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FOSTERING INNOVATIVE CULTURES IN SPORT

Leadership, Innovation and Change

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Introduction: A Different Animal

Introduction: It Captures the Hearts and Minds of a Society

It is worth considering how business and sport arrived at the current situation. How did the business of sport get to today's heights from the dark days of the eighties? Cave (2015) suggests many factors came together, but without the contribution of a select band of innovative entrepreneurs—three, to be precise—the revolution may never have happened in the first place. Rupert Murdoch and his Sky satellite television colleagues had the foresight and courage to plough ever-increasing sums into English football, based on their conviction that the sport is so popular with domestic audiences. More recently, Team Sky has also played a key role in the rejuvenation of British cycling. In motor racing, Bernie Ecclestone had the prescience to understand how globalisation, the enduring appeal of fast cars, and the distributive power of broadcasting could create enormous value for Formula One. In golf and tennis, Mark McCormack, the late founder of sports marketing agency International Management Group (IMG), was the first to recognise that athletes and sports stars had value well beyond their performances. By identifying athletes as sporting

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brands in their own right, he unlocked unexploited intellectual property, which has gone on to help create some of the most powerful brands in the world (Cave 2015).

The above individuals were all innovative entrepreneurial visionaries. They all took risks and had a visionary view on the potential for their sports, events or talent over the long term. First, Rupert Murdoch gambled on the power of football to drive a particular business proposition and proved spectacularly successful. Second, Bernie Ecclestone transformed what was a cottage industry into a global powerhouse in terms of financial performance and cutting-edge technology. Ecclestone's achievements paved the way for all major sports to succeed as businesses and had a radical impact on the evolution as sport as a business. He had a great vision of what motor racing was capable of achieving, and understood the great public interest in it, as well as the enormous broadcasting potential. Many would argue that Ecclestone had a massive impact on so much sport, not just motor sport, because he opened everybody's eyes to what could be done (Cave 2015). Finally, in golf and tennis, Mark McCormack, of IMG, was the first to develop the personal branding potential of athletes as popular media stars. McCormack was one of the first to understand the individual potential of sports people to earn much more money than they had done before and to take control of their own intellectual property rights (Mason 2015).

The far-sighted ideas of Murdoch, Ecclestone and McCormack have been realised. In 2016, the global sports market, comprising of infrastructure, events, training and manufacturing and retail of sports goods, was estimated to be worth $US600–700 billion (KPMG Business of Sports 2016). This accounted for approximately 1% of the global GDP. Besides exercising a significant impact on the global economy due to its close association with other sectors, including education, real estate and tourism, the sector also contributed to improvements in general health and the well-being of a country. In the United States, Burrow (2013) notes that the sports industry generates approximately $US14.3 billion in earnings a year. The industry also contributes 456,000 jobs with an average salary of $US39,000 per job. Moreover, Nightengale (2013) reported that the Chicago Cubs generate $US600 million annually for the state of Illinois and a large part of the economic impact involves jobs. In the UK from 2010 to 2015 the business of sport became a £20bn-a-year industry supporting some 450,000 jobs. According to Oxford Economics, the London Olympics had contributed £16.5bn to Britain's 2017 gross domestic product, and cycling now brings in £3 billion annually to the UK economy.

The market for sporting events is worth US$80 billion in 2014 (Kearney 2014), with impressive growth projected for the foreseeable future. By the time the 2014 FIFA World Cup ended, 3 million people had gone through the turnstiles at 12 Brazilian stadiums, paying in some cases thousands of dollars per seat to see the world's greatest footballers. On televisions around the world, more than 3 billion people watched at least a minute of the Cup, thanks to media rights worth as much as US$1.7 billion in total. The TV networks were rewarded handsomely with record ratings: from the 30 million Chinese who watched the Germany–Argentina final despite a 3 a.m. local start time, to the 90% of Dutch households that watched the Netherlands semi-final game against Argentina. Moreover, the US match against Portugal was one of the most watched soccer games in US history, with approximately 24.7 million viewers. This clearly demonstrates the commercial returns possible from a global sporting event (Maese 2014).

In the US, sport media rights are projected to go from US$14.6 billion in 2014 to $US20.6 billion by 2019, accounting for a compound annual rate increase of 7.2%. Over 35% of current local television rights deals with the National Basketball Association (NBA), National Hockey League (NHL) and Major League Baseball (MLB) are set to expire by 2019, which will contribute to the overall growth in the sector, based on the assumption of progressively more lucrative new deals. Meanwhile, it is anticipated that the amounts paid to televise English Premier League (EPL) football will continue to rise across a range of new digital providers (Heitner 2015).

Another change over the past 30 years has been a recognition by business that sports can play a key role in winning hearts and minds, and transform how companies are perceived (Mason 2015). Mason believes that sports sponsorships and partnerships are conferring benefits such as deeper engagement with customers and motivation of staff, beyond the traditional avenues of brand awareness and hospitality. Sports also have the power to lift people up in times of turmoil. The 'Miracle on Ice' came at a time when tensions were high in the Cold War, and South Africa's 1995 Rugby World Cup victory helped a nation heal from decades of Apartheid. Nelson Mandela said: 'Sport has the power to change the world'.

As an example, the Laureus Academy embraces the principle of using sport to help bring positive change to disempowered communities. Sporting celebrities offer their time to support the work of the Laureus Foundation. Former sporting stars who have aligned themselves with the Laureus include Boris Becker, Jack Nicklaus, Hugo Porta, Kapil Dev, Sebastian Coe, Monica Seles, Tony Hawk and Dan Marino (Schteiber 2017). The Laureus story is a mix of corporate sponsorship, celebrity sport, and the will to succeed in some of the most devastated and impoverished parts of the planet. Significant global brands are sponsors and this ensures the work continues, while in return, the brands travel the world and associate with top sports personalities and events.

Sports provide a platform for people to come together and support their country. International events like the Olympics and the World Cup serve as a point around which to rally and show national pride and unity. More recently, the London Organising Committee of the Olympic Games yielded employee and customer engagement benefits brought by corporate associations with people-centred Games. The bodies set up to manage the event's legacy also put in place a structure capable of delivering long-lasting benefits. Sport can inspire passion and people; it involves merchandise and money, supports ideology and identity, fosters community, enhances profile and professionalism, and generates sponsorship and symbolism. The actions that sports have taken to professionalise themselves in business strategy and administration has greatly reduced any reputational risk previously associated with sports endorsements. Sports businesses are today more transparent and professional, and more and more focused on the customer—the fan (Mason 2015)—and as such, are trusted by business partners. With the right leadership, culture and innovative practices, sport can create the foundation for social, cultural, and commercial progress. These represent the themes presented in this book.

The Global Sport Ecosystem

The 'business ecosystem' as a concept was introduced by James F. Moore (1993) in an article published in the Harvard Business Review called 'Predators and Prey: A New Ecology of Competition'. It raised attention to a change in the way organisations relate to each other within the same environment. This change was triggered by the challenges of technological innovation, mainly related to the development of the World Wide Web in 1990. A new highly dynamic and interconnected world arose after the popularisation of the Internet in the early 1990s, which created a whole new world of commerce (Kelly 2015). Since then, the concept has been largely used to describe the network of organisations that evolve by competing and collaborating within the same environment.

Organisations realised that in the globalised and highly interconnected world that rose with the Internet, it was no longer possible to view their businesses as isolated members of a single industry. Businesses were seen as players of complex ecosystems that cross a variety of industries. The rise of the 'ecosystem' as a concept has increased the interest and concern around the interdependence of organisations and activities within a given context (Adner 2016). The relationships between organisations gained new significance, as no business is capable of succeeding alone anymore. This kind of network thinking remains strong in business studies, since Porter's (2004) model of value chain, originally published in 1985, which focuses on competition and competitive advantage, that then evolved into the conceptualisation of value networks, up until what is now ecosystem thinking (Basole 2008).

Moore (1993) suggested that successful organisations are those which manage to evolve rapidly and effectively getting sustainable advantage from out-innovating the competition. As businesses do not evolve in a vacuum, they must create cooperative networks including all stakeholders. Even though these networks had been studied before 1993 under the rubric of 'strategic alliances', such frameworks failed in assisting managers to understand the underlying strategic logic of change. Weiller and Neely (2013) showed that previous business model templates and frameworks are good enough to deal with the challenges faced by single existing organisations but are less suited to understanding the complexity of the interdependent nature of organisations in fast evolving industries (Weiller and Neely 2013), such as the sport industry.

Mixing biological and anthropological analogies, Moore conceptualised (1993) what is today one of the most widely used concepts to explain relationships between organisations, how they compete, and more importantly how they collaborate to sustain the equilibrium of the business environment. Moore took the concept of co-evolution in natural and social systems from the anthropologist Gregory Baterson, combined with biologist Stephen Jay Gould's perceptions on natural ecosystems, and suggested that in a business ecosystem, organisations co-evolve capabilities around a new innovation: they work cooperatively and competitively to support new products, satisfy customer needs, and eventually incorporate the next round of innovation.

The common point around all studies since Moore's (1993) groundbreaking work is that they all focus on the complexity of the relationships between organisations when describing an 'ecosystem'. The attention is turned to how they compete and collaborate, and how important these relationships are for the maintenance of a business ecosystem. The concept of co-evolution is also explored. Organisations within an ecosystem co-evolve by competing and collaborating. How healthy these relationships are dictates how successful, sustainable and innovative the ecosystem is. In an ecosystem, certain characteristics can be analysed to understand the environment. Diversity, connectedness, interdependency, and adaptability are often the key features explored in complex ecosystems.

The globalisation of sport has created an environment where the business of sport can be considered as existing in a complex ecosystem. Sports have migrated from a fragmented collection of constituents to a powerful, consequential, and integrated global industry that influences 70% of the world's population. The 'sport business ecosystem' now encompasses everything from content providers such as leagues and teams, to distribution channels including media and facilities, to goods and services providers delivering equipment, food and beverage service, and healthcare. The sport 'ecosystem' can be as small as a local sport club or as large as a nation state (Bailey 2014). It is, therefore, possible to identify the key characteristics of the global sport ecosystem, and the economic, social and cultural drivers that shape innovation within the business of sport.

Differentiating the Business of Sport

If the business of sport is to be anything more than the mere application of general management principles to the sport context, then there must be something about sport that renders distinctive concerns, foci, or procedures when sport is managed. Smith and Stewart in their engaging 2010 article noted ten 'special features of sport' that separate it from institutionalised business principles. First, they note that sport has an underpinning loyalty creating a powerful sense of identification, where fans experience belonging and vicarious emotions. For Stewart and Smith, sport's ability to arouse strong passionate attachments, unstinting loyalty, vicarious identification, and blind optimism, makes it a special experience that markedly differentiates it from both consumer goods, like plasma TV screens, motor vehicles, and cosmetics, and the more service-based products, like airline travel, cinema-watching and supermarket shopping (Pine and Gilmore 1999). It thus becomes clear that sport consumers use sport to meet their needs and extend their personal sense of self in the same ways that all consumers use discretionary leisure and luxury products to build self-esteem and confirm their identities (Ahuvia 2005; Belk 1988; Timothy 2005).

First, Sport consumers are no more irrationally optimistic than any other kind of consumers, and their exuberance, passion and pleasure-seeking behaviour is similar to the behaviours described in studies on the fashion industry, luxury goods, cigarettes, alcohol, hospitality, and tourism (Belk et al. 2003; Ratneshwar and Mick 2005). Sport consumption is not so much the exception as the exemplar of contemporary consumer behaviour. As a consequence, the key question is not so much a matter of what it is about sport that is unique in cultivating ardent consumers, but rather what mechanism is responsible for building powerful relationships between consumers and products. Many theorists believe that the answer is found in social identity theory (Tajfel 1981, 1982; Tajfel and Turner 1986), which has been used to explain group and individual behaviours (Platow et al. 1999). Although sport commands identification through heightened emotional attachment, so too do other consumption-based behaviours. While indigenous to sport, emotionally charged identification is not exclusive to sport, and it would therefore be misleading to conclude that this constitutes a special feature. Sport consumers are not all passionate and fanatical, and nor do they all live vicariously through their favourite team or player in order to bolster their personal identities. Equally, their loyalty can be variable, their attendance irregular, and their interest erratic (Stewart et al. 2003).

Second, Smith and Stewart (2010) suggest there is a tension between winning and profit-making. Consumers and clubs will, for the most part, weight wins and trophies more highly than a healthy balance sheet. They also asserted that commercial pressures could instigate the demise of longstanding traditions if they are thwarting future success (Skinner et al. 2003). At the same time, they argued that fans who value tradition will often use it to resist club attempts to commercialise the management process. While Smith and Stewart considered these tensions between performance and tradition, and profits and winning, to be indicative of a special feature, their analysis did not fully explain the nuances of on and off field performance, and the variance between different sporting competitions and leagues. Professional sport is a form of business; most volunteer-driven participation sport is not. While proper funding is as important for sport enterprises as it is for other commercial enterprises, financial resources are most often deployed towards competitive success rather than returned to shareholders in the form of dividends.

Third, Smith and Stewart argue that transforming the sport-field into a workplace is a complex challenge. The subsequent focus on 'rationalisation and productivity has forced sport managers to translate their human and material resources, particularly players, into economic equations' (Stewart and Smith 1999, p. 88). Despite the managerial drive in sport for more revenue and improved efficiency, many sport fans still argue for the prioritisation of on-field success, and the celebration of competitive ideals which privileges it above conventional profit-seeking endeavours. Oakley and Green's (2001) analysis revealed that close to two decades ago, national elite sport development systems around the world were starting to look more homogenous as a result of adopting ubiquitous global business models to manage their sporting enterprises. Milton-Smith (2002) lamented that there has been a failure of major sporting global institutions in dealing with the consequences of globalisation:

> Disillusionment with the Olympic Games mirrors the disenchantment with the perceived values of globalisation, including winning at any price, commercial exploitation by MNCs, intense national rivalry, cronyism, cheating and corruption and the competitive advantage of advanced nations. (p. 131)

Belk (1996) and Ritzer (1998) also predicted that sport business would take a McDonald's approach, emphasising standardised products punctuated by the 'hyperreality' of over-zealous marketing (Skinner et al. 2003).

Fourth, Smith and Stewart suggest that there is the dilemma of corporate sport, where organisations are faced with the challenge of extracting commercial value from their brands without compromising the intrinsic 'integrity' and spirit of the game. Unless sport commercialises itself, it will be unable to survive in the contemporary competitive landscape. This commercial paradox, which Smith and Stewart (2010) addressed only fleetingly, constitutes a genuine special feature of professional sport. Sport has been transformed into a fast-moving consumable experience that fits neatly into the 'iPod society', and as a result has gone well beyond being a symbol of a pleasant Saturday afternoon at the neighbourhood sports ground. The wealthiest sport enterprises, which include teams sent to the Olympic Games as well as sport clubs, associations, and leagues, are generally speaking also the best on-field performers. The rise of Manchester City and Paris Saint-Germain in football are poignant examples.

Fifth, Smith and Stewart (2010) note that there is a need to balance variable quality against competitive balance. Another pervasive claim about the sport product is that its quality is variable, and its levels of performance are unpredictable. Stewart and Smith declared that sport is one of the few products that actually depend upon unpredictability for success, and the result is another paradoxical relationship. In this case, whereas clubs, teams and players aspire to win by the largest margin possible, the popularity of sport leagues rely on high levels of competitive balance in order to ensure close and exciting contests. As Stewart and Smith (1999) and Stewart et al. (2005) argued, most professional sport leagues operate as cartels. That is, a collective of firms, which through collusion, act as a single supplier to a market (Downward and Dawson (2000). Sport leagues gravitate toward cartel-like behaviour because they rely on the cooperation of teams and collective agreements on areas like salary ceilings, player recruitment and drafting, admission pricing, game scheduling, income-redistributions, and broadcasting arrangements in order to maintain an equitable competition and to maximise marketing and licensing opportunities (Syzmanski and Kuypers 1999). Teams and clubs depend on the continued on- and off-field success of their opponents, but in most industries, organisations are not permitted to cooperate in this way as it is considered anti-competitive behaviour and is typically prohibited by law. This produces a third paradox, or conundrum for sport. Clubs must compete in a hostile environment against numerous, aggressive rivals while at the same time cooperating with these rivals to the degree necessary to benefit the entire group (Syzmanski and Kuypers 1999). Like other industrial clusters that manage to create cartel-like structures, such as the Organisation of the Petroleum Exporting Countries (OPEC), it presents both opportunities and challenges for its management.

Sixth, there is a need for sport to set up structures for collaborative behaviour (Smith and Stewart 2010). Morgan (2002) observed that key stakeholders in sport, such as spectators, club officials, the organising body, clubs, and broadcasters, rarely have congruent interests. The corollary is an ongoing disagreement about the best way to structure, govern and regulate a sporting competition, as well as arguments over the management of teams, the movement of players, and the distribution of revenues. Broadcasters favour interventions that maximise viewer interest, club officials seek resources to bolster their team's talent pools, and organising bodies want to maintain strict custodianship of the game. The complexities of collaborative behaviour are compounded when different political systems are used to frame the structure and operation of professional sport leagues. In sport the primary focus is on horizontal restraints, particularly cartel-like behaviour where anti-competitive collusion may allow clubs to limit competition or fix prices at the expense of the consumer. For example, the different political systems used to frame the structure and operation of professional sport leagues. The differences between the North American and European governance models are also highlighted in their league structures. The North American leagues are closed systems, whereby the same teams participate no matter what their league standing in the previous year. The European governance model extols the benefits of a promotion and relegation system. It can bolster interest in championship standings at the top and bottom of the competitive ladder, provide the opportunity for numerous teams from a single city to compete for a place in the highest league, and remove incentives for team relocation, given that it is less expensive to buy more talent in order to win promotion (Noll 2002). Professional sport has been forced to grapple with a range of challenges over the last decade, with Compton and Howard (2002) noting that both North American and European sport have had to regularly confront rising player salaries, vastly different levels of operating revenue between teams, fierce sponsorship rivalry, and heavy-handed broadcasters.

Seventh, there are supply chain restrictions. Sporting clubs and competitions are traditionally restricted to what economists would call fixed short-run supply, or a highly inelastic production curve. The supply of the core sport product—for example, the on-field performance—cannot be increased in the same way that a manufactured good like a motor car, or a generic service like dental work can (Smith and Stewart 2010). Only a certain number of games can be played during a season, and irrespective of the spectator demand, attendance is always limited by the number of games scheduled and the seating capacity of the venue. Conversely, when there is limited demand, unsold seats represent revenue lost forever. In these instances, the sport product cannot be stored and re-sold another day.

The eighth special feature relates to managing the fishbowl experience of players. With the growing professionalisation of sport at the local level around the world, there is now considerable interest in players in all sports of inter-city and provincial sport leagues. Even in these local competitions there is an insatiable media interest in not only what players do on the field, but also what they do off the field. In becoming the centre of media attention, they have also become local celebrities, and every misdemeanour, and ever so slightly social deviant behaviour is allocated front-page headlines (Hess et al. 2008). This development means that players live a fishbowl existence where their behaviour is scrutinised on a daily basis. Moreover, clubs, teams and leagues have become increasingly sensitive to any negative publicity that arises from player misbehaviour, and have put in place a raft of rules and codes of conduct that provide sanctions for players in contravention. Sport enterprises have hired lawyers, counsellors, agents and psychologists to assist players in managing their behaviour, and when players go outside of the narrowly proscribed limits, a team of experts and specialists is invariably there to guide them through the maze of media scrutiny and commentary that inevitably follows (Smith and Stewart 2010). The pressures on players to behave appropriately, and not to make fools of themselves or undermine the reputation of their clubs are more onerous than in nearly any other occupation. Whereas music, film and television celebrities are almost expected to flaunt illicit drug use, sexual impropriety and financial extravagance, sports stars are expected to be exemplary citizens and solid role models for impressionable children. Nowhere are assumptions about sport's fishbowl more obvious than in the World Anti-Doping Agency's (WADA) rise to power, and the control they aim to exert over the lives of players and athletes (Skinner et al. 2016). The prevailing policy approach to substance use in sport rests on the proposition that punitive sanctioning will deter drug use and remove 'drug cheats' from competition. The experiences of players have now not only become the one constant in the weekly reporting cycle of professional and elite level sport by the media, but also fall under the watchful eye of anti-violence campaigners, equal opportunity proponents, anti-discrimination officials, gender equity activists, doping agency officers, and drug investigators.

Ninth, is the need to manage players as income earning assets. Clubs are now confronted by the issue of how to not only deal with players who earn more than the club's management team, but also how transfer fees should be dealt with. In these instances, players are increasingly counted as assets, and indeed given a value in the same way that an item of machinery or office equipment is listed as an asset and allocated a value. The bonus here is that unlike other assets that lose value over time and are depreciated, many players will in fact have increased in value. However, in some countries, and in those sports where there is no transfer market, the balance sheet will show players as having zero value at the end of their contract. Under these conditions clubs are undervalued, and this peculiar feature constitutes another management issue to be dealt with. Treating players as assets means that like any other part of the club there has to be maximum support to ensure their optimal performance. The implication is that players have enormous bargaining power, but players can also be treated like cattle and traded at the whim of coaches, managers, and team owners, not to mention the unobserved but not-so-subtle influence of sponsors and broadcasters (Smith and Stewart 2010).

The tenth and final special feature of the business of sport is the confounding influence of league structures. There are four major transnational models for the governance of sport at the highest level (Morgan 2002). First, there is the traditional national governing body pyramidal hierarchy exemplified by traditional European sports like swimming and badminton, and collegiate sport in the United States. Second, there is the distinctive North American cartel structure operating in its 'Big Four' national leagues. Third, there is the oligarchy model illustrated in English Premiership football. Finally, there is the promoter-led structure found in boxing. These special features of sport enterprises have evolved over the last 30 years to become more professionally structured and managed. Sport enterprises have applied business principles to marketing their products, planning their operations, managing their human resource and other aspects of organisational activity. The next step is the create cultures of innovation that align with their variation in missions and purposes.

Identifying the Future Business Trends that Will Shape the Business of Sport

As consumers shift from cable to digital media, we can expect an evolution in sports media. In October 2016, some of the US and Europe's most high-profile broadcasters saw their viewing figures drop drastically. Having paid out record fees for the rights to stream the likes of the NBA or the National Football League (NFL), broadcasters have found their viewers courted by online-only streaming services, both illegal and legal. As a consequence, over-the-top (OTT) services will proliferate further, and traditional sports streaming services will have to become smarter to counter the growing threat from illegal streams and social media sites. Providers like iTunes, Vimeo On Demand and Amazon Instant Video allow customers to pay for individual pieces of content, and many are suggesting that sports streaming go down a similar route, with packages specific to a user's preferred team. The NFL and various Pac-12 sporting events has been shown for free on Twitter, the Champions League Final was shown live and free on YouTube, and although Facebook may have failed with its US$600 million bid to stream Indian cricket, this is only the beginning and may result in other OTT platforms seeking similar live rights packages (Skinner and Smith 2017). The battle for sport viewers will intensify and traditional providers may be forced to change their models in the face of competition.

Many leagues are getting creative with their digital rights, tailoring their deals toward non-linear viewing and multiscreen usage, which opens the market to social networks and specialised websites. The NFL's deal with DirecTV includes the Red Zone Channel, which switches viewers to games where big plays are about to occur. When selling TV rights, leagues can develop allotment strategies that optimise the value of both TV and alternative platforms. In the US, initiatives involving à la carte and streaming media are allowing consumers to purchase specific content (i.e. media rights for a single game or season package for a specific team), watch games in a condensed format shortly after completion, and watch replays on league platforms before they are available through general media. The future will also see the continued rise of streaming services online for sport with more people being given the opportunity to watch previously private events. The NFL/MLB/NBA have created their own Internet streaming services for customers.

There is also a rise in connected arenas or smart stadiums. The expectations of the sports fan have changed; no longer are those in the stands satisfied with food and drink at half-time. Stadiums will need full connectivity and digitisation to provide an experience worth the growing ticket prices. The stadium of the future will see fans ordering food to their seats, being directed to restrooms with the shortest line, watching replays and keeping up with statistics in real-time, all through a mobile app. Data collection in these stadiums will be a focus too, as teams look to manage crowd flow and stock items more intelligently. Some European soccer teams have built new stadiums from scratch, but digital renovations can be made to existing arenas with relative ease as the necessity for full connectivity becomes clear and fans demand a better experience. The Sacramento Kings arena has mobile applications for check-in, identifying the shortest restroom line, provides seat upgrade options, and uses drone technology for identifying parking spaces.

The value of professional sports franchises has increased significantly over the past decade, driven largely by new state-of-the-art stadiums, lucrative media rights fees, and an overall dearth of teams available for sale. Because of the multimillion- or billion-dollar purchase prices, owners are identifying ways to unlock the value of their team assets as the core of a greater sports and entertainment enterprise. While business diversification isn't a new or innovative concept, it is manifesting itself in the sports industry in innovative ways. Stadiums increasingly are becoming the cornerstone of large mixed-use entertainment districts featuring hotels, restaurants, office space, and retail. These developments give owners the opportunity to capture fan spending before and after a game, as well as tap new revenue streams outside the traditional sports business. Over the coming years, mixed-use projects are expected in cities including Atlanta, Boston, Los Angeles, and San Francisco (Winfree and Rosentraub 2012).

Given the similar business models and generally low cost of entry, owners and players are beginning to buy into new sports such as eGaming and drone racing, which have significant growth potential. With access to and operating rights at stadiums and arenas, owners are able to reach a new generation of fans that may have less exposure to traditional stick-and-ball sports. Similar to investing in new leagues, owners also are getting more involved in the start-up community, creating sport business incubators and startup accelerators, and in doing so are becoming outside investors in companies working to introduce new technology into the sports and entertainment industries. By expanding their personal business portfolio through such incubators and accelerators, owners have at their disposal innovative products that can enhance the fan experience. If successful, they then can then tap their network to make the product available to other teams and leagues. These are just a few of the ways team owners are using their franchises to build a larger, more diverse sports enterprise. As the value of teams continues to skyrocket, expect both existing and new owners to seek ways to find a return on their investment (Deloitte 2017).

Sport is a people business and as such technology is being used to further engage with people. For example, cracking the code of even deeper fan engagement the MLB and NBA created early partnerships with YouTube. Similarly, sport sponsorship no longer means simply attaching a corporate name to a stadium. It has become a triangle of association between the team, the sponsor, and the passionate fan as identified in Fig. 1.1.

Deloitte (2017) suggests that teams will continue to search for ways to optimise fan experience beyond the stadium walls. Proximity to the stadium will not be seen as a prerequisite for tapping new revenue streams on game day. While catering to regular attendees and season-ticket holders is obviously valuable, there's untapped potential in fan bases that have no access to the stadium at all. Over half of all fans from each major sports league in the US are 'displaced fans', meaning they support teams that do not play in the state that they reside. An opportunity exists in

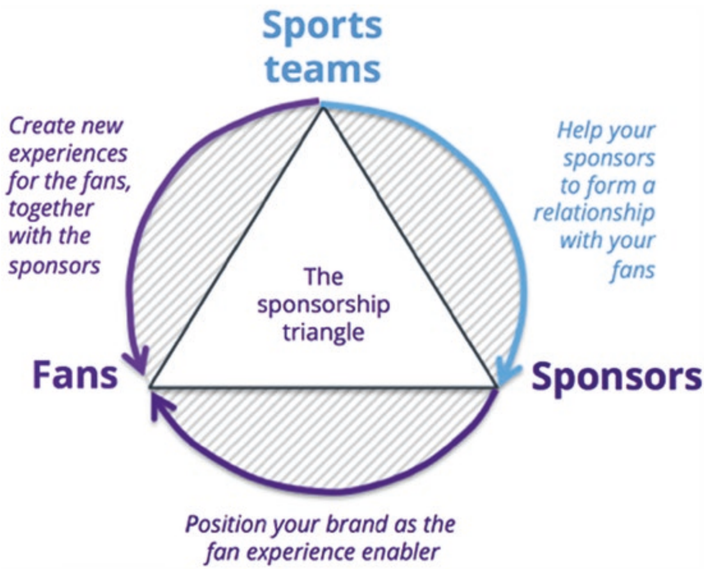

Fig. 1.1 The triangle of association

expanding the reach and generating revenue from these displaced fans. Teams for years have been looking for ways to 'innovate', yet often have had a hard time defining what innovation means to them. Whether they target millennials or displaced fans by innovating the game-day experience for them, teams can take advantage of a previously underserved source of revenue.

Big data is going to continue to change the management sport. Not only because it can tell you more about your customers, but also as popularised in the movie *Moneyball* about the Oakland A's baseball team, the notion of using statistics with predictive modelling can build a winning team. The 2017 World Series champions the Houston Astros used this methodology to achieve their success. Likewise, teams in the NBA, such as the San Antonio Spurs, have used big data sets to help owners and coaches recruit players and execute game plans. The 2013–2014 NBA season, however, was the first for all teams to have SportVU tracking, a system of six cameras in each arena that measures the movements of the ball and every player on the court, generating an entire database of performance information. The way to gain competitive advantage in the future will be finding an analytics technique or technology from another industry that can be applied to sport in an innovative way.

Data are being used to design cities that are more exercise friendly. Strava's co-founder, Mark Gainey, explained how they have shared the data received from their users with city planners in order to help them plan new cycling and running routes, which will cater to the needs and the safety of everyone involved (Skinner and Smith 2017). Going against any predictive model, and any betting company's predictions, the Chicago Cubs won the World Series and Leicester City won the English Premier League. Both triumphs will go down in sporting history as anomalous underdog stories, freak accidents that will be studied and emulated by any would-be overachieving team. Interestingly, stories have come out since their wins, suggesting that both teams used data in interesting and innovative ways to drive their success stories. Data can, to an extent, level the playing field at the highest level of sport and, though data didn't win either team their respective leagues, its influence shouldn't be underestimated.

Social media and the instant scrutiny that it can provide means this trend should continue. Most sports, whether for profit or not-for-profit, are run as businesses, and either way there is an imperative to keep moving forward. To do that, they have to keep improving their product, their customer service and being innovative to keep a share of the sport market. Cable TV is still the major power broker; however, the challenge is to harness the potential of digital, social media and mobile and understand its real value. It's still relatively early days in terms of sport enterprises learning how to monetise these activities but it is imperative that they do. Social media is a key connection; however, too much engagement may distract athletes, and hurt their performance but increase their value. In these situations, sport enterprises deciding between two athletes who are marginal in performance may choose the one who has a bigger social following. Social media contributes to expanding to new markets, for example, the Sacramento Kings in India. The Kings have been making a move towards the Indian market since Indian-American owner, Vivek Ranadive, took over the team in 2013. Ranadive is the first person of Indian descent to own an NBA team, and the Kings also signed the first player of Indian descent in the NBA, Sim Bhullar. With so much fan access occurring via mobile technology and social media, leagues and teams are accelerating global programs, including expanding to new markets. As a consequence, basketball is rapidly growing in India; it is one of the most played sports for high school aged kids in the country.

Virtual reality (VR) and augmented reality (AR) have been making waves primarily in gaming and home entertainment. The nascent technology is making movements into the world of sports, though, and will only become more diverse and more present in the future. Deals between the NBA, the NFL and VR companies have already been struck, with the former working to offer fans one game a week in VR. The NFL is, similarly, set to release match highlights for VR. The technology has the capacity to bring fans closer to the game. Also interesting is how VR and AR could influence elite athlete training. For example, we are seeing the application of VR through the use of headsets for acclimatisation and visualisation before competition, and feedback on performance, as well as brain training style activities. This technology reduces the physical stress on athletes using a virtual environment to train, play and improve decision-making. With no sports enterprises wanting to be left behind by the competition VR has the potential to make a real impact on training. Options are also open to regular exercisers, for example, with Wii Fit, the Tour de France bike (exercise bike linked to the TV that allows users to ride stages of the Tour de France as the bike simulates the inclines, etc.) and the Oculus Rift headset, which has an estimated total revenue of the expected impact. We are also seeing the wider impact of sports technology on the health of the general population. Blood pressure and cardiovascular disease, for example, strokes can be tracked by portable cardiograms in phone cases; blood sugar and type 2 diabetes are being monitored through technology; while technology is playing a key part in weight control and managing obesity. Similarly, technology is being used to reduce the likelihood of the development of types of disease by altering sedentary habits before they become a problem, by providing doctors with greater information on patients.

Augmented and virtual reality are turning simple physical activities into games to encourage people to make healthier lifestyle choices. The Pokémon Go app uses augmented reality and GPS to incentivise walking. This focus on persuasive technology motivates children to adopt healthier habits without explicitly being told to do so. Although daily users have dropped from 28 million at initial release to 5 million, in terms of encouraging walking as a form of exercise, this could be considered a success. The app was downloaded over 500 million times and the average user's steps increased per day by 26%. This is without factoring in the US$1 billion in revenue since its creation as a free-to-play game.

When we talk about technology in sport, this is more than simple changes to the equipment. We also see this in the blue-chip revolution of portable powerful computer processor chips. Sport is just one example of a sector being commercialised via blue chip. This has resulted in smart equipment and wearables, mobile technology and virtual reality environments; all of these originated in elite sport. For example, between Q4 2014 and Q4 2015, the wearables market saw an increase of 126.9% in sales, and projections estimate that by 2020 the wearable technology market will be worth almost US$35 billion. Although elite sport has driven innovation, the fitness industry is following suit. The fitness industry is experiencing a mobile technological revolution much like the rest of the society. Francis Sanzaro believes the fitness industry is not the first industry to be targeted by technological entrepreneurs: 'This is a bigger trend in general. It happened in education with "online universities"'. It also happened in transportation with Uber, music with Pandora and lodging with Airbnb. The 'Uberisation' of the economy begins with a touch of a smartphone button. Need a ride to the airport? An Uber will arrive at your door in minutes. Running late for work but still need your coffee? Order ahead on the Starbucks app. Want to grab a workout on your way home from work? The ClassPass app provides quick mobile check-in to cycling and yoga studios in the area. The 'Uberisation of the Fitness Industry' was almost inevitable.

Wearable technology is continuing to diversify and one potential new growth area is performance-enhancing wearables. Halo, a US start up, has developed a pair of headphones the company claims stimulates a part of the wearer's brain, improving performance and making the wearer more able to learn through repetition. With the wearable tech market still growing we will see the foundations laid for a more diverse range of wearable devices that will not only record performance, but enhance it. Wearable technology with GPS capabilities such as shoes and watches linked to earphones is allowing blind people to navigate streets unassisted, and this has transferred to using gym equipment as well as running and cycling. Virtual environments facilitate safe spaces to exercise in and do not require going to another venue for the housebound, while specialist needs are also driving innovation as technology emerged for better arm tracking when trying to measure activity pushing a wheelchair. CarePredict is a perfect example, tracking the movement at home of isolated single elderly people. While only 19% of people with no chronic conditions track their health indicators, 40% of adults with one chronic condition do so, and 62% of adults with two chronic conditions do so. In 2017 approximately $US3 billion was spent on wearable medical devices, and that's expected to grow to US$8.3 billion in the next five years. With the widespread adoption of technology, the sport and fitness industry also has a chance to create impact in poor communities. The cost of microchips has reduced and technology is becoming affordable to the poorest.