

Sport innovation: the role of social entrepreneurship and creativity in fostering sport related business activities

Dr Vanessa Ratten, Associate Professor (Entrepreneurship and Innovation), La Trobe University (v.ratten@latrobe.edu.au)

Abstract for the Research Colloquium on Societal Entrepreneurship and Innovation at RMIT, November 2014

Sports entrepreneurship is a rapidly emerging area of entrepreneurship and sport management research. The process of sports entrepreneurship involves social entrepreneurial and social innovative activities that are carried out in the sports context. Sport as an industry is amongst the world's largest and affects other industries including education and tourism, which have a integral focus on social innovation and social entrepreneurship. Sport has been ingrained into the social fabric of most countries worldwide and provides a unique perspective of entrepreneurship. The sport entrepreneurial process is usually initiated by organizations, people or governments who are embedded in both economic and social areas.

Sports entrepreneurship activities have been influenced by the development of technology that has been enhanced by the diffusion of information and the creation of new international markets. The objective of this paper is to introduce the reader to the theoretical lens of sport entrepreneurship research with a focus on its social entrepreneurial nature. Previous research has highlighted the concern about the lack of theoretical development within entrepreneurship enquiry and the aim of this paper is to bridge the gap between sport and social entrepreneurship and social innovation research. Sports entrepreneurship consists of individual entrepreneurs who leverage opportunities that arise from their networks and optimize resources by identifying where they are most effective. Sport entrepreneurship is

This extended abstract for presentation is based on the work of Ratten, V. (2011a) 'Social Entrepreneurship and Innovation in Sports', *International Journal for Social Entrepreneurship and Innovation*, 1(1): 42-54. and Ratten, V. (2011b) 'Sport-Based Entrepreneurship: Towards a New Theory of Entrepreneurship and Sport Management', *International Entrepreneurship and Management Journal*, 7(1): 57-69.

viewed as identifying the conditions and procedures in which emergent business ventures with a social orientation are formed.

Sports entrepreneurship occurs to a large extent in professional sport, which influences social entrepreneurial ventures. Madichie (2009a, pp. 301) states that professional sports provide a service to four main groups: “the fan-base marked by attendance levels, viewership and purchase of team merchandise; television and other media; conglomerates acquiring exclusive broadcasting rights; government and other private investments in construction of sports facilities; to sponsorships or outright team purchases by corporations and even governments”. As professional sport leagues are private businesses charging consumers for the entertainment provided, the way these organizations can be innovative provide an avenue to increase overall profits and marketshare. Both professional and amateur sports leagues are entrepreneurial. Indeed, the nature of sport means that it is implicitly woven into a society (Smith and Westerbeek, 2007). In addition to profit motives for sport entrepreneurship, corporate managers of sport-related companies can enhance their economic performance by harnessing the power of sport to deliver on community and social objectives (Smith and Westerbeek, 2007).

The importance of entrepreneurship and sport

Entrepreneurship describes the set of activities related to the introduction of products and services into the market. Entrepreneurship can also involve the creation of new organizations that are dependent on the social-economic environment (Aldrich, 2005). Sport entrepreneurship promotes the creation and sustenance of business ventures by focusing on the significance of business activities. Sport entrepreneurship encourages new business ventures by taking advantage of globalization and an entrepreneurial way of life. Sport

This extended abstract for presentation is based on the work of Ratten, V. (2011a) 'Social Entrepreneurship and Innovation in Sports', *International Journal for Social Entrepreneurship and Innovation*, 1(1): 42-54. and Ratten, V. (2011b) 'Sport-Based Entrepreneurship: Towards a New Theory of Entrepreneurship and Sport Management', *International Entrepreneurship and Management Journal*, 7(1): 57-69.

entrepreneurship may go beyond existing resources to expand their business ventures. The overall objective of this paper is to draw on the entrepreneurial process of discovery, enactment, evaluation and exploitation of market opportunities (Baker, Gedajlovic and Lubatkin, 2005) to focus on sport entrepreneurship in the social sector. Sport entrepreneurship behavior such as the adoption of risk taking behavior stems from the complexity of the global market, which has a number of different sports contexts. These contexts include both for-profit professional sport teams but also community sports played for a non-profit motive in local communities.

Sport entrepreneurship is associated with the application of entrepreneurial strategies to business ventures. The practice of sport entrepreneurship entails the use of social skills and market knowledge. One of the key tasks managers have is to be continuously alert for shifts and changes in the market (Ansoff, 1991). Conventional entrepreneurs take advantage of information asymmetry to identify market opportunities (Shane and Venkataraman, 2000). These different applications of entrepreneurship to sport are related to the origin of entrepreneurship. Schumpeter (1912) first introduced the term ‘entrepreneur’ to capture a person who is innovative and opportunity seeking. Since Schumpeter’s (1912) seminal paper, entrepreneurs have gone on to play an important role in fostering economic growth in their communities. Recently a way economic growth has been fostered is through outsourcing, which has become a common element in the global sports business environment.

Entrepreneurship involves people in the sports context developing a mindset that encourages innovation. An entrepreneurial mindset is defined as “the way of thinking about business which focuses on the creation of opportunities under uncertainty and goes along with a growth-oriented perspective, flexibility, creativity, innovation and renewal” (Harms et

al, 2009, pp. 68). Sports entrepreneurs encourage continuous change and innovation by looking for future trends and opportunities. Sports entrepreneurs can therefore be defined as people who are innovative, proactive and risk taking in the sports field by developing an entrepreneurial venture. These entrepreneurs can be experienced in a specific industry (Klepper, 2001) or in a niche area such as sport.

Entrepreneurs rather than managers are more likely to engage actively in searching for potential untapped sources of profit. An interesting study on entrepreneurs by Hills and Shrader (1998) found that entrepreneurs belonging to the Chicago area Entrepreneurship Hall of Fame were found to be more likely to seek information from personal contacts than public information sources like magazines and newspapers. Therefore, sports entrepreneurs can develop their capabilities from social networks or corporations. Recent examples of sports entrepreneurs are LeBron James who signed endorsement contracts with Nike and Upper Deck trading cards for over \$US90 million before he was drafted by a professional basketball team.

Sport-based entrepreneurship and social innovation

Sports entrepreneurs engage in innovative activity that enhances their ability to use creatively and dynamically their resource base. Thus, sports entrepreneurs are people who enact ideas, information and practices for the purpose of engaging in a business venture. In many cases entrepreneurs do not actively search for opportunities but rather passively search, which means they are receptive to opportunities but are not actively searching for them. Sports entrepreneurs have cognitive capacities that enable them to identify new products or

services that currently do not exist. Personal characteristics of entrepreneurs such as optimism and risk are linked to opportunity recognition. Sports entrepreneurs are in a unique position to identify opportunities because they focus on new information about the current sports industry. It is the sports entrepreneurs' knowledge and creativity that guides the business ventures which are formed.

The habits and styles of a sport entrepreneur will also guide the business ventures that are initiated. Venture capital firms have increased their international activity in recent years and some of this has occurred in the sport context. When venture capital firms operate in a foreign market they increase their access to resources about market knowledge. For sports entrepreneurs the internationalization of venture capital firms has provided additional access to resources. Sport entrepreneurs require a consideration of different institutional and international environments in order to engage in business ventures.

References

- Aldrich, H.E. (2005) Entrepreneurship. In *Handbook of Economic Sociology*, N. Smelser and R. Swedberg (Eds), Princeton, NJ: Princeton University Press, pp. 451-577.
- Ansoff, I.H. (1968) *Corporate Strategy*, Penguin Books: London.
- Baker, T., Gedajlovic, E. and Lubatkin, M. (2005) A Framework for Comparing Entrepreneurship Processes Across Nations. *Journal of International Business Studies*, Vol. 36, pp. 492-504.
- Harms, R., Schulz, A. and Kraus, S. (2009) The Conceptualization of 'Opportunity' in Strategic Management Research. *International Journal of Entrepreneurial Venturing*, Vol. 1, No. 1, pp. 57-71.
- Hills, G.E. and Shrader, R.C. (1998) Successful Entrepreneurs Insights into Opportunity Recognition. In Reynolds, P.D. et al. (Eds) *Frontiers of Entrepreneurship Research*, pp. 30-43, Wellsley, MA: Babson College.

This extended abstract for presentation is based on the work of Ratten, V. (2011a) 'Social Entrepreneurship and Innovation in Sports', *International Journal for Social Entrepreneurship and Innovation*, 1(1): 42-54. and Ratten, V. (2011b) 'Sport-Based Entrepreneurship: Towards a New Theory of Entrepreneurship and Sport Management', *International Entrepreneurship and Management Journal*, 7(1): 57-69.

- Klepper, S. (2001) Employee Start-ups in High Tech Industries. *Industrial and Corporate Change*, Vol. 10, pp. 639-674.
- Madichie, N. (2009a) Professional Sports: A New “Services” Consumption Mantra in the United Arab Emirates. *The Marketing Review*, Vol. 9, No. 4, pp. 301-318.
- Ratten, V. (2011a) ‘Social Entrepreneurship and Innovation in Sports’, *International Journal for Social Entrepreneurship and Innovation*, 1(1): 42-54.
- Ratten, V. (2011b) ‘Sport-Based Entrepreneurship: Towards a New Theory of Entrepreneurship and Sport Management’, *International Entrepreneurship and Management Journal*, 7(1): 57-69.
- Ratten, V. (2012) ‘Sports Entrepreneurship: Towards a Conceptualisation’, *International Journal of Entrepreneurial Venturing*, 4(1): 1-18.
- Ratten, V. (2013) 'Social e-entrepreneurship and technological innovations: The role of online communities, mobile communication and social networks', *International Journal of Social Entrepreneurship and Innovation*, 2(5): 476-483.
- Ratten, V. (2014) ‘Collaborative entrepreneurship and the fostering of entrepreneurialism in developing countries’, *International Journal of Social Entrepreneurship and Innovation*, 3(2): 137-149.
- Schumpeter, J. (1912) *The Theory of Economic Development*, Cambridge, MA: Harvard University Press.
- Shane, S. and Venkataraman, S. (2000) The Promise of Entrepreneurship as a Field of Research. *Academy of Management Review*, Vol. 25, No. 1, pp. 217-226.
- Smith, A. and Westerbeek, H. (2007) Sport as a Vehicle for Deploying Corporate Social Responsibility. *Journal of Corporate Citizenship*, Vol. 25, pp. 43-54.