

## THE ECONOMIC AND SOCIAL COORDINATES OF DEVELOPING A SPORT ENTREPRENEURSHIP INDEX – CURRENT CHALLENGES AND PREREQUISITES

MUNTEANU SEBASTIAN MADALIN

PHD TEACHING ASSISTANT, BUCHAREST UNIVERSITY OF ECONOMIC STUDIES

E-mail: sebastian.munteanu@ase.ro

### **Abstract**

*Focussing on the consideration of the multivariate relationship between sport and economics, the present study is based on the sport potential of supporting economic growth through the enhancement of the relatively new domain of “sport entrepreneurship”. The brief revision of the specialized literature regarding the development of sport entrepreneurship in general terms is followed by a series of fundamental factors for the innovative proposal of a sport entrepreneurship index (SEI) in the European Union member countries. The methodological issues concerning the structure of the index represent the main novelty aspect of this research, which aims to be a prerequisite of a future thorough analysis regarding the micro- and macro-economic implications of developing a sport entrepreneurship index (SEI) in EU countries. The main identified challenge is a scientific one and it resides in the summative assessment of the elements representing entrepreneurship, sport and culture in the SEI, whereas the necessity of determining such an index appears because of economic and social reasons.*

**Key-words:** sport economics, sport entrepreneurship, economic value added by sport, revenues allocated to sport, cultural differences, European Union (EU)

**JEL codes:** L83, Z20

### **1. Introduction**

Especially in the last 10 years, a series of significant advances regarding the contribution of sport to solving stringent economic and social problems was registered in the European Union. No matter the manifestation level of the benefits induced by the sport activities – individual, corporate, regional or national level – these advantages refer to consolidation of broad competitiveness (Iamandi, 2013) [17] and confirmation of specific abilities and competences in the entrepreneurship area, even more necessary as the EU labour market is becoming increasingly dynamic (Council of the European Union, 2013) [4], and the growth of organizational performance involves financial measures (Brad et al., 2014) [2], but also social actions (Robu and Ciora, 2010) [21].

The ability of conducting lucrative activities including in sports area – through dynamic seizing of opportunities and proactive risks taking (Munteanu et al., 2015) [18] – is emphasized in the “sport entrepreneurship” syntagma. Although generally appreciated in the EU as a factor of economic growth able to generate added value and new jobs, the sport entrepreneurship is differently developed from one country to another, being fundamentally influenced by the economic, social, political, technological (Țarțavulea et al., 2012; Țarțavulea, 2014) [23], [24], and cultural contexts.

Starting from these general considerations, the present paper mainly aims at identifying the factors for defining sport entrepreneurship and generating the differences in its development and perception in various countries. Two research objectives are subordinated to this main objective: review of the most relevant characteristics of sport entrepreneurship identified in the specialized literature and setting the basic components of the proposal for a sport entrepreneurship index (SEI). The methodological approach used in the following sections is a descriptive and analytical one, primarily based on terminological synthesis and correlation, and the proper identification of the SEI components at European level represents the main novelty element of this prospective research.

### **2. Sport entrepreneurship**

The economic role of sport and its micro- and macro-economic implications benefit lately of a growing acknowledgement not only in ideological (EC, 2007) [9] and scientific (Downward et al., 2009) [7] areas, but especially in the public and pragmatic fields (SpEA et al., 2012) [22], and the operation of the sport-based business model increasingly proves its viability (Westerbeek, 2013) [27], along with the structural and strategic changes voluntarily assumed by corporate actors (Iamandi, 2012) [16]. However, sport entrepreneurship and its economic and

social effects represent an issue just starting out (Ratten, 2011) [20], which has not benefit of a comprehensive approach in the literature for the time being.

In a fundamental paper for the theoretical and conceptual backgrounds of sport entrepreneurship, Ratten (2011) [20] appeals to basic entrepreneurship features – innovation, proactiveness and risk taking – for outlining and defining sport entrepreneurship, starting from the essential prerequisite that sport is an entrepreneurial process because it is based on innovation and change. Explicitly, Ratten (2011) [20] defines sport entrepreneurship as any form of company or entrepreneurial initiative developed in a sport context in order to react to an opportunity to create value and proposes sport entrepreneurship as an efficient measure for enhancing growth in sport organizations. Moreover, the main types of sport entrepreneurship are identified and briefly described: community-based, corporate, ethnic or immigrant, institutional, international, social or civic, technological and women-led sport entrepreneurship (Ratten, 2011, pp. 63-66) [20].

Like Ratten (2011) [20], Popović et al. (2013) [19] considers that the main elements of sport and the resources used in this domain for accomplishing the organizational objectives are considerably similar with the ones specific to entrepreneurship, resulting the feasibility of sport analysis from an entrepreneurial perspective. Having the explicit purpose of supporting sport as an economically profitable industry that offers consistent business opportunities, Popović et al. (2013) [19] delineate the profile of successful sport entrepreneur, taking into account two types of factors: individual characteristics – the personal character (potential of the entrepreneur) and national characteristics – the features of the external environment (potential of the market). In this way, the interdependence between the economic and social environment (Drăgoi et al., 2008) [8] and the prospects for supporting entrepreneurship are equally found in the case of sport entrepreneurship.

The hospitality, leisure, sports and tourism industries are business areas where issues regarding the financial performance (Dinu and Ciora, 2012; Dobre et al., 2012) [5], [6], management, development, change and innovation are frequently associated with acquiring knowledge and skills in the field of entrepreneurship. Ball (2005) [1] conducted a research for these above mentioned industries and he used an education and teaching approach for sport entrepreneurship, finding that the study of sport entrepreneurship is not a common subject on the university agenda, despite of the advance of sport in the EU. In this sense, taking into account the proved link between sport and economy, Ball (2005) [1] recommends the re-examination of the specialized university curricula in order to also include sport entrepreneurship in their scientific offer.

Although increasingly diverse aspects of sport entrepreneurship begin to be addressed in the literature, the exhaustive specification of a sport entrepreneurship index (SEI) – for synthetically reflecting the registered national differences – is missing. In the following lines, taking into account the above mentioned perspectives, the necessary coordinates for the computation of a subsequent SEI will be presented.

### 3. Proposal of a sport entrepreneurship index

The need for calculating a sport entrepreneurship index (SEI) is justified both in scientific (a similar index does not exist for now) and, especially, applicative and pragmatic terms, because it could reflect the economic, social and cultural evolution on the analysed markets. Because of methodological grounds related to data series availability and comparability, the components of SEI proposed in the following lines especially target the EU member countries, but the computation model of the index could be also extended at global level.

#### 3.1. Research data and methodology

As it was mentioned, the research method for grounding the proposed SEI is a descriptive-analytical one, based on identifying the specific characteristics of sport entrepreneurship and correlating them with quantifiable elements or already existing indicators/indexes. Data collection was carried out by studying the specialized literature in the field (Hofstede et al., 2010; Hofstede, 2014) [14], [15] and the official reports of international institutions and organizations qualified in issuing composite indexes or quantitatively assessing the issues of interest for the present research (Cornell University et al., 2014; EC, 2014a, 2014b; Eurostrategies et al., 2011; FM Global, 2014; SpEA et al., 2012; Transparency International, 2015; WEF, 2014; The World Bank, 2015) [3], [10], [11], [12], [13], [22], [26], [28], [25].

Using a similar methodology with Munteanu et al. (2015) [18] for defining the component elements of entrepreneurship, in general, and taking over the basic principles for determining the national peculiarities of entrepreneurial and cultural character in EU countries, a practical method of structuring SEI was proposed.

#### 3.2. Expected results and their practical applicability

The sport entrepreneurship index (SEI) in EU member countries was strategically conceived by taking into account three essential characteristics (Table 1):

- Entrepreneurial spirit (*entrepreneurship*) – the degree of encouraging entrepreneurial initiatives through a series of national characteristics or systemic specificities;

- Operating the business in the sports area (*sport*) – the extent of sport perception in economic terms at national level, provided that the development of sports industries is accompanied by synergistic effects at micro- and macro-economic level; and

- Significant influence of national cultural dimensions (*culture*) – the level of nourishing sport and/or entrepreneurial initiatives by national collectivities.

*The entrepreneurship* was strategically reflected through a series of factors that enhance and support its national development (see also Munteanu et al., 2015) [18], starting from the evidences in the literature (ex.: Ratten, 2011) [20]: innovation (the possibility of embedding innovation and technological advances in products and/or services on the market, regardless of the industry); change (the ability to adapt to an increasingly dynamic environment and taking risks, especially in the post-crisis period); competitiveness (the capacity of implementing a number of distinctive advantages obtained in economic and social areas); and business opportunities (the identification and optimum exploitation of the respective distinctive competencies in specific national economic conditions, where the pressure of corruption and bureaucratic factors play a decisive role in what concerns the development of new business ventures).

*The sport* – assessed for its development in EU member countries – is the component of this entrepreneurship index that provides its specific character and includes both a subjective dimension (the sport perception of the EU population, evaluated as a result of a large-scale social survey) [11], as well as an objective one (the economic impact of sport and its effects regarding the economic value added of sport, total number of jobs created in and through sport, total value of sport purchases and total revenues allocated to sport) [22], [12]. The need for computing a sport entrepreneurship index is even more justified as the differences registered for the sport indicators are highly significant from one EU country to another. For example, the total contribution of sport to the national economy varies between 4.03% in Austria (the highest value in EU) to 0.88% in Lithuania (the lowest value in EU), which is similarly reflected in the number of jobs created by sport in total economy (5.38% in Austria vs. 1.1% in Lithuania) (SpEA, 2012) [22], and it decisively influences the labour market employability and the development of specific entrepreneurial ventures in the field.

*The culture* is assessed by means of cultural differences in place between the analysed member countries, considering the set of different values, options, beliefs, norms and behavioural habits from one country to another, aimed to encourage or hinder the taking of entrepreneurial initiatives and involvement in sport projects. In this way, the differences recorded between the EU countries in the sphere of sport entrepreneurship cannot be ascribed only to economic, social and political influences, given that the cultural factor essentially determines how individuals relate to innovation, change (risk) and competitiveness (Hofstede et al., 2010) [14]. In addition, the role that sport plays in societal building is differently perceived from one national background to another, hence the propensity of developing sport entrepreneurship initiatives in specific cultural areas.

Based on the main components of SEI and their related elements (detailed in Table 1), the sport entrepreneurship index in EU member countries is to be computed – a fundamental decision-making instrument for entrepreneurs in the sports domain that aim to extend or develop their business in a particular national framework. On the other hand, SEI could be a useful tool for policymakers at state level, confirming the link between sport and economy exerted both at micro- and macro-economic plans.

**Table 1. Proposal for structuring a sport entrepreneurship index (SEI) in EU member countries**

SEI component	Included elements	Description of elements	Information sources
Entrepreneurship	<i>Innovation</i>	Global innovation index	<i>Global Innovation Index</i> : Cornell University et al. (2014) [3]
	<i>Change</i>	Global resilience index	<i>FM Global Resilience Index</i> : FM Global (2014) [13]
	<i>Competitiveness</i>	Global competitiveness index	<i>Global Competitiveness Index</i> : WEF (2014) [28]
	<i>Business opportunities</i>	GDP per capita	
Corruption perception index			<i>Corruption Perception Index</i> : Transparency International (2015) [26]
Necessary national procedures for setting-up new business ventures (start-ups)			<i>Procedures for setting-up start-ups</i> : EC (2014a) [10]
Sport	<i>Sport perception</i>	Frequency of playing sport	<i>Frequency of playing sport</i> : EC (2014b) [11]
		Time allotted to sport activities	<i>Daily time for physical activities</i> : EC (2014b) [11]

		Contribution of local authorities in supporting sport activities	<i>Local sport clubs and local authorities related to sport:</i> EC (2014b) [11]
	<b>Economic impact of sport</b>	Economic value added by sport	<i>Gross value added by sport:</i> SportsEconAustria (SpEA) et al. (2012) [22]
		Sport employability	<i>Employment in sport:</i> SportsEconAustria (SpEA) et al. (2012) [22]
		Value of sports acquisitions	<i>Purchases of sport articles:</i> SportsEconAustria (SpEA) et al. (2012) [22]
		Total income for sport sector	<i>Total revenues allocated to sport:</i> Eurostrategies et al. (2011) [12]
<b>Culture</b>	<b>Cultural differences</b>	Cultural dimensions: Power distance, Individualism, Masculinity, Uncertainty avoidance, Pragmatism, Indulgence (G. Hofstede).	<i>Cultural dimensions:</i> Hofstede et al. (2010) [14], Hofstede (2014) [15].

*Note:* The information in the table is collected at national level, for EU member countries (taking into account data availability). Where data time series are available, the latest values of the respective indicators will be considered.

*Source:* Author's conception.

The main challenge for aggregating SEI will mostly reside in the specific way of assessing and integrating the above elements, in order for the achieved results to be scientifically valid, innovatively pragmatic and useful for proposing action lines meant to consolidate the economic growth and job creation in sport-related fields.

#### 4. Conclusions

The present research set the fundamentals of a sport entrepreneurship index (SEI), which is to be effectively calculated in a subsequent study. Thus, the scientific undertaking was mainly focussed on the methodological and integrated fundamentals of SEI, and the main difficulty was represented by suitable correlation of theoretically identified characteristics with quantifiable information and/or already existent indicators in the literature. For further research, the limitations refer to the actual calculation of SEI and data availability of updated time series, in order to achieve a more complete reflection of the situation in the analysed markets.

The significance of SEI in theoretical and practical terms is mainly three-folded and it refers to its novelty, necessity and applicability, because SEI is a useful decision-making tool at organizational and national level for outlining entrepreneurial initiatives or establishing investment priorities in sport-related fields.

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