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# **Have Dynamic Capabilities Developed for Ostrobothnia's Sports Teams during COVID-19?**

Master's Thesis in  
Strategic Business Development

**VAASA 2021**



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<b>Year of Entering the University:</b>	2019
<b>Year of Completing the Master's Thesis:</b>	2021
<b>Pages:</b>	95

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**ABSTRACT**

The purpose of the research is to research if dynamic capabilities has been developed in the sports industry for organizations active in Finland's sports league with their base in Ostrobothnia during the COVID-19 pandemic. The main hypothesis was that both case companies chosen would have experienced heavy losses and been forced to change their respective organization according to the disrupting COVID-19 virus.

This project explains the topic of dynamic capabilities as well as the sports industry. For this research, the author has created a framework based on Teece's (2007) foundation, that is fitted for the sports industry.

The methodology used in this thesis is based off an empirical study, with two case companies from the Ostrobothnia's sports industry. Data collection was done via carrying out a semi-structured interview with each of the case companies that is later analyzed and interpreted.

During the analysis and findings, it became evident that the case companies were not as similar as originally, as one of the case companies was able to make a positive result despite the situation. This would imply that the dynamics of different sports leagues are different and two different sports should therefore not be directly compared with each other to truly understand and interpret the most accurate patterns. However, the research yielded enough evidence to complete the research as both case companies displayed improved digital presence and understanding, psychological improvements for the managers and very increased flexibility of all personnel involved in both organizations during this time. Based on the theory section all these traits qualify as dynamic capabilities and the organizations have therefore been able to if nothing else, to develop certain dynamic capabilities during the COVID-19 pandemic.

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**KEYWORDS:** Dynamic Capabilities, Sports Organizations, Sports Leaders, Sports Leagues



## 1. INTRODUCTION

Literature has thought us on what dynamic capabilities ought to be like in theory, what affects them, in what form they appear and what does not qualify (e.g., Teece 2007; Teece, Pisano & Shuen 1997 & Ambrosini, Bowman 2009). The complex world of dynamic capabilities can only be understood correctly if we acknowledge that it is a field of research that is influenced by a large number of factors and various other branches in strategic management, and that there are many cross-over elements found in diverse theoretic contributions by several authors, that we can trace all over strategic management as a research field (e.g., Bastedo 2004; Siren, Kohtamäki, Kuckertz 2012; Nagel 2016; Makkonen, Pohjola, Olkkonen & Koponen, 2013 & even Schumpeter 1934). This complexity allows for the field to grow rapidly in various directions as it can be addressed from many angles (Ambrosini, Bowman 2009). The generally agreed upon definition of dynamic capabilities is that it represents the *“organizations ability to build, integrate or reconfigure internal and external competences according to changes in the environment”* that was coined by Teece, Pisano & Shuen (1997). This definition is still widely in use today and many researchers are building their works on this foundation. Ambrosini and Bowman (2009) remind us that, although most research suggests that the ultimate end goal of the entire dynamic capability topic is angled in such a way that the sustainable competitive advantage seems to be the only acceptable outcome, when in reality, it is not.

It is rarely however, empirically investigated what form these dynamic capabilities look like when empirically targeting a specific industry in the ‘real world’ and with cases from real organizations, what they are in specific contexts (that is limited by the industry), how they affect the organization(s) in question or how the dynamic capabilities are developed in the industries (Easterby-Smith, Lyles, & Peteraf, 2009). Naturally, this is also true for Finland, and particularly the sports industry of Finland (already before we add any geographical limitations within the country itself). While there are studies on how dynamic capabilities

develop over time via learning mechanisms (Zollo & Winter, 2002), there is less studies that have observed the destructive and sudden changes, such as the COVID-19 pandemic, and how it pushes the management to its extreme when they have to navigate a never previously experienced situation.

We have seen literature from the effects of the economic crisis of 2008 (Makkonen, Pohjola, Olkkonen, & Koponen, 2013), so now it is important to trace certain companies during the downturn due to COVID-19 as it provides an otherwise hard to come by learning experience as everything regarding organizational and management knowledge is pushed to its extreme during a pandemic. Researchers are now already putting pieces together based off change and uncertainty brought by COVID-19 and previous studies in management and organizations, as a way of understanding the topic and its impacts in retrospect (Bailey & Breslin, 2021).

The purpose of this study is to give insights into the development of dynamic capabilities in the COVID-19 changed sports industry by answering the following research questions: How dynamic capabilities develop when faced with the need to adapt and change during discontinuous change?

The sports industry is an interesting industry that can provide good context for the phenomenon of dynamic capability development. The sports industry is often overlooked in terms of being considered an industry consisting of businesses. The sports industry is also interesting as there are rules that apply here that we do not necessarily see in other industries, for example how teams (the businesses) effectively sell their product (the games) via cooperating (competing) with other teams as explained by Zimbalist (2011). As the sports industry is becoming more and more corporate, increasing amount of research is being done in order to ensure maximization of the success, which is why we are starting to see a larger chunk of research being done into the managerial side of the industry (Silva,

Barra, & Vitorino, 2016; Buehler, 2018; Matheson & Allmen, 2014). The methodology of the study is qualitative, based on interviews conducted with selected Ostrobothnia local sports clubs, representing two different sports and two different cities in the region in order to determine how these businesses operating in the Finnish sports industry have managed to create and develop dynamic capabilities for surviving the COVID-19 era.

This study extends the work of Bryson et. al. (2015) that the sports industry is real and deserving of more academical research because of how the sports industry captures the economic situation in society. Further, the study combines the sports industry with the managerial field of dynamic capabilities. The intention is to study the emergence of dynamic capabilities in an empirical and unusual environment consisting of a unique industry and a unique reason for change, namely the COVID-19 virus that has caused business across the world to resort to the creation of new norms and limitations. This research will also provide more practical insight on the fact that the sports teams are business entities and not merely instruments of entertainment, that requires leadership, management, and managerial actions. Every crisis, like the COVID-19 virus, will eventually fade away in time, but as researchers it is important that we ask ourselves; What can we learn from this situation?

## 1.1. Thesis structure

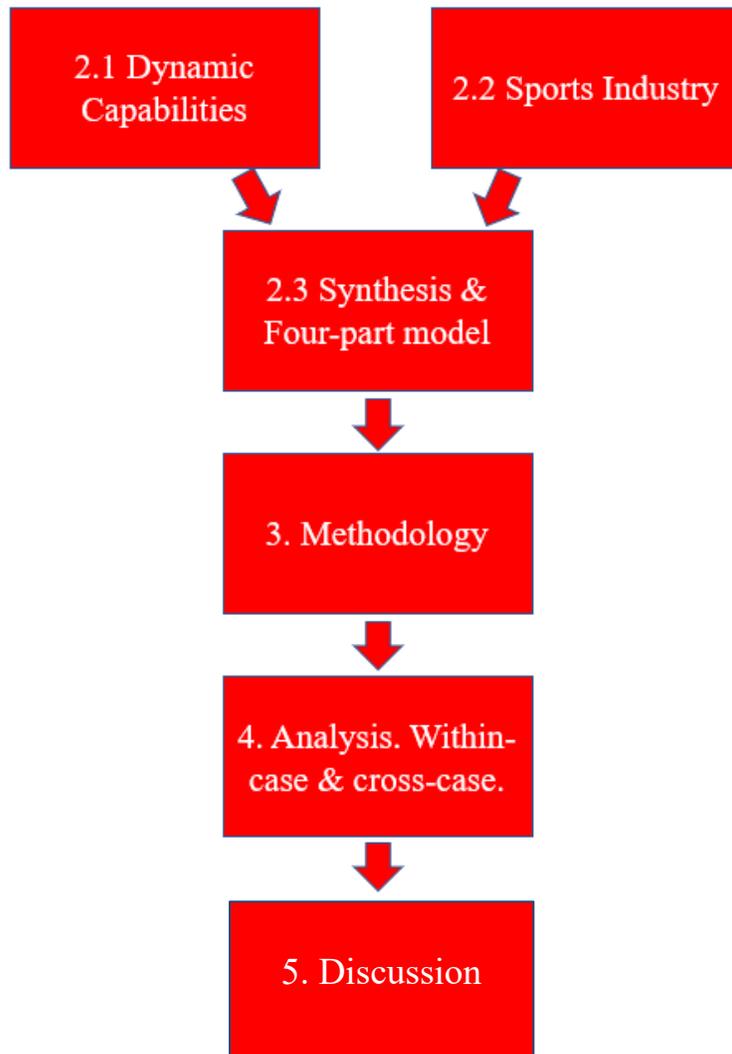


Figure 1: Structure of the thesis

## **2. LITERATURE REVIEW**

The literature review section of the paper will first introduce the research field of dynamic capabilities. Afterwards, this section will provide a background for the context chosen for the paper, namely, the sports industry of Finland.

### **2.1. Stream 1: Dynamic Capabilities**

Many fields in strategic management are involved in how changes can affect organizations depending on the form of change that occurs and what issues they create. But it is only the field of dynamic capabilities that is focused on how the organization can undergo change in their resources to create new value, and how the organization can do so consistently. This has caused the interest for dynamic capabilities field to increase, and new journal articles and other dynamic capability related content is being produced at an increasing phase (Ambrosini & Bowman, 2009).

What started as an extension of research into the resource-based view and dynamic markets, has now created an entire field of research in strategic management. The resource-based view cannot adequately explain how some firms can sustain competitive advantage in a continuous fashion in changing markets via the managers abilities of harnessing both knowledge and resources differently and strategically (Eisenhardt & Martin, 2000).

#### **2.1.1. History and Background of Dynamic Capabilities**

However, to better understand what the topic is about and where it stems from, we must first understand the background behind the topic; The roots of this theory date all the way

back to the era of evolutionary economics, and the Schumpeterian view from the 30's where the author Schumpeter established that the routines and capabilities makes up the organizational structure, while the environment combined with the evolutionary economics view determines the performance. Schumpeter finally determined that the prior knowledge combined with resources is what establishes innovation (Schumpeter, 1934).

Also, the open system theory that originates from after World War II, claims that organizations are shaped by the environment, and the environment is made up of other organizations affecting the other organizations with social, economic or political forces. The environment also acts as the provider of resources that are necessary in order to facilitate sustainability change or in some cases survival. The open system theory is used in all modern organizational theory (Bastedo, 2004).

Therefore, as the open system view in organizational theory states that the organization is considered an actor that acts to according to the environment but also according to its resources and capabilities. Much of the current literature is based according to this view and is focused on the need for the organization to adapt their resources and capabilities in order to be able to act upon changes in the environment. A lot of research on the topic is based of scenarios playing out in a stable environment. However, instability occurs in almost all markets at one point or another, for example economic downturns such as the financial crisis in 2008 (or the COVID-19 pandemic during the 2020). Dynamic capabilities are important for organizations going through change as they represent the capabilities that focus on how performance is affected by the ability to change according to environmental factors. Naturally, the extent of which organizations suffer from a crisis differs a lot, as industries vary, some might suffer while some might even flourish (Makkonen, Pohjola, Olkkonen, & Koponen, 2013).

Organizational activities can be generalized according to the exploration and exploitation strategies. Exploration is concerned with, by as the name suggests, exploring new business actions and the integrate it into the organization with the intention of increasing strategic learning from these exploratory actions. The exploitation strategy concern improvement of existing practices, resources or capabilities. Generally, organizations are choosing to pursue the exploitation strategy as they can invest into the already existing and already profitable contents that they know customers value at the time I.e., organizations tend pursue short term gains. However, this results in the strategic learning formed during the process are happening on the behalf of investments into the exploration strategies that could result in healthy innovations prove to be vital for the organizations if observed from a futuristic standpoint, that has more long-term implications. These explorational and exploitation strategies typically only generate positive effects to performance if there are strategic learning foundations in place that can support either strategy. The authors suggest, that especially in the case of explorational strategies, the strategic learning can be directly tied to the outcome. From a practical example, like the utilization of new technology, it becomes clear that strategic learning is needed before any positive effects can be seen (Sirén,, Kohtamäki, & Kuckertz, 2012).

As previously stated, organizational activities that create or contribute to the creation of value in a business network are explorative or exploitative. Successful organizations as a rule, manage both their current business structure and also look for opportunities and ways to adapt to environmental changes, effectively managing both the exploitative and explorative segments. With this classification established, it has opened up many areas of research in business studies that can build on this classification. For this study however, the most interesting being the ability to categorize the organizational capabilities into either operational or dynamic, where the dynamic capabilities, the focus point of the study, cater to the explorative side of the organization (Makkonen, Pohjola, Olkkonen, & Koponen, 2013).

### **2.1.2. Definitions of Dynamic Capabilities**

In order to support the creation of frameworks for dynamic capabilities, the authors Teece et. al. (1997) compiled a comprehensive listing of terminology of the field and how these can be defined:

1) Resources, these are the assets of the firm, (often they are specific to the organization). Typically, hard or in some cases impossible to replicate. These could include trade secrets, experience or specialized facilities. It is for example hard to transfer or learn experience, to other organizations or parts of organizations. It us usually also containing tacit forms of knowledge.

2) Routines, these are the assets of the firm that enables the distinctive ability to perform activities. Examples given are, the integration of systems, quality, miniaturization.

3) Core competencies, these competencies represent the core of the fundamental part of the business that defines an organization. To arrive at the conclusion of an organizations core competencies, we must consider all the services and products of an organization. The core competencies can be improved by combining these competencies with other assets. It is also possible to measure how distinctive the core competencies of an organization is by observing how well they are performing in comparison with other competitors, and how easy (or hard) it would be for competitors in the market to replicate or copy the organization.

4) Dynamic capabilities, these are the organization's ability to build, integrate or reconfigure internal and external competences according to changes in the environments.

5) Products, this represents the final product or service that an organization produces by using the competencies they have available. The performance is measured via looking at competitors, as they are dependent on the competences.

Teece, Pisano and Shuen (1997) offered a definition of dynamic capabilities as the organizations ability to build, integrate or reconfigure internal and external competences according to changes in the environments. To this day, this is still a definition that is widely used by many researchers in their studies in this field.

Critics of the definition by Teece et. al. (1997) say that it leaves room for improvement as it does not answer all the required questions. It is not enough to explain what the use of dynamic capabilities are nor what they are created for, as we also require the information of where they come from. They offer instead of this the following description:

*“A dynamic capability is a learned and stable pattern of collective activity through which the organization systematically generates and modifies its operating routines in pursuit of improved effectiveness”.*

Instead of simply sticking to the definition that a dynamic capability would refer to an ability, this definition allows for the specific targeting of an organizations “operating routine”, makes it less abstract and more comprehensible. It is important to point out that the development of a dynamic capability must derive from a process that is structured and persistent as well as the fact that dynamic capabilities originate from learning (Zollo & Winter, 2002).

### **2.1.3. Processes of Dynamic Capabilities**

Teece (2007) states that it is the dynamic capabilities that enables a business to protect, create and in some cases deploy intangible assets in order to ensure long term

performance. Depending on how the capabilities are harnessed, they can be utilized to ensure continuous creation, protection, upgrading or extension of the core asset base in an organization. Teece (2007) also offers an analytical idea that if we separate the dynamic capabilities into easier digestible parts, we can look at them as three-step model containing:

- 1) sensing of opportunities or threats
- 2) seizing of opportunities, (as a reaction to the opportunities or threats)
- 3) to maintain competitiveness via various methods, such as enhancing, combining or reconfiguration.



Figure 2: Teece's (2007) three-step model for understanding dynamic capabilities.

For the sensing capability, in today's world the environments, customer needs, technological advancements and competitor's activities is ever changing, which shows that the revenue streams are always to some degree at risk. Some trends are easy to spot for the organization, but for the most part it is hard for the organizations to properly adapt to the changes and emerging trends at an optimal level. Therefore, organizations ought to invest into research activities via for example, scanning, creation or learning into both local and global markets, as well as into technology. The challenges of this phase are knowing what technology to pursue or what certain events can bring as well as choosing target segments, and of course also take into account to what actions customers and competitors are doing.

The seizing capability involves the acting upon a sensed opportunity, for example new products, services or processes inside the organization. Then, the process of arriving to the adequate version of the sensed opportunity follows, as there is no one clear strategic path an organization can take, hence, this process involves choosing between several options or paths where investment decisions have to be made. In this phase the challenge is to identify when, where and the amount, which is where the managerial factors come into play. It is not rare to see an organization go through a complete sensing phase but fail to complete the seizing phase.

Now that the organization has successfully gone through the first two phases, hopefully with the outcome of increased profitability or growth. This has caused the organization to evolve according to the first two phases, but still as these phases have been completed, the environment might be changing again. Here, the ability to reconfigure or combine structures and assets is key. The reconfiguration itself is very important in determining the organizations viability from an evolutionary theory. Successful organizations develop routines. Routines sustain the organizational activities until changes in the environment appear. Switching away from routines is expensive, and therefore new routines (stemming from innovations) they cannot be implemented instantly as moving away from solidified routines will trigger anxiety within the organization. This involves the managerial personnel, that must handle all constraints that originates from the assets, and the bigger the company the higher chance of mismanagement, poor handling of information and diverse individual related factors. Typically, organizations experiencing growth become hierarchical with decision making happening at top management and the customer get handles by those at the lowest level, with middle management trying to pull everything together. Instead, to sustain the dynamic capabilities in an optimal fashion, one ought to decentralize the organization so that top management comes closer to the markets, the technology, and the market. In a re-configurational state, the organization can develop new business models,

activities where the assets are allocated differently and most importantly mix-up of the routines (Teece D. J., 2007).

Teece (2007) continues, that we can also include organizational capabilities that are hard for others to copy to the dynamic capabilities of an organization, as they have developed via the need to adapt according to changes in customers or technological advancements. Included here is also the organization's ability to change the ecosystem that the organization is active within, via the creation of new products, new processes, or even new designs in order to create viable business models. The outcome of this theory is that everything can be explained as a means for achieving competitive advantage and this is something we can add as an extension and another building block to the previous model introduced:

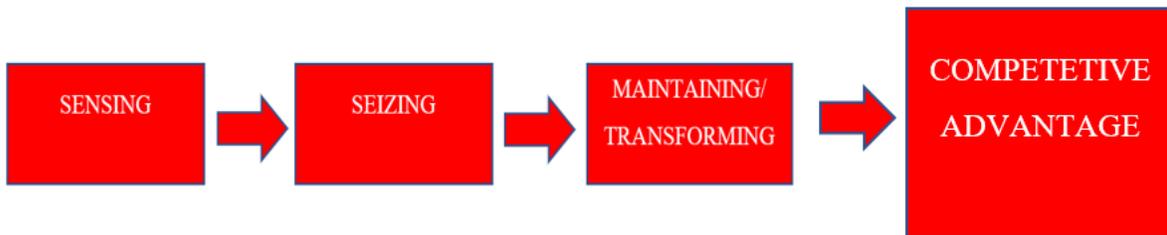


Figure 3: Continuation on Teece's (2007) three-step model.

This path was already discovered by Teece et. al. in 1997, because of the need to expand on the understanding as of how the competitive advantage is achieved in a changing landscape involving increasing advancements of technology and information in most industries. Traditionally, the resource-based strategy was in use by organizations at the time, but this strategy was not adequate in order to comprehend 'a significant competitive advantage'. Many of those organizations displaying success on a global scale are those that can adapt in a flexible and responsive manner, take advantage of new opportunities in terms of innovation, but also align the process with management capabilities in order to utilize internal and external competencies. Mention worthy is also the statement, that even though an organization manages to create a valuable position in terms of technology-based

assets, these does not translate to useful capabilities. In this work, the authors named the ability to create new competitive advantage: dynamic capabilities. 'Dynamic' represents the factors of reinventing competencies according to the changes in the environment. Whereas the 'capabilities' is concerned with the role of strategic management's ability to adapt or reconfigure the skills of the organization, both internal and external in accordance with the changing environments (Teece, Pisano, & Shuen, 1997).

Ambrosini and Bowman (2009) acknowledges these same ideas via their work, and also sheds much needed light on other factors that goes into the process of understanding dynamic capabilities. In their framework it is possible to observe the basic process as described earlier via the works of Teece (2007) but also visually observe the many other elements also discussed in previous literature by the many other authors, that goes into understanding the fundamentals of dynamic capabilities.

Further, dynamic capabilities are essentially abilities that an organization can utilize when facing new opportunities or changes within the business environment where the organization operates, via converting resources of the organization into assets that are either tangible or intangible. Resources can be for example, human capital, managers, employees or capital in the form of knowledge or technology. Dynamic capabilities can be improved or decayed as time progresses. They can represent multiple roles within an organization, such as allocating resources differently, organizational processes, development of knowledge or in some cases, the transferal of knowledge but also plainly via decision making. The dynamic capabilities can be found within organizations in the form of capabilities as idea generation, market disruption, marketing, product development. Dynamic capabilities can also be created according to the visions and intentions of those with adequate decision-making power, such as top management levels sharing their visions with other levels of management (Easterby-Smith, Lyles, & Peteraf, 2009).

However, a dynamic capability cannot be generated spontaneously, or used simply as a problem-solving technique. This is because of the fact that a dynamic capability must be planned or mapped out to some extent according to a pattern, the process must also be repeatable. Therefore, we can exclude any actions arrived at or acted upon by luck, does not qualify as a dynamic capability. A dynamic capability must be developed via intention and in a deliberate fashion designed to achieve change in the organizations resource base. Further, dynamic capabilities involve dealing with strategy related changes, but we may not use it as a synonym for strategic change as dynamic capabilities does not deal with change per se but rather the change in the resources base of an organization. It is not possible to grasp the subject of dynamic capabilities by separating the two words and defining them separately. This is because of the fact, that a dynamic capability is not a 'capability' as defined in the other fields of strategic management, nor is it a form of resource that the organization can utilize. A dynamic capability is more accurately portrayed as process that impacts and affects the resources. The term capability often refers to as something that the organization can utilize as of current to compete with, but a dynamic capability is what we can utilize to change it with in future oriented way. Although, one must highlight that the process must be somewhat planned and worked upon as well as repeatable, as previously pointed out. What is more, the word 'dynamic' does not necessarily become accurate either in word-separated definition, as it does not equal in this context anything related to dynamism and nor can we use the word 'dynamic' for the capabilities themselves (for example that the capability is dynamic as in changing over time), and 'dynamic' should only in this field represent the changes in the resources base (Ambrosini & Bowman, 2009).

Dynamic capabilities are typically the product of learning, but also the experience of the organization. Dynamic capabilities affect the resource base, that leads to the source of the organizations competitive advantage. Due to this, the end result might not mean automatic success in terms of performance, as we must understand that the competitive advantage might only be temporary (although it could be sustained). Interestingly, via dynamic

capabilities it is possible to create sustained competitive advantage via continuous utilization of temporary competitive advantage. Further, the whole process of going through the different phases of the model might also only achieve competitive parity with other organizations operating in the same spectrum according to the same changes in the environment, or in some cases also failure, as there is no guarantee that the utilization of dynamic capabilities will have a positive effect at all (Ambrosini & Bowman, 2009).

Continuing this, capability building happens when an organization take on certain mechanisms as when learning is part of accumulated experience as well as investment in knowledge. Important is, that any form of learning can be adequate, for example the primal and experimental approach via “learning by doing” can also substitute carefully planned acquiring of knowledge collection if the outcome can help in modifying the routines of the organization, and hence aid in the development of dynamic capabilities (Zollo & Winter, 2002).

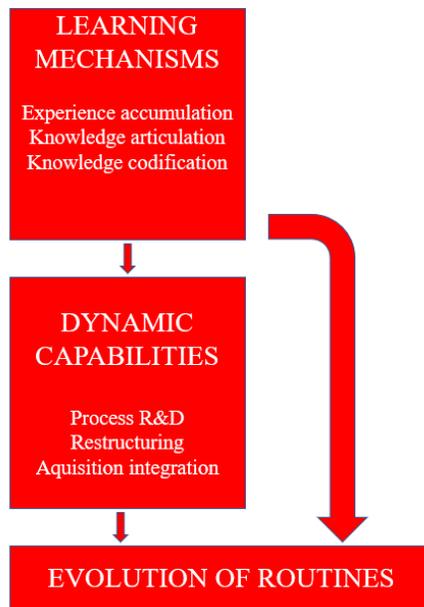


Figure 4: Zollo & Winter's (2002) model of deliberate learning and evolution of dynamic capabilities.

Nagel (2015), created a thorough adaptation of Ambrosini and Bowman's (2009) model as illustrated in the following interpretation:

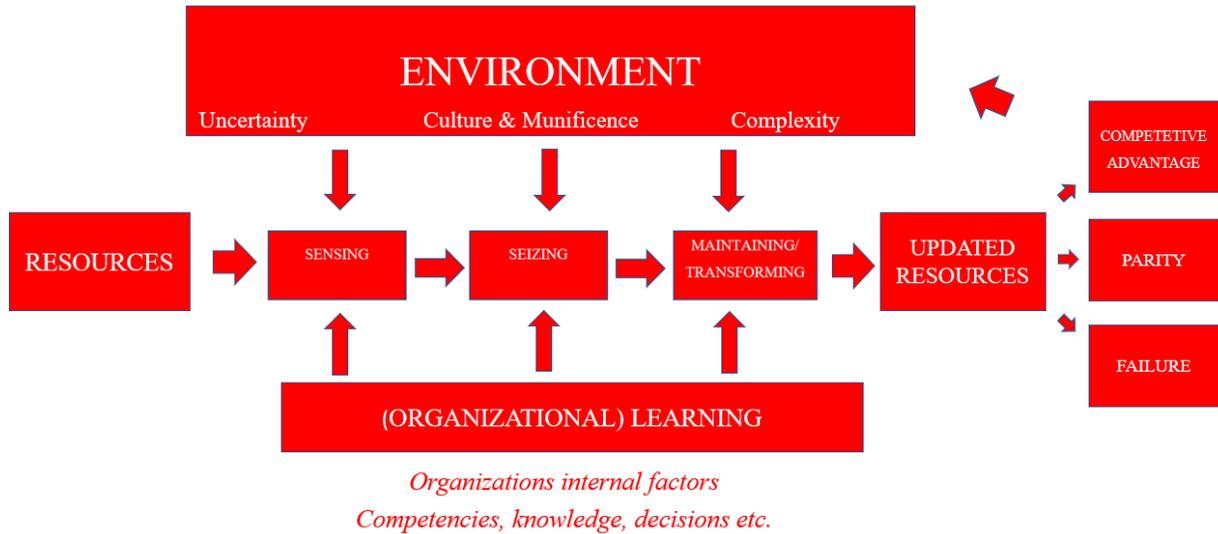


Figure 5: Nagel (2015) adaptation of Ambrosini & Bowman's (2009) model.

This model provides sufficient grounds for understanding the fundamentals of dynamic capabilities. As the model suggests, dynamic capabilities are a rather complex subject, as there are so many factors involved in deciding the outcome.

Learning (as in organizational learning) hints at the process of learning being incrementally positive during all of the dynamic capability process stages. It is in fact learning that represents the capability of an organization to create or adopt new capabilities through the organization itself via their own learning process. Knowledge as an internal factor to the organization can be defined two ways, either as creation or integration. Knowledge creation usually takes the form as a capability to create or absorb new knowledge, but also during the creation of new products or processes. Knowledge integration instead deals with capability to integrate and acquire the newly acquired knowledge through streams of social capital (Makkonen, Pohjola, Olkkonen, & Koponen, 2013).

If we delve a bit the organizational learning section, we can notice several similarities in this field as with the field of dynamic capabilities. This makes sense in terms of the examination of literature as it is a rather recurring theme in many sources of the literature sources available. Interesting about organizational learning is that it may be recognized as the only one true form of sustainable competitive advantage and yet it is quite rarely linked with strategy itself. One possible explanation as to why, is that organizational learning is often characterized as an emergent trait or at sometimes, even random. Organizational learning is also, a way of creating capabilities that holds great value for the customer base, and as a rule, hard to imitate and therefore playing a contributable role in arriving at the competitive advantage of a company (Crossan & Berdrow, 2003).

The role of the individual in the field of dynamic capabilities is also introduced by the author Nagel (2015), where she argues that dynamic capabilities are only seen and classified as if generated on an organizational level, but that the humane side and hence, the individual is an important micro-foundation to how organizations arrive at decision making possibilities. The human side to strategizing hence plays an important role in dynamic capabilities and the decision makers all possess individual emotions, reactions and perceptions that all influences the outcome and therefore behavioral strategy in relation to the practitioners should be accounted for in every empirical research in the field of dynamic capabilities. Especially the emotions fear or anxiety that can cause strong reactions from the practitioner and those around the practitioner (Nagel, 2016).

Most readers have a tendency to observe dynamic capabilities mostly on a plane where only the organizations top level management seems relevant. In reality however, dynamic capabilities are largely by the entirety of the processes, structures or systems by the organization. These are all typically created by the organization over the years as a way of managing the business (Teece D. J., 2007). Front-line people in all levels of an organizations should be involved in the innovation and development process as these are likely to be the

ones with information on how organizational processes work in practice and have awareness of areas in need of improvement as well as insight to how the resources are utilized. This may seem like a small activity in a bigger organization, but it would actively contribute to the sensing and seizing phases introduced by Teece (2007) previously in the text if top management is able to act upon the information retrieved (Makkonen, Pohjola, Olkkonen, & Koponen, 2013).

Eriksson (2014) states that when observing antecedents in the topic of dynamic capabilities, it is referred to those factors affecting the emergence of the dynamic capabilities. Antecedents can originate either from internal or external sources.

Internal antecedents are typically very scattered as they can emerge from social or structural reasons. For example, social related antecedents can be affected by different orientations inside the company or organization, like organizational and with market orientation or individual based on entrepreneurial orientation. The most important ones come from the organization's inherent orientation as the two qualities of flexibility and collaboration capability are the two cornerstones of dynamic capabilities. To these two we can also choose to include the project capability, because so many organizations rely on projects and facilitate most learning and experience accumulation via projects in the organization.

The author continues, that routines is where the two structural and organizational antecedents meet. The organization itself can commonly represent the structural antecedent. Flexibility, which is one key for dynamic capabilities are quite often lost in as the organization experiences growth. Therefore, the organizational structure is having massive influence on the dynamic capabilities. While in smaller sized organizations, human capital has an increased role to play. Resources also affect the dynamic capability development, as they need to align with the threats or opportunities that happen. Resource

scarcity or having too many resources at hand also impacts the development of dynamic capabilities. Managerial capabilities and the personnel's capabilities all impact the development as well, due to their decision making for how to strategize in certain situations can be either positive or negative. It is possible to take this one step further, where we recognize that the individual's capabilities, such as ideas for future innovation to exemplify, also determine the evolution of dynamic capabilities. This shows that although the social and structural orientations are different, they are still heavily entangled with each other.

As for the external, typically environmental factors such as markets and factors from relationships outside of the organization. Environmental factors can be uncertainties on the institutional plane or technology related. The factors from outside the organization are often in this context called networks, as they aid in the provision of resources and capabilities that would otherwise be out of reach for smaller organizations, and the process can help in the sensing phase. In the case of a larger organization competition is most commonly the key driver (Eriksson, 2014).

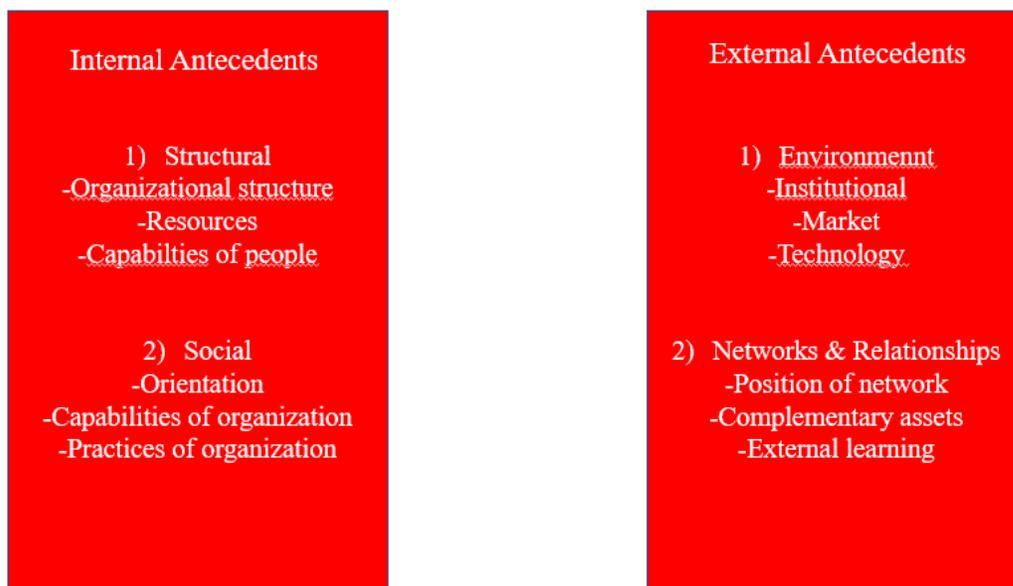


Figure 6: Eriksson & Taina's (2014) visual of understanding antecedents.

## **2.2. Stream 2: Sports Industry**

As with most things when observed through an economical lens, the sports industry is about supply and demand. The sports industry is growing so rapidly because on a societal plane, we love sports. This is because we love to compete, we love the communities that sports creates but most importantly, we love the distraction that sports bring us. All of these contribute to building up demand for sports as consumable product. Supply comes from the sports team's ability to distribute the sports events to those looking for it. Now this is not an easy task, as the process of getting all moving parts such as salary battles between players and owners, the process of building stadiums or venues, involving the public sector, ticket strategies or even second-hand markets for tickets, streaming rights and the list of factors can be made longer. Recent technological advancements over the past 10 years have presented opportunities for the industry (Zimbalist, 2011).

Globally, the sports industry reached a value of 488,5 Billion US dollars in 2018 with a compound annual growth rate of 4,3% since the year 2014. This is expected to grow even further, and the estimation as of current is a total value of the sports industry of 614 Billion by the year of 2022, as the compound annual growth is expected to grow to 5,9%. This massive growth is enabled by urbanization that is happening in an ever so increasing pace, combined with emerging markets growth. If we look to the future, the number of sponsorships, new sport segments such as for example esports and access to internet and streaming options combined with economic growth overall will boost this industry even more. The industry has two major segments, the participatory segment, that held a 56,4% share of the sports industry in 2018 and the spectator segment, that has by far the most upside for growth possibilities. Out of this spectator segments, 72,5% was consisting of sports teams and clubs related content, and this category is expected to grow according to the compound annual growth rate of 6,8%. It is no secret the world's biggest sports industry

and biggest sports leagues exist and are developed in United States of America, where the sports industry has grown over the last century to a truly major industry where the amount of money involved can no longer be seen just as another form of entertainment. Specifically, the North American category has over 30% of the global market share. The biggest emerging market opportunities can be found in the Asia-Pacific region, that is expected to present a compound annual growth rate of 9,04%, whereas the North American region is expected to grow according to the compound annual growth rate of 6,0% (businesswire, 2019).

Based on the data provided above, Torrens University (2020) explains that the current valuation of 2020 would be approximately 500 Billion US dollars, and as little under half comes from the spectator sport segment allows us to make a qualified estimation that the value of the competitive sports and the business created around (or in) them is roughly 250 Billion US dollars. Out of this the market is held by many different sports, but the biggest ones are presented below along with market share percentage:

<b>Sport</b>	<b>Market Share</b>
<b>1. Soccer</b>	43%
<b>2. American Football</b>	13%
<b>3. Baseball</b>	12%
<b>4. Formula 1</b>	7%
<b>5. Basketball</b>	6%
<b>6. Ice-Hockey</b>	4%

**Table 1: Sport popularity ranking by Torrens University (2020).**

This growth of the sports industry is also something that we can see in the country of Finland, and the University of Vaasa has acknowledged this, as they are now providing opportunities for those looking to improve their abilities or enter the industry with a

possibility to complete an executive MBA program into Sports Management and Marketing (University of Vaasa, 2021).

The biggest part of the sports industry, the team-based spectator segment content is generally divided into two major segments that are often compared with one another, the American and the European sports industry. They each stem from different historical events and cultures and are therefore different in their structures. The following section will provide an overview of the history and how they started to move towards a major industry as well as mapping out where most of the money is originating from. In America, the sports industry uses a lot of abbreviations as it revolves around the four major sports leagues: NFL (National Football League), MLB (Major League Baseball), NBA (National Basketball Association) and NHL (National Hockey League).

This section will introduce some basic information, history and also an overview of the Finnish sports industry. Relevant also for the research done in this thesis, the sports leagues of Liiga Ice-Hockey and Ykkönen football will also be presented as part of the Finnish sports industry section.

### **2.2.1. Broadly about the topic (history, background)**

In order to understand the setting of the research we require background information of the selected industry, the sports industry.

The traditional sports business model evolved in the first half of the twentieth century with the intent of acquiring profit through selling tickets at the gates of the game. In some countries in Europe some teams were subsidiaries of, at the time, big companies for example Fiat in Italy and Peugeot in France and these teams were wholly/partly financed via these (Wladimir & Staudohar, 2002).

In America, the early days of sports business focused on the television networks. In the early days broadcaster companies did not look for advertising dollars like in the current world, but they instead tried to use sports as a way of achieving more television customers. I.e., increase the demand for tv's. In the 1984 there was approximately 190 000 tv sets in use, and with this strategy and the boom of sports the number of tv sets in use was 10,5 million just two years later, in 1950. The close link between tv-broadcasting rights and the sports leagues is still today close. The leagues are selling their broadcasting rights for enormous amounts, for example the television channel Fox acquired the rights of the MLB for the time period of 2001-2005 for 2,5 billion dollars while the NFL managed to sell their television rights to a number of American television companies for the amount of 17,6 billion in the time frame of 1998-2005 (Baran, 2004).

Back in Europe and the 1960 and 1970's, the revenue streams have started to evolve around the introduction of advertising and corporate sponsorship has emerged as a revenue stream. However, most football leagues in Europe are still mainly financed by selling tickets to the games. Television rights in Europe did not become a significant revenue stream until the end of 1980's and the start of 1990's. For example, in the finances overview of a division 1 French professional football team, it is possible to see that in 1980 season the tv-rights accounted for 1 percent of the earnings but at the season that started 1997 the tv-rights accounted for 42,5 percent of the earnings. The reason for the slower start of tv-rights in Europe compared to the USA is that the football clubs in Europe feared that airing games via television would result in people not coming to the stadiums. And because the main source of revenue in Europe at the time was tickets into the stadium, they were afraid to lose this revenue stream. Also, in Europe there was not as many television broadcastings companies that could bid for the rights and drive the prices up to numbers that would cover the potential loss of tickets sold. The change in the later twentieth century came with more competition in the television broadcasting market, but this was a result of a deregulation

and the privatization of the tv structure throughout Europe. Merchandising was also not a financial aid from the beginning as there was not resources nor knowledge in place to properly promote and market the merchandise and in 1997 Manchester United, a team doing well at the time, reported that 34 percent of their revenue came from merchandising (Wladimir & Staudohar, 2002).

According to promotional expert Alyssa Mertes, the US merchandising idea was introduced at a very early stage in the late 1800's via tobacco companies, for example Goodwin & co., that started to include baseball cards in their packages. This later took became a hit in the 1950's when a company called Topps combined bubble gum with the baseball cards for a very affordable price. Topps is still today active in the baseball card business. Team jerseys that are extremely popular fan merchandise today became popular during the 1980's, because of new printing technologies that allowed the jerseys to be mass produced (Mertes, 2018).

The European market was originally a closed market but made open via what is referred to as the 'Bosman verdict' 1995, where judge Lenz famously declared that the closed market structure *"Infringes the players freedom of movement* (Dejonghe & Opstal, 2009).

### **2.2.2. Processes of the Sports Industry**

The sports industry does however have a very different dynamic setting compared to traditional industries. When viewed as businesses, sports leagues are in a very unique position as they are one of the few places where strong competition is a requirement in order to produce the own business success. Competitive balance is what makes the end product (the games) that all teams within the leagues are producing appeal to their customers (the viewers). I.e., the teams that play each other are co-producing their product

with one of their competitors every time they play against each other. This system makes each sport league a monopoly consisting of oligopolies (the teams that makes up the league). Further, in the sports industry the real competition lies in the competition from other sports, for example when baseball is competing with football (Neale, 1964).

Competitive balance can be seen as the key driver of all leagues which must be maintained to some extent, as no customer is motivated to watch their team play if the outcome is pre-determined and not in their favor. The customer wants to see his team improve in the standings. Hence it is common to see teams performing bad attract less spectators to their games compared to teams that are more likely to win their opponents. I.e., more people pay ticket fees if the team is better than the opposing team (Zimbalist, 2002) (Neale, 1964).

Different sports leagues have different rules of governing how the competitive balance is upheld within their league. In America, all leagues utilize a draft system, although the draft system works a bit different in the leagues. In the NFL, the team that performs poorly and finishes last according to the standings is the first one to select the “best” player coming out of college (NFL, u.d.) MLB follows the same system where the order of the draft is the reverse order of the season standings. I.e., the best picks last and the worst performing team picks first. Some leagues combine the draft system with a lottery, for example, the NHL allows the 14 teams that did not make the playoffs to enter a lottery that determines the order of the picks. The NBA uses the same 14 teams that did not make playoffs rule, but the lottery only decides the first 3 teams, then goes back to the reverse order of previous season (Draftsite, u.d.). On top of this draft system there are also more rules to ensure competitive balance such as salary caps, that puts a limit on how much a team can spend on their players every year and allows new and smaller teams to compete with the old and stronger teams (KU, u.d.).

In Europe, the market is different (due to the Bosman verdict 1995) and there is no draft system to keep the competitive balance in place, instead money is the main decider due to an open market structure, wealthy teams can spend more on talent (players) and via this gain an advantage over others and maximize their winning chances. The teams that were popular around the time of the big globalization of sports attracted more broadcasting and merchandising deals and became via this wealthier (Dejonghe & Opstal, 2009). The gap between big wealthy teams and smaller teams is therefore quite significant in Europe. For example, in the German football league the team Bayern Munich is the favorite to win the league every year (and usually does so), and in Spain the real competition for the league title is between the teams Real Madrid and Barcelona (Badenhausen, 2015).

Consequently, this has created a market for other teams as they can monetize the development of talent that will be sold to the bigger and wealthier clubs (Wladimir & Staudohar, 2002).

The recent growth of the sports market has attracted wealthy private investors who are looking to invest into teams. Many teams are now owned privately as it is possible to earn returns on the money invested from sports team's business operations. Private majority investors run these teams like brands, in order to maximize the benefits of merchandising but also tickets sales and broadcasting revenues. In Europe private owners can "invest" in superstar players to increase the likeability and interest of the team as well and the odds of winning games since they theoretically own all the rights according to the property rights theory (Rohde & Breuer, 2016).

The biggest source of income is always the broadcasting rights, and teams in the leagues usually share this revenue via something that is called revenue sharing, and it is part of many sports leagues (NFL and most major European football leagues, not the Spanish La Liga however) that allows the league to benefit altogether from different revenue streams,

that they are part of producing. Broadcasting rights are negotiated by a league and then split between the teams (Badenhausen, 2015). To illustrate, the NFL has broadcasting deals in place for the time period of 2014-2022 for 39,6 billion dollars (Eckstein, 2019). In order to provide context on how rapidly the growth is rocketing upwards over the years, the NFL recently renewed the television and streaming rights in 2021 for an 11-year long deal worth over 100 billion dollars. Interesting is that non-traditional television companies such as Amazon are entering the fight to the streaming rights, and Amazon managed to obtain the exclusive rights to stream all the upcoming NFL games airing on Thursday's during the regular season for the following 10 years at the sum of approximately 1 Billion dollar per year starting from 2023 (Sherman & Young, 2021). In the English Premier League, the new broadcasting deal for the time period of 2019-2022 for 9,2 billion pounds (Carp, 2019). In Europe there is also the highly coveted football competition called The Champions league and Europa league where teams throughout Europe qualify to play in. These teams that qualify and participate can therefore earn extra broadcasting rights money (on top of their own league broadcasting deal) for participating in these tournaments (Badenhausen, 2015).

On the other hand, critics say that there is no real basis as to why this field should exist at all, as it lacks merit due to its difference from traditional organizational structures. Further, they claim that very little useful information can be derived from the insights into the sports business sector as the metrics regarding organizational performance and worker performance are irrelevant. The growth of this field derives more from the love of sports than for actual interest of pursuing knowledge, therefore it could be classified, according to the sceptics more as a hobby than real field of research. Luckily for the sake of this research, we cannot disregard the field just on the basis of this, as the sports industry is too huge, and too lucrative to ignore on this basis as there is simply too much money involved, people employed and interest for the field overall. It also contributes to other factors such as wellbeing of nations and individual health benefits. Depending on how the data and information that is found in the sports industry is used, it is possible to see and understand

how markets and firms operate, and these are essential economical questions, whose answers shift as they adapt to the changes (Bryson, Frick, & Simmons, 2015).

### **2.2.3. Sports Management and Administration**

Traditionally, as the sports economics and the idea of sports teams being businesses has not existed until the last 10 maybe 15 years, where the concept first started gaining some traction in the business world when it made the transitions from niche product to a topic that got included in mainstream economics and even eventually into academic sections. This has paved the way for sports related management to enter the field as well, and sports management is now a real profession and researchable field. This growth in the sports industry has also enabled new industries to grow alongside them, such as the sports betting industry (Matheson & Von Allmen, 2014).

With sports being considered as a business there are still different meanings to different audiences involved. For example, athletes use sports to achieve fulfilment, fame or the way of life. Others see it as a means to fitness or plain and simply for the gambling purposes. Governments on the other hands see the opportunity of sports tourism, active people and tax money generated. The sports industry is complex and hard to grasp, as it involves more than simply the sports being played. It includes merchandise, sports equipment and even apparel and shoes. The sports industry is in America alone twice the size of the car industry, which is no small feat. This growth and size of the sports industry has caused the increase in the need for professionals working in sports marketing and most importantly sports management and this trend is expected to continue increasing as people age and leisure activities are getting an increased role of in our lives as society evolves. As with all organizations, right people in the right places are key to performance outcomes. Also, in sports management it is essential to optimize the correct human resources management. Recruitment is therefore important, however in the sports industry it is rather tricky

because it is threefold; recruitment of athletes, sports professionals but also administrative workers for the sports organization all adds up to the finalized product (Ratten, 2011).

With sports management and administration is on the rise, and more and more attention is being put onto those that is in charge of the operations at a sports team, a role that typically referred to as “General Manager” or “GM” in the sports world. These General managers are in charge of building and setting a team together via taking care of contracts and deals with players and coaches. Earlier in history these individuals have been operating in the shadows of the flashy sports games and the star athletes, but now there is a shift and especially sports media is starting to put the spotlight more and more onto management of these sports team and how they do their managerial tasks and administrative work is becoming more interesting as this is something that we can trace back to the success or failure of the team that season (Buehler, 2018).

Sports administration is all about taking administrative practices and concepts and applying them in the sports world in attempts to control, plan and create directions for how to proceed. Management in the sports world differs from the administrative part by being more focused on controlling how to make the sports organization act together and attempt to achieve the goals that are set. Although, existing as a concept for a longer period, the scientific approach to sports administration is relatively new (Silva, Barra, & Vitorino, 2016).

On an international scale, sports management is interesting and unique because of how it much the product of sports can influence the economy around the globe. Under the umbrella of international sports management, we can see traces of (in the context of sports) entrepreneurship, tourism, branding, marketing, development, CSR amongst many other things which is why so many businesses are attracted of venturing into the sports industry due to the extreme international interest there is for sports. The structure of sports is universal and cross-cultural, consumers understand the rules which is why the audience can

be so big which correspondingly makes it ideal for sponsorship deals. Also, technology advancements have enabled the previously local sport products to be viewed anywhere and even more so with the internet. All of this has caused sports to become a bridge between international crowds and groups that can allow new opportunities for everyone involved (Ratten V. , 2011).

#### **2.2.4. Sports Industry in Finland**

Finland has a thriving interest for sports and produces numerous stand out athletes in many sports. Finns are also very active themselves and according to a survey conducted by European Commission in 2010, Finns were the most active people. The interest is found in both adult and children categories showing that there is interest in youth sports, as well as adult sports in Finland as well. A huge part of work around sporting events come in the form of volunteer work, called "Talko" in Finland, where people volunteer their time to help out around sports events and activities. It is even measured to amount for an estimate of 1,5 billion euros work of volunteer work happening in the country. During sporting events where Finnish athletes are participating on a international event, Finns are notorious for rallying around these athletes with a strong fan culture, reports show that it can be as much as over 70% of the population is attending or watching the games via many platforms of television and media (Sahala & Koskela, 2011).

The biggest team-based sports in Finland are Ice Hockey, Football, Basketball, a Finnish variant of the American Baseball called "Pesäpallo", Volleyball and Floorball. As population is very scarce (and therefore limitations to spectator-based income) in the country of Finland due to the geographical reasons. In a research about what is needed to ensure surviving as a team in highest leagues of respective sports, it was noted that a population of around 60,000 is needed to sustain an Ice Hockey team, 22,000 for a Football team and

only 10,000 for sustaining a Baseball or “Pesäpallo” team. And although, Ice Hockey is the most popular sport in the country, they costs associated with Ice Hockey team are so much higher than for a Floorball team and therefore we only find Ice Hockey teams (competing in the highest division) in the biggest cities of the country. A research about attendance from year of 2006, we can see how the sports rank according to popularity in Finland.

Sport:	Popularity:
Ice Hockey	25,5%
Football	16,8%
Baseball (Pesäpallo)	5%
Floorball	3,8%
Volleyball	3,4%
Floorball	3%

Table 2: Sport popularity ranking by Suominen (2017)

The most popular sport in Finland is Ice Hockey, and the highest sports league for Ice Hockey is called Liiga, a league consisting of 15 teams:



Figure 7: Logos of the teams participating in Liiga.

Team:	City:
HIFK	Helsinki
HPK	Hämeenlinna
Ilves	Tampere
Jukurit	Mikkeli
JYP	Jyväskylä

<b>KalPa</b>	Kuopio
<b>KooKoo</b>	Kuovola
<b>Kärpät</b>	Oulu
<b>Lukko</b>	Rauma
<b>Pelicans</b>	Lahti
<b>SaiPa</b>	Lappeenranta
<b>Sport</b>	Vaasa
<b>Tappara</b>	Tampere
<b>TPS</b>	Turku
<b>Ässät</b>	Pori

**Table 3: Table of the teams participating in Liiga with names and home city.**

Every team plays 60 regular season games according to the format called “quadruple round robin with extra local double rounds”, meaning that the teams play all opponent four times, and then an extra two games per local opponent. The top 10 teams according to the standings advance to a playoff format, the 6 highest ranking teams according to win rate, advance directly and the 7-10 ranked teams play best out of three matches, the two winners of this mini play-off version advance to the other play-off teams and they proceed to play best out of seven series until a winner can be crowned (Liiga, 2021).

During the season of 2020, the COVID-19 pandemic virus had its first wave that disrupted most activities worldwide. The season of Liiga 19/20, came to a halt and was eventually stopped completely during its play-off stage, without crowning a Finnish championships winner at all. This hit the whole Liiga very hard, as the play-offs are the highest income games, due to the highest number of spectators and overall sales of the organizations. It is estimated that the loss was about 10 million euros for the Liiga in total during the spring of 2020 from this decision.

Finland second division football league; Miesten ykkönen.



Figure 8: Logos of the teams participating in Ykkönen (2021-2022 season).

Team:	City:
PK-35	Helsinki
Jippo	Joensuu
Musan Salama	Pori
Ekenäs IF	Tammisaari
IF Gnistan	Helsinki
HJK	Helsinki
MP	Mikkeli
Jaro	Pietarsaari
KPV	Kokkola
RoPS	Rovaniemi
TPS	Turku
VPS	Vaasa

Table 4: Table of the teams participating in Ykkönen with names and home city.

The Finnish football league 'Ykkönen' is the second highest football league following 'Veikkausliiga'. Ykkönen consists of 12 teams that play according to the double series format. After this the league is divided into the higher bracket for the teams ranked 1-6, and lower bracket for the teams ranked 7-12. For the remainder of the season the teams play a single series format. The winner (the team with the most points) of the higher bracket qualifies directly to the highest football league in Finland, Veikkausliiga. The teams ranked 3<sup>rd</sup> and 4<sup>th</sup> in the higher bracket play each other and the winner gets to proceed to play the 2<sup>nd</sup> ranked team, and the winner of this match moves on to the two series qualifiers for

Veikkausliiga. In the lower bracket the teams that are ranked 10<sup>th</sup>, 11<sup>th</sup> and 12<sup>th</sup> all drop down directly to the sports league called 'Kakkonen' below Ykkönen and have to play there for the entire next season and can only rise back up to Ykkönen if they fit the criteria of qualifying in Kakkonen (Ykkönen, 2021).

As Ykkönen is below Veikkausliiga, naturally the budgets and money involved is also significantly lower.

### **2.3. Synthesis and introduction of four-part framework**

In the literature review it became clear how dynamic capabilities work and their function in management research. Not all capabilities qualify as dynamic capabilities as there are certain criteria that need to be met. Most important being that it cannot be developed by random actions because dynamic capabilities require deliberate actions in order to qualify. Further, dynamic capabilities must be created with the intent of achieving some degree of competitive advantage, and finally, the capability must be sustainable i.e., not an action that cannot be replicated in the future. This does not mean that the organization in question does not develop good and useful capabilities, just that there is a difference in the established criteria. What is more, a dynamic capability developed by an organization does not automatically improve the organization for the better by granting immediate better results and performance.

The sports industry is an industry held back by the wrong perceptions. It is not until recently that this perception is slowly starting to change, but it is not yet an approved research field in general academic studies, but it is starting to gain more and more interest. From the literature review it is possible to observe how the industry has emerged from history and understand how the money this industry commands are generated. Introduced in the

review literature is also a small overview of Finland's sports world, the realm that this research positions itself within.

The following four-part model is an attempt at empirically bridging management studies of dynamic capabilities with the sports industry and will function as the framework in which the data collected is compiled after it has been analyzed. The framework is designed in accordance with dynamic capability procedures but tailored to fit the sports industry. It is important for the reader to understand that all capabilities that an organization develops does not qualify as dynamic capabilities, as specified above.

The framework therefore is based on the model provided by Teece (2007). The first block representing the "Cause of Change" will in this research always (with one exception) be COVID-19, as this is the foundation of the research, but could be used in other circumstances under different causes for the change, that takes place in a situation that mimics the sensing stage. The second block mimics the seizing stage, when something within the business needs is changing and is becoming a problem but highlights that it is designed for the sports industry business situations. Thirdly, we have the transformational stage, where the action is taken to enact on what the two earlier phases has discover in an attempt to correct them. Finally, the framework arrives at the capabilities the organization was able to develop during this time which counts as updated resources base within the organization. The dynamic word is in brackets, as not all capabilities qualify as dynamic capabilities, and in the end of the cases, the dynamic capabilities will be highlighted.

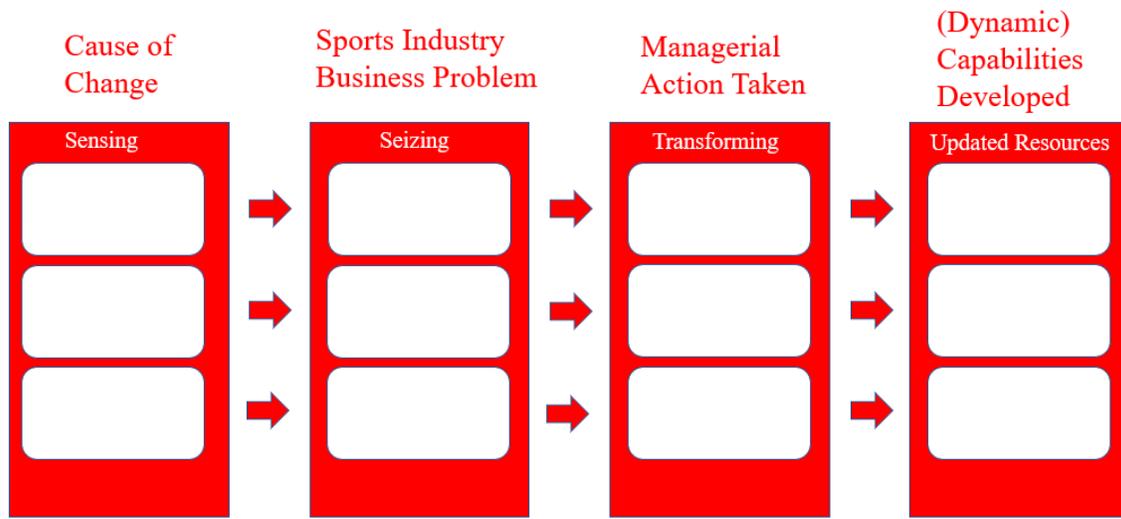


Figure 9: Framework created by the author for the research.

### **3. METHODOLOGY**

This section will explain the methodology behind the research in the thesis. The section will cover research strategy and method, case selection and finally, also go over the data collection and the analysis of the data collected.

#### **3.1. Research strategy and method**

This thesis will follow a research strategy that is based on qualitative data collected via case studies.

Case studies are amongst the most flexible in terms of research design as they can be very comprehensive and still allow for the observation of empirical data. Case studies will utilize data collected from a singular case or multiple cases. It is a perfect research strategy for investigating a certain phenomenon directly in its correct context. Even at very basic standards of conducted case studies, it is possible to retrieve detailed information from one or more cases that can be used in academic work (Schell, 1992).

Case studies are typically classified as either exploratory, explanatory, and descriptive. This research will use the angle of explanatory due to explanatory case studies often relying on answers to the 'why' and 'how' questions, as we wish to examine how dynamic capabilities develop during a challenging time. Explanatory case studies are good when wanting to find out a certain phenomenon using existing explanations via isolating certain processes in their real-life context (Schell, 1992).

As this research takes place in a highly un-usual setting, it is good to start with the answers to the 'how' questions before looking to understand and create the 'why' questions.

As previously stated, the research will be based on the qualitative data. Qualitative data consists of primary and secondary data that is collected by the researcher. Primary data in the case of a qualitative case study research would be the interviews of the selected cases. Qualitative data normally has the advantage as it is possible to accumulate more detailed data, as the secondary data can be used in addition to the primary data. For example, it is possible to use written documents in order to explain a certain managers decision, and it is also possible to also utilize sources of data stemming from other sources than the written document itself, to interpret the decision further. The alternative sources are commonly called non-written materials, and these can be anything from pictures, recordings, to reports on the television (Saunders, Thornhill, & Lewis, 2007).

The interview will be formatted according to the semi-structured interview format, as this creates the perfect setting for any qualitative data-based research interviews (and therefore also this project), and this format is considered the standard for any qualitative research interview. The general idea is that there is a set of themes and question to cover during the interview in a one-to-one setting, but how the questions and themes appear is more tailor made for each interview case. This is beneficial as the extra amount of flexibility allows to potentially skip some pre-structured element, but also to add another question should it be required, depending on the case. This interview type can happen over face-to-face questioning, over the phone and by the use of internet aided sources (also known as electronic interviews). What is more, in the case of an explanatory study setting, it is wise to utilize the semi-structured interview setting as this can aid in understanding certain variables, based on the answers of the interviewee (Saunders, Thornhill, & Lewis, 2007).

### **3.2. Case selection Process**

In this research, a case means one sports team from Ostrobothnia, that is active in an officially recognized sports league competing in Finland. The aim and hope are to acquire

information and insights into how dynamic capabilities have been developed during the COVID-19 pandemic. Selected interviews with a sports team have been made so that the research will be representing more than one sport. From Liiga, Vaasa's very own Vaasan Sport, a professional Ice-Hockey team.

### **3.3. Data collection**

The data collection for this research happened over one-on-one interviews carried out via telephone, according to the semi structured format. The interviews were held with the respective CEO of the organizations selected for the research. In the first case of Vaasan Sport the interviewee was CEO Tomas Kurtén. In the second case of FF Jaro the interviewee was CEO Fredrik Haga.

As the situation of COVID-19 prohibits face-to-face meetings (that would normally be considered the ideal way of conducting interviews, as body language and other social cues can also be interpreted), the interviews were carried out with the help of a telephone. Interviews carried out over the phone are considered COVID-19 safe and approved way of communicating for all parties involved. Telephone interviews also fits within the boundaries of a semi-structured interview set by the authors Saunders et. al. (2007).

The interview language was Swedish, as it was the mother tongue of all the parties involved and also the most fitting language in order to maximize the interviewee's ability to answer the interview questions without any constraints set by trying to speak another language. During the interview, the key themes found in the answers presented by the interviewee were noted down, and later expanded upon. All the quotes used in this research have been translated from Swedish to English by the author.

The interviewees were provided a set of interview questions along with sub questions in order to potentially trigger inspiration for answers (see appendix 1, and the Swedish translated version in appendix 2), and make sure that the answers are not too plain and low on information. These questions were sent in advance by e-mail so that the interviewee had access to them during the interview itself.

The approximate time of each interview was 30 minutes. During the interview sessions notes was made of the things discussed. Immediately after the interview these notes were expanded on to make sure that the information was written down while still as fresh as possible.

### **3.4. Data analysis**

Data analysis for this project is done first by treating the case individually, by analyzing the cases as a within case. Once the within-case is analyzed, the case goes into the second phase, cross-case analysis. This process is considered standard procedure in thesis works and recommended for those students orchestrating a qualitative research.

In any qualitative data-based research the main strength is the individual responses as they answer the questions differently and can therefore bring a whole other richness to the research. To maximize the utility of the qualitative research the author has to treat the interview cases as individual cases by doing a within-case analysis and treating it as its own entity. At the same time, it would be of no use to just present a large amount of data when only certain key parts might be relevant for the study. Therefore, the within-cases are analyzed separately, but the research also take into accounts similarities or patterns that the author can discover via the cross-case analysis. This process ultimately allows the author to draw more relevant generalizations (Ayres, Kavanaugh, & Knafli, 2003).

The within case analyzed by reviewing the notes, quotes, and compiled information. All the data that was collected during the interviews are review, explained and analyzed during the findings section. This process will also yield un-related elements as the interviewees discussed things that are not directly related to the research topic but provides a better view and understanding of the manager, individual and situation. In certain cases, secondary information has been used to better specify, expand, or clarify certain points.

Those discussed points that qualify for the topic will be placed into the four-part model created by the author, where the process becomes clearer for the reader, via putting discussions into a relevant observable theory part.

After the within-case is done, both cases are observed via the cross-case analysis to find patterns between the cases. The cross-case analysis will ultimately reveal if there are any common dynamic capabilities developed in the sports industry of Finland during the rapid change brought by the COVID-19 virus.

### **3.5 Assessment of the quality of the data**

When assessing the quality of a qualitative research, the author Stenfors et. al. (2020) provides four criteria that can used:

First, we have credibility that generally determines if the research is trustworthy and plausible. This is possible to spot if we observe the overall alignment between the different parts of the research. In other words, does the theory part, research questions, data collection, analysis and results match. Further, the analytical process must be adequate for the framework used.

Secondly, dependability. This measures the ability to replicate the research in the same conditions. The research must provide enough information so that the research process can be replicated, possibly yielding different results.

Thirdly, confirmability. This criteria measures if the author has established a link between the research data collected and the findings section. The research must be made by providing detailed descriptions and explanations of where the findings stem from and how these were arrived at.

Finally, transferability. A criterion that measures if the research could be transferred to a different setting, different context, or different target group. This means that the research should provide good grounds for what context the research was done in, and if or how this affected the results (Stenfors, Kajamaa, & Bennett, 2020).

## 4. FINDINGS

The following section will provide the results of the empirical field work. The cases will be presented, and then followed by the within-case analysis. After both cases have been analyzed according to the within-case phase, a cross-case analysis will follow in order to detect common patterns for the cases.

### 4.1. Within-Case Description and Analysis

Both cases will be described and analyzed according to the interview themes and will follow the same structure also in the analysis of these.

#### 4.1.1. Hockey-Team Vaasan Sport



Hockey-Team Vaasan Sport (hereinafter Sport) was founded 1939 as a sports organization called IF Sport (Idrottsföreningen Sport). The Ice-Hockey segment was founded at a later stage in the year 1962. This sparked an interest in Ice-Hockey in the region, and Sport built the fourth ice hall in Finland, Vasa Arena and joined the (at the time called) SM-Liiga in 1975. However, the Sport team was not very successful and was deregulated just a years later. After this quick stint in SM-Liiga, the overall interest for Ice-Hockey was placed in a low conjuncture where it stayed until the 90's, when the team started to produce better results again.

The major milestone for Sport came in 2009, when the team managed to win the "Mestis", (which is the sports league for Ice-Hockey below Liiga) but was unable to advance back into

SM-Liiga as they lost in the regulation series. Sport won “Mestis” also in the years of 2011 and 2012, but also face the same fate in the regulation series and did not manage to advance any of the years.

Sport was finally awarded their place in Liiga, when the team “Jokerit” announced their move into the Russian major hockey league “KHL”.

However, the Sport Ice-Hockey team has not seen much success in Liiga, and only has 2 playoff appearances to their name (COVID-19 season of 2020-2021 included). The team has made renovations and expanded their stadium, which is the base of all Sport organizations operations. The newly upgraded stadium is still based on the one built in 1971, but now called “Vaasan Sähkö Areena” and can host up to 5200 spectators along with other facilities that will help the organization boost their business (Sport, 2021).

As COVID-19 continues to have devastating effects 2021, the managers of Sport, Hiltunen and Kurtén explained that the turnover would drop dramatically. An approximate loss per game without attendance is 75 000 euro. A situation like this makes it very hard to have any sort of positive outlook for the future, and in the Sport organization, the managers were questioning themselves if there is any point in competing at all in a situation like this. They further stated that they “need support packages from both state, city, sponsors and fans in order to survive the situation”. To make matters worse, Sport just recently re-opened their newly remade arena, that has only seen 7 games with spectators (Kyheröinen, 2021).

**1) How has the COVID-19 pandemic affected your business operations? Apart from the obvious loss of spectators and revenue generated through these.**

When discussing this theme during the interview stages, it became evident that the core business operations have not shifted maybe as much as one would think. The overall

mentality from the Sport leadership is to ride out the COVID-19 and do any action necessary to survive as an organization.

Relationships with key personnel such as players, staff and coaches has not changed much either, but this is most likely as the situation the COVID-19 has put everyone in is happening for everyone at the same time. Therefore, both players and other staff members are happy to oblige new contracts and salary reduction, and in some cases lay-offs. This process is also something that other teams in Liiga has gone through and the overall consensus in the Hockey world of Finland is that it is something that needs to be done.

During the discussion of the sponsors, it was brought up if there was any threat of any pullback from the sponsors. However, Kurtén explained that there is no imminent threat of this, but of course should the situation continue several years there would most likely be a shift in attitudes from key sponsors, as well as personnel. Further, he placed emphasis on active communication with sponsors and companies etc. and explained how all forms of negotiations and communication swapped to online sources like zoom or other video call services and other forms of internet aided forms of communication, and at the moment the entire core group of sponsors were happy to continue backing Sport as a hockey team. The customer base (in terms of sponsorships) is still the same.

In terms of the sales and marketing processes, Kurtén stated that the most changes have come from revising and changing the product portfolio via swapping out certain products and introducing new ones. For example, cartoon figures with picture of the fan that any Sport supporter could purchase, and these were later put up into the stands to be seen during the televised home games. Also, the move into mainly digital marketing and sales is something that the organization has also managed to move into. Also, the utilization of their own social media channels has increased during this time.

**2) Has there been any business-related problem, that outsiders do not recognize yet?**

Discussion about this theme yielded some similar answers to what was covered during the previous theme. For example, the fact that should the COVID-19 situation continue, Sport would most likely have to start rethinking their business and how they can deliver their product completely. As Sport is active in domestic entertainment, and the way it works at the moment, Sport has no future should the COVID-19 continue. But as Kurtén explained, Sport would not be alone as there are many more actors in the sports league of Liiga and they would most likely be able to work on this together.

Kurtén also explains how Sport is mainly in the showbusiness and in the restaurant business, and that the biggest products they sell are events, experiences, and food/beverages. They are in the same situation as the hotel industry and travelling industry because these also rely on many of the same elements he listed and that these kinds of business does not work in a pandemic state. Therefore, the mindset has to be focused on surviving this year of COVID-19, but if it continues or the situation escalates for the worse again, they will probably have to change a lot, if there is any reason to even exist, that is.

*“It might be as fun to play NHL on the Playstation, but it is not the same thing as attending a live hockey game, as it is an event”.*

The powerful quote by Kurtén above, illustrates how the perception of what is “fun” for a customer can be found in many different activities, but all activities can never provide the same experience as the event-based businesses can. By being good at creating experiences, Sport can provide a product that is not easily replicated as the planning, setup and arrangement required limits the number of events available in the same area, that are provided by competitors in the event/experience market to the customers. The continuity of the way Sport delivers sports games as events qualifies as a sustainable competitive

advantage if we observe the Sport organization from an event-based business provider point of view.

Further, the introduction of the idea that Sport is an organization in the restaurant and event business is a fresh set of perspective, that the author had not previously possessed. It proves that the Sports industry is a lot more complex than originally interpreted as we have to include the other businesses existing in the same eco-system as the Ice-Hockey team itself.

Also, if we return to normality in society, will people still want to physically attend the games anymore? This question was also covered during the discussion. Kurtén however believes that there is a pent-up demand for the need for something to happen. By being a domestic product Sport hopes to capitalize on this. As traveling is most likely the last thing that is going to become completely opened and returned to normality, people might turn to other ways of entertainment instead. As people have not been able to spend on vacations and travelling there is more money waiting to be used.

This is arguably more speculation, than hard facts. Although, there is truth to these things there are more than the will to spend driving consumer behaviour. People not interested in following or spectating Sports Ice-Hockey games are not going to start spending money simply because they cannot travel like they normally would. There must exist some kind of interest of the product that Sport can offer, before customers would consider spending money on it. But regardless, there are many people in the Vaasa area that we can place under the "slightly interested" label, and maybe the loss of alternatives can push these more towards domestic Ice-Hockey.

Kurtén also keeps things realistic as he covers the risk of retired people and people belonging to any sort of 'high-risk group' not being able to attend as they used to in the

past. At the same time, he also ventures into the in-stadium related activities, explaining that Sport is also in the restaurant business with the restaurants and other facilities found inside, and the risk that people might not buy and consume at the same pace, due to fears of spreading the virus via for example eating a hotdog. This is something he claimed that the Sport organization would address and they most likely would re-arrange the que building system inside the stadium.

### **3) What actions have you taken, as manager, to overcome these problems?**

Kurtén emphasized during the discussion of this interview theme, that they are indeed doing any action necessary. They are following a lot what other actors in Liiga are doing. Maintaining communication with most parties involved.

The importance of adequate communication is key in any situation or state of a business. By being able to quickly find new ways in order to ensure this can be maintained is a sign of competence evolvment, although it is by no means revolutionary to switch to online based communication it is still deliberate actions made by the organization and also a sign of good recognition skills by recognizing the importance communication with all parties in a time of uncertainty.

New ways of acquiring income have been for example, from the introduction of a Sport 'stock emission', where the organization released stocks, that the supporters could buy. Via completing a purchase, the buyer would receive certificate of ownership, voting rights and other benefits in the organization. Effectively allowing fans the possibility to become small-scale owners of the Sport organization.

Any new ways of acquiring resources to ride out something like the COVID-19 is aiding the organization. Although, this decision is deliberate and creative, it does not fall under the

development of a dynamic capability, as this is not something that the Sport organization can continuously keep on doing in order to gain competitive advantage.

Returning to the product portfolio, Sport could of course not sell lounges for companies anymore, that was part of their traditional services. Instead, other products had to be developed. And as Kurtén already explained with the cartoon figures sold before the season started at an earlier stage in the interview. Also, other products are new for this year and so far, they are content with what they have managed to create. Customers have for example enjoyed collaborations with the local (to Vaasa) brewery Bock's, that created the "Sport olut".

The city of Vaasa, agreed to a decision to reduce the rents for the stadiums of the sports teams in Vaasa, greatly benefitting the Vaasan Sport Ice-Hockey team and the biggest football team of Vaasa called VPS. Although this was good news for the CEO Tomas Kurtén, he still believes there will be a need for more supportive action to survive the COVID-19 crisis.

When discussing what his biggest fears was once the first wave of the COVID hit, Kurtén explained that just the whole pandemic situation overall was very overwhelming, how it went from public explanation that the virus was probably just like any other winter flu to a complete lockdown in a matter of weeks. As a manager during this time, the lack of information and not knowing what to believe nor what actions to take is extremely tedious. He continued that; the situation made it seem like there was no hope nor any light in the end of the tunnel. During all this he still had to make ends meet and address the economics of the organization, and he describes the process as frustrating. When a lot of people are looking to you as a leader for answers and directions, and there are none to give, everything adds to the frustration of the whole COVID-19 situation. This proves how psychological factors also impact business via affecting the people in leadership roles.

At the time of the virus outbreak there was talk amongst the Liiga media outlets, that as Liiga completely cancelled their season without playing the play-offs at all during the 2020 season, Telia would technically have the right to void the massive contract signed with Liiga as they could not deliver the number of games that was promised and the fact that there were no force majeure clauses at all in the Telia contract. When this was brought up with Kurtén, he explained that in the re-negotiations with Telia, they wanted to keep the Liiga as their product and that they had determined that Liiga was still valuable to them and the situation was solved via re-negotiating the contract to fit both parties.

Although, this was not something that was discussed in greater detail during the interview with Kurtén, he did mention that the organization had received some support packages. Luckily, in the world of transparent sports media, there was reports of support packages issued by the state of Finland for the teams of Liiga. Yle.fi reports that the highest support received HIFK at 421 865,95€, and the lowest support package going to the team Jukurit at 60 143€. Interesting for the research case is also Vaasan Sport, which received the support package of 217 083,31€.

#### **4) If nothing else, what have you learned as a manager, for the future in dealing with a crisis and rapid change?**

During this final discussion theme, Kurtén arrived at the conclusion that he thinks it is still too early to know what he has learned from this time, as we are all living in the situation still. When the situation has passed and we return to normality, it will be easier to reflect the whole situation.

As of writing moment of this project, COVID-19 restrictions are still in play and the Liiga season is not over, and no spectators are allowed into that home games. Therefore,

Kurtén's statement makes sense in a way that acknowledges that he as a leader is still trying to keep things together, and the organization moving forward and that there has been no time to slow down and reflect about learning experiences at this stage.

Kurtén did state that Sport as an organization has greatly managed to improve their service processes and everything associated with services within their organization and especially, he highlighted the service delivery. Their digital processes are also improved, but he believes there is still more work to be done in this category. He also believes that once they start getting people back into the stadium and society is looking more normal that they will be able to see more empirically in what areas they have improved and in what areas they need to improve.

It is positive that he at least is able to acknowledge some improvements that Sport has made as an organization already at this stage, although he deliberately stated earlier that this is most likely something better observed in retrospect. Improvements into the service sector of their business will always help Sport as an organization regardless of what situation that they find themselves in. Also, the digital improvements that they have made are also important, as society is becoming more digitally oriented all the time.

When asked if he has been able to sense any new opportunities at all during this pandemic time, Kurtén took a defensive stance and explained that there is not really anything opportunity wise that they have been able to do as an organization, and once again returned to the mindset of surviving rather than trying to change the organization. Many of the "new things" or innovations are usually worked out with the rest of the league, and not directly in Sport's control.

This "survive now and fix things later" approach is a continuous theme throughout the interview. Rather than attempting creativity it seems that the whole Liiga and the teams

participating in it are locked in on the idea that this is a terrible year, but if they can survive it things will be better in the future. However, we have no actual hard facts that state that things will turn immediately for the better once the people of Finland get vaccinated. Living on the hope can be dangerous if the thing that they are hoping for does not happen.

This interview theme also allows us to notice that Sport is very much dependent on Liiga. A lot of processes are benchmarked with other actors also participating in Liiga. Innovations stem from Liiga's directives and the whole league follows. Practices and actions of the other teams participating in Liiga, and what they are doing is something that Sport appears to monitor and observe carefully. It seems like most of the Liiga teams follow the same procedures in a situation like the COVID-19 pandemic.

Kurtén also offers his dissatisfaction with the government and the leaders of the country of Finland. The fact that there was no direct and easy to follow guidelines to follow is something that he would have wanted. It has been ups and downs during the whole year, for example, during the summer it was free living and an open society and then we move back and forth between lockdowns and more open again. The leaders of the country have also treated industries different and there has been no clear red line throughout the board. For example, people have not been allowed to attend ice-hockey games for a long time, but other places have been open, and the city of Vaasa is accepting foreign students to their universities. Constant lack of information makes it hard for any CEO or organizational leader to plan according to.

This once again brings us back to the psychological factors that affects the entire field management in general, and how big role psychology and the individual plays when discussing decision making and actions in a prolonged negative situation. It is important to also assume that those in charge of applying and enforcing the regulations from the government are also acting in an equal state as Kurtén, in other words without all the

needed information and knowledge of what is the right decision and what is wrong one. Further, the government must make decision based on the whole country and cannot be focused on a single industry. But nonetheless the emotions and frustrations are still real for all parties involved.

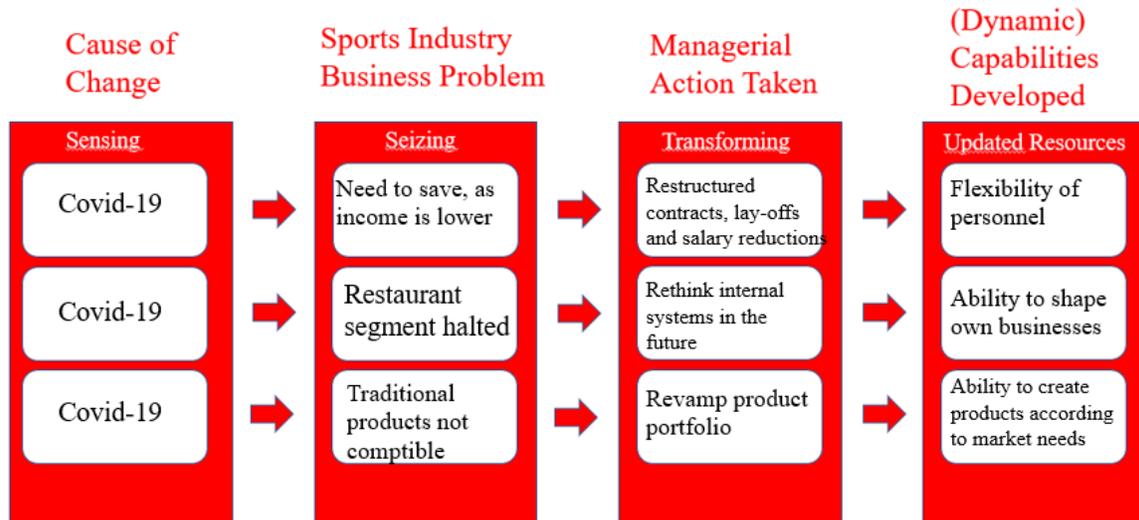


Figure 10: Filled framework; Part 1 of case Sport.



Figure 11: Filled framework; Part 2 of case Sport.

#### 4.1.2. FF Jaro



The second case is done of the football organization FF Jaro (hereinafter Jaro) of Pietarsaari. Jaro is active within the second highest football league; Ykkönen.

Jaro was founded in 1965 when the team placed emphasis on being a two-language football organization. They took the name FF Jaro JS and absorbed the existing football and junior football operations existing in Pietarsaari. Jaro took the name of their biggest sponsor “Jakobstads Rostfria” (the first two letters were used, JA-RO), and was actually the first team to name themselves after a sponsor in Finland.

As the organization was founded so early on, they have experienced their fair share of ups and downs. In modern history the proudest moment happened in the year of 2010, when the organization managed to achieve the fifth spot in Veikkausliiga, the highest division of professional football in Finland. However just five years later in 2015, Jaro was demoted to Ykkönen where they are still competing today.

**1) How has the COVID-19 pandemic affected your business operations? Apart from the obvious loss of spectators and revenue generated through these.**

The discussion of this interview theme yielded interesting discussion about how the football has worked surprisingly normally in the Finnish society during the COVID-19. Haga explained how Jaro has had surprisingly high amount of flexibility and levels of normality, and is as the

interviewee Haga noted, been allowed to operate surprisingly free. For example, Finland is one of the few nations where football was played normally during the time of COVID-19 and even with spectators allowed to the home games (although, there were restrictions). This is rather unique if we look back at the situation, as the Finnish football scene was up and running actively with people in attendance a long time before the other major European league could start up their leagues, without spectators.

*“If we view Jaro as any other company, the workers were able to go to work and do what they are paid to do, in other words the players were able to play and therefore create the product we sell”.*

In terms of sponsors and sponsorships, 80% or more of the sponsors are completed during the winter period of the year explains Haga, and the quote below shows that the Jaro as a organization was in a very good position even as the virus hit.

*Before anyone could even spell COVID or Corona, we had secured 80% of all sponsorships and was therefore very ready for the upcoming season.*

The sponsors have changed a bit, but as Haga ensures, this is normal procedure in the industry and should not be considered purely COVID-19 related. There is a certain cycle all the time in this industry when different sponsors enter, and others drop out. However, Haga has noticed that the small one-man companies that normally sponsor within the range of 500€ to 1000€ are not as many now as they used to be, so these fall under the category of COVID-19 related losses of the Jaro organization. With 80% of the sponsors secured, the final 20% might seem minor, but these also add up for an organization such as Jaro. But as some opt out of sponsorships, other companies are interested in their place. Many new sponsors were found to salvage the 20%. Jaro has a budget of around 600 000€, and out of these, half of the amount are generated through the sponsorship deals. This proves how much of the foundation that was laid already during the winter season.

**2) Has there been any business-related problem, that outsiders do not recognize yet?**

Haga finds that the biggest concerns in this category of the interview is that the COVID-19 pandemic has managed to change the behavior of society. He fears that people might have become too content with the distance working conditions and maybe in the future would like to enjoy the football games from the couch, rather than travelling to the stadium in Pietarsaari. He especially highlights, that as streaming services are now very normal in the households, and for example Ruutu and Elisa are now offering the games of the league Ykkönen for the low sum of 8€ or per month, which is significantly cheaper than going to the actual stadium and paying the entry fee. Further, the people with summer houses located in the archipelago or those living at longer distances away from Pietarsaari also might swap to the streaming options instead of travelling to the stadium.

People's behavior and how behaviors change after a disrupting event is always interesting to study, but at this point it is nothing but speculation, as this is something that will be visible first after the pandemic is over and society has returned to normality.

What is more, Haga explains how difficult the recruitment of players from the outside of Finland has become. This is something that he believes not many outsiders of the football business understands. But more on this below, when Haga goes in depth about it as a process in the football business under 3<sup>rd</sup> interview theme.

Haga does believe, that once COVID-19 is over, there will be a major need for people to get out and experience things again, and we will start to see an opposite effect to the scenario explained above. The need of getting out after being locked up is something that Haga believes will play into Jaro's benefit. The product that Jaro is selling is something that is best served live, and something you need to experience Haga explains as he draws up parallels with the theater or music concert businesses. For example, big events like "Jaakon Päivät",

which is a big city-wide event happening during the summer month in Pietarsaari. As per tradition, Jaro hosts a home game this weekend, that typically breaks the attendance records. Haga thinks that events like this in combination with the need to get out of the house is also something that will benefit Jaro.

However beneficial major events like “Jaakon Päivät” described above is, it highly unlikely that Jaro will be able to seat the current stadium to its maximum capacity as COVID-19 will also exist this incoming summer.

### **3) What actions have you taken, as manager, to overcome these problems?**

The Jaro organization orchestrated a 6–7-week period of lay-offs of all the personnel. This process allowed the Jaro organization to save 30 000€ plus according to Haga. Haga is also very proud of the business operation within the organization and was very quick to point out that Jaro managed to achieve a positive result at the end of the year, that he said is very unusual for sport teams in Ykkönen and business overall regardless of industries during this same time period. He explains that this is because Jaro operates under very strict weekly reviews that enables them to take swift actions whenever needed and make the required changes. Haga continues this by describing that Jaro is a very modern organization in terms of how they handle and operate as a business. He also points out that the organizations economic situation is something that he always has an extra eye on.

Of course, Jaro is an organization that falls into the smaller category in terms of being a business. But the ability to reconfigure their business operations according to a pandemic situation in such a way that they can achieve a positive result at the end of the year, is no small feat, especially as other organizations in the same sports league Ykkönen are not able to replicate the results. This proves that Jaro does not sit back and benchmark other actors nor wait for directives to come but takes the initiative in finding areas of the business where

it is possible to save, where it is possible to re-configure, not only to survive as an organization during a pandemic crisis situation, but to go through said pandemic with a possible result. Naturally, Jaro was greatly aided by the fact that football season happened as normally as it did in the country of Finland. But regardless of this, Jaro has greatly displayed an ability of changing rapidly and cunningly not to mention deliberately in developing competitive advantage that is also sustainable.

The risk was at the start of the season that the season card holders would have the right to make claims for their money back. As season cards are sold in advance a lot of money is collected in advance via these. But luckily, this scenario did not play out as Jaro was able to accommodate spectators to their home games. This was made possible by the decision of creating separate sections within the stadium, where those in attendance only could be in one section per game, as a way of reducing any potential spreading of the virus.

As devastating as this could have been for Jaro, there was nothing Jaro as an organization could do about it, as they were following the restrictions and guidelines set by the governing organization Suomen Palloliitto.

The processes behind the recruitment of foreign players have been completely re-designed. It is no longer possible to just host a player for tryouts like in past, as the players needs to quarantine for 14 days in both countries. If then said player turns out to not be any good, this would effectively waste a month, and all the resources such as tickets, accommodation and food during all of these days. This complication has made Haga and other managers to have to resort to other ways of testing and evaluating players (and especially foreign players). There is a limit of 3 passports (passport referring to a football player) from outside the EU that is allowed per team in Ykkönen. Therefore, it is important to make these three foreign passports count. Haga says that he is now forced to evaluate players differently and rely on the words of others more than he maybe would like. When you lose the ability to

test out new players quickly, the building of the team becomes increasingly harder. The player also needs to fit into the team in a certain way and not just be skillful enough if the team is to see some success during the season. Haga states that this has made him think long and hard before ultimately pulling the trigger on a player. He also brings up that the team recently signed a new goalkeeper from USA, Las Vegas. But even though, the player is signed he says there is a long and complicated process to go through before that goalkeeper is on the train heading up to the Pohjanmaa region.

This proves that even though processes have changed, and the managers are reacting according to the said changes, there are still no guarantees and Jaro cannot count on that talent source to produce for the team before the talent is physically present and fit to play. Decision making in uncertain situations are tedious for the entire organization and not just the manager(s) in charge of making them. The results are produced by many individual's ability to work together on a field, and for example character assessment and team dynamics is not something that Jaro can know before they see every piece of the puzzle in action. However, Jaro seems to be adjusting just as well as anybody in the league of Ykkönen, that proves there are visible signs of organizational improvement and the ability to re-learn and adjust.

Further, Haga thinks that his workload has increased significantly over the last year. The quote below shows that there has been a shift within the business of running a football team as many of the important processes have been made more extensive.

*There is a lot more of bureaucracy and the workload has increased a lot. For many activities we need to bring in extra workforce, that we did not have to do in the past.*

Having to increase the workload as new types of processes are needed, and doing so successfully, displays increased adaptability as an organization. Realizing that certain activities now require additional workforce also hints at managing the organization in an

sustainable way, so that the manager or others within the organization does not take on all of the new workload, but instead there is recognition that they need to change the organization to manage the new required processes.

Jaro is currently playing in a very old stadium, oddly that benefits Jaro as an organization if observed through the economical lens as the maintenance costs are so low. But of course, in terms of customers ability to enjoy the product that they are creating, the current stadium is bad. As there is a running track between the stands and the football field, it results in the seats closest to the field are still 15 meters away from the closest player.

During the interview Haga placed strong emphasis on that Jaro is planning a new stadium, as the team is currently playing on a stadium built in the 70's that functions more as a sport arena rather than a football stadium, as their spaces allocated for the use of Athletics (Running tracks etc.). Haga has extremely high hopes for this new stadium and describes it as something that will lift the entire city, and greatly boost and renew the overall interest for football in the whole region. As the stadium project in Pietarsaari recently received the required funding of around 1 Million € from Uefa (Union of European Football Associations) amongst others, they are now on track to possibly be able to play there as soon as 2022. Haga further thinks that this is the most important initiative for football in Pietarsaari.

Hence, as the old stadium is beneficial in a situation like COVID-19 when the organization needs to save, it hurts the Jaro organizations long term orientation as the customer satisfaction is lower than what it could be. Therefore, it is possible to understand the hype and excitement from Haga's perspective, as he knows this will improve the product that Jaro is selling. By increasing the quality of the product, they will be on track for growing their whole organization, as new interest translates directly to more income. In many ways, the current attention that the stadium project is generating already in local media, functions as free advertising for Jaro.

No support packages were received by organizations such as Business Finland or others, but via the Football federation Jaro was able to secure approximately 20 000€ in support packages.

Clearly, the support packages received were very minor for the Jaro organization. But Jaro has displayed interest and will for obtaining them, even as Business Finland rejected them, Jaro was able to identify other potential sources. However, this does not give Jaro any long-term benefits, but it is always helpful to the organization.

Interesting is also that Haga has not had to resort to any form of distance work during this pandemic, while it has been so common in all other parts of society.

**4) If nothing else, what have you learned as a manager, for the future in dealing with a crisis and rapid change?**

Haga thinks that the COVID-19 is something that organizations will start to truly feel now, as most organizations have had support packages and similar extra structures to get them through the worst times during the pandemic lock downs. Haga once again goes into how the COVID-19 has not affected Jaro as much as one would have thought.

If we do not look at purely the business related affects the COVID-19 pandemic has had, he sheds light on an overall increase in gratitude for life, and this is something that he feels is present in society as well. Haga perceives that people are more grateful for sports related operations as they provide an escape from sitting inside. When all uncertainty hit at once like it did during the first major lockdown in Finland, everything becomes uncertain. Haga started to fear that Jaro would be left without income and in the worst case having to seize their business operations as there was fear that football would not be played at all. Having

to make decisions in a situation where everything is suddenly different is extremely hard, and all strategy and plans were temporarily put on hold to get a better understanding of the situation. Luckily in the case of domestic football, it became clear that the season could continue with increased safety protocols and quarantine for the players. But overall Jaro got away very easily in terms of potential “could have been scenarios”.

These ideas that appeared during the discussion does not belong in the spectrum of dynamic capabilities, but they do reflect the mindset of the interviewee.

Haga does not think there are many new opportunities or learning factors as of yet, but says Jaro mostly focuses on their own business, their own strategy and are able to follow it. They focus on mostly local players, developed by Jaro themselves and then the eyes are on the future and the building process of the new stadium. Some new interest was generated via Ruutu and Elisa’s cheap streaming, and he knows that there has been relatively many following the games via these. This was interesting because Jaro has noticed many new customers opting for this way of consuming the product that they are selling.

Streaming options allows customers from other parts of the country with interest in Jaro to spectate games that they would otherwise not watch. Further, it increases the interest for away games, and therefore also appeals to the crowd that attends the home games. Therefore, streaming options should be considered an extension of the Jaro product and is interesting in terms of future implications. The Elisa Ruutu service is still very cheap if measured with other sport streaming services, and therefore the revenue that is generated is also very slim. But as Ykkönen is not the most interesting sports league, as the quality of the football is not at the highest level. Nor is it even the biggest league in Finland, as Ykkönen is below Veikkausliiga, for these reasons it must be considerably cheaper as well to stand any chance of attracting customers.

Haga also feels that there is a perception circulating that the Jaro organization is an expensive liability for the city of Pietarsaari. The reason Jaro is constantly battling the perceptions that they are expensive for the city and the region, is that they receive minor paybacks on the rents that they pay. But now Haga proudly presents that Jaro has participated in a football value investigation, where they will be able to provide facts of how much they are contributing to the area, this is also something that is of value if brought to sponsors. Most importantly, this way of measuring by Uefa is as Haga states, a framework that cannot be faked in any way, and as he sees it, Jaro ought to be given more compensation than they do, and certainly not the other way.

Finally, Haga points out that it is always hard to be the manager of a sports organization. In this business, on average a manager does one-year before he is fired. Haga signed a three-year contract back in 2017, but he had no expectations to be there for the full three years, but now he is on his fourth year already.

As there are always expectations on the team to perform by its crowd, there is also constant pressure on the leader of the organization, and the coaches as well. As they get used to this pressure, they develop a strong psychological state of mind as well, and this is something that can help in a crisis such as COVID-19.

Below are the compiled frameworks for the Jaro case.



Figure 12: Filled framework; Part 1 of case Jaro.

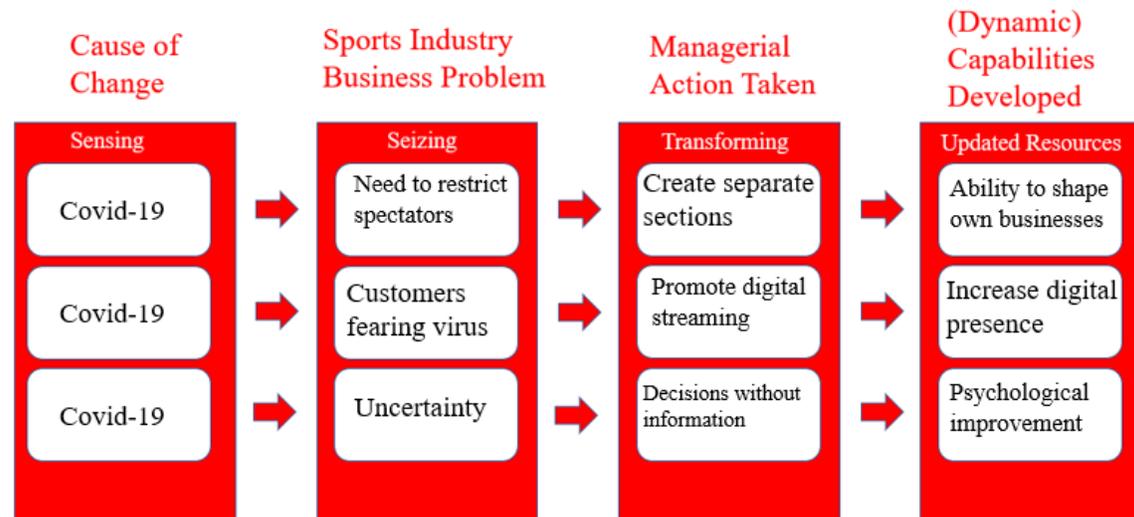


Figure 13: Filled framework; Part 2 of case Jaro.

#### 4.2. Cross-Case Analysis

This section is reserved for analyzing both of the cases with each other. Some key differences and similarities will be listed before generalization is drawn in the pattern section.

Both case companies have a very strong presence in their respective home city. Sport is the biggest sports organization in Vaasa and Jaro is the only professional sports level organization in Pietarsaari. Both can utilize the Finnish “talko” as part of the business, via for example their youth programs. They are also both backed by their respective city, as there is unison that sports organizations are important for any city, both for recreational and entertainment purposes.

Jaro was surprisingly able to carry on with their core business activities despite the COVID-19 pandemic. This is for the sake of the research, a big contrast to the Sport case, that has been in lock down like situation almost the entire year.

The two organizations, however, seems to have focused on different parts of their businesses. For example, Sport that is in a position where they sell a lot of merchandise had to focus on designing new products to sell via this category. Jaro on the other hand is not reliant on merchandise at all. Jaro on the other hand is strategizing according to building a new stadium and via this increase the interest for their product.

Also, these two case companies are active in different time periods of the year. This perhaps resulted in discrepancies between the answers as the stages of COVID-19 was eased during the summer 2020, when case Jaro plays their season, and then again rougher during the autumn/winter period 2020, when Sport’s season begun.

#### **4.2.1. Pattern 1, structuring lay-offs and re-negotiating contracts**

Both teams successfully resorted to structuring lay-offs and re-negotiating of contracts to scale down on their costs. Both organizations therefore, created an otherwise rarely seen flexibility of all personnel involved. Naturally, the situation of COVID-19 created a level of conformity amongst the staff that made this process possible, but something had to be

done quickly and both organizations made it clear that this is needed if there is to be a future at all.

One of the most present patterns for both cases were how they have been forced to adapt themselves. Quickly identifying where to save and how to create flexibility amongst the personnel, players and staff is something both cases will be able to benefit from in the future as well as during the worst episodes of COVID-19. Should the teams in the future discover the need to quickly save, they can very likely look to replicate the solutions they resorted to during this time.

#### **4.2.2. Pattern 2, Digital advancements**

Digital content is something that both organizations also managed to get increasingly more active in. Fueled by lock downs and recognition that customers spend increasingly more time at their homes, both organizations managed to still generate presence via over online sources. Both interviewees specifically highlighted their move and increase to more digital contents.

In both of the cases, the interviewees questioned if we are going to see societal change where people start doing more and more things from home, including watching sports.

#### **4.2.3 Pattern 3, Psychological improvement**

Both interviewees reflected on the underlying psychological states as a product of being a manager of an organization during a time of crisis. As both cases brought this topic up, it is possible to understand that it is something they have had time to process and reflect on. Both of the interviewees displayed that they have developed their psychological state in relation to working as the highest management position in their organization. Although, the

job of being a CEO of a sports organization is heavily associated with hard decisions and overall uncertainty, COVID-19 pushed everything to its extreme and both of the cases feel that they are better off as a result of having to go through this process.

### **4.3. Synthesis**

To synthesize this project, the results varied more than anticipated. Although the limitations of the industry in which both cases are active is the same, but how COVID-19 impacted the different sports was different, because each of the cases are active in different leagues with different rules, regulations, and dynamics.

The discussions in the interview did not specify to the interviewees that this is a research about dynamic capabilities. Instead, the interview was designed to investigate how an organization in the sports industry of local Ostrobothnia changes during a global disruptor like the COVID-19 virus. During this section we were able to follow the organizations CEO's as they took us through certain interview themes from the eyes of the interviewees. Both cases were good in providing a good overall overview of the industry and situation as they explained and identified certain processes that they had to change, risks for the future, different workloads, new ways of catering to the customers, societal behavior, and even psychological outlook. The interviews revealed interesting results findings from each of the case, but we cannot call all of the capabilities developed by the organizations "Dynamic capabilities".

Both CEO's that represent the cases (Sport and Jaro) in this research displayed very similar mindsets, personality and displayed good knowledge of the industry in which they are active in. Oddly enough as they were so similar characters, the details of what each of the cases focused on (in terms of their business operations) differed greatly and ultimately only three

dynamic capability denominators were identified based on the interview and analysis of the interview discussions.

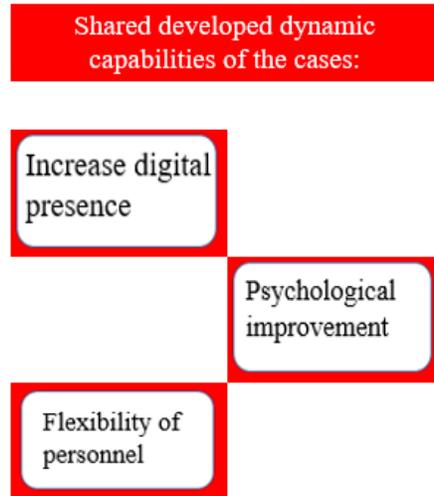


Figure 14: The final three dynamic capabilities develop by both organizations.

## 5. DISCUSSION

The reason behind this project was researching if dynamic capabilities have developed during the COVID-19 pandemic situation for the sports teams of Ostrobothnia. The project begins with explaining dynamic capabilities as a concept in management studies. Teece (2007) is as the most influential researcher in this field the foundation for the theory used in the research, on top of this a plethora of contributing authors and their contributions have been used in order to supplement and expand on the Teece (2007) foundation. Many new emerging trends and other sources of new information has also been utilized to create a better comprehensive picture of dynamic capabilities.

What is more, the sports industry was introduced. The context of the research plays out within the world of sports industry. During the sports industry section of the literature review it is possible to follow and read the history and growth of the whole industry surrounding sports. The sports industry is a world of entertainment funded by television rights, sponsorships and even merchandise that is now also appealing to private investors and the like. On top of this there is included in the material also a headline for the managerial side of the sports industry. Instances where the field is questioned as being legitimate enough to provide a basis of researching was also in question, but when Bryson et. al. (2015) discussed the sports industry from both the doubter's perspective and then explained why it is not feasible to argue against the field. Finally, the research specific sports industry of Finland is also presented along with the relevant sports league for the research itself.

The data collection took place as qualitative data generated via interviews with the case companies. The data was then analyzed first as a within-case proceeded by a cross-case

analysis. The relevant discussion points (points concerning the development of dynamic capabilities) were then put into the framework created for this project by the author.

Ultimately, the findings revealed that there were not as many similarities as expected between the case studies. As it turns out, the dynamics of the different sports leagues are very different and hence, those that operate and play within them are also products of their environment more than individual actors. However, this is not to state that the two case studies are not comparable, because as the research show there are similarities. Especially in the way both case organizations were able to become increasingly more flexible and adopt the ability to shape their own business as a way of working with their resources, proves that there were dynamic capabilities developed as this is the product of working with an agenda. Both case companies were also highly focused on the future and most things were created out of a future based orientation.

### **5.1. Theoretical implications**

The framework and overall foundation created by Teece (2007) works in practice and it was possible to trace the stages empirically during the interview project itself, as this thesis used the Teece (2007) framework and made re-configurations to it, to ensure it was calibrated for the context at hand, in the creation of the four-part model that was used to empirically study the sports organization cases.

The finding from case Sport, that dynamic capabilities and organizational learning is not necessarily vital for smaller sized companies in the sports industry, as they can rely and work with benchmarking other actors and their activities in a crisis was proven to not reflect any ultimate truth, as case Jaro was able to achieve numerous things without pure reliance on other actors and benchmarking.

As the main theoretical contribution, this research provides fresh content to the empirical side of exploring dynamic capabilities in not just theory but in practice as well via studying a real-world industry, with real cases found in its eco-systems. The sports industry has traditionally been overlooked as a field of research. Hence, this research also contributes to the creation of more content to the sports industry field. Combining the worlds of management and sports industry, gives a healthy insight into the practices of current managers, where we can observe them from the lens of management studies. The research also builds further on the points made by Bryson et. al. (2015) that the sports economics is a real and deserving topic of research, that also ought to be given more space in academical research settings.

The situation of COVID-19 and the rapid changes it caused to all of society, provided a rare research opportunity as there has not been such a disrupting force in modern times. Therefore, the intention to observe the developments of dynamic capabilities in the sports industry was made possible over such a short amount of time, as everything has been pushed to its edge. Authors Bailey & Breslin (2021) already published a solid foundation on the topic surrounding COVID-19 and organizational management and how it is possible to utilize older research to battle the disrupting situation. This research therefore extends this point of view that the authors Bailey & Breslin (2021) established, by proving just how relevant older research can be also in this research setting when faced with a situation like the COVID-19 pandemic.

## **5.2. Managerial implications**

The findings section gives some managerial implications for the managers mainly within this industry, as it is rather industry specific, but also other similar (for example, theater and hotel industries) industries as well, since many industries suffer from the same elements discovered in the research.

When studying any area in the field of strategy, we ought to put more emphasis on the role of the individual and the psychological factors associated with it. All humans are different in the way they perceive and react to circumstances, and the managers and leader of organizations are no exception.

Already in 2009, a set of authors were pursuing the notion that sports management in general needs to start placing more focus on customer satisfaction. The suggested way of achieving this would according to the authors be to carry out a “reengineering process” where the organizations rethink some of their activities and designs these for customer satisfaction purposes (Mereuță & Mereuță, 2009). During this research it became clear that customer satisfaction is not very present in the Sport organization, nor in Jaro, apart from their intentions of building a new stadium that will increase the quality of the football that the spectators get to watch. But overall, managers are not actively trying to find ways that could improve their processes according to how the customer is able to enjoy the product. It would seem, that sports organizations are to some extent taking for granted the fact that they have fans and spectators that follow their games. Very little focus is placed on how to acquire new spectators for instance, although it was deliberately asked as part of the interview.

Also, these managers could look to improve the experience associated with the events that they are creating. Both team managers draw heavy parallels to theaters and other forms of event-based entertainment, and in the case of Sport, Kurtén describes that they are in the event business. Both teams could look to expand on this, by extending the current offering. For example, pre-game concert or special food event. They cannot extend the game itself, as football must always be football and Ice-Hockey is always played according to the rules set, but the experiences and events are something that they are able to expand on. These games are popular in their respective region because they are an event, something for

people to do, you dress up and take your time to go to these locations as a way of forgetting about other things with the expectation of getting entertained. It is here that these organizations have the most opportunity to grow. If we compare to the other sources of sports entertainment as a benchmark, the very popular Champions League football games are streamed in the Finnish studio via the streaming service C-More already 1-hour before the game starts, so this proves that there is definitely room/time to work with before the game from the customers point of view.

### **5.3. Suggestions for future research**

This research could be done again at a later stage after the COVID-19 pandemic has passed and society is once again “normal”, as the interviews pointed out that there would be more time for the interviewees to be able to reflect and look back at the situation in retrospect, and perhaps via this generate more rich and thoughtful answers of their learning process during this time. It is also very possible that the interviewees would have a clearer view of what processes, capabilities, and competence that they managed to improve during this time. Further, it would be interesting to also conduct the same research with other organization within the same leagues to investigate if these organizations perceive things in a similar fashion. For example, also interview IFK from Helsinki that normally has way more resources at their disposal and via this compare them to Sport, that is a much “smaller” team. A research with both cases from the same industry would allow for a pursuance of the benchmarking element found from case Sport.

As the results showed, it would be advisable to focus the study around only one sport, as comparing several sports with each other yielded less directly comparable patterns and generalizations. Moreover, the dynamics and between the two sports differed significantly. For example, Football that is played during the summer is played as an outdoor sport, while Ice-Hockey teams must be played in the ice hall. Which is probably, why the Football season

happened with the possibility to host spectators, while the Ice-Hockey was played in lockdown like conditions. To continue on this, the COVID-19 pandemic has had several ups and downs during its course in Finland, and these two cases that represent two different sports are played in different months of the year (as previously mentioned Football during summer and Ice-Hockey during the winter). Also, in terms of business operations, it would be advisable to focus the research on teams within the same sport and preferably also league. This is because in the case of Sport, that relies on merchandise as well as their restaurant segment differs from the case of Jaro that offers some merchandise and some possibilities to eat but is not reliant on these segments.

COVID-19 is an interesting phenomenon if observed from the eyes of a researcher, as there are seldom opportunities to research such disruptive situation. Moreover, more research into how COVID-19 disrupted industries is needed to draw parallels and notice similarities but also differences.

More research is needed into the Finnish sports leagues before we can truly start to track and understand patterns and the behaviors of those organizations participating within it. As it became evident that these two cases do not provide enough information to generalize about the sports industry of Finland because the dynamics of the organizations differed more than anticipated.

The author of this project originally set out to create the framework to be used in the empirical research with the goal of identifying three different problems in the sports industrial world and how these were solved along with what capabilities these organizations were able to develop. However, during the interview sessions it became apparent that three 'blocks' was nowhere near enough in order to fit in all the relevant data collected and discussed during the sessions. Therefore, the author had to make duplicates in order to illustrate all the relevant content discovered. In the future, the framework could be

enlarged with a wider scope, to focus on more specific areas to grant a better understanding for the reader, as well as an increase in the amount of 'blocks' to make the framework bigger and more comprehensive. For example, specific 'blocks' could be created for certain stages, practices or focus areas of the organizations and then tailor the interview more according to the framework.

#### **5.4. Limitations**

The time frame of when this research project was conducted was not ideal as the virus COVID-19 is still existing and limiting the organizations representing the cases of the research, and therefore also limiting the interviewee's ability to answer the interview questions.

As there are no similar studies done within the same research setting, which makes it hard to benchmark results with other authors.

The sports industry is in dire need of more academically oriented content. Its existence is noted, but it has been given more of a "hobby" label, rather than field of research. This limits the amount of high-quality literature found in the field, which effectively holds the sports industry as a research field back. In the sports industry a vast majority of the information, details regarding sports teams, sponsorships, and contracts are disclosed via sports journalism rather than traditional academic resources.

Also, it is common to study the sports industry from a medicine point of view, rather than from the economical point of view, and a lot of the content that is created, is created in order to satisfy needs in order to understand medicine and rehabilitation purposes and for how to improve them.

The existing literature in of the sports industry as extremely narrowed, as it is primarily focused on the sports of United States of America and Europe as their base and does not often include the rest of the world, nor does it commonly address non-team sports.

Finally, the sports industry literature does not often combine the field of the sports industry with any other specific management stream.

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## APPENDICES

### Appendix1. Interview questions

**1) How has the COVID-19 pandemic affected your business operations? Apart from the obvious loss of spectators and revenue generated through these.**

- How did the COVID-19 change the relationships with sponsors, players, or staff?
- Did the situation change the sales/marketing process of the teams?
- Did the customer base change?

**2) Has there been any business-related problem, that outsiders do not recognize yet?**

- Something that is going to be a problem if we look on a long-term plane, rather than the problems that come with sudden loss of revenue.
- Some risks associated with the future.
- Potential “domino effects”?
- Any major changes in the overall business model?
- How can you engage new customers?

**3) What actions have you taken, as manager, to overcome these problems?**

- Lay-offs, salary cuts?
- New ways of generating income?
- New contracts or structures of the business model?
- Discovered new ways of saving?
- Did you receive any government grants or other external aid?
- What processes did you have rethink and how did you do it?
- What was your biggest fear, as a manager of a sports team when the COVID-19 virus hit?
- How do you test new ideas?
- Who decides what innovations to pursue?

**4) If nothing else, what have you learned as a manager, for the future in dealing with a crisis and rapid change?**

- New ways of working as an organization?
- Learned how to better adapt?
- More focused on certain processes?
- Any new skills that the company has had to learn?
- Have you sensed any new opportunities?

**Appendix2. Interview questions translated to Swedish.****1) Hur har COVID-19 pandemin påverkat er affärsverksamhet? (Förutom den uppenbara minskningen i åskådare och inkomst som dessa tillför)**

- Har COVID-19 förändrat förhållandet med sponsorer, spelare och personal?
- Har situationen ändrat på försäljnings/marknadsförings processen?
- Har kundgruppen ändrats?

**2) Har det uppstått något affärs relaterat problem, som utomstående ej inser i detta läge?**

- Något som kommer att bli ett problem om vi ser på långsiktiga?
- Risker för framtiden?
- Potentiella Domino Effekter?
- Har ni behövt ändra på er affärsmodell?
- Hur kan ni engagera nya kunder?

**3) Vilka åtgärder har ni som 'manager' tagit för att fixa dessa problem?**

- Permitteringar, nya kontrakt förhandlingar?
- Nya möjligheter att få in ny inkomst?
- Nya sätt att spara? Förhandlingar, faktureringar,
- Har ni fått stöd av statliga eller andra organisationer?
- Vilka processer behövde ni tänka om, och hur gjorde ni?
- Vad var din största rädsla när viruset härjade som värst?
- Hur testas nya idéer och vilka vad som skall införas för nytt?

**4) Om inget annat, så vad har du som 'manager' lärt dig av den här pandemin och hur ni skall agera i en krissituation?**

- Nya sätt att arbeta som en organisation?
- Nya sätt att anpassa sig?
- Har ni blivit mera fokuserade på vissa processer?
- Ny kompetens som ni som organisation har utvecklat?
- Har nå märkt av några nya möjligheter?

