Growth Entrepreneurship in Sport Business: Two Cases from Finland

Aila Ahonen, Jyväskylä University of Applied Sciences

Sport and physical activities have a great importance for the Finnish people and society, and success in sport has an important impact on the national identity. In Finland, the most sport organizations are still non-profit organizations run by volunteers. However, public funding is decreasing and sport organizations are slowly turning into profit-seeking businesses. In Finland, this development towards entrepreneurial sport organizations is very recent compared to, for example, the more widely discussed and studied US sport industry.

This study stems from a desire to understand entrepreneurial growth and factors leading to growth in elite team sport business companies in Finland. Growth entrepreneurship has lately been an emerging discussion topic in the field of economics. However, in sport business entrepreneurship has not been studied widely even though it has been recognized as an emerging field in the industry. This study focused on two elite sport team enterprises from Finland and their entrepreneurial growth. The aim of this study was to describe entrepreneurial growth and the characteristics affecting it. The focal points of observation were the turning points in the enterprises’ history together with entrepreneurial actions leading to growth.

Theoretical background

The theoretical background of this study consists of different theories of entrepreneurship, and entrepreneurial growth together with the theory of sport entrepreneurship. In this study, both aspects, the individual level and organizational level, needed to be considered in building the conceptual framework. In these kinds of small and medium sized sport enterprises, strong entrepreneurs can create and determine the organizational culture, and, therefore, the individual level strongly affects the organizational level. One core function of growth entrepreneurship is the discovery, evaluation and exploitation of opportunities by individual entrepreneurs (Shane and Venkataraman 2000). Ray (1993) states that the three main factors affecting an entrepreneur’s growth success are personality issues, experience background and know-how, and, therefore, he stresses the importance of the individual characteristics. On the other hand, Osborne (1993) argues that the basis for a firm’s growth comes from the business concept and its functionality.

On a firm level, entrepreneurial orientation, the environment and the firm’s strategic fit with it, as well as resources and the management’s attitudes affect small business growth and profitability. Firms with an entrepreneurial orientation are willing to take high risks when pursuing success; they are innovative, proactive and opportunity seeking. (Wiklund et al. 2009, Covin & Slevin 1991). Entrepreneurial orientation contains five different dimensions: autonomy, innovativeness, risk taking, proactiveness and competitive aggressiveness. Moreover, it is affected by the environment and organizational structure (Kreiser and Davis 2010, Lumpkin and Dess 1996).

Ratten (2011) introduces a theory of sport-based entrepreneurship where entrepreneurship is discussed in the sport context. Sport-based entrepreneurship involves sport-related activities that are processed and managed by entrepreneurial individuals. Furthermore, it also involves innovations aimed at developing the business venture. Cilletti (2012) connects entrepreneurship with sport by identifying sport innovations, risk taking and proactive nature to be substantially entrepreneurial. Innovation has been connected to sport also by Hardy (1986) as he describes it as one indicator of sport entrepreneurship. Entrepreneurial opportunities exist in the sport business, and entrepreneurial activities are widely needed in order to develop sport-related organizations (Chadwick & Cilletti 2012, Ratten 2011, Santomier 2002).

Method

This study was conducted as a qualitative case study. Since this study represents the constructivist paradigm and interpretivist epistemology aiming at interpreting and understanding the phenomenon of two sport organizations' entrepreneurial growth, the analysis approach used in this study was hermeneutical. The data came from multiple
sources of evidence and especially from individuals and their personal experiences. The main source of data was the interviews of the chief executives and owner-entrepreneurs from two different ball game sport enterprises whose businesses had expanded rapidly during the studied five year period. The other sources used in this study included company histories, annual reports, web pages, financial data and strategies. The interviews were conducted as theme interviews, recorded and transcribed verbatim. The analysis of the transcripts was conducted by using the NVivo program by employing an appropriate coding and categorizing system. Literature based synthesis was used as a frame in the analysis.

Results and Implications

The findings of this study were reflected against the theoretical background from several growth entrepreneurship studies and interpreted by using three different growth entrepreneurship approaches: growth ability, growth opportunity and growth orientation.

Growth ability contains the company resources, working environment and the industry-specific characteristics. Access to resources, such as financial, social, experiential and human capital proved to be important factors affecting entrepreneurial growth. Fast changes in the operating environment and the industry-related issues, such as uncertainty, have a significant impact on growth. The respondents described that the development of their growth enterprises had started from the recognition of entrepreneurial opportunities. They stated that internationalization, stakeholder value creation, developed sponsorship, utilization of the existing facilities and creative new business ventures had offered entrepreneurial opportunities to these businesses.

The entrepreneurs’ individual characteristics and organizational features proved both to be important in an entrepreneurial growth orientation. An entrepreneurial orientation and firm performance together with internal strategic actions and external environment all create a favorable growth atmosphere. It can be said that the entrepreneurial success of these companies had been largely based on their entrepreneurially oriented owners and managing directors. Both owners mentioned that they were not motivated by the profits, but by the possibility to make a social contribution. They both have a high tolerance of uncertainty and they have been willing to bare major financial risks. Both firms have an organic structure with a high level of flexibility in decision making, together with an open operational policy and effective communication.