization of sports occurred along with industrialization and urbanization. It has been suggested that lessons learned in sports can be applied in areas such as politics and business (Dyreson, 1999), and that a connection exists between athletic experience and business and politics (Cronin, 2003).

The sport product can be differentiated from other business and consumer products in a number of ways.¹ As a sector, sport is unique in terms of product, market, finance, and promotion (Mullin, Hardy, & Sutton, 2007). Unique concerns impact the business of sports, including the universal appeal and pervasiveness of sport (Mullin et al., 2007); value conceptualized as “more than a mere economic decision” (Wakefield, 2007, p. 3); inconsistency and unpredictability of outcomes (Parks & Zanger, 1990; Mullin et al., 2007); personal identification and deep emotional attachment with athletes and teams (Lever, 1983; Wann & Branscomb, 1993; Sutton et al., 1997; Chalip, 2004; Mullin et al., 2007; Wakefield, 2007); the symbolic nature of athletes and teams in connection with the community (Chalip, 2004); team image and the celebrity status of professional athletes (Mullin et al., 2007);

service elements including perishability as well as its “intangible, ephemeral, experiential, and subjective nature” (Mullin et al., 2007, p. 13); centrality of social facilitation (Mullin et al., 2007); cooperative efforts between a team and its competitors (Neale, 1964); promotion generated by media, sponsors, and fans (Mullin et al., 2007; Wakefield, 2007); and a long product life cycle curve (Chalip, 2004) coupled with fluctuating, or seasonal, demand (Mullin et al., 2007).

Uniqueness in its relationship with consumers (Mason, 1999) further differentiates sport. Mullin et al. (2007) suggest that people tend to view sport-related experiences as “special” or holding a “special place in their lives,” (p. 17) thus consumption is both experiential and emotional. Mason (1999) posits that, while stadium leases, monopolistic broadcasting rights, predetermined geographic territories, and player contracts (Noll, 1974; Zorn, 1994) are distinguishing factors, the relationship sport has with its consumer is the most notable distinction. Richelieu and Boulaire (2005) argue that “with the exception of music, cinema, and religion, there is probably no other field of activity that generates such passion among its customers as sport” (p. 24). Chalip (2004) concurs, noting that unique concerns, including fans’ personal identification and deep emotional attachment with athletes and teams, the symbolic nature of athletes and teams in connection with the community, and a long product life cycle curve should be considered.

The uniqueness of sports has led to the development of specific fields of study related to sport, including sports marketing (Mullin et al., 2007). Irwin, Zwick, and Sutton (1999) concur, noting the unique demands placed on marketers of sport, and this uniqueness requires an approach that may differ from marketing approaches to goods or services. Wakefield (2007) specifically identifies 10 key dimensions through which the marketing of goods and services and the marketing of sports differ, including purchasers, adoption, promotion and media, distribution channel, product, price, facilities, competition, exchange, and employers. Sport has been studied from a variety of different disciplines such as psychology, sociology, philosophy, and marketing (Olivier, 2006); however, less is known about sport in the entrepreneurship discipline, providing an opportunity for study in this area.

CONCEPTUALIZING SPORTS ENTREPRENEURSHIP²

Though there seems to be no one universally accepted definition of entrepreneurship (Sullivan Mort, Weerawardena, & Carnegie, 2003; Spencer, Kirchhoff, & White, 2008), it is commonly defined in economic terms related to enterprise (Schumpeter, 1983; Chrisman, Bauerschmidt, & Hofer, 1998; Drucker, 1995). Schneider, Teske, and Mintrom’s (1995) market-based model of entrepreneurship addresses the entrepreneurial functions of discovering and meeting unfulfilled needs; assuming risk with uncertainty, including reputational, emotional, and financial risk; and assembling networks capa-

ble of undertaking change. Numerous definitions of entrepreneurship include reference to opportunities (Wennekers & Thurik, 1999; Shane & Venkataraman, 2000; Spencer et al., 2008). Morrison (1998) includes both value and opportunity in the definition, acknowledging unique resources. Tan, William, and Tan (2005) develop a definition of entrepreneurship that addresses profits, innovation, and risk. Peredo and McLean (2006) suggest that that earlier entrepreneurship research connects risk taking and innovation to the entrepreneur who strives to create economic value.

Innovation is a cornerstone of entrepreneurship, and commercialization, generally the stage at which opportunity for economic value is pursued, brings ideas, products, services, and experiences to market. Entrepreneurs are characterized by innovation (Timmons, 1978; Schumpeter, 1983; Carland, Hoy, Boulton, & Carland, 1984; Drucker, 1985), and Schumpeter (1983) suggested that entrepreneurial behavior occurred when engaging in innovation, and that innovation wasn't simply invention, but rather involved knowledge, resources, and equipment in new ways leading to commercialization. Entrepreneurs "serve as agents of change; provide creative, innovative ideas for business enterprises; and help businesses grow and become profitable" (Kuratko & Hodgetts, 1998). Entrepreneurs recognize and capitalize on opportunities to develop new products and services, establish new ventures, expand on existing offerings, and commercialize ventures. Entrepreneurs tend to seek financial rewards (such as wealth) as well as personal rewards (independence, opportunities) (Boyd & Gumpert, 1983; Burch, 1986). Dees (2001) notes that "being an entrepreneur is associated with starting a business" further addressing the role of entrepreneurs succinctly: "Entrepreneurs create value" (p. 1).

Connecting Sports and Entrepreneurship

Sports and entrepreneurship have been infrequently connected in academic literature. Sport historians Stephen Hardy (1986) and Dilwyn Porter (2009) address sports entrepreneurship in the context of the interrelated histories of business and sport, acknowledging the role of entrepreneurial activity that informs sports. While Stephen Ball connected entrepreneurship to hospitality, leisure, tourism, and sport (2005), his focus was on tourism more so than sports. James Santomier (2002) notes the lack of value and emphasis placed on the development of the sports industry in the United States, suggesting that his brief article on sport business entrepreneurship appearing in the *New England Journal of Entrepreneurship* serve as inspiration for researchers in entrepreneurship and small business to consider sport as a research focus. It does not appear that a steady stream of research in sports entrepreneurship resulted, though in 2010 a special issue on sport entrepreneurship appeared in the *International Journal of Sport Management and Marketing*.³

In terms of the potential impact of a connection between sports and entrepreneurship, consider the recent global recession, which has not left the

sports industry unaffected (Plunkett, 2009; Clark, 2010). Business cycles, including the recent global recession, present challenges to the sports industry, as “crisis in financial markets is sending a chill through the sports industry. . . . as the upheaval in global markets, mounting job losses in the U.S. and other signs of a worsening economy continue to undermine consumer confidence” (Futtermann, 2008, p. B1). An entrepreneurial approach can provide a mechanism for weathering economic crises, as “challenging situations or declining economies” serve as catalysts for the emergence of entrepreneurs (Peredo & Chrisman, 2006, p. 312) and entrepreneurs are more likely to be alert to opportunities and willing to assume risk (Schneider et al., 1995). Entrepreneurial sports organizations may be more likely not only to endure difficult situations but may emerge ready to move forward with new opportunities, thus engaging in value creation.

Bailey (in Ball, 2005) directly connects sports to entrepreneurship, noting, “Entrepreneurship is critical to the hospitality, leisure, sports, and tourism sectors, as with rapidly changing consumer demands and expectations, constant innovation by businesses is vital to meet and, hopefully, exceed these evolving demands and expectations” (p. 5). Discussing the commoditization of the sport product, Sports historian Stephen Hardy (1986, p. 20) notes a move from sport’s “rural ethos” to one of “spectacle and profit” along with and the activities of entrepreneurs. Hardy (1996, p. 357) suggests the sports industry should be viewed from the perspective of entrepreneurs “who developed organizations to produce and distribute three-part commodities,” recommending that additional research into areas such as life cycles and product development be explored through the lens of the entrepreneur.

While entrepreneurship often includes risk taking and profit seeking, sports entrepreneurs may have been motivated by other factors, such as “civic duty, egotism, and a love of sport as well as a concern for some profit” (Hardy, 1996, p. 348). Sports entrepreneurs, Hardy asserts, more directly fit the model of innovative activity proposed in Schumpeter’s seminal work (1983), acknowledging that the oft-associated entrepreneurial activities of risk taking and profit seeking have a place in sports. These early sports entrepreneurs were trailblazers, acting innovatively to bring new entertainment options to market, taking risks in doing so, and proactively moving forward to address unmet needs. This chapter conceptualizes a theory of sports entrepreneurship that, following Ciletti and Ratten (2009), considers the innovation, risk taking, and proactive nature of sports as inherently entrepreneurial.⁴

Innovation in Sports

Innovation has been connected to sport in academic literature.⁵ Hardy (1986) notes the importance of innovation in sports entrepreneurship, referring to it as “the hallmark of the sport entrepreneur” (p. 20). Entrepreneurial sports organizations demonstrate innovation in a variety of ways, including tech-

nological innovation, product innovation, and promotional innovation. Athletes themselves can also serve as innovators (e.g., Arnold Palmer in golf, Bill Russell in basketball) redefining their sport.⁶ Innovation by users has driven technology related to sports equipment (Stricker, 2009), and through competitive events, integration occurs early on for sports equipment users in the innovation process (Desbordes, 2002). Examples of technological innovation can be seen through areas such as sport video and computer games⁷ (Mullin et al., 2007), advances developed for sports such as photo finish technology in 1992, and more recently, the use of technology to legitimize the secondary ticket market by organizations such as Ticketmaster and StubHub.

Innovations are also aimed at generating improvements in sport performance, participation, and development. For example, sport-related technological and product innovation has led to new participatory (and often risky) sports such as whitewater kayaking, paragliding, high altitude mountaineering, big wave surfing, and storm chasing (Olivier, 2006) as well as competition opportunities for athletes with differing abilities in the Paralympic Games (Castonguay, 2008). Technological and product innovation has informed the rise of fantasy sports as well, as technology has simplified the formerly labor-intensive statistics involved in fantasy sports leagues (Farquhar & Meeds, 2007). It is estimated that 30 million adults participate in fantasy sports in the US and Canada (Fantasy Sports, 2009, p. 1). Sporting goods manufacturers in golf and snow sports markets continually work with new technologies allowing for adoption of new equipment and clothing (Plunkett, 2009, para. 10). Innovations in licensing have impacted product development (Mullin et al., 2007), including branded clothing and other merchandise bearing likenesses of athletes, sports teams, and sports brands (e.g. Nike, Adidas, etc.).

Innovative promotional approaches have been pioneered by sports organizations (Mullin et al., 2007). Often, technology spurred promotional innovation. Fragmentation in traditional media through the 1990s as well as technological developments led to the use of new media in sports marketing and promotion (Sweeney, 2007), including the World Wide Web, e-mail, blogs, discussion boards and podcasts, as well as social media such as Facebook and Twitter, providing opportunities to both reach and engage sport consumers globally. As noted by Plunkett (2009, para. 11), "Media used to deliver sports and sports-related information is evolving quickly" and further, "sports coverage is one of the most widely viewed categories online." In fact, Fast Company's 2010 list of 10 most innovative sports companies (<http://www.fastcompany.com/mic/2010/industry/most-innovative-sports-companies>) includes four sports media-related organizations. The list cites ESPN's aggressive expansion and experimentation, Sportvision's technological innovation, MLB Advanced Media's digital streaming and iPhone application, and Turner Sports Interactive's sports sites featuring advanced tools, archives, and advertising strategies.

Proactiveness in Sports

Mullin et al. (2007) suggest that, as a sector, sport is unique in terms of product, market, finance, and promotion, and further that people tend to view sport-related experiences as “special” or holding a “special place in their lives” (p.17). Sport organizations have both direct contact with customers as well as a continuous inflow of new customers (Ioakimidis, 2007), which provides an opportunity to present communications with impact, positioning them to act proactively as change agents. Sports organizations can entrepreneurially demonstrate proactiveness in numerous ways, including addressing areas such as ambush marketing, sustainability, and social change.

Sports organizations have also proactively addressed challenging issues facing businesses. For example, the Olympic organizing committee, according to a spokesperson, was “taking the issue of ambush marketing very seriously. They have been very proactive . . . in a number of cases so far” (Madden, 2007). The National Football League also proactively and publicly spoke out against KFC and what it viewed as ambush marketing prior to Super Bowl 2008. Fast-food restaurant brand KFC offered \$260,000 to charity if a player performed the “chicken dance” following a touchdown during the game because they were not an official Super Bowl sponsor. What began as consumer-generated marketing became ambush marketing, according to the NFL, because KFC was not involved with the NFL or Super Bowl as an official sponsor.⁸

Sports organizations have been proactive to some extent in implementing sustainability initiatives into business operations.⁹ Sustainability, emerging as an influential concept for organizations and more generally, society, considers people, organizations, and social processes (Elkington, 1998). Eric Falt, Director of Communications for the United Nations Environment Programme, commented for the Global Forum for Sports and Environment (2004), “The choice to look beyond the strict financial bottom line and exercise social and environmental responsibility is one that can be made by everyone involved in sports, including manufacturers, local authorities, event organizers, and even consumers.” Jack Groh, environment program director for the National Football League, noted, “What’s good for the environment is good for the bottom line,” as the NFL works to incorporate environmental responsibility into its bottom line (Falt, 2006, p. A268). Recently, initiatives including the NFL’s focus on community, the NHL’s focus on the environment, and awareness by professional sports of the benefits of sustainable development relative to sport venues show increased focus on sustainability in sport.

A sport-related organization can serve as a means to development and an agent of social change. Goss and Alexandrova (2005) state this explicitly, referencing the United Nations General Assembly’s 2003 special resolution suggesting “sport as a means to promote education, health, development, and peace” (p. 54). In this case, they are asserting the potential for govern-

ments to act proactively to include sports in national programs and policies, noting that the UN and non-governmental organizations including Right to Play¹⁰ are using sports to promote peace.

Sports can also play a role as a means to address vulnerable populations. The International Olympic Committee and UNAIDS recognized the power of sports to do this, agreeing to work together to increase HIV/AIDS awareness. Host cities have increasingly utilized the connection to sports, particularly sports events, to address social issues (Kott, 2005). Recognizing the potential impact of sports in social change, Nike has engaged in several initiatives in this realm. Through its Changemakers program, Nike partnered with Ashoka to host the Sport for a Better World competition, seeking innovative ways for sport to affect social change.¹¹ The competition drew 382 entries from 69 countries that were judged on innovation, social impact, and sustainability.¹² Winning projects included: development of a sport-based curriculum to educate young people about living AIDS-free; making sports coaches available at urban school playgrounds in the United States to teach kids how to play which enhances social development; and the use of text messaging as a vehicle for promoting job and social opportunities grounded in sports due youth having widespread access to mobile phones but limited access to the internet, so text messaging could be used more effectively in Brazil. Nike and Ashoka have continued their partnership. A current competition, Changing Lives through Football, seeks innovative ways to use football for social change.¹³

Nike is also supporting global humanitarian organization CARE International and its Sport for Social Change initiative, harnessing the “power of sport” to create “lasting individual and social change.”¹⁴ Programs are currently in place in Rwanda, Sierra Leone, Kenya, Zambia, Uganda, Brazil, and Ghana. The Sport for Social Change initiative is focused on vulnerable populations, using sport to address poverty, deliver HIV/AIDS information, build self-esteem and leadership skills in women and girls, promote teamwork and conflict resolution, and provide a means for economic empowerment.

Risk Taking in Sports

When sports organizations strive to innovate and take a proactive approach, a subsequent level of risk is involved. Athletes also encounter varying levels of physical risk by participating in sports, ranging from relatively low-risk sports such as curling to high-risk extreme sports such as freestyle motocross. The uncertainty of sport contest outcomes also lends an element of risk for the contenders.

From an organizational perspective, Kedar-Levy and Bar-Eli (2008) noted the connection between innovation and risk taking in sports organizations, further connecting business risk and social risk. Business risk includes financial ownership risk, with sports team owners looking for fun and power in exchange for financial risk (Zimbalist, 2003). Sports organizations regularly assume risk regarding a myriad of decisions involving the business of

sports including expansion, funding, employee/athlete contracts, and licensing, as well as marketplace risks related to economic (e.g., consumer income and spending) and legal/political (e.g., regulatory and tax changes) issues. Consider the risks assumed by sports team owners offering multimillion dollar athlete contracts while facing the risks involved with on-field performance, off-field behavior, and the impact of the contract on salary caps.

Socially, sport has been utilized as a mechanism for breaking down barriers, serving as a change agent and assuming social risk. For example, Jackie Robinson broke racial barriers and was known as a civil rights pioneer in the United States as the first African American to play major league baseball as a member of the Brooklyn Dodgers, and Gertrude Ederle demonstrated the ability of women to excel in athletics when she became the first woman to swim the English Channel (Smithsonian Institution, n.d.).

Furthering Entrepreneurial Connections with Sports

Contemporary entrepreneurship research considers specific categories of entrepreneurship, and several of these categories of entrepreneurship literature lend themselves to further exploration relative to sport. In community-based entrepreneurship, Peredo and Chrisman (2006) suggest “the community is simultaneously both the enterprise and the entrepreneur,” (p. 311) noting the local connection. Julie Clark, author of PricewaterhouseCoopers’ global sports market outlook report (2010) suggests that sports organizations should “think globally and act locally” (p. 2). Sports organizations can engage in community-based entrepreneurship in many ways. Johannisson and Nilsson (1989) connected community interaction with development, and Goss and Alexandrova (2005) note the connection between sport and development. CARE International’s Sport for Social Change initiative connects sport to designated communities, with a goal of economic empowerment for vulnerable populations.¹⁵ Sports organizations also engage in community development initiatives. For example, the NFL’s Pittsburgh Steelers organization is involved in a number of community-related initiatives, including the Arthur J. Rooney Courage House Luncheon benefiting Holy Family Institute; the Steelers Style fashion show and the Taste of the Steelers dinner and auction which both benefit the Thomas E. Starzl Transplantation Institute at University of Pittsburgh Medical Center and the Cancer Caring Center; the Gala Pittsburgh Sports Night event benefiting Cardinal Wright Regional School on Pittsburgh’s North Side (the neighborhood in which founder Art Rooney grew up); and the 9th Grade Nation initiative to bring together freshman enrolled in Pittsburgh city schools to motivate them to achieve academically.¹⁶

Sports organizations connect with the community through the symbolic nature of athletes and teams (Chalip, 2004). Sports organizations can themselves form—or act as the common bond in the formation of—communities, for example Steeler Nation, a name given to Pittsburgh Steelers fan community by NFL Films (Mehno, 2004), and the online communities of fantasy

sports (Roy & Goss, 2007). A recent innovation in sports team ownership and formation of a sports community is demonstrated by the development of United Kingdom-based MyFootballClub.com, a Web-based organization that touts itself as the “world’s local football club,” the first web-community owned venture.¹⁷

While community-based entrepreneurship makes mention of social needs (De Leeuw, 1999; Dupuis & de Bruin, 2003), the term *social entrepreneurship* is thought to be coined by Ashoka founder William Drayton (Davis, 2002), who asserted that social entrepreneurs solved social problems (Drayton, 2002). A common theme in conceptualizing social entrepreneurship is creation or maximization of social value over private value (Dees, 2001; Davis, 2002; Sullivan, et al., 2003). Another is an emphasis on problem solving (Johnson, 2003). Austin, Stevenson, and Wei-Skillern (2006) propose a social value framework, where social value exists at the intersection of people, opportunity, and capital, with consideration of the external context, or forces, affecting the entrepreneurial venture. Both sports organizations and athletes have engaged in social entrepreneurship initiatives. Ashoka partnered with Nike’s Changemakers program to host several competitions seeking social change through sport.¹⁸ Olympic gold medalist Johann Koss founded Right to Play, a global organization that works to improve the lives of disadvantaged youth through sport, using a model that includes athlete ambassadors.¹⁹

CONCLUSION²⁰

The uniqueness of sport and its entrepreneurial nature provide an opportunity to examine it within the context of entrepreneurship. The entrepreneurial effort of both organizations and individuals has been significant in the history of sports, and as sports organizations face challenges—including increased entertainment offerings and the shattering of traditional media by the advent and adoption of accessible digital technology (Sweeney, 2007), the growing economic disconnect between consumers and professional sports teams (Araton, 1998; Dortch, 1996), problematic off-field athlete behavior, consumer apathy (McGraw, 1998), and concern regarding environmental degradation (Sweeney, 2007)—it becomes increasingly imperative to deliver value, and an entrepreneurial approach warrants consideration. Thus, both academics and practitioners can benefit from consideration of sports entrepreneurship. While a direct connection between sports and entrepreneurship is not always noted, examples of sports organizations engaging in entrepreneurial initiatives involving innovation, risk, and a proactive approach are plentiful. Further research can investigate connections between entrepreneurship and various sports disciplines, including sports marketing and sports management.