



Traditional sports organizations' expansion to eSports

Eric Gargallo Serrano

Department of Management and Organization

Hanken School of Economics

Helsinki

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Abstract: <p>This study investigates the recent interest of sports organizations to join the eSports industry aiming to provide an understanding on why and how they expand. A thorough research on the reasons and the methods from the already existing sports organizations in eSports is presented in this thesis. In addition, despite remarkable growth in the recent decade, there is a significant knowledge gap on the eSports industry. This thesis aims to fill said gap by providing a complete industry overview with the goal to incentivize and facilitate further research on eSports.</p> <p>The aforementioned growth in addition to the unique audience has attracted a noticeable number of non-endemic stakeholders. However, eSports is an uncommon industry due to its evolution, governance, and stakeholders and this research aims to identify the different relevant variables and to understand their relationships with each other. In addition, this thesis focuses on the strategic decision-making process of sports organizations regarding their expansion into the eSports industry, how and why they do it.</p> <p>To further understand these matters, the presented research includes the findings of eight interviews, conducted to relevant people of European League of Legends sports organizations that have already joined the eSports industry. In addition, the research presents and analysis of public material, providing an overview of the eSports industry.</p> <p>The findings show the underlying process and reasons behind the sports organizations' expansion, with specific examples of how it has been done. Firstly, the main reason is to fill the age gap that the sports organizations are struggling to reach, which is filled by the unique eSports audience. In addition, eSports is an opportunity for sports organizations to digitalize and learn about the channels and know-how of the eSports industry. Secondly, the thesis provides an understanding on the advantages and disadvantages of alliances and organic growth, since these are the main expansion methods used by the organizations that already are in eSports. Hence, guidelines on when to proceed with organic growth rather than alliances, or vice versa, are provided. Lastly, the research uncovers a number of issues that might hinder the future of the industry, such as the power of the publisher, governance and regulatory issues, or the problems with the revenue streams. These issues should be solved to ensure the further growth of eSports and this thesis wants to raise awareness about that.</p>	
Keywords: Strategy, growth, sports, eSports, League of Legends, organizations, business models, stakeholders, alliance, organic growth.	

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INTRODUCTION

The eSports industry has experienced an exponential growth in recent years which has raised the awareness of many organizations about the industry. This fast-paced growth created interest for these organizations to enter the eSports. The eSports industry generated a 947.1M revenue in 2020, it is grew to 1.08B in 2021 and is forecasted to grow to 1.6B by 2024 (Newzoo, 2021). These numbers imply the dimensions of eSports, reaching a remarkable market size and attracting the interest of a big part of society. However, the industry processes, governance, and stakeholders have not adapted to this rise. In other words, eSports has not professionalized enough to handle the humongous growth of the industry. The lack of knowledge and professionalization might hinder the future of the eSports scene. This thesis will explore the industry and provide recommendations on how the industry could evolve to better adapt to general consumer and market trends. Moreover, how traditional sports organizations bring value, maturity, and business expertise into the eSports industry will be presented. The concept of traditional sport organization will be explained in chapter 1.5. but, in short, refers to the conventional and long-established sports which require physical effort and are broadly accepted by everyone.

The first eSports organizations emerged around the 1970s but, according to Scholz (2019), the beginning of the ongoing exponential growth started around the 2000s with a cultural and technological development that enabled the monetization of videogames. Therefore, many of the current organizations were born around that time. Afterwards, with the release of new videogames titles such as League of Legends in 2009 or Starcraft II in 2010 and the founding of Twitch in 2011, catalysed the industry creating a momentum that is still present nowadays. Different stakeholders realized the potential and started creating tournaments and ways to monetize the eSports.

Currently, eSports are of high relevance to their audience and the top players are real celebrities. According to Scholz (2019, p. 142), the League of Legends World Championship's finals between the European team Fnatic and the Chinese team Invictus Gaming in 2018 gathered an audience of more than 200 million online viewers.

Therefore, eSports are presenting new opportunities for different brands to reach very specific and unique audiences. Principally the Gen Z, with sponsorships, advertising, and partnerships (Sparham, 2021).

1.1 Problem Area

The outlined developments and potential of eSports in terms of fanbase, audience, and repercussion has been shown in the previous chapter. Yet, the eSports industry has not been able to catch up and adapt its processes proportionally to its growth and this might handicap the further growth of the industry. Personally, I have followed the development of the industry closely for the last ten years since I started playing videogames and noticed the competitive side of eSports. Also, as a person that has been involved and enjoying sports all his life, playing, coaching, and scouting in basketball; seeing how eSports were implementing in many of the sports areas and many sports organizations started to show interest in it, further raised my interest. Thus, with this long-term understanding of both industries, being passionate about sports and an eSports enthusiast, more specifically on League of Legends, I got interested in why these sports organizations were entering and how they were doing it from a strategic point of view. Also, I noticed and constantly read certain trends about the eSports organizations and the issues that need to be addressed, and that is what the purpose of this thesis is, so eSports can keep growing sustainably.

The eSports organizations need to develop their business models and look for additional revenue streams since currently there is a high dependency of the sponsors, which is not sufficient for the sustainable success of their businesses. Scholz (2019, p. 136) argues that any organization has found a way to monetize fans and that the audience's monetization is low compared to traditional sports. Hence, this thesis tries to find the reasons for this issue and provide potential solutions for the organizations to be able to efficiently monetize the audience in a sustainable manner.

In addition, there is a lack of overall academical material about eSports, so the thesis aims to fill this need and raise awareness about the industry and its possibilities, while further research is incentivized by the creation of this thesis, as well as the development of the eSports. Therefore, the thesis will explore the industry and provide an understanding of what needs to change and how traditional sports organizations bring value, maturity, and expertise from a business point of view.

1.2 Purpose of the study

The thesis purpose is to provide an understanding for sports organizations to succeed in their expansion and identify the outcome of eSports in the following years. Therefore,

this research plans to give insights about why the expansion to eSports by non-endemic organizations, which are the ones that are not born within eSport, can be considered as an interesting growth opportunity for sports organizations. Furthermore, the advantages and disadvantages of the different relevant expansion methods is explored in this thesis. In addition, the thesis wants to provide a good overview about the structure of the eSports industry and understand how the forthcoming years of eSports might look like, as well as filling an academic literature gap that is currently lacking. This will be done through the insights of the eight interviews conducted to relevant people of sports organizations in eSports and providing a market overview and information about the business side of eSports. Moreover, I aim to research the methods that traditional sports organizations have in order to expand their businesses, specifically their horizontal growth to a different market: eSports. Therefore, the research questions that will be used for the thesis will be the following:

- RQ1: Why do traditional sports expand to eSports?
- RQ2: How do traditional sports expand to eSports?
- RQ3: How does the future of eSports look like?

By answering these research questions this paper aims to acquire a complete understanding on how and why traditional sports organizations enter the eSports market. Moreover, it aims to understand how the future of eSports might be, its issues, and what needs to be improved for the further success of the industry. The process that will be used in order to answer these questions will be developed in the chapter 3.

1.3 Research Method

This study conducts qualitative research on the eSports topic and how traditional sports organizations are implementing their growth strategies to enter eSports. For the data collection, interviews are the main chosen method. A total of eight interviews, as shown in Table 2, with relevant people of sports organizations with a presence in eSports has been done. These interviews provided insights and helped to understand why and how traditional sports organizations entered eSports. With the data being collected, the different strategies taken by different organizations are followingly compared, aiming for conclusions to be drawn.

The data analysis starts with coding the interview by thematic areas in order to provide a better visualization of the data. Afterwards, the relevant data from each thematic area

is gathered in tables so the comparison is easier to do, and patterns can be identified more efficiently. Besides that, some online information is used to complement this data and to provide a better understanding of the eSports industry. The research method, philosophy, and quality of the thesis are further developed in chapter 3.

1.4 Limitations

ESports is a broad industry comprehending many videogames which can be divided into different genres. Scholz (2019, p. 8) explains that eSports is an umbrella term for any competitive videogame. Many different genres can be identified, which might contain different games. Examples of these genres are Battle Royale, with games like Fortnite or PUBG, sport simulation games, with titles like FIFA, PES, or NBA2k; MOBAs, with games like DoTA2 or League of Legends, or the first-person shooters, with games like CS:GO or Call of Duty. Each of these genres could be compared to the different modalities of the traditional sports and that is why Scholz (2019) argues that the term “eSports” could be compared to the term “sports”.

Therefore, in order to narrow down the research, only one region, one genre, and one videogame will be researched. This thesis will study the expansion methods of the traditional sports organizations to eSports but centred on League of Legends and in the European market.

The choice for this thesis in genre and game is to focus on the MOBA game League of Legends since it is arguably the biggest eSport in terms of viewership, with 1.5 billion live hours watched on Twitch during 2020. Furthermore, it has the most structured tournament system which makes it more similar to a traditional sport. Moreover, it is found that League of Legends is the game title with more sports organizations already involved (excluding sports simulation games like NBA2K, FIFA, or PES).

In addition, every region or country comprehends different governances and authorities behind the tournaments. Therefore, a single region will be selected for this thesis: Europe. The reason for this decision is convenience. Reaching and talking to European organizations is a challenge so it is to be assumed that contacting Asian or American organizations would be more challenging due to language, time zones, or socio-cultural constraints.

1.5 Definitions

ESports might comprehend certain concepts that are new for some. Hence, this chapter will provide definitions for the key concepts of this thesis as well as tables with the most relevant acronyms.

Traditional Sports

The definition of what can be considered a sport varies from source to source. For example, for the International Olympic Committee (IOC), a sport will be the one governed by an International Federation (IF) and afterwards accepted by the IOC Session (Olympics, 2021). By dictionary, the interpretations might differ, wherein some it is defined as “an athletic activity requiring skill or physical prowess and often of a competitive nature, as racing, baseball, tennis, golf, bowling, wrestling, boxing, hunting, fishing, etc.” (Dictionary.com, 2022) in other dictionaries is defined as “Sports are games such as football and basketball and other competitive leisure activities which need physical effort and skill” (Collins, 2022). Must be noted that in the first definition, physical effort is not essential whilst in the second one, it is. In addition, some activities such as chess are accepted by the IOC as a sport. To avoid confusion, traditional sport (or just sport) in this thesis will be used to define the activities that require physical effort and are commonly accepted by society such as basketball, football, athletics, or swimming.

ESports

ESports are also difficult to define and one of the main discussions in the last years is if they would be a sport or not. Often, eSports are considered equivalent to professional gaming, but it is perhaps argued to be a too broad definition. Wagner (2006, p.3) defines eSports as “an area of sport activities in which people develop and train mental or physical abilities in the use of information and communication technologies”. However, this definition does not provide an understanding of what can be included in as eSports. Scholz (2019) argues that eSports is an umbrella term for any game that can be used in competitive gaming in a similar way that the term sport would group all its different competitive disciplines. Yet, competitive gaming remains broad, you can compete with other people in barely any game in multiple ways. So, for this thesis, the term eSport will be defined as the competitive activities in established competitions of videogames, such as Counter-Strike, Dota2, League of Legends, FIFA, or Rocket League.

Acronyms

ESports is an industry with high use of acronyms. Followingly, tables with the most used and relevant ones for the thesis can be found. The tables are divided by themes for an easier understanding.

Table 1 Thesis acronyms

	Acronym	Meaning
Videogames	LoL	League of Legends
	PUBG	PlayerUnknown BattleGrounds
	PES	Pro Evolution Soccer
	CS:GO	Counter-Strike: Global Offensive
	R6	Rainbow6
	DOTA	Defense of the Ancients
Organizations	TOG	Team Orange Gaming
	PSV	Philips Sport Vereniging Eindhoven
	TSV	Turn- und Sportverein (München)
	So4	Schalke04
	KCorp	Karmine Corp
Leagues	LEC	League of Legends European Championship
	LCS	League Championship Series
	LCK	League of Legends Champions Korea
	LPL	League of Legends Pro League
	ERL	European Regional Leagues
	CIS	Commonwealth of Independent States
Other	MOBA	Multiplayer Online Battle Arena
	ACE	Asociación de Clubes de Esports
	IOC	International Olympic Committee
	IF	International Federation
	IP(R)	Intellectual Property (Rights)
	DACH	Deutschland, Austria, Confœderatio Helvetica (Switzerland)

1.6 Structure of the thesis

The structure of the thesis starts with the introduction on the topic explained in this chapter 1. Then, the literature review is done in chapter 2, where previous academic

research in eSports is presented, as well as their business models, relevant stakeholders, and relevant literature on growth strategy.

Followingly, chapter 3 presents the methods where the strategy and design are argued, as well as how the data has been collected, gathered, and analysed. Finally, how the research ensures quality and trustworthiness is explained.

Afterwards, the results and findings of the research are introduced in chapter 4. The chapter starts with a market overview using online available material to provide an understanding of the industry. Then, the insights of the interviews are presented, covering the relevant topics for this thesis.

Lastly, in chapter 5 the findings are used to display conclusions. Here, the research questions are answered, providing the reasons and ways of how traditional sports organizations are entering the eSports industry. In addition, some issues of the industry are discussed and ideas for further research are presented.

2 THEORETICAL FRAMEWORK

This chapter will describe the theoretical framework for the thesis. The chapter aims to provide relevant knowledge and information about the topics that will be discussed throughout the thesis, creating a basis for the research. The material presented in this section will be used to answer the research questions. The literature will consist of different academic papers but, as mentioned in the previous chapter, due to the mentioned lack of academic resources the book “*ESports Is Business: Management in the World of Competitive Gaming*” has high relevance for this thesis’ theoretical framework.

2.1 ESports background

ESports and gaming have been part of society since around the 1970s (Young Hoon, Nauright and Suveatwatanakul, 2020) however, in recent years the industry has grown exponentially, which has attracted interest from many individuals and external organizations (Scholz, 2019).

Describing eSports is not an easy task, and it is something that is still being discussed. For instance, there is still discussion about the correct terminology, if it should be *Esports*, *eSports*, or *esports*. In this research, the term eSports will be used since according to Scholz (2019) is the term that appears more in academic research. In addition, it is important to understand that eSports acts as an umbrella term that groups many actors and consists of any videogame that can be played competitively (Scholz, 2019, p.3). ESports’ term acts similarly to the term sport, but instead of grouping different sports practices, eSports gathers different game titles. These game titles can be categorized into different types of genres of videogames, for example, sports simulations, multiplayer online battle arenas (MOBAs), battle royals, or shooters.

The potential of eSports is already being argued, and even though the measuring tools are being criticized for their inaccuracy (Hetsroni and Tukachinsky, 2006, p. 150), they are still valuable to see the growth and impact it has on their audience. According to Young Hoon et al. (2020), the *League of Legends* (LoL) 2017 World Championship was watched by over 80 million people, which could be compared to the 111.3 million that the Super Bowl captured that same year. Moreover, Young Hoon et al. (2020) mention that the industry generated 1 billion dollars of revenue in 2019 and that the numbers are expected to keep growing. The accumulation of these factors attracts the attention of

non-endemic sponsors and organizations to join the industry. An example of that is Amazon's acquisition of *Twitch*, in 2014 for 970 million dollars (Scholz et al., 2019, p. 3) beating other interested companies such as Google. Twitch is a relevant stakeholder in the gaming and eSports industry, it is a live-streaming platform that allows its streamers to broadcast their gameplays while interacting with their audiences in real-time (Burroughs and Rama, 2015, p. 3), as well as tournament organizers to broadcast their tournaments and events (Scholz, 2019, p. 32). Twitch's success and main competitive advantage comes from the fact that anyone can stream which has enabled streaming to quickly grow (Scholz, 2019, p. 32). Twitch became a stabilizing factor for eSports and a steady source of revenue for different stakeholders, such the streamers, organizations, and sponsors. Moreover, Twitch has established itself as the fourth most visited website in the US and it is used by many organizers as their first option to broadcast their tournaments (Burroughs and Rama, 2015, p. 2). Burroughs and Rama (2015) explain that streaming plays a big part in the gaming culture and Twitch and their streamers have a big role in it, which keeps growing, offering a new experience that is preferred over other platforms such as YouTube and has attracted attention from traditional sports media organizations, such as the Entertainment Sports Programming Network (ESPN). Another non-endemic actor that joined the industry was the sports organization Beşiktaş J.K., which became the first sports organization that entered the eSports and has been followed by many more (Scholz, 2019, p. 6).

However, joining such a growing industry and the expectation of solid returns are not the only drivers to join the eSports industry, Scholz (2019) acknowledges 5 reasons for people and companies to join eSports.

Firstly, reaching a digital and international audience: Due to the product being videogames, it becomes evident that the industry is highly digital and with big technological inputs. In addition, the globalization of the Internet enabled this industry to reach an international audience, enabling people from different countries to play together and spectate the tournaments. This industry is born digital and global, and it is trying to turn analogue and local, which makes it an interesting case since it is completely opposite to many of the other industries' tendency to become global and more digital.

Secondly, the eSports industry has a noticeably younger audience in comparison to other traditional sports. This is of high relevance since traditional sports have been struggling to reach this type of audience and their viewership is going down (Scholz, 2019, pp. 3-4).

As an example, Scholz (2019, p. 4) discusses that football has an average viewer age of 39 years old and the NFL of 50 years old, and these numbers have been increasing with time. Therefore, traditional sports are struggling to reach younger audiences. However, the eSports audience shows to be aged from 18 to 34 years old (Nielsen 2017). This struggle to reach the young audience of the organizations, especially sports ones, creates an interest for them to invest in eSports due to the fast amortization that it has.

Thirdly, joining the industry in the emerging state of growth that eSports is currently in, involves low market entry barriers, as well as exit barriers (Scholz, 2019, p. 4). This implies that it is currently easy to join, as well as to leave if things are not going well. However, McKinsey & Company (2020) argues that even though it is not always to be expected, there is a reputational risk that needs to be considered. In addition, the authors note that eSports has an overall positive reputation but there is a need to be aware that some brands might be concerned that a negative reputation might arise due to how sceptical some people are of the industry, which is increased on realistic-looking violent titles.

Fourthly, the eSports industry, which differs from traditional sports by being industry-driven. Nonetheless, Scholz (2019, p. 5) clarifies that even though sports are not industry-driven, European football or American football are, with federations like FIFA that follow the market rules. Moreover, the main difference is that every eSports title is based on a videogame, therefore, every videogame is designed, curated, and managed by the videogame developer. In consequence, every videogame developer has the power to change the rules, create new content, and theoretically, even shut down the videogame.

Finally, eSports in its current form is around 20 years old and has been a relatively isolated industry and even branded as a nerd phenomenon in some cases (Scholz, 2019, p. 5), so in a way, ignored by many. This, gave the eSports industry time to grow on its own, creating its own rules and principles, and without a governance structure and outside pressure. ESports' self-regulatory dynamic allowed the industry to be innovative and selectively imitate beneficial structures from other sectors (Schulz, 2019, p. 6). This enabled eSports to grow on its own without nobody imposing structures or rules in the industry.

2.2 ESports stakeholders

ESports is an industry that involves many different stakeholders due to its size and recent growth, all of them contribute to the value chain by creating relevant value and integrating the audience for many eSports products (Scholz, 2019, p. 43). Moreover, due to the exponential growth that the industry experienced many new stakeholders joined the market in recent years. Scholz (2019, p. 43) argues that stakeholders are highly intertwined and interconnected, making all of them relevant and dependent on each other.

This vast pool of stakeholders requires a categorization according to their role within the eSports network. Scholz (2019) proposed a division between primary stakeholders and secondary stakeholders, which will be shown later in this chapter. Primary stakeholders, according to Darnall, Henriques, and Sadorsky (2010, p. 1074) would be the stakeholders with a direct economic stake in the industry with a direct part of the value chain and will interact with internal actors. On the other hand, secondary stakeholders are not directly involved with the market economical transactions and usually are societal stakeholders and environmental regulators (Darnall et al., 2010, p. 1075).

An overview of the stakeholder environment can be seen in *Fig. 1.1*. It can be seen how the different stakeholders interact with the critical stakeholder, the audience. It is seen that game developers, professional teams, tournament organizers, and professional players have essential roles in the industry and are the ones closer to the audience. Then, other stakeholders act as a support for those to influence the industry indirectly. Each one of these stakeholders has specific needs, expectations, interests, and politics. (Scholz, 2019, p. 45)

Scholz (2019) argues that the core of all stakeholders is the audience, therefore, all of them aim to monetize it. The stakeholders' dynamics are distinctly linked to each other and all of them require their active interconnection for the further development of the industry.

2.2.1 Primary Stakeholders

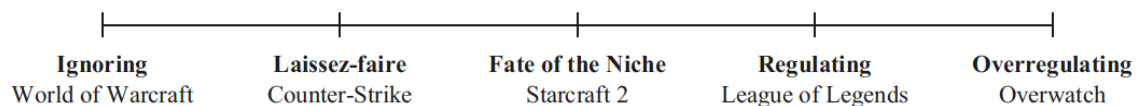
Game Developer

The game developer is arguably the most crucial stakeholder since it creates the videogame that the eSport is built upon and controls most of the aspects around it. The

game developer owns the intellectual property so creating a product from it requires technical and legal permission from them (Scholz, 2019, p. 49).

The eSport titles are constantly updated in many cases with new patches and content, which directly impacts the other stakeholders and creates a constantly evolving competition that the organizers, teams, and players need to adapt to which, according to Scholz (2019, p. 50), is done to increase the lifespan of the game. In addition, different strategies can be taken by the game developer, depending on the level of involvement that they want to partake, examples of these can be seen in Figure 1.

Figure 1 Game Developer Strategies (Scholz, 2019)



Tournament organizer

Tournament organizers are key to the development of the eSports scheme since they are the ones managing the competition. Tournament organizers cooperate with the game developers and that cooperation depends on the level of involvement of the game developer and the strategy that they decide to take. They have a vital role in the eSports ecosystem and act as a connector between many other stakeholders, such as the audience with the game developers, as well as with the players, teams, communities, or sponsors. Hence, tournament organizers have a big role in improving the interconnection of the different stakeholders (Scholz, 2019).

This stakeholder has been a driving force for eSports and crucial to the creation of the current vibrant eSports scene, mainly due to the game developer's negligence towards the eSports title (Scholz, 2019, pp. 58-59). Tournaments are not necessarily linked to a single game title and can include various eSports. Due to that, venues and arenas are filled with large amounts of audiences and the online public for the events is also extensive (Scholz, 2019, p. 59). Thanks to that, tournament organizers achieve enormous international audiences.

These venues are being benefited from the fact that many of these tournaments happen in an onsite manner. Many of these venues are starting to emphasize their efforts on

attracting eSports, as an example, the Madison Square Garden in New York, the Staples Center in Los Angeles, and the Wembley Arena in London have hosted eSports events (*see more in Appendix 1*). These are examples of how traditional sports arenas are willing to enter eSports to attract higher audiences and are adapting to the environment and market needs (Jenny et al., 2018). In addition, many new venues are being created with the specific purpose of hosting events, such as the Yongsan eSports Stadium in Seoul with a capacity of 1000 seats or the Esports Arena in Santa Ana with the same capacity (*see more in Appendix 2*).

Professional teams

eSports teams have a big role in the eSports scheme since they enable other stakeholders to succeed. Scholz (2019, pp. 62-63) argues that teams are necessary for the creation of a sustainable environment at the highest level. In addition, through the professional teams, players have a place to showcase their skills, sponsorships have a display where they can advertise themselves, and tournaments have the means to create their competitions.

These teams have increased their professionalism massively (Scholz, 2019, p. 63) with a similar structure to the traditional sports teams. They provide salaries to their players, premiums, health insurance and, sometimes, pension funds. Professional teams try to have the best players, coaches, trainers, possibility to psychologists, physiotherapists, and other enablers in order to help achieve the best possible results (Scholz, 2019, p. 63). In addition, the teams monetize their players through merchandise, sponsorships, streaming, or other possibilities.

Professional players

Professional players are probably the most important stakeholder in the eSports industry, however, there is a big pool of amateur players willing to become professional players, which enables professional teams to have a wide market to choose (Scholz, 2019, p. 67). Nonetheless, it is important to be aware that, as a player, building your own career can become more challenging than in traditional sports.

These players get a salary, premiums, insurance, and other compensations from their teams; however, they assume a high risk. This risk comes from two factors: firstly, their need to specialize in a certain videogame, which happens in a similar way than in

traditional sports where players specialize in a specific sport (Scholz, 2019, p. 67). Players invest many hours to master their videogame and that is a risk by itself. The second risk is the lifecycle of an eSports career, which is notably shorter than in traditional sports (Scholz, 2019, p. 67). In addition, when these two risks are combined, the overall risk of pursuing an eSports career becomes greater.

The short longevity of an eSports career as a player makes the player aim to earn as much money as possible during their short professional period, being in many cases highly opportunistic. On the other hand, professional teams are aware of that, and due to the wide market of players, teams also become an opportunistic agent. Thus, creating a very competitive industry and environment where only a few players, who would be the stars, have the negotiation power to get good deals. (Scholz, 2019, pp. 67-68)

Providers and communities

Following Porter's (1985) value chain, we can classify game developers, tournament organizers, professional teams, and professional players as primary activities. Yet, there is a need for certain support activities to create a product for the audience and ensure the success of the industry (Scholz, 2019, p 70). The audience is key to the monetization of the industry; hence, the support activities are key to reaching a broader audience. Scholz (2019, p. 70) defines these support activities as the infrastructure providers, service providers, hardware providers, and community enablers.

Firstly, streaming platforms are a key supporting activity within the infrastructure providers since it enables the audience to follow the matches and tournaments. Twitch can be named as the main provider, and for a long time was the only one, but nowadays there are many others, such as Azubu, Facebook, YouTube, or other smaller platforms. Hence, this competition is beneficial for the industry, since the ongoing competition between the platforms ends in a better viewing experience for the audience (Scholz, 2019, p. 71). Currently, the game developers are also interacting with the platforms in order to further incentivize the viewership of the matches and to keep the audience hooked. Scholz (2019) exemplifies this by saying that Overwatch or League of Legends provides drops for the viewers while they watch the matches, earning skins and other in-game content. Moreover, physical infrastructures such as the venues where tournaments happen, the training facilities or gaming houses, or eSports cafés are also relevant support activities (Scholz, 2019, p. 71). In addition to the previously presented venues,

Jenny et al. (2018, p. 12) discuss that some cities are opting to build their own venues to be primarily used for eSport purposes which acts as an example of public organizations responding to the environment. Therefore, Scholz (2019, p. 71), argues that this development creates a comprehensive infrastructure for any eSports-related topics.

Secondly, the service providers act as enrichers for the eSports environment. One of these service providers is the journalistic coverage of eSports, with platforms like Dot Esports or ESPN Esports which create an environment that is comparable to traditional sports journalism (Scholz, 2019, p. 71). These journalistic services cover insight information, transfer rumours, investigative reports; but, in addition, other services are comparable to the traditional sports ones, such as the Esports Observer that provides business information, consulting agencies focusing on market research, or game analytics organizations (Scholz, 2019, p. 71). Furthermore, law firms and representation agencies are also increasing in terms of presence in the eSports industry. The last group of services that support the eSports industry could be defined as the betting companies. In eSports, these go beyond cash bets and fantasy leagues, the betting expands to bet and speculate on skins and other virtual items, accelerating the growth of the industry by providing additional value for the audiences (Scholz, 2019, p. 71).

Thirdly, hardware providers are as important as in traditional sports. Whilst in traditional sports we have companies like Nike providing the best equipment, in eSports companies like SteelSeries, HyperX, Razer, Intel, or Logitech, provide mice, keyboards and other specialized hardware (Scholz, 2019, p. 72). The hardware companies also invest in the teams and players with sponsorships and developing their products to provide better equipment and better tools for the players to perform better, as well as for the audience to buy them.

Lastly, the community providers help the different and international audiences to unite and nurture their interactions. Scholz (2019, p. 73) cites that the community enablers go beyond the stakeholders in bringing people together and are self-organized. The communities have a strong presence on social media and, sometimes organize events such as viewing parties, which are important to keep the audiences hooked.

2.2.2 Secondary Stakeholders

Governing bodies

Something that has been mainly criticized about eSports is the lack of governance within the industry (e.g., Hollist 2016; Chao 2017; Holden et al. 2017a, b). This is due to the unstructured and hectic evolution that eSports had, added to the isolation without any external parties interfering with its growth, which makes it a comprehensive critic (Scholz, 2019, pp. 109-112). However, there are certain entities in eSports that try to create governance. For instance, traditional sports federations like the Olympic Committee are trying to include eSports as one of their sections and demanding the industry to create certain rules and regulations according to the Olympic movement (Carrabine, 2019). In addition, Carrabine (2019, p. 5) explains that the strongest federation candidate to achieve the International Olympic Committee recognition is the International eSports Federation (IeSF), which was established in 2008 in South Korea. With that purpose, the IeSF became an official signatory of the World Anti-Doping Agency (WADA) and created an Athletes Commission to protect their players' welfare and interests. Furthermore, IeSF applied to the Global Association of International Sports Federation (GAISF) membership and is working on achieving the criteria (Carrabine, 2019, p. 5). Hence, there is an intention from the industry to create certain regulations and an efficient governance. Yet, eSports is an umbrella term for all the different videogames, which is sometimes not understood by all the stakeholders, and the process takes time and might not even fit in the traditional sports structure (Scholz, 2019, pp. 74-75). That is why Scholz (2019, p. 75) further explains that eSports are governable by one authority, with organizations such as the IeSF, but they sometimes like legitimacy. Scholz (2019, pp. 74-77) claims that the term “governance” is understood differently by everyone, and it is essential to consider the term in more depth since the different embodiments are making it difficult to find the right governance solution for such a unique industry as the eSports.

Sports organizations

Traditional sports organization link in eSports is notable and many are the discussions about it (e.g., Franke, 2015; Hutchins 2008; Jenny et al. 2017). Actually, the real tendency in recent years is that more sports organizations are investing heavily in eSports. According to Scholz (2019, p. 78), the tendency comes from three different angles.

Firstly, many traditional sports organizations are struggling to gain international audiences and cannot compete anymore with powerhouses such as Real Madrid, FC Barcelona, or Bayern Munich. In addition, there are not that many fields remaining with potential for a global market, Scholz (2019, p. 78) mentions that the current star markets are the FIFA World Cup, the English Premier League, and the NBA, therefore, the potential and relevance of eSports increases.

Secondly, Scholz (2019, p. 78) explains that the sports audience is going grey. This means that the age of traditional sports spectators is increasing year after year. For instance, the NFL had an average of 46 years in 2006 and in 2016 grew to 50, or the NBA which moved from 40 in 2006 to 42 in 2016; even football is already around the 40s (Scholz, 2019, p. 78). That is where eSports is key, it enables the reach to a younger and international audience while remaining a market with the potential to keep growing and is a way for sports organizations to diversify their businesses.

Scholz (2019, pp. 78-79) suggests that more than 200 sports organizations with some way of involvement in eSports. This number grew exponentially from 2015 when less than 10 sports had a presence in the eSports. Scholz (2019, pp. 78-79) explains that not all the teams take the same approach, he divides them into different types of action. Firstly, when individual players are part of the digital version of the business, this describes the approach taken by many European football teams where they collaborate with FIFA or PES players, and these wear their team equipment. This is an easy and efficient way for a football team to bind new players to the professional team and potentially lead to new fans (Scholz, 2019, p. 79).

Secondly, the creation of eSports teams for a variety of games which involves commitment from the sports organization to specific games which are not directly related to the business (Scholz, 2019, p. 79). Schmidt and Holzmayer (2018, cited in Scholz 2019) show the example of FC Schalke 04, which has a League of Legends team with the purpose of enlarging their fans, attracting an international audience, and introducing eSports to their football fans. FC Schalke 04 had a big success in 2018 almost qualifying for the LoL World Championship, which would have been very important for their international success since playing in the world championship enables the brand to be recognized on a larger scale.

Thirdly, the creation of eSports teams for a variety of games in a different country is

seldomly done but aims to use the current brand of the organization to make it more accessible (Scholz, 2019, p. 79). An example of this was the Olympique Lyon partnering with a Chinese eSports team as their internationalization strategy to collect a fanbase in China.

Fourthly, creating joint ventures with existing eSports teams and creating a new brand. which is useful since it utilizes the existing experience and capabilities of an eSports organization (Scholz, 2019, p.80). An example of this could be the Paris Saint-Germain FC and the LGD Gaming team which partnered in Dota2 finishing second in The International, the most important Dota2 tournament. Scholz (2019, p. 80) explains that this is an easy and natural way for a sports organization to grow into eSports since does not require them to have their own structure.

Fifthly, the creation of own leagues creates a digital structure for the traditional sports. For example, the NBA 2K League has a strong commitment of the NBA, or the E-Divisie, a pioneer in the football eSports leagues, involved Dutch football clubs, and was aimed to increase their fans and to generate new content. (Scholz, 2019, p. 80)

Lastly, buying a franchise team's existing spot has been increasingly popular since the tournaments like the League of Legends and Overwatch started to implement a franchise system in 2018. For instance, in League of Legends, the slots were around 10 million dollars in the North American scene (Scholz, 2019, p. 80). This implied the locking-in of the franchises in the league which could lead to long-term planning and profitability for the sports organizations and is similar to the sports structures that are commonly used in the United States. Examples of these, are the Kraft Group, which owns the New England Patriots, acquired the Boston Uprising in Overwatch, or the Houston Rockets investing in Clutch Gaming in League of Legends.

Challenges are there, though. Seeking an eSports journey requires effort and knowledge and choosing the best way to expand to eSports as a traditional sports organization relies upon many factors and is not easy. But eSports is an alternative answer to the ageing of sports audiences are appealing to sports organizations since it allows them to reach an international, young, and digital audience (Scholz, 2019, p. 81).

Sponsors

Sponsorships are a driving force in eSports. Scholz (2019, pp. 81-82) explains that around a third of the eSports' economy could be attributed to sponsorship activities. Indeed, the data verification is not there, and the numbers in eSports should be taken carefully. However, even though the numbers regarding sponsorships slightly differ, their relevance can be noted. Moreover, Scholz (2019, pp. 82) adds that eSports business models have been on sponsorships and advertisements for a long time since it has been the most doable way to monetize their activities. Sponsorships are highly relevant for organizational growth, are a powerful component of communication strategy, and contribute to a strategic advantage (Dolphin, 2003), which might explain the dominance of these in the business models of the eSports organizations.

At the beginning of the eSports run, endemic sponsors were the ones that were prone to invest in eSports due to their eSports knowledge, examples of these were Nvidia, Logitech, or Intel (Scholz, 2019, p. 82). That was a time when it was hard for eSports organizations to share returns on investments and other metrics, so was hard to attract non-endemic investors. However, in the most recent years more and more non-endemic sponsors are joining and have broadened their involvement in eSports, examples of these would be Deloitte sponsoring the ESL Dutch Championship, Mercedes-Benz to ESL and LoL World Championship, or Mastercard as a LoL World Championship partner (Scholz, 2019, p. 82). Similarly, as with sports organizations, these sponsorship companies aim to reach a unique, young, and international audience through eSports. However, Crompton (1993) raises awareness of the importance of selecting correct and ethical sponsors in sports due to their power and influence on the audience decision-making. This gets amplified in eSports due to the young age of the public and there is a need for eSports organizations to consider this when making a deal with a sponsor.

For sponsors, it is not only enough with paying some money and having their logo somewhere, but Scholz (2019, p. 83) also points out that there is the need of being authentic, speaking the language, feeling the eSports' passion, and giving up control in order to succeed. Due to the uniqueness of the eSports audience, real involvement and creating authentic partnerships with the primary stakeholders are needed in order to seek new branding opportunities and innovative ways of interacting with the audience.

Sponsorship activities are relevant for other reasons than investment and play a big role in the strategy of organizations (Demir & Söderman, 2015). These further strategies are grouped in animation, which involves the alignment and activation activities in terms of communications and engagement of consumers; and in relational, which discusses the relationships, influence, and power levels between the sponsor and the sponsee. Understanding the importance of sponsors and the implications that a certain sponsor might have for the organization is crucial for the success of the deal and to achieve corporate objectives (Dolphin, 2003) and it is relevant to find a good fit between both organizations.

General public

The general public is understood as the broader public that interacts with eSports, larger than the audience itself. This secondary stakeholder is relevant because it affects the perception of the industry. Scholz (2019, p. 83) argues that the general population has had the perception that eSports are bad for people, making people aggressive, leading to shootings. Also, he mentions that there is the perception about videogames being addictive which makes people lose control of their life. Thus, these arguments and perceptions by the general public act and have been acting as a handicap for the evolution of the eSports industry and the profitability of the business. Therefore, it is important to tackle the issue and aim to reduce the risk, making the general public more pleasant with videogames and the eSports industry.

Furthermore, the general public also influences eSports from other angles. For instance, in terms of gender representation. Women, despite being half of the gaming population, have low representation in professional eSports. Scholz (2019, p. 84) introduces that there is an ongoing discourse about the reasons and that, for example, the AnyKey organization is currently fighting to diminish the stereotypes in the industry. Also, reaching a point of actual gender diversity could be very beneficial for not only the general perception of the industry, but also for improving the performance of the teams through achieving mixed-gender teams which are currently non-existent (Apesteguia, Ghazala, and Nagore, 2012). On the other hand, cultural diversity is also beneficial for the industry, teams, and organizations but this is something that is currently well utilized in eSports, where teams gather different cultures and language is not a barrier.

Investors, entrepreneurs, media, and shareholders

Lastly, various stakeholders also have an impact on the eSports industry but do not seek a direct influence or to change the industry, just taking a part in the eSports profitable market. Investors, entrepreneurs, and shareholders are the ones that mainly aim to earn money through eSports. On the other hand, media is included in this section since despite trying to change the industry in the beginning, they learnt that they need to adapt to the eSports scene and adopt a most passive role (Scholz, 2019, p. 42).

Investors have been flooding money into the eSports industry, Scholz (2019) cites that in just the first half of 2018 over 700 million dollars were infused into the industry in disclosed investments. Certainly, the investors will require a return on their investment, and this is something that is argued by some to be over valued and rumoured to be the new bubble. In addition, there is a risk of not achieving the returns that everyone is expecting, leading to dangerous endeavours with the purpose of forcing the success of the industry (Scholz, 2019)

Secondly, media is gaining importance in eSports. Due to the lack of monetization opportunities, some organizations are trying to emphasize on content creation as a source of income, hiring streamers and putting efforts into their social media content. Therefore, media companies are playing a big role in eSports as a way to digitalize the industry (Scholz & Stein, 2017).

Lastly, shareholders request an increase in their shares and a growth in revenues. However, Scholz (2019) argues that eSports is a long-term investment but that they apply pressure for a shorter-term shareholder value, which he demonstrates with the case of Tencent owning Riot Games. In this case, Tencent was crucial for the transition to a franchise model leagues in League of Legends, similar to the systems in the NBA.

2.2.3 Characteristics of eSports stakeholders

Some characteristics are fundamental to understanding stakeholders. These are primarily found in the primary stakeholders, but not exclusively. Most of the stakeholders evolved from within and when a non-endemic organization joined eSports and tried to enforce its rules, did not succeed (Scholz, 2019, p. 47). Thus, eSports organizations grew on their own without much interference.

Hence, the stakeholders developed certain common components. Scholz (2019, p.47) argues that the eSports industry is in a lock-in stage in terms of cultural similarities that might make outsiders difficult to enter, since eSports also evolved globally. The six characteristics that Scholz and Stein (2017) distinguish are explained followingly.

Firstly, there is a high ambition in the industry. The stakeholders want to be the best in what they do. As an example, the eSports organizations want to be the best in their videogame and deliver the best experience to their fans. This, according to Scholz and Stein (2017) increases the innovation of the industry and has been one of the main reasons for the improvement of the industry. Secondly, the glocality of the eSports activities makes the audience able to take part both onsite and online, filling stadiums like the Madison Square Garden whilst entertaining thousands of fans on the online broadcast (Scholz and Stein, 2017). Thirdly, the constant development of the industry. ESports stakeholders are not content with mediocracy and regularly strive to excel, for instance, Scholz and Stein (2017) explain that players and organizations are constantly reinventing themselves until they succeed. Fourthly, due to the evolution of eSports, the resources have been allocated in a bottom-up fashion, with everyone contributing in a decentralized manner for the collective benefit (Scholz and Stein, 2017). Fifthly, the over-enthusiasm of the endemic stakeholders is one of the key characteristics (Scholz and Stein, 2017). Gray (1978) talks that over-enthusiasm, together with being over-energetic, and over-dynamic are key characteristics for innovative stakeholders which is very linked with the characteristics and nature of the eSports industry. Lastly, the digitalization as a logical characteristic of eSports is mentioned by Scholz and Stein (2017) when they explain the importance of the Internet, the technology, the channels of eSports, and how stakeholders such as the teams, tournaments organizers, and media are tightly linked to these.

These characteristics make of the industry and its stakeholders a very unique one. This is due to the history and how isolated has eSports been from other industries. Therefore, for new stakeholders aiming to enter eSports, such as the sports organizations, is important to be aware, understanding, and adapting to these.

2.3 ESports business models

Scholz (2019, p. 118) shows that due to the stakeholders' interactions, eSports can be considered as an interwoven network where all the stakeholders require of each other in

order to succeed. The industry has evolved independently and very differently from other industries, which led to an industry driven by innovations and technology, but also by the interaction of people capitalizing on the technologies to their maximum.

It is true that eSports is continuously evolving, but a common thing among all the stakeholders is the intention to monetize the audience, acting as a driver for the business models of the organizations within the eSports industry. Scholz (2019, p. 118-119) explains the focus of these business models on value integration with an emphasis on cooperation rather than a threat. It appears logical for all the stakeholders that the threat of new entries, buyer and supplier power, risk of substitution, or competitive rivalry exist, but the need for cooperation is more important for the success of the industry and, therefore, of all the stakeholders. Hence, it occurs to be cooperation and competition in the industry, bringing up the term *coopetition*. This concept highlights that the network needs to cooperate in certain areas to thrive while competing in others (Brandenburger & Nalebuff, 1996) to increase the profitability throughout the system.

Furthermore, it is important to be aware that the role of a certain stakeholder, might substantially influence the overall business model network. For instance, Scholz (2019, p. 120) explains that the game developer in Overwatch is notoriously dominant while in Counter-Strike it is not dominant. These differences in such an important stakeholder as the game developer make that the different stakeholders of every videogame need to interact differently. That is why the different interconnections require efficient usage of dynamic capabilities, which are important for eSports organizations to rapidly adapt to the changing environment (Teece, 2010).

2.3.1 Coopetition, Co-Destiny, and Convergence

Scholz (2019, pp. 120-124) proposes *coopetition*, *co-destiny*, and *convergence* as common rules in all the eSports business models. These will be explained followingly as well as the impact that they have on the industry.

Coopetition

Coopetition, as previously mentioned, is one of the driving forces in the eSports industry due to the need of collaborating while competing, and many stakeholders follow the rules of *coopetition* aiming to ensure the success of themselves as well as the success of the industry. Mutual recognition of interdependence is a precondition for *coopetition* and,

especially in eSports, it becomes evident that a game developer may require tournament organizers but depends on professional teams and professional players.

Walley (2007, p. 11) talks about coopetition as “a situation where competitors simultaneously cooperate and compete with each other”. In addition, Scholz (2019, p. 121) argues that coopetition is essential for the eSports industry and has helped to create new and innovative ideas. Some eSports stakeholders compete very aggressively when reaching the audience, but they do so while cooperating to encourage growth. All the organizations learn and share knowledge with each other, creating a better and more profitable market.

Co-Destiny

The eSports industry has shown a particular behaviour with a specific shared vision or co-destiny (Scholz, 2019, p. 122). A shared vision in an industry is relevant for the enablement of the co-destiny process (Davidow and Malone, 1992) which happens in eSports with several stakeholders sharing a long-term goal and strategy, aiming for eSports to grow. Scholz (2019, p. 121) suggests that despite eSports not having a governing body, associations, federations, or big enough institutions to create a shared vision, eSports is strongly driven by co-destiny. This happens because the people involved in eSports really love eSports, and they want to see it grow. The co-destiny driver is increased with long-term stakeholders, but also this tendency is starting to be seen in younger stakeholders.

However, Scholz (2019, p. 121) says that trust between eSports organizations is crucial to ensure co-destiny. This was enhanced at the beginning of the eSports industry when everything was even more hectic and less structured, with fewer rules and not as many business experts as nowadays. Hence, eSports relies upon a network based on trustworthiness and a certain informal code of conduct (Scholz, 2019, p. 121)

Convergence

Due to the fundamental rules of coopetition and co-destiny, it can be seen in the eSports industry that there is also a certain tendency towards convergence (Scholz, 2019, p. 123). Beckert (2010) explains that organizations tend to become more and more similar over time, which is enhanced in eSports due to the relationships between stakeholders. In addition, DiMaggio and Powell (1983) stated that this convergence is increased within

the context of newer institutions and organizations. Scholz (2019, p. 123) adds that eSports is facing a tendency towards sigma-convergence which occurs when the dispersion of certain variables between different countries tend to decrease over time (Young, Higgins & Levy, 2008). The sigma-convergence is relevant when we align it with the cooperation and co-destiny because when stakeholders share these makes them become more similar with time. Then, the importance of new stakeholders is notable due to the potential of bringing new ideas, changes, and challenges to the industry that might disrupt the industry (Scholz, 2019, p. 123).

2.4 Sports organization expansion to eSports

Sports organizations are already an important stakeholder in the eSports industry due to the many ways that these are involved, as was explained in the previous section 2.2.2. Entering eSports requires certain know-how and adapting to the specific ways of doing of the industry and the needs of its audience.

Understanding the strategic expansion methods is important, as well as the advantages and disadvantages of those. Johnson, Whittington, and Scholes (2011) explain that the main methods to pursue strategic growth are acquisitions, alliances, and organic development. These are methods that are relevant for eSports and there are examples of those in eSports. Figure 2 provides a good understanding of the positives and negatives of each of the methods from different perspectives. It is good to acknowledge that there is no better or worse method and depends on the capabilities, needs, and context of the growth.

Figure 2 Buy, ally, or DIY (Johnson et al., 2011)

	Buy	Ally	DIY
High urgency	Fast	Fast	Slow
High uncertainty	Failures potentially saleable	Share losses and retain buy option	Failures likely unsaleable
Soft capabilities important	Culture and valuation problems	Culture and control problems	Cultural consistency
Highly modular capabilities	Problem of buying whole company	Ally just with relevant partner unit	Develop in new venture unit

However, when talking about how the sports organizations have been expanding into eSports the more concurrent methods are organic growth and alliances, therefore, these two will be explained further in this section.

2.4.1 Organic development as a growth strategy

Organic development is, according to Figure 2, the slower way to grow. This is because it requires the process of learning and understanding and relying on the own organizational resources. However, Lockett et al. (2011) mention that a way to accelerate this growth is by bringing in and training new managers, which then increases the cost of the strategy. Johnson et al. (2011, p. 328) define organic development as the strategy of building on and developing an organization's own capabilities. Moreover, they describe four main advantages of organic growth.

Firstly, it is the expertise gained by the organization. Even if it takes a certain time to adapt and learn, the direct involvement in a new market or technology enhances the organizational knowledge. Secondly, the investment and expenses of the organization are distributed over time which compared with acquisitions requires a larger expenditure in the beginning. In addition, an extra of flexibility is added, allowing the organization to reverse or adjust the strategy if needed. Thirdly, developing a company by itself does not require any other organization to be available to acquire or ally with, so there is the advantage of not depending on the availability and not having to wait for the perfect match. Lastly, it brings independence to the organization since there is no compromise with any other organization.

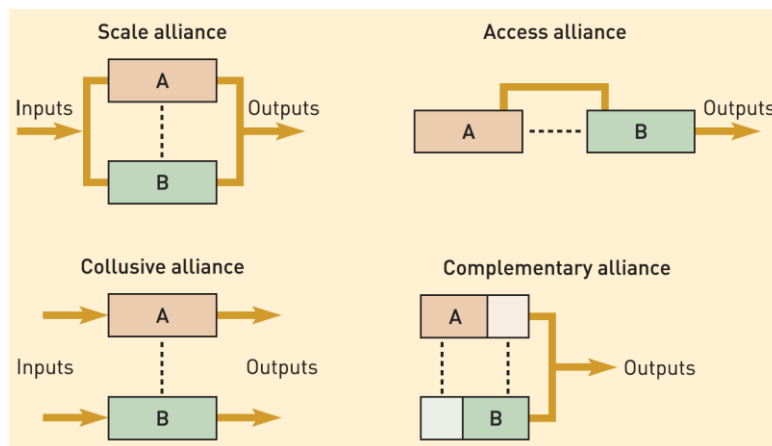
Moreover, Johnson et al. (2011) separate organic development between radical and continuous development. Radical organic development, also understood as corporate entrepreneurship is defined as a radical change in the organization's business that is principally driven by its own capabilities (Johnson et al., 2011, p. 328). However, relying too much on organic growth might create problems in terms of path dependence and might hinder the possibilities of learning outside the areas where the organization has prior knowledge (Lockett et al., 2011).

2.4.2 Alliances as a growth strategy

Alliances play a big role in eSports, Wheelen & Hunger (2011, p.125) define them as "an agreement between firms to do business together in ways that go beyond normal company-to-company dealings but fall short to a merger or a full partnership". Many

organizations opt to share resources and activities to pursue a strategy (Johnson et al., 2011, p. 338). For some sports organizations, this has been the best option due to the possibility of knowing the unique ways of doing of the eSports industry and its stakeholders. Johnson et al. (2011) discuss that a core thing about alliances, differing them from mergers, is that in alliances there are minor or no ownership changes at all. Establishing an alliance has benefits in comparison with the organic growth, such as being a faster method or involving less risk, since the organization can share the losses, as seen in Figure 2. In addition, Elmuti & Kathawala (2001) highlight that alliances are used to diffuse new technologies rapidly, to enter a new market, and to learn quickly from the outstanding organizations in a certain industry, which really fits the needs of certain sports organizations. However, one of the main drawbacks of alliances is the potential cultural and control issues, which might handicap the success of the alliance, therefore, a considerable amount of effort must be put in by all the involved parties. It is necessary for both organizations to outline the expectations, roles, requirements, and benefits so a favourable outcome of the alliance can be expected (Elmuti & Kathawala, 2001).

Figure 3 Types of Alliances (Johnson et al., 2011)



Alliances can happen in different ways. First, in regards to the type of ownership, Johnson et al. (2011, p. 340) explain that some alliances involved the creation of new entities with shared equity. In that case, the most common form is through a joint venture, where two organizations remain independent but set up a new organization owned by the parents. On the other hand, alliances can happen with any commitment in terms of equity. Johnson et al. (2011) define franchising as the most common way of non-equity or contractual alliances.

Secondly, the types of alliances can be differentiated in regards to the motives and how the resources and activities are shared. Figure 3 shows four different alliances. First, scale alliances where the two organizations with similar capabilities combine in order to achieve advantages that otherwise they would not. In addition, through scale alliances risk is shared between both entities which allows these to not have to commit so many resources and not threaten the existence of the whole organization. Secondly, access alliances are commonly done when the organizations require accessing another organization's knowledge or resources in order to develop their activities. Thirdly, complementary alliances, which are similar to access alliances, allow organizations to combine resources in order to overcome each other difficulties, limitations, weaknesses, or boost their strengths. Lastly, collusive alliances happen when organizations secretly and illegally collude to increase their market power. By doing that they achieve competitive advantages in the forms of higher prices or lower costs. (Johnson et al., 2011, pp. 340-342)

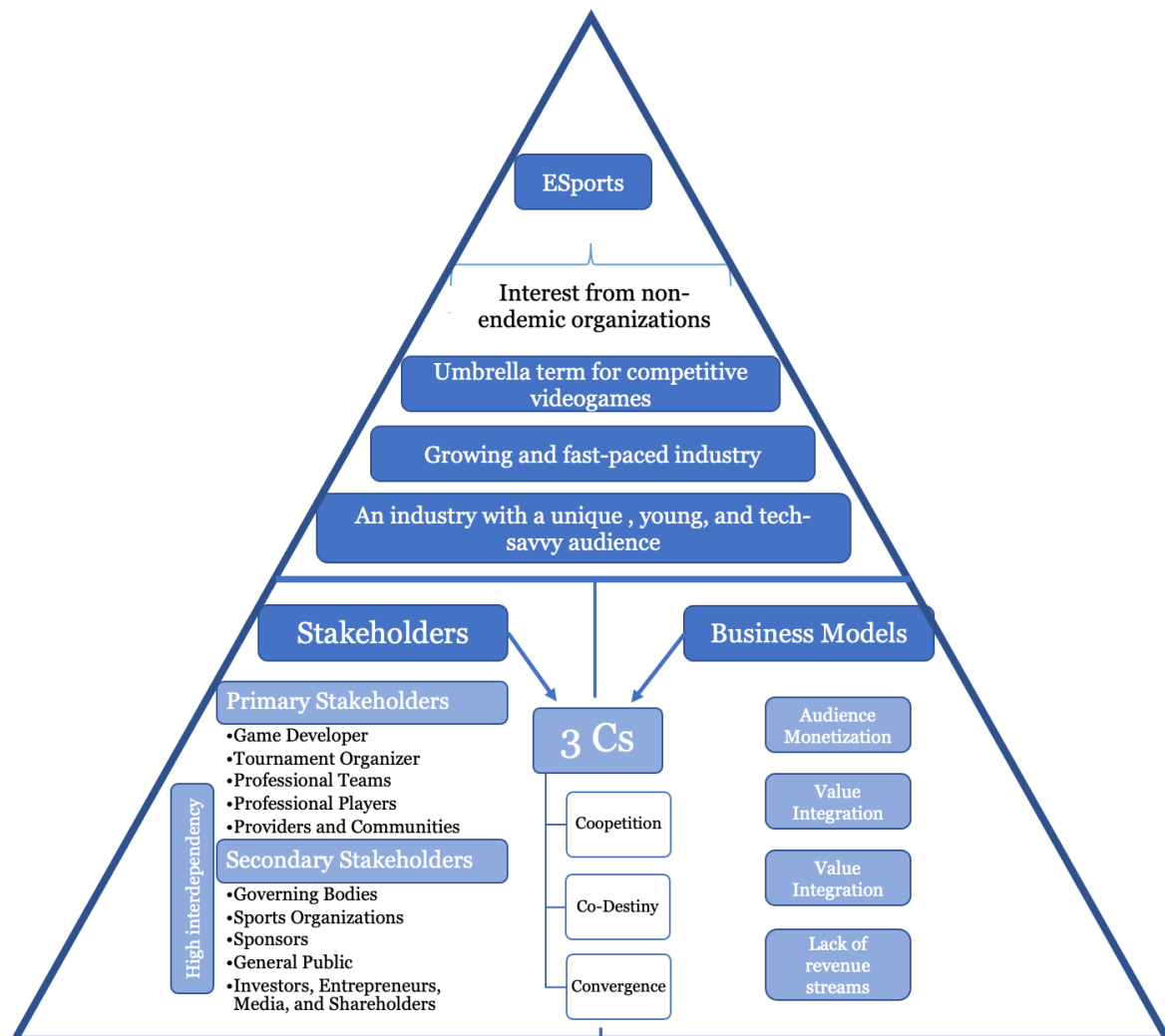
Alliances are usually seen as positive for strategical purposes. It could be argued that the positive aspects get enhanced in an industry where there is high dependence and need for cooperation between the different stakeholders. Yet, proceeding with a strategical alliance comes with some risks, the main ones being trust issues, operational differences, lack of coordination, lack of clear goals and objectives, and clash or incompatibility of cultures (Elmuti & Kathawala, 2001) which need to be taken in consideration when establishing the initial strategical plan.

2.5 Summary

This sub-chapter aims to provide a visual summary of all the concepts explained in chapter 2. One figure has been created to help with the understanding of the industry and to provide a broad overview of eSports.

ESports has been a growing industry which has spiked in recent years. The industry has been growing in many ways and has attracted non-endemic organizations to join the industry. In Figure 3 a summary of the key characteristics of the industry can be visualized, as well as a recap of the key points of the stakeholders and the business models. It can be seen that there are specific ways of acting that link how the business models and stakeholders behave.

Figure 4 Theoretical framework pyramid



3 METHODS

This section depicts the methodology used in the research. Here, the thought process and the reasons of why a certain method has been chosen over alternative ones will be explained. The chapter consists of the research philosophy, where the beliefs about the reality and how it influences this research are shown; the research strategy, where the approach taken in the study is explained; the data collection process, where the sampling and the eight interviews design shown in Table 2 are described; and lastly, how the quality of the research is ensured.

3.1 Research Philosophy

Before knowing the approach that a researcher will have to the study, it is important to know about how the researcher sees the world, the beliefs, and attitudes towards it. Saunders, Lewis, and Thornhill (2016, p. 124) describe research philosophy as the beliefs and assumptions about the development of knowledge. It explores concepts like ontology, meaning the beliefs about the nature of reality; epistemology, referring to the theory of knowledge, or in other words: how do we know what we know? Lastly, axiology, which is explained by Lincoln & Guba (2005, pp. 197-198) as the way that the values influence the research, like with the choice of problem, the choice of the theoretical framework or the choice of presenting the findings.

There are different philosophies, and different authors make different distinctions. There is not a universal way of categorizing them. This research adopts an interpretivist approach. Hudson & Ozanne (1988, p. 513) explain that interpretivist researchers are characterized by a continually evolved research design and they try to explain different realities that cannot be known beforehand because these are time and context-specific. Moreover, it is understood that realities change, contexts evolve, and the researchers come to the study with different preunderstandings (Hudson & Ozanne, 1988, p. 513). However, despite the prior knowledge, interpretivists are open to new information and knowledge that is acquired during the research. In this philosophy, an evolving design is utilized and there is the belief in human capabilities to adapt to different contexts and scenarios.

These factors are consistent with the philosophy of this research. I, as a researcher, had prior knowledge of the subject and eSports environment, however, I have been open to listening to others' realities and perceptions on the subject and integrating the findings

into the research. Moreover, the current reality of eSports might change with time, new ways of entering the industry might appear, as well as the best or most successful expansion approaches might vary. I believe it is important to be aware of the time and context sensitivity in a novel and evolving industry as eSports is.

3.2 Research Strategy

This thesis is based on qualitative research. Patton (2014, p. 107) explains that qualitative data consists of quotations, observations, excerpts from documents, and entries from social media. Thus, the data that is aimed to be collected is non-numerical data that can be collected through interviews, surveys, or observations, among other data-collection methods. Denzin & Lincoln (2008, p. 3) define qualitative research as a set of interpretative practices that make the world visible, turning the world into a series of representations studied in its natural settings helping to make sense of it and interpreting the world in the way that people bring it. When studying why the traditional sports organizations wanted to expand to eSports and how they have done it, the qualitative approach must be the preferred option because it enables the researcher to find out their experiences, hear their stories and examples, and understand how and why they perceived the situation (Patton, 2014, p. 67).

The purpose of using a qualitative inquiry lies in being able to describe what is happening while understanding the logic of it. Sanders et al. (2017, P. 177) explains that the research strategy shows how the researcher answers the research question, therefore, in this subsection the process is explained.

The research is constructed in an abductive manner. Denzin (1978b) defines abduction as a combination of inductive and deductive thinking. In addition, he explains it as “working from consequence back to cause or antecedent” (p. 109) where the observer records a particular event and works back in time to reconstruct the causes and consequences in question. The choosing of this approach is due to the nature of eSports. There is not much theory nor knowledge on the subject, hence, learning while doing and being able to learn from the data and redo and adapt the theory is needed when studying such a topic.

3.3 Data Collection

In order to succeed with a research, data is needed. Bryman & Bell (2015) explain that the most common data collection methods are observation, interviews, focus groups, and other documents. For this research, there are two different sources of data. Firstly, through the eight interviews that are conducted, which are displayed in Table 2. The sampling strategy and a thorough logic about them is explained in the following subsections. This data enables me to understand the reasons and logic behind the traditional sports organization's expansion process, as well as deepen the knowledge about the industry, its stakeholders, business models, and issues. Furthermore, it enables me to hear about specific stories and examples, which are highly important in qualitative analysis (Patton, 2014). Secondly, public online material is collected to support the interview's findings. Due to the lack of academic resources, this additional material is relevant to provide an accurate overview of the industry. These sources were found thanks to the previous research with endemic people from the industry as well as the acquired knowledge of following the industry for many years. Examples of these sources are Leaguepedia as a database or the journal DotEsports for analysis, news, and eSports coverage.

With this, I aim to provide an analysis of the market and research if esports is a profitable market to enter for traditional sports organizations. These two different approaches are needed in order to answer the three different research questions that were previously stated in chapter 1.2.

3.3.1 Sampling Strategy

Patton (2014, p. 448) sampling strategies can be described as the different choices that a researcher does in aiming to obtain the information and data needed to progress with the research. Aiming to achieve a homogeneous sampling and fulfil the requirements of this thesis research, purposeful sampling is used (Patton, 2014, p. 428). Purposeful sampling is when the sampling is specifically created for the study purposes with the objective to provide the best sample for the research. The choice of using purposeful sampling in the research is clear because it enables to achieve consistent data that will enrichen the qualitative study.

Moreover, critical case sampling will be used as a sampling strategy. Within the League of Legends European environment, the sports organizations that already have a presence in eSports were contacted and acted as relevant cases providing the most knowledge for

future cases of other sports organizations aiming to expand to eSports (Patton, 2014, p. 460). This strategy was chosen because the experience and knowledge that is extracted from these chosen cases can permit logical generalization to other similar cases, hence, providing value and being similar to other sports organizations aiming to expand to eSports (Patton, 2014, p. 404). Moreover, the snowball or chain sampling technique is utilized. After studying the market and discovering certain personalities, they provided guidance on who could be useful for the purpose of the research, therefore, accumulating valuable and important informants (Patton, 2014, p. 451). To achieve this, in addition to my own knowledge, I reached out to a few people from the eSports scene and set up some calls to talk with them. Examples of these are former pro-player DanDan or the current head of scouting of Real Betis, MrOrxata. These calls were very valuable, I was able to create a list of the organizations to reach and some contact persons and I got a better understanding of the eSports market.

After having the names and organizations to contact, I started reaching out to them mainly on Twitter and by email. The response time for these first messages was slower than anticipated which was a small issue. In addition, on some occasions, I was redirected to other people within the same organization and the process had to start all over again, but it was useful to find the correct person to talk to.

The final number of interviewees was eight, which are shown in Table 2. Even though I reached out to all or most of the European eSports organizations, it was impossible to interview more, most often due to the lack of response. It was considered interviewing other people from eSports, like professional players, but it was decided not to, again, because just very few replied and would not provide significant data. Even though this number is seen enough by some for this type of research, it can be seen as non-sufficient by others. But, due to the faced constraints that have been previously mentioned and the limitations of the research, there was no other choice. However, it has provided valuable and significant results and the quality of the data is good. There has been variety and the interviews happened to be long enough to cover all the topics and go in deep on them.

Table 2 Interviewees List

<i>Interviewee</i>	<i>Organization</i>
<i>R1</i>	FC Barcelona
<i>R2</i>	Schalke04
<i>R3</i>	Team Orange Gaming (Ulm)
<i>R4</i>	Cream Real Betis
<i>R5</i>	Anorthosis Famagusta
<i>R6</i>	FC Nantes
<i>R7</i>	Penta 1860
<i>R8</i>	PSV Eindhoven

3.3.2 Interviews

Interviews will be used to understand the cases of these companies. Patton (2014) explains that through the explanation of the interviewees' experiences, opinions, and attitudes it is possible to obtain insights and information that are valuable for the purpose of this research. A realistic approach will be of interest for the interviews since Silverman (2005, pp. 154-157) mentions that is the preferred way to understand the experiences of the interviewees in certain events, facts, or actions. This approach is chosen because it will provide the best understanding of the reasons for the expansion into eSports, the opinions of the interviewees, and why they entered the market the way they did. Moreover, the interviews will be conducted individually due to the possibility of studying every case deeper and perhaps personalizing the questions or asking follow-up questions if needed (Patton, 2014, p. 45). Lastly, the interviews were prepared in a semi-structured manner. Therefore, an interview guide is produced (found in *Annex 1.3.*) but when this one appears to be insufficient, follow-up questions will be asked *in situ*. Moreover, thanks to this semi-structured approach the interviewee will be able to freely speak, enabling him or her to create valuable stories and, as Patton (2014) says, having an informal conversation.

When creating the interview guide, the first step was to come up with themes. These themes made it easier to formulate the questions and helped to have an organized interview. The interview had six different themes: eSports market, business model, strategy, culture, audience/stakeholders, and others. The eSport market theme aimed to understand the eSports market overall and the interviewee's organization's presence in it. Therefore, questions like "Which principles regulate eSports" or "Would you explain

about your organization's presence in eSports" are asked. Secondly, the business model questions aim to understand the organization's plans to be profitable and how they are changing with time, that is why questions like "How does an eSports organization differ from the traditional sports" are asked. Thirdly, the strategy theme aims to deep into the expansion itself, why and how was the process of diving into eSports. Questions from these themes are "Why did your organization decide to grow to eSports?" and the follow-up question, if needed, "Which factors were key for the decision". The culture theme aimed to understand how the organization ensure that the employees have the same goal and work efficiently towards it, and questions like "How does your organization integrate different cultures in order to achieve the goals". Fourthly, the audience/stakeholders theme aims to understand the relationships of the organization with their stakeholders, with a specific focus on the audience due to its importance, with questions like "How is the unique audience of eSports reached". Lastly, a theme of others was included to different but relevant questions like "what is the role of technology and digitalization in eSports". But also, before ending, an open question for the interviewee to add anything else if it is needed is proposed.

The interviews are slightly adapted to the interviewees. That is because the organization or position of each of the interviewees varies from one to another. There are eSport organizations that are analysed that partner with a sports organization, whilst others are a department from a sports team. Moreover, managers and players are interviewed and in order to learn the most about their experiences and perceptions, different questions are needed.

Due to the current pandemic of Covid-19 that is happening, the interviews take place primarily in Microsoft Teams in an online method, unless objection from the interviewee. Another reason for this is that the interviewees are all around Europe and an online interview creates an easy way to set the interviews. However, Bryman & Bell (2011, p. 660) show that face-to-face interviews are better than online ones because enables the interviewer to maintain rapport with the interviewees, that is why is specifically asked to the interviewees to have their camera on during the interview, which also enables to observe their reactions and non-verbal communication. Most of the interviews are being held in English. However, there is a need for awareness that English is not the mother tongue of almost any, if not any, of the interviewees and that might influence their answers. Two of the interviews were held in the mother tongue of the interviewees (one in Spanish and one in Catalan) for their convenience and to ensure the

quality of the data, the material that will be used from these interviews is translated for this thesis.

Finally, the interviews are transcribed and recorded. The transcriptions are done in a verbatim manner, transcribing what is actually said, the repertoire of false starts, incomplete sentences, with a detailed description of the non-verbal behaviour, including scratching, fidgeting, coughs, and so on (Bryman & Bell, 2015, p. 537). In addition, for the interviews that were conducted in the native language of the interviewee (Spanish or Catalan), the interview fragments and citations that are used for the thesis are translated. Patton (2014, p. 767) cites that transcriptions are important to afterwards analyse the data and verbatim transcriptions are also important because not everyone talks the same way.

Furthermore, regarding the privacy of the data and the ethics, which follows the GDPR guidelines, and it is stored in the Hanken School of Economics cloud service, being deleted after 12 months of the thesis submission; anonymity is granted to all the interviewees. This is communicated to them since the first approach. In addition, prior to the interview, a consent form is signed or verbally agreed upon in the interview's recording where the usage of the data is explained. Lastly, before starting the interview or while recording there was a verbal agreement of the interview's recording, communication regarding their power to decide if something needs to be excluded and that if they do not want to answer a question, they can skip it.

After analysing the interviews and their data, citations are used in the empirical chapter sections. But each of the interviewees is contacted in order to have their acceptance to that. In that last email, it is reminded that the interviews are anonymous, but the organization's name will be used, unless objection.

3.4 Data Analysis

Analysing the data is crucial for research since it is where results might appear and the researcher gets to draw conclusions and interpretations from them, achieving new knowledge (Patton, 2014). Moreover, he adds that the purpose and the own judgement of the criteria defines the analysis and must be created anew each time.

Spiggle (1994) talks about the importance of actually understanding the data and not falling into the mistake of merely describing it. In addition, he proposes to reduce the data as much as possible, simplifying it and identifying the most interesting and relevant data. Then, a researcher should organize it in order to display it efficiently, which will enable the researcher to conclude easier. Lastly, Spiggle (1994) recommends forming frameworks, revealing the data in terms of importance, and making it easier to interpret it and understand the theoretical and practical implications. This thesis analyses the interview's transcriptions through a thematic analysis which is the qualitative analysis most used by researchers (Bryman & Bell, 2015) and the steps will be explained followingly.

Step 1: Coding and preliminary categorization

After transcribing the interviews, it is important to spot the concepts that better describe the experiences and insights of the interviewees. Spiggle (1994, p. 493) defines the categorization process as the technique of classifying and labelling the units of data. In order to proceed with the categorization is necessary to identify the chunks of data and name them and, for this purpose, coding was used. The coding provides an understanding of the data through visualization and helps with the analysis. done by was used for the coding. In order to simplify the data some themes were established, each one with a different colour. In addition, notes and a summary of the highlighted part were written next to it. This method provided a simpler and more visual data that was easier to analyse afterwards. Initially, the transcripts were reviewed, and the most relevant data was highlighted. In addition to the highlighting, notes were added to every data bulk which provided extra information for afterwards making the labelling and thematic analysis easier.

Step 2: Establishing the themes

For a better visualization, understanding of the data, and to ease the rest of the analysis certain main themes were set up. The process of establishing these core categories was through observation, a preliminary understanding of the data, and the help of the interview guide's structure and initial themes. Therefore, the final themes were: "Why – Reason", "How-Method", "Evolution – Future", "Drivers", "Stakeholders", "Governance", "Business Models", "Culture", and "Other". These themes were present in

more or less capacity in each of the transcripts and that is why, after identifying the chunks of data, they were established.

The interviewee's answers for each of the themes in the tables were grouped. An example of how this was done in practice, for the *Why* theme where I organized all the organization's reasons for entering eSports, can be seen in Table 2. These tables were helpful to organize, structure, and visualize the data, hence, to draw tendencies and conclusions for each one of the themes.

Step 3: Grouping the data by theme

After identifying the themes, it is useful to group and bring the data units together for the better afterwards analysis. To start, the previously highlighted transcripts were reviewed again with the purpose of colouring with different colours the relevant data according to the established themes. With this, a higher level of visualization is achieved and allows a better identification of the crucial data for the research (Spiggle, 1994). With the colouring done, the next step for grouping the data is copying the sets of data per category or theme of all the interviews in a separate document. With that, nine different documents were created with all the data structured in an organizational order, allowing the next steps of the analysis and the identification of the most relevant information per theme and per organization.

Step 4: Creating tables

With the data already organized in the documents, the next step was to create tables per theme which would allow comparing the data, in order to answer the research questions and to fill the purpose of the research. As can be seen in Table 3, the previous data that was in the documents was simplified and summarized providing a more pleasant analysis. This simplification is important according to Spiggle (1994) who explains that reducing the data is key for the understanding of it and for the success of the qualitative analysis. There were nine total tables created, one per each theme, and the content of the tables depended on the answers of the interviewees. These tables are essential since they display the data clearly and efficiently, which allows a better analysis.

Table 3 Data Analysis “Why - Reason”

Organization	Reason 1	Reason 2
Barça	Connect with young audiences, which cannot be reached with traditional sports – traditional sports audiences are getting older.	
Nantes	Football fans are getting older – need to grow a new fanbase (young audience) – feed both audiences.	Used by Nantes as a marketing practice
PSV	Increase fans and followers. Football struggles to fill the gap and connect with young fans (12-25).	eSports as a competitor for sports. Entertainment revolution.
Schalke	Fill a complementary but young audience for sports	
TOG	New market with a new audience (but with a different language)	Chance to rejuvenate the sports organization. Opportunity to develop the know-how to be professional for eSports org. And for sports orgs in terms of digitalization
TSV PENTA	Big market that enables to reach a new audience easily	
Anorthosis	Reaching a new and more international.	Help the club with digitalization and spread the values of the club and issues about Cyprus.
Betis	Gets to an audience that otherwise cannot be reached. A young audience. Because the sports audience is stuck.	The audience needs to be reached in a very specific form and channels.

Step 5: Comparing and pattern identification

Lastly, with the data sorted, organized, and simplified the interpretation of the tables starts. In order to analyse the table and extract the insights and findings for the research, the comparison method was used. In order to display the process that was utilized, Table 3 will be taken as an example. So, all eight organizations' reasons for entering eSports are contrasted and certain patterns are tried to be found. In this case, it was clear that the reason was to reach an audience that traditional sports organizations are struggling to attract. In addition, as some organizations had extra reasons this is taken into consideration as well. Afterwards, when these patterns and comparisons are made, sensemaking of the results and the interpretation of those starts in order to provide the results in a structured way; these are demonstrated in chapter 4.

3.5 Quality of the research

Having a well-done and relevant analysis is important, however, doing so with quality is key for the success of a research. Quality, according to Wallendorf & Belk (1989) can be defined as the reliability, validity, and trustworthiness of a study. Assessing the quality must be something done in every study and constant throughout the research. To measure and ensure that the research is done with quality, is important to know how to assess it and what to do to guarantee the trustworthiness, reliability, and validity of the study. There are different assess the quality, according to the view of the researcher. Lincoln & Guba (1986), propose to assess the quality of qualitative research differently that the proposed internal and external validity plus internal and external reliability standards that are used in quantitative research. This is, according to Bryman & Bell (2011), because there are no absolute truths about the social world and there are more than one, and possibly several, accounts of social reality.

Therefore, to assess the trustworthiness and the authenticity of research, Lincoln & Guba (1986, pp. 76-77) suggest credibility as an analogue of internal validity, transferability as an analogue to external validity, dependability as an analogue to reliability, and confirmability as an analogue to objectivity.

Firstly, credibility is explained by Wallendorf & Belk (1989) as the adequation and reliability of the representations of the constructions of the study and the provision of sufficient representations of how the study is constructed. To ensure credibility Lincoln & Guba (1986, p. 77) propose a prolonged engagement, a persistent observation, a triangulation and cross-checking of data, peer debriefing, negative case analysis, and/or member checks. In this thesis, an example of the credibility and cross-checking and persistent observation would be how during the interviews is that follow-up questions and confirmation of what was said in the interviews with online data were done.

Secondly, transferability according to Wallendorf & Belk (1989) is when the working hypotheses can be employed in other contexts. Lincoln & Guba (1986, p. 77) propose to use thick descriptive data so that others that want to use the totality or part of the findings elsewhere can do so. The detective work that was done prior to the interview and the meetings that were set to help understand and support the data collection criteria providing descriptive data which was helpful to secure the transferability of this thesis.

In addition, the research methods explain all the steps comprehensively and a detailed background is provided.

Thirdly, dependability is defined by Wallendorf & Belk (1989) as to whether the results would be the same if another person would have done the study. And the last criterion, confirmability, is referred to by Wallendorf & Belk as the neutrality of the data and the ease of tracking the process and construct of the researcher. For both of these criteria, Lincoln & Guba (1986, pp. 77-78) propose the need for external competent auditing to examine the process results. In this thesis, all the processes are thoroughly explained, from the data collection to the findings which allows a good understanding of what is being done.

4 EMPIRICAL RESULTS

In this chapter, the empirical findings of the research are shown. The findings are from the interviews conducted with eSports managers and other relevant persons from sports organizations that have a presence in the European League of Legends, but also from research on publicly available content such as consultancy reports or from journalist sites.

4.1 The eSports industry

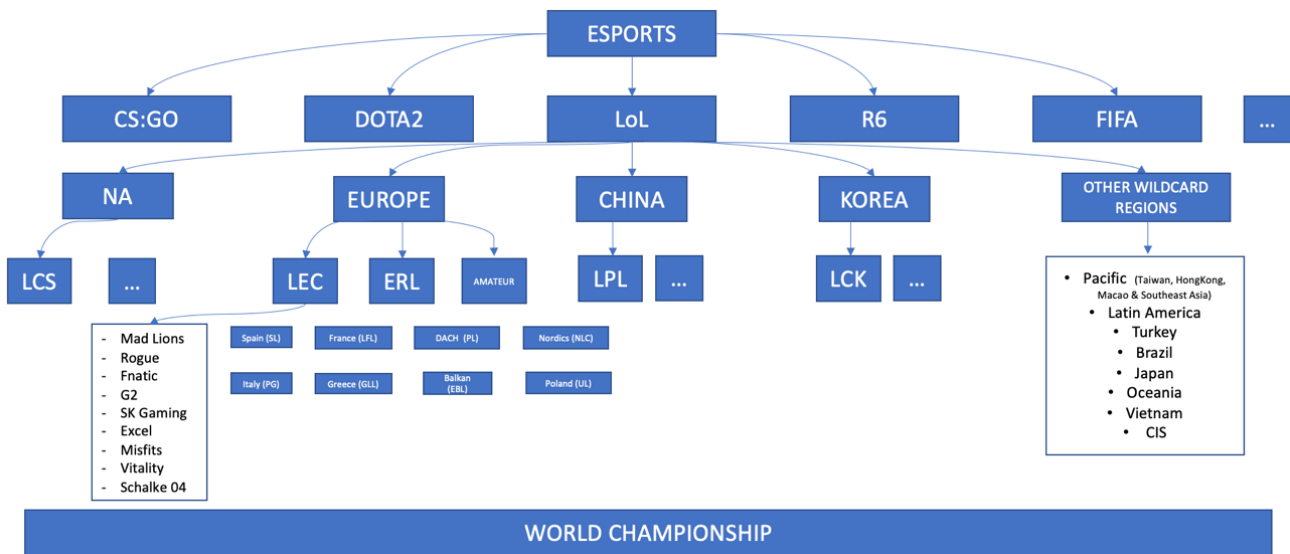
The eSports industry and a market overview will be presented in this chapter. ESports is a concept that joints diverse videogames, so in the same way that the term sports groups incorporate different disciplines such as football, basketball, or water polo, eSports group different videogames with different competitions. Figure 5 provides a visual representation of how it is structured, with examples of different videogames. Each of these videogames comprehend different competitions with different competitive formats, different organizations, and different stakeholders involved. But the main difference between eSports and sports industries is the role of the Game Developer in eSports.

“...and the thing is that the difference is that actually, the publisher is mainly the owner of the eSport itself. So, game developer is the owner of the game where in football is, of course, regulated by FIFA or UEFA, in a sense. [...] With a publisher like Riot, they are the owner of the competition. And that's a big difference. [...] Also, in terms of rules and regulations... so, the publisher, make it Riot, they are creating the rules for the competition of League of Legends. So those publishers are very important in terms of rules and regulation”

Interview with R8 - PSV

In traditional sports, no one owns the IP of the game, in football for example. However, in eSports, the publisher or game developer owns the rights to their videogame. For example, in League of Legends, Riot is the game developer, whilst in FIFA, EA Sports is the organization with the videogame rights. Then, the role of the game developer varies from videogame to videogame, as Scholz (2019) clarifies some publishers get more involved than others.

Figure 4 ESports overview



qHowever, one of the main differences between the eSports and the sports industry is that in eSports there are issues with the governance and regulatory bodies in eSports, which are developed during this chapter. The eSports' governance has not developed as far as the rest of the industry and that might hinder the future of the scene. In League of Legends, this gets accentuated when looking at the European Regional Leagues (ERLs) and the amateur scope where the game developer does not have as much involvement as in the main league, the LEC.

“And they [Riot] actually govern the high-level eSports at least. So, there's still a grey area, which I think is a problem. The governance of high-level eSports for League of Legends is decent, Riot is overlooking the contracts, and actually is taking care of professional contracts being held, which is one of the biggest and most important governance functions that you need in order to have a professional sports system because otherwise, players could use us whatever they want, and they would just leave any day for the next highest bidder. But actually, Riot prevents that because they govern the entire player market at the high level. Now the thing is that at some level, Riot stops doing that. And that's the issue. So, if you're too small, and if you're not playing at that level yet, players can just leave you, they can just or they can ignore any contract”

Interview with R3 - TOG

In addition, this governance structure creates issues for the eSports organizations' revenue streams and their business models. One of the main sources of income for traditional sports organizations is the media rights, however, due to the game developer power and eSports governance, this is not possible and that hinders the industry development.

[Translated from Spanish] “In eSports, there is a monopoly of the publisher, which is a monopoly that I sincerely believe must be broken and will be broken because in Europe there cannot be one, an actor with as much power as the publisher today with the excuse that it has the rights of the

game. [...] Currently, the publisher is the one who totally sets all the rules of what can be done and what cannot be done. Here in the value chain of several actors, the publisher, on the one hand, and the league organizers, on the other, to whom the publisher gives a license. For example, here in Spain, in the Superliga, it is MediaPro to whom Riot gives the license to operate. [...] That's why a few years ago what we set up is the ACE basically to be able to correctly negotiate the joint interests of the clubs or this will be impossible to sustain because in the end we have to start with some league rights like it occurs in sports which is the main source of income for football clubs, for example, and here we don't have it, it is not the main source of income for the esports clubs. But this will end up happening just as I tell you that the sector is maturing, the forces in this value chain will compensate and the regulation will also make the publisher stop exercising the force that it has today and it will be highly relevant in the competitive eSports industry, but not with the monopoly that it has now I am convinced that this will happen”

Interview with R4 - Betis

Moreover, this creates a high dependency on the sponsors as a revenue stream for these organizations. Many of these organizations rely greatly on sponsorships to sustain their business.

“the sponsors... it is the main source of income and therefore the most important stakeholder for a club” BETIS

“To give you an example of the sources of income, the great dependence on the eSports industry, and whose fault makes that the vast majority of teams are in deficit, is that there is a great dependence on sponsors, this means that according to the latest data I consulted, 90% of the sources of income of the organizations. Which means that there is a very clear lack of sources of income. Or of diversification, in this case. And this denotes a lack of maturity in the sector, in which we believe that new monetization formulas should be sought”

Interview with R1 – FC Barcelona

Associations like the ACE, which has been mentioned above, are key to develop and to build a sustainable industry where all the interconnected stakeholders rely on each other for the success of the industry. All the parties need to be protected and develop ways to self-sustain. But more involvement also from governmental regulatory bodies and law is needed. Some organizations have highlighted the need for a change in the law system where eSports players can have similar contracts to the athletes. This lack of recognition in the law is obstructing many deals and brings difficulties for many stakeholders.

“[Translated from Catalan] I have encountered a lot of problems at the contractual level, to regulate the situations of my players. In Spain, as you know there is no specific regulation for eSports, for professional eSports players. This means that I have to hire my players with an employment contract with a category that does not belong to them [...] I may have potential issues if I need this player who is from a specific region, outside the EU or Schengen area, and so on, to be in Barcelona”

Interview with R1 – FC Barcelona

“because of the lack of bargaining power for teams, because it's right, the contracts are not protected”

Interview with R3 – Schalke04

In order to monetize the audience, the eSports organizations decided to look for other ways. Monetization of the audience is key to develop the business models and the revenue streams of the organizations, and one alternative that has been used is content creation. And organizations need to understand the importance of content creation and its importance for the fans and the audience, and ultimately monetize it.

“For us, content is the core. Okay? It's the show's core business. In the end, entertainment is what people want to see. The future in this regard, and the for the other clubs, must be clearly focused on creating content. Your bet has to go here, because in the end all these assets ... you are selling the commitment and engagement in the end and you have this commitment in the social media, you have it in the streaming, and you can monetize it at this moment but also you can pack it and sell it to sponsors”

Interview with R1 – FC Barcelona

But many organizations also highlighted that the players have too much power compared to traditional sports where the eSports players play a big role in the strategic decisions and roster and project management. More specifically and where it differs more from traditional sports is that, in some eSports, the organization itself does not own the spot in the league but the player does, which puts the eSport organization in a tough position.

“For example, there is a big difference between Superliga, in which Barça owns the place, or Rocket League, in which the player owns the place, all right. This means that surely in Rocket League I have to be much more careful with the players, in terms of relationship and more than in Superliga, although we are obviously careful in both cases. But in Rocket League, one player is taken and the rest falls very heavily on the players. [...] And this is something that in medium / long term projects are very complicated in eSports.”

Interview with R1 – FC Barcelona

Then, establishing healthy power relations between all these stakeholders is very important for the maturity and professionalization of the industry. This is an ongoing process but still needs time.

4.2 Traditional Sports in eSports

Various European sports organizations have decided to join the growing market of eSports, and the number is increasing year after year. The biggest representative of traditional sports in eSports has been Schalke04 which competed in the top League of Legends European league, the LEC. However, currently, there are no sports organizations in the LEC, or in any of the major LoL competitions; but there is a presence in the so-called wildcard regions, such as in the Turkish league with Fenerbahçe, Galatasaray, or Beşiktaş, PSG Talon in the PCS, or Flamengo in the Brazilian competition (CBLOL). Therefore, when I interviewed the organizations, I focused on the European

Regional Leagues (ERLs), where many sports organizations are competing that are more accessible. Examples of these organizations are FC Barcelona or Real Betis in Superliga (Spain), FC Schalke04 or Penta 1860 in Prime League (DACH). Also, since the eSports scene is constantly evolving, some organizations' presence in the scene has changed. For example, Real Betis is no longer in the Superliga (Spain), but in the 2nd division, PSV is not currently competing in LoL, or as mentioned, Schalke sold its LEC spot and now only competes in the Prime League.

Moreover, it is worth introducing that sports are finding other ways to be involved in eSports. For instance, many sports professionals have developed their own organizations in eSports, mainly in Spain. Examples of these are Gerard Piqué's co-owning KOI with the Spanish streamer, Ibai Llanos which competes in the Superliga, Casemiro's team Case Esports and David De Gea's team Rebels Gaming, both competing in the 2nd Spanish Division, among another eSports. In addition, another way that sports organizations are being involved in eSports is seen in LEC's organization Misfits, which has been involved in a partnership with the NBA Franchise Miami Heat since 2018 and recently since 2020 also with the Orlando Magic (DotEsports, 2020).

4.2.1 Why do traditional sports organizations expand to eSports?

But why do these organizations have an interest in joining an industry like eSports? This is an important question. Understanding the reasons underlying the strategic decision of expanding into another industry is of relevance to first, further understanding the advantage and profitability of the niche sector of the eSports for their organization and, secondly, having access to the very unique audience and stakeholders of it.

The conduction of the interviews provided valuable insights to answer one of the core research questions of this thesis. It can be noticed after conducting all the interviews that one of the reasons has been homogenous for all the sports organizations: the audience. ESports audience was argued to be unique and niche by all the interviewees.

“... it's a huge difference for any sports organization to reach that target group, instead of a professional sports organization such as Ratiopharm Ulm. I think that Ratiopharm Ulm reaches [...] like the youngest, the youngest children of them. I think that being an eSports organization makes it a lot easier to interact with his audience because the eSports audience is very interested in what they like, their interests, being gaming and eSports. And they are hardly interested in other sports. So, I think an Esports organization has it a lot easier to reach that demographic, especially since there's a difference between young sports fans and young eSports fans, they can be the same, but they're not”

Interview with R3 – TOG

“eSports has a pretty young target audience like if you compare it to traditional sports where like, I don't know, in football, I would say that the average is probably 30, 30 or more, you know, and in eSports, it was proven to be much lower, like, I don't know, beginning of the 20s, right”

Interview with R2 – Schalke04

And, moreover, many of these same organizations brought up that the importance of joining eSports is because traditional sports, such as football, is struggling to reach this young audience and that this is due to the fact that traditional sports audience is ageing and getting older.

“But mainly because football fans are getting older, I would say, and they try to like to broaden their diligence by reaching young, younger people. And yeah, basically trying to grow a new fan base, I would say, that could translate from eSports to sports or the other way around”

Interview with R6 – Nantes

So, connecting with these fans and filling the age gap that traditional sports find hard to reach is increasing in importance for these organizations. Moreover, is not only just to reach a young audience, but because this unique audience has acquisitive power and specific demographic characteristics that are important from a business perspective to reach.

“[Translated from Catalan] ...the reason we get into it, and it is to connect with audiences that are very young, that are different, or partially different from those that can consume traditional sport. It does not mean that it is one thing or another, in some cases it is, and in other cases they consume both. But it is true that there is a high incidence or a high percentage in which, I could not tell you the exact number, but there is a percentage of people who we can no longer catch with football, with 90 minutes of a game or we can't catch them with basketball, or we no longer catch them with handball. We need to create a new product for this new audience, which is also an audience that brands, in general, globally, are very interested in, why? Because it is very young, very young, and because part of that young audience that we could mark is mostly between the ages of 18 and 35, they tend to have a high purchasing power. Therefore, the potential for monetization is huge, compared to audiences you can target, 10 and 15 years. Therefore, the purchasing power is completely different. They've noticed that and they have seen that the traditional product, the traditional sport, yes, it still has a huge impact, it's huge. It's getting older, it's also a reality, and we need, or needed, a much more targeted product for this new audience.”

Interview with R1 – FC Barcelona

But that is not the only reason, some organizations also highlighted the importance of rejuvenating sports organizations and how eSports help to do so. Digitalization and technology are core for eSports due to its nature and having a presence in those, helps traditional sports organizations to adopt some of the practices, and learn from eSports in that area.

“...one of one of the biggest reasons the target group is just very different [...], a lot of people who are directly in, invested in esports are usually quite tech-savvy, at least that's, that's like I said, my experience with it. So, they are very, very keen on all things digital. Then there's, there's, if you will, new methods that are being that they actually come from, they come from eSports. Like, today, we as a basketball team, we are using live streaming, right. And live streaming is actually something that comes from the eSports part and not from the sports area. So, you get in touch with a new target group”

Interview with R3 - TOG

This is of high relevance because of the times we live in, where many things are digital and where the importance of digital content, having your brand online, and connecting with the young fans through different channels is growing in importance. Some of the organizations also highlighted the entertainment revolution aspect. Sports and eSports share the property that in the end, for the audience, is a source of entertainment. Hence, being keen on how entertainment is evolving and adapting to it is seen as essential for the future of sports organizations

...from **PSV Eindhoven**, we created our vision 2030. One of the macro developments we identified is the entertainment revolution. So, what we see is, driven by the newest technology, the new generation is being raised in a digital world. So gaming is just part of their life, as is, having everything on demand. Think about watching a video on Netflix, or YouTube, or Spotify, or whatever. So, we need to understand what their interests are, how they are raised, and what they expect from brands and sports organizations like us for example. We live in an experience economy driven by those technologies. This is why we can better acknowledge the esports and gaming market and see how we can play a role within like we do with our FIFA22 activities for example to keep the connection with the new generation and stay relevant to them.”

Interview with R8 – PSV

In addition, the eSports audience is an international one. Even if the sports organization is based in a certain country or city, eSports are global, and the organization reaches a larger audience more easily and might attract fans from different parts of the world.

“...the factor surprised them (the board) was that we had fans from Omonia and Apoel, which, if I can put it in perspective is like a fan of Real Madrid, they would come to Camp Nou to buy the shirt of Barcelona eSports. So, this is the level of... as soon as they saw that an Apoel fan came to football stadium during one of the events that we have to take pictures with the players and buy a jersey, they saw... they said they were shocked to say these things doesn't happen. And I said: no! These things happen. Because people who are into eSports, who are into League of Legends or Hearthstone, or Rocket League, or the of the gaming community, let's say they don't care about the football team. They don't care. So, we built the brand around it, they see them the value that we bring, you will bring in new fans”

Interview with R5 - Anorthosis

Furthermore, some organizations used eSports as a channel to revendicate certain local issues due to its international reach. By reaching a broader audience, they can raise awareness about the events happening in their cities or countries and take advantage of the visibility and technology of the eSports audience.

“So, by the time we had to also announce our roster, it was the last day that we had to announce. And I didn't want to do this. I was feeling very, very, bad you know [with the political situation in Varosha], I couldn't do it, and I had to do big discussion with the organized fans, and you know, the team and all of that, and they tell me: 'No, you have to do it. You have to bring awareness, do your video announcement, but bring awareness', you know, and I finished the video with big letters saying, 'freedom to Famagusta', you know, and it was being shared in Greece and Cyprus, and people are seeing it. So, there was that, well, why freedom to Famagusta? Why are they saying this? Again, so this is something that we are taking advantage of technology, and the viewability and the visibility that we have as an esports team to raise awareness of what's happening outside of Cyprus”

Interview with R5 - Anorthosis

All organizations have specific reasons, due to their specific context. But in general, it was a constant reason for the need of attracting the niche and global audience of eSports, and it is important to be able to adapt to the channels and manners of the eSports audience.

4.2.2 How do traditional sports organizations enter eSports?

It is not only important to the reason of entry, but also, understanding how these organizations enter eSports, the expansion methods, and the advantages of these, are as important to understand. When researching how the organizations entered eSports, it is evident that all of them had a different journey, with different methods, and experiences. However, two tendencies can be defined. On the one hand, some of the sports organizations clearly created the eSports organization from within. On the other hand, other sports organizations had to partner with endemic eSports organizations.

Furthermore, it was a uniform answer about having to adapt to the audience. Since it is a unique audience, you cannot treat it as another sports audience. Organizations had to make an effort to understand what is driving the audience, the channels, and their interests.

“eSports fans and the traditional football fans are different audiences. So, the way to approach these fans should be different. But managing eSports and traditional sports from a management perspective can be done in a similar way. But being a football club, you need to understand that the gaming or eSports audiences are different from your traditional sports. So, copy-pasting your communication will fail”

Interview with R8 - PSV

And if you adapt correctly to the audience, you will get the results. Most of the organizations have had a short experience in eSports, but the ones that have been longer managed to succeed and fill the age gap for their organizations

“And this is the reason why they enter eSports and I think it makes total sense from a business perspective also. And I think these four years in the EULCS/LEC showed that we were really able to, yeah, build a fan base and attract people that otherwise would not necessarily be interested in Schalke04”

Interview with R2 – Schalke04

Passion is key in eSports, and that influences how the beginning of the eSports journey raises within an organization. Many of the organizations started with the passion of someone in the organization that built a case and took responsibility for it. This passion

is important, first, because it brings certain knowledge about the eSports scene and, secondly, brings commitment and drive to the project.

“When I joined the club three years ago, [...] I was able to convince the CEO back then, to see it the same way as me. And I told him the entire idea of, you know, like having a new target group, join, on what the club is, like, get to know the brand, but because this is what it's all about, getting to know getting in touch with the brand”

Interview with R3 - TOG

As introduced before, some organizations learnt by themselves through their journey. Starting from the bottom and learning day by day. These organizations want their brand to be recognized in eSports and have the capabilities and resources to learn about the industry and the know-how. This approach is slower and requires time or external aid.

[Translated from Catalan] “...since May 2019 I have been leading together with other people, and people from the digital department, and with an eSports agency that supports us, the whole of eSports of Futbol Club Barcelona”

Interview with R1 – FC Barcelona

[Translated from Catalan] “The model and the culture are totally different. This is a reason and I think it is the most important. So, we don't need another club or another brand to get into the Superliga”

Interview with R1 – FC Barcelona

On the other hand, other organizations wanted to establish their brand in eSports at a quicker pace and at lower risk. For that, they establish a collaboration deal with an endemic eSports club or another endemic organization.

“They had the opportunity to join the French second division, which was a new competition at the time. But they had no idea on how to build a team that just basically didn't know anything about the game. They only had the big name and Riot Games wanted them to be in the second division. So, they basically made a partnership deal with a school which is called Gaming Campus that has both players, young players trying to get into eSports, professionally, and also a business school, which I was a part of that aims to train eSports managers overall”

Interview with R6 - Nantes

When the interviewed organizations discussed which eSports videogame they chose and their strategy regarding that, most of them answered similarly. It was consistent that these sports organizations entered first through a sports simulation videogame and then they made the jump to higher-rated videogames, such as League of Legends. All the organizations agreed that being part of League of Legends was a clear choice. LoL is one of the eSports with more visibility and a very dedicated audience. Therefore, with these organizations having teams competing in the different European leagues they have been able to have access to interact with this audience. In addition, it is important to consider that other very relevant videogames with high audience numbers, such as CS:GO or

Valorant, are not eligible for some of the organizations due to the type of game. Shooters, which is a videogame genre that is characterized by the usage of weapons to defeat the enemies, are treated as violent for a part of the society and are considered as a higher risk for some organizations, whilst it also might break with certain core values of the organizations.

[Translated from Catalan] "...the most interesting part of eSports that was, in the end, to go for the tier 1, to the tier 1 eSports that as you know are League of Legends, it could be a Counter-Strike, it could be an eh ... a Dota2, but considering what we had it on the table, and considering that we are Barça, we can't get into shooters so League of Legends was the obvious choice"

Interview with R1 – FC Barcelona

These first steps are important for two reasons, and it is a natural and logical way to understand the industry. First, because it enables the sports organization to have a first taste of the eSports scene and learn about its audience, ways of doing, and stakeholders of the industry.

"The easiest way to enter eSports for a football club is to enter something football-related right? So, FIFA and Pro Evolution Soccer obviously, I mean, and Schalke was present or still is present in both I think it is it is the easiest way to combine you know the love for football and the love for video games is to have a video game about football and to be active there Right. So, it was the first step into eSports but then we pushed it further right we pushed it into other games that you know with League of Legends that don't really or like are not linked to football it is simply put a video game, but it has no like no link, I would say to the core business of Schalke04. And so, they are present there they are present obviously or they were present until now in the LEC and they are present in the Prime League which is the National League basically for Germany. And in the future. They will keep the team in the PrimeLeague so they see Although they had to sell the sport in LEC, they see the value of having a team in PrimeLeague, they also see the potential has, you know, for the Schalke, and they will stay in PrimeLeague can continue to compete, you know, for, for the title in PrimeLeague Can I think it's really to see that although they sold to sports, they keep the commitment to League of Legends"

Interview with R2 – Schalke04

And, secondly, because this entrance through a sports simulation videogame acts as a pedagogical tool to help understand the people within the organization and the current fans about eSports and its potential.

"[Translated from Catalan] ... the quintessential tier 1 is League of Legends. This reasoning, which is very simple, or the transition we have made, from pro evolution soccer to League of Legends, is something that only with outside staff would surely not have been possible. You may have been stampeded and left at Hearthstone because in the end, this internal pedagogy is only done internally. An outside agency does not have the opportunity to meet with Barça's general manager or Barça's digital boss. It's something that has to be done from the inside, and it's fundamental and that's why I think we'll have a long way to go and probably the reason why others have stayed the course."

Interview with R1 – FC Barcelona

But the pedagogy is not only needed for the organization itself. Making understand the non-endemic organizations, sponsors, and other stakeholders about eSports, its

potential and to eliminate the stereotypes about it has taken time. Some organizations expressed the difference when dealing with these external stakeholders and how making them understand that it is an opportunity for them has been a process and a long effort.

[Translated from Spanish] “Brands... basically there has been a very big process and there still is, but the last four years, since I started now that four years ago, you talk to a brand and they had no idea what esports are so there has been an evangelization or a job of pedagogy, the brands of this enormous sector and four years ago when I talked to them about what it had set up, people was very surprised and said: oh, and you pay the players to play video games? And many other things that when we explained before what we were doing, well, they said like, he's crazy”

Interview with R4 - Betis

4.2.3 Reciprocal benefits of eSports

The entrance of sports organizations to eSports has numerous benefits, both for the sports organization itself and the eSports organizations that they might have allied with. In addition, these benefits might also extend to the whole eSports scene. Therefore, this section will present the findings regarding these benefits.

For the sports, the main benefit is the reason why they join the industry which is the access to the niche audience that eSports has. But as was mentioned previously, there are additional benefits that the eSports organizations bring to traditional sports such as access and understanding of new digital channels, the possibility of dealing with new brands and stakeholders and the whole knowledge and ways of doing about this very unique sector, and freshness and change on the manner of communicating.

“We can help them to understand eSports to get reach into another group of people they wouldn't reach with old media and their current ways of approaching. Furthermore, we have contacts in endemic and new eSports contexts, that could be sponsors interesting for them as well, that could be... players that could influence them, because they live near that, or they have a story to tell. This could be also the way how to present yourself in a new media because this is the biggest strength of eSports. And what they're experts on, especially orgs like G2, that they fully understood how new media works completely to the last point whereas a second-division German football club like Munich TSV, like they have no clue of that. So, they can ask us, and we can tell them this and this, and this is how it works. And this is how it interacts. And these are KPIs you need to look at and all of that stuff”

Interview with R7 - PENTA

However, there is also an interest for eSport organizations to collaborate with sports organizations since it is an opportunity to learn about a mature industry and its processes. In the end, the essence of the business is the same where teams compete, deal with players, and prepare them and organizations have relationships with the stakeholders. The organizations are part of transfer markets, player contracts and negotiations, as well as how to prepare, train, and provide support to their players, which is something that sports has a lot of experience on.

[Translated from Spanish] “eSports in the end, beyond the debate of whether it is a sport or not, the business itself is the same and the sport knows very well what it is to sign players and sell players, contact people, prepare a team sportingly... that is, the business is exactly the same, looking for sponsorships, there is an audience. So, the business of eSports is in the end really similar and it's something that sports know, right? So, we have something that they didn't have, and they have things that we don't have, basically because of the maturity we're talking about”

Interview with R4 – Betis

In addition, an important aspect that eSports get from sports is the backup and trustworthiness that is achieved by being aligned with a more known and mature organization. Mostly when dealing with non-endemic stakeholders, having the support of the sports organization has been of benefit to achieving sponsorship deals and other cooperation bringing reliability to the eSports brand.

[Translated from Spanish] “...we had associated ourselves very badly with brands, for example, in sponsorships. And Real Betis, well, today it has a consolidated brand, when we did this, what I told you was a bit outdated was that I had to do a lot of pedagogical work [...] that is, if I had the idea that, well, If a sponsor wants to enter the esports sector and doesn't trust it because he doesn't know, well, in the end, the Real Betis brand gives him a solidity that it's proven and that no one is going to tease him, you know? So, it makes a lot of sense to us. What is most important is also an important infrastructure, an important fanbase, removing things that we did not have, and we gave them all the knowledge of the sector that no soccer team today very few have”

Interview with R4 – Betis

Having a connection to traditional sports leadership provided value in terms of better business understanding and culture, focusing on the long term and acting as a brake to the fast-paced and impatient business of eSports.

“They always were patient, you know, and I feel like some of the players we had, for example, needed time to develop, which I know some other teams would not give them that much time. And I think it was really important that from the beginning, they said to us: “Hey, guys, stop being impatient”. I think in eSports, people, in general, are really impatient. And I think it paid out in the end. And it was something that came straight from the club, from the football club, to be patient to be human”

Interview with R2 – Schalke04

Some of the eSports organizations highlighted how they acquired the values of the sports organization and how it shaped the ways of doing in the eSports organizations for its success.

“Basically, the core value that we took over, I would say from the football team. It was really important to us to stay humble to be, you know, to be funny, but humble and to implement the roots of the football club as well, you know, and this was basically what we did. And I think it worked out pretty well in the in yet”

Interview with R2 – Schalke04

Another reason of interest for eSports is that many sports organizations provide the infrastructure, facilities, and technology for the players to be able to do their activities. Also, they provide the possibility for the staff to learn and exchange knowledge from very

experienced professionals from the sports organization and access and support from the different departments of the sports organization.

[Translated from Catalan] ... They will come with their clothes that we bring them; they also have a training centre provided by us with all the necessary technology so that they can carry out their activities. [...] What more, for example, already in the coaching staff. We have very good, well-qualified in-house professionals, the people who have come with Xavi [Hernández, current Head Coach of Barça's first team], and other people who are also part of the club's executive structure. Well, for example, what I've already talked about with our League of Legends coaches is that, as they're interested in sports and health sciences, I've given them a number of talks with coaches from other FCB professional teams. As a result, there is a very interesting exchange of knowledge that allows these coaching staff, who may be spending a year or two at Barça, to grow as professionals thanks also to the experience we have in the field of traditional sport. And we're one of the only sports clubs out there that can do this. They don't have these qualified professionals and I think that, as I told you at the beginning, the part of eSports and traditional sports is very close, therefore this wisdom, knowledge, experience that we have in this field, transferring to eSports is also literally, take the coaching staff you have for League of Legends and bring them closer to the coaching staff of the other sections.

Interview with R1 – FC Barcelona

Yet, eSports is a far more immature and young industry than traditional sports, which raises the concern of many of the organizations concerning the sustainability of the business. However, there is room for development and professionalization and learning from core aspects of traditional sports is relevant for the progress of eSports. One of the issues that was brought up by most of the interviewed organizations is the power of the game developer, which holds the IPRs of the videogame. In the League of Legends case, it is Riot Games that owns the IPR and therefore the one in charge of the competitions and acting as the main regulator.

“Then another regulators Riot games, who have a complete monopoly on how they want to do it. So, if they want to ban a team, they just ban it, there's no way to save it. Something like that can't happen in football, without a reason. But you don't have like this institutional infrastructure that saves you from doing that. So theoretically, we could do what Blizzard, for example, has done that with banning a player for saying Free Hong Kong”

Interview with R7 - PENTA

Moreover, there is currently no presence of eSports regulation in European law or in the law system of the countries.

“there's no word about eSports. under German law, for example. So, every team is basically company. And for example, if you want to get like someone out of Europe to play for you, you need to do the classical import, like import worker way, which is really, really unsustainable for Esports completely, because you have those rules of minimum two years of this, and that which does not fit the needs of eSports at all”

Interview with R7 - PENTA

However, things are developing, slowly but they are. In some countries, there is a will to start regulating eSports. These regulations need a lot of work and regulators perhaps do not fully understand the eSports industry and its stakeholders, but it is a starting point.

“So recently in Greece, the Ministry of Sports sent us the draft planning of the rules or regulations they wanted to implement to, let's say, put inside the legislation eSports” [...] “My main concern is the one I raised is that they classified eSports only the sims [simulation eSports]. So, everything that could be tied to physical sport, they tied it to eSports. And they neglected FPS games, mobile games, there was no mention of League of Legends, CS, Valorant... And that was my first comment when I told them: guys, it's a nice step forward, I feel that we are doing a nice step forward, but also, we are doing 10 steps backwards”

Interview with R5 - Anorthosis

An important thing that has been already mentioned and discussed by other organizations is the need of establishing eSports players as athletes. With that, the organizations would get a relief in terms of contracts which are currently a headache for many of them.

“So, the eSports players of a team to be recognized as athletes. And in that way, how can a club, esports team can be an organization or a club or a company. So, then you will have to give contracts, you have to employ people, you know, because so far, it's like fully a grey area, on how you employ eSports players or content creators, all of that. So, I think that doing good steps, the countries in general, in Cyprus, we still have no, any indication of what they're going to do, if they're going to do it. People don't seem to still understand or grasp the idea behind eSports on and how big of a market it is, and how big of an impact this industry has. In Greece, they are going in a good direction”

Interview with R5 - Anorthosis

But these first steps are important, again, for the need of making the non-endemic people understand what eSports are, for the pedagogical process that was previously discussed.

5 CONCLUSION

This last chapter will conclude the thesis, presenting the findings and learnings from this work and answering the research questions. The thesis had the purpose, firstly, of providing awareness and knowledge about eSports. This is accomplished in this thesis in a multitude of ways, providing a thorough review of previous research, showcasing the potential and journey of the eSports, and providing an overview of the eSports scene. Secondly, the thesis aimed to research about sports organizations' implication in eSports, how has been the growth and expansion of the existing sports organizations to eSports, and why these organizations wanted to expand to the industry. This goal has also been achieved thanks to the interview guide that was prepared for conducted interviews and the results and answers to the research questions are presented below.

5.1 Answering the research questions

1) *Why do traditional sports organizations expand to eSports?*

The first research question wanted to understand the logic and reasons that traditional sports organizations had to expand to a different and unique industry such as the eSports one. The answers to these questions were mainly found in the interviews. The interviewees' main answer regarding why they entered eSports was unanimous: to reach a unique audience that traditional sports organizations are struggling to reach. It was argued that traditional sports are struggling to reach the young target and that their audience is ageing. This is a very important audience, because of its specific demographics, its acquisitive power, and its passion.

In addition, Scholz (2019) argues that the importance of the audience is not only for the organizations, but it is also the key stakeholder for the industry and due to the dynamics of the industry and its stakeholder relations and characteristics makes it perhaps the most relevant one, such as the coopetition, co-destiny, and convergence. That is why most of the other stakeholders enter the industry, with the purpose of monetizing the audience.

However, reaching this unique audience is not the only reason why traditional sports organizations are expanding into eSports. The industry is profitable and that is an attraction in itself. According to Newzoo (2021), the industry generated 947.1M revenue in 2020 and is projected the generate around 1618M in 2024. These numbers are per se

very appealing for outsiders, but most importantly, the potential 71% growth between these years is humongous.

Lastly, some sports organizations added that the eSports industry was a chance for them to renovate and modernize their processes. ESports endemic stakeholders are born digital and global (Scholz, 2019), and it is an opportunity for the sports organizations to learn about the new channels and ways of communicating where eSports organizations excel. ESports organizations have certain ease and understanding of how to use social media platforms and acquiring this knowledge is important to bring these processes, which are being so useful and novel for eSports, to their industry. Nonetheless, it is important to acknowledge the target audience. Adapting to the channels is important and sports organizations must not fall into the mistake of using the same communication strategy in all of the channels. Every channel has its specific audience and ways of doing and it is important to be aware of it.

2) How do traditional sports expand to eSports?

When studying the expansion methods that the sports organizations have been using, two tendencies can be defined. On the one hand, certain organizations choose to organically expand to eSports. Johnson et al. (2011) find that culture is a key aspect for the organization. The most significant example of this would be FC Barcelona, which emphasized in the interviews the importance for the organization to control everything that happens and correctly communicate the values of Barça. In addition, this method provides more flexibility, both in terms of the investment and expenses, which are distributed over time, and in terms of strategy and approach, which can be adjusted or reversed when needed (Johnson et al., 2011). The sports organizations have to learn about what eSports are, the unique audience and its ways of doing, the channels, or the stakeholders, which involves a learning journey that some other organizations might not want to go through due to the time and other resources that are associated with it. In addition, there is a pedagogical labour that is important to make understand, not only the rest of the organization but also the fans, about the potential and relevance of entering eSports. However, going through the journey brings the advantage that the acquired knowledge about eSports is internalized by the organization and makes them not rely on anyone else (Locket et al. 2011).

On the other hand, some organizations do not have the time and resources to expand organically to eSports, and it was found that the preferred alternative is to create an

alliance with an endemic eSports organization, which usually was an eSports club. When organizations choose this method, Johnson et al. (2011) argue that the reason is that it involves less risk, and it is a faster method to enter the industry. However, an alliance involves a higher initial expense, less control, and reliance on the other party. Many eSports organizations claimed alliances to be beneficial because it enables them to also acquire knowledge, professionalize their processes, and use the infrastructure that traditional sports organizations provide them. Even though sports and eSports industries are different, some organizations mentioned that allying with a sports organizations provided them knowledge about market transfers, contracts, game preparations, or trainings. Scholz (2019) argued that eSports is still a young and unprofessional industry and that is why for some eSports organizations partnering with experienced organizations like the sports ones gives them a lot of value.

ESports, as argued by Scholz (2019) is an umbrella term for different videogames, therefore it is important for eSports organizations to further research on the expansion process and knowledge of which videogames to enter. Many organizations started with sports simulation games, such as FIFA or NBA2k, because it is a natural way to enter the eSports industry and even start the pedagogical process that has been mentioned. Then, the interviewees agreed that it is important to enter the tier 1 videogames since are the ones with more audience and it was unanimous to choose League of Legends as the most relevant one.

3) How does the future of eSports look like?

This paper projects that the industry is to keep growing and the revenues are projected to be on the rise. According to Escharts (2021), the League of Legends Worlds Finals had a peak concurrent viewership of over 4M on the online broadcast. In addition, the entrance of non-endemic stakeholders is professionalizing the industry and making the people that do not know much about eSports to start to normalize it, which both of these things are very beneficial for eSports. However, through the literature review and the empirical research, some issues were found that obstruct and hinder the future of eSports. These matters need to be addressed for the sustainable development of the industry and for its stakeholders' wellbeing.

Firstly, both literature and interviews show that there are issues with the business models of the eSports organizations. As Scholz (2019) argues, organizations struggle to monetize the audience and the reason for that is the immense power of the game

developer, which in LoL's case is Riot Games. This huge role of the publisher repercussions in a limitation on the revenue streams that the organizations can look for. Currently, the main, and perhaps only for many, source of income for these organizations is through sponsorships. This is not sufficient nor sustainable for the needs of the organizations. That is why some organizations are starting to look for other opportunities such as content creation or ticketing, which are further discussed in the following section. As mentioned by the interviewees, one of the main differences in the business models between sports organizations and eSports organizations is that the sports organizations have media rights as one of the main revenue streams. This does not happen in eSports because of the structure of the industry, how eSports are broadcasted, and the monopoly of the game developer.

Secondly, as presented in chapter 2 the power of the developer or publisher can be a constraint for the development of the eSports industry. The game developers have full control of the tournaments and leagues, and they are the main regulators of how these are executed and, hence, are very influential for the organizations and the industry overall (Scholz, 2019). In the previous paragraph, it was explained how eSports organizations are affected by the immense power of the publishers in this industry. However, this paper finds that some eSports organizations in certain countries are starting to take actions to solve this, like grouping into syndicates and defending their rights and interests, like the ACE in Spain. Yet, more involvement from local authorities and global regulators is needed, and organizations such as what FIFA is in football are needed in eSports. Scholz (2019, p. 142) adds that the issue gets enhanced when you notice that a single organization, Tencent, owns Riot Games, has a majority in Supercell, and a 40% in Fortnite, along with minority stakes in Activision Blizzard. That means that a single private organization has so much power in the competitive scene of eSports. Having to regulate a private entity might be tricky but, perhaps, having certain legal guidelines on how they can operate in certain regions, or establishing agreements with the clubs for the tv rights could be potential solutions.

Lastly, an issue that was raised by certain organizations is the level of regulation within the eSports industry, which was introduced in the previous paragraph. There is a need to stop the monopoly that organizations such as Riot have over the League of Legends scene, or broader, the big power that Tencent has over the eSports industry, and that can only come with major legislation. Moreover, some interviewees argued that the national legislation needs to catch up and integrate eSports' needs within the law. One of the main

issues that was explained is the need of including eSports players in the same contractual category as traditional sports athletes. Otherwise, the eSports organizations need to offer regular contracts when they make a transfer, with the limitations that it has, or are discouraged to acquire players from certain regions.

In conclusion, the future of eSports might look bright at first sight but there are certain aspects that need to be addressed in order to secure the potential of the industry. Audiences and viewership are growing, sponsors and non-endemic stakeholders are seeing the capabilities of eSports, and new and more professional organizations are entering the scene, which brings fresh ideas and professionalization, but anything of that will matter if the industry does not solve the fundamentals, provide a clear regulatory terrain for organizations to develop, allow healthy power relationships so the organizations within the industry can create sustainable business models, and in the end, integrate eSports within society rather than considering it as a solitary phenomenon.

5.2 Managerial Implications

The previous chapter has already provided a good understanding of what this research's implications are for the decision-makers in traditional sports organizations which want to expand into eSports. To further elaborate, this sub-chapter will present the practical actions that the organizations can consider in order to succeed in this strategic decision.

Firstly, it is necessary to understand the industry, its audience, and its stakeholders. ESports is a unique industry with unique actors involved and it is crucial for any sports organization that wants to enter eSports to perform market research before joining, no matter which entry method is chosen. Moreover, it might be important to look for the support of a specialized eSports agency since it could help with branding, media, or content strategies. It has been shown that even if eSports' audience is extensive, their ways of behaving are different from the traditional sports audiences and there is a need for adaptation to their needs and channels. Learning about effective social media communications, the difference between the different social medias, learning about the importance of content creation and certain niche channels such as Twitch is essential for the accomplishment of the growth strategy.

Secondly, it is important to be aware of the own organization's capabilities and resources, such as time, prior knowledge, and financial assets. This highly influences the entry method to eSports whether is organically or by an alliance with an endemic organization. An aspect that is decisive in the expansion process is the values, culture, and heritage of

the sports organization. Preserving this when proceeding with an alliance might be complicated and that is why certain organizations opt to follow an organic growth when they can acquire the specific eSports' knowledge in a longer period of time whilst assuming a higher risk.

Lastly, it is relevant for the sports organizations that enter eSports to be aware of the governance and regulatory issues of the industry, which ends up in inefficient business models due to the lack of revenue streams. These organizations might play a big role in the professionalization and sustainable development of the industry, and it is imperative that they use their size and experience to cease the dominance of the publishers. Their experience in negotiation, the establishment of federations, or seeking new revenue streams. There is room for improvement of the current business models such as opening new eSports venues which bring ticketing as a potential additional income, and here traditional sports organizations have experience. Jenny et al. (2018) talked about how existing venues and arenas are looking to eSports as an opportunity for their activities and new venues were being opened before the Covid-19 pandemic. This would need a restructuring of the competitive system, but it is something that some interviewees are hoping for in order to connect more with regional fans, which, as Scholz (2019) argues, helps the objective of eSports to be more local and analogue.

5.3 Suggestions for future research

This thesis has provided an overview of the eSports industry, its structure, and its potential. In addition, it has provided guidelines for sensemaking on the strategical decision of sports organizations expanding to eSports. However, eSports is a novel topic which offers many opportunities for further research. Hence, this sub-chapter will contribute to incentivising the study of the field with the following recommendations.

Firstly, this study has been done when many of the organizations have recently entered. Therefore, I would suggest following up on the journey of the sports organizations, seeing how they progress with time, and drawing conclusions about it. Looking at which method is being more beneficial for the sports organizations in terms of expansion in a couple of years and further analysing the pros and cons of each method might be highly relevant for strategical research. Furthermore, keeping an eye on how the channels, communications, and audiences evolve might be significant. The entrance of new organizations might shift or include new demographics into the current eSports audience.

Secondly, it would be interesting to research in-depth how to solve the issues that were previously mentioned. In this thesis, it has been argued that the power of the publisher should be diminished, but with that, there would be a lot of work to do to establish a sustainable industry. As an example, it would be relevant to explore possibilities for the development of the business models and the improvement of the revenue streams. As discussed in this research, how to implement media rights is one of the main sources of income for many sports organizations. But another source could be ticketing. It has been argued by Jenny et al. (2018) that venue owners are being more and more interested in eSports, perhaps there could be a day when the eSports league games could be streamed in arenas. This would be aligned with the tendency of eSports to become more local (Scholz, 2019) and the need to satisfy regional and national audiences, as was explained in the interviews. It has been shown that certain organizations are having huge success on certain events such Ibai and Piqué's team presentation of KOI filling the Palau Sant Jordi's venue in Barcelona and their showmatch against the French powerhouse Karmine Corp in December 2021 with more than 15,000 onsite fans and around 360,000 (Tejedor, 2021). How ticketing can become an option for eSports is a research opportunity but, as argued, more research on the opportunities would be interesting to see in the future.

Lastly, a study on how to implement a sustainable and effective regulatory framework for eSports is relevant in order to support the organizations in a correct manner and reduce their struggles. Regulation and law are out of the area of expertise and relevance for this research, but they are still highly relevant to be researched in the future.

However, I think it is important a potential outcome of the entrance of traditional sports organizations and other non-endemic eSports organizations might be that endemic eSports organizations might be forced to disappear since they might not have enough resources, power, and knowledge to compete with sports organizations that have been in the competitive business for many decades. Because in the end, despite the discussion if eSports should be sports or not, the business is the same.

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**APPENDIX 1 – TABLE OF VENUES THAT HAVE HOSTED ESPORTS
(JENNY ET AL., 2018)**

Venue Name	Location	Seating Capacity	Size	Sample eSports Tournament(s) Hosted
Air Canada Centre	Toronto, Canada	19,800	665,000 sf	• LoL North America Finals (2016)
Bill Graham Civic Auditorium	San Francisco, CA	6,000	31,140 sf	• LoL World Championships Group Stage (2016)
Chicago Theatre	Chicago, IL	3,533	4,500 sf	• LoL World Quarterfinals (2016)
Commerzbank Arena	Frankfurt, Germany	55,000	429,480 sf	• ESL One Frankfurt Dota 2 Tournament (2016)
Copper Box Arena	London, UK	4,000-6,500	25,833 sf	• Gfinity G3 (2014)
Key Arena	Seattle, WA	17,072	400,000 sf	• International Dota 2 Tournament (2014 – 2015)
Lanxess Arena	Cologne, Germany	20,000	86,111 sf	• ESL One Cologne - Counter Strike (2014 – 2017)
Madison Square Garden	Manhattan, NY	19,830	20,976 sf	• LoL North American Finals (2015) • ESL One New York-Dota 2 Championship (2015) • LoL World Championship Semi-Finals (2016)
Mandalay Bay Events Center	Las Vegas, NV	12,000	70,333 sf	• LoL North America Championship Series (2016)
Rotterdam Ahoy	Rotterdam, Netherlands	15,000 (arena) 40,000 (complex)	581,251 sf	• LoL EU Spring Finals (2016)
Royal Opera House	London, UK	2,268	11,346 sf	• Call of Duty European Championships (2015)
Sang-am World Cup Stadium	Seoul, South Korea	45,000	155,674 sf	• LoL World Championship Finals (2014)
SAP Center	San Jose, CA	19,190	450,000 sf	• Intel Extreme Masters Tournament (2015)
Staples Center	Los Angeles, CA	20,000	950,000 sf	• LoL World Championship Finals (2013, 2016)
Wembley Arena	London, UK	12,500	56,000 sf	• EU League of Legends LCS Championship (2014) • eSports Championship Series (2016)

Note. sf = square feet; LoL = League of Legends.

APPENDIX 2 – TABLE OF ESPORT-SPECIFIC VENUES (JENNY ET AL., 2018)

Venue Name	Location	Seating Capacity	Size	Sample eSports Tournament(s) Hosted
Blizzard Arena	Los Angeles, CA	450	50,000 sf	<ul style="list-style-type: none"> Overwatch Contenders Playoffs (2017) Hearthstone's Summer Championship (2017)
Blizzard eStadium	Taipei, Taiwan	250	17,500 sf	<ul style="list-style-type: none"> Overwatch Pacific Championship (2017)
ELEAGUE Arena	Atlanta, GA	300	10,000 sf	<ul style="list-style-type: none"> Counter-Strike: Global Offensive (2016 season)
Esports Arena	Santa Ana, CA	1,000	15,000 sf	<ul style="list-style-type: none"> Call of Duty (2015 - Present) Hearthstone (2015 - Present) Dota 2 (2015 - Present) LoL (2015 - Present) Counter Strike: Global Offensive (2015 - Present) Starcraft II (2015 - Present) Daily Custom Tournaments (2015 - Present)
GameSync Gaming Center	San Diego, CA	100	6,000 sf	<ul style="list-style-type: none"> LoL (2015-Present) Minecraft (2015-Present) CounterStrike (2015-Present) World of Warcraft (2015-Present)
Gfinity Arena	Fulham, London, UK	600	12,000 sf	<ul style="list-style-type: none"> Call of Duty World League (2017)
Microsoft Mixer NYC Studio	New York City, NY	n/a	n/a	<ul style="list-style-type: none"> Madden 18 Launch Event (2017) Gears of War 4 Tournament (2017)
MLG.tv Columbus Arena	Columbus, OH	500	14,000 sf	<ul style="list-style-type: none"> MLG Counter-Strike: Global Offense Major Championship (2016)
Nexon E-Sports Stadium	Seoul, South Korea	500	6,000 sf	<ul style="list-style-type: none"> EA Sports FIFA ONLINE3 adidas Championship (2016) KartRider League DUAL RACE (2016) Street Fighter V Crash (2016)
UCI eSports Arena	University of California, Irvine	80 gaming stations	3,500 sf	<ul style="list-style-type: none"> n/a
Ultimate "Weapons Grade" Studio	Huntington Beach, CA	300	20,000 sf	<ul style="list-style-type: none"> Professional eSports Training Camp Facility (e.g., eUnited, Gale Force Esports, GankStars Esports) (2017) Activision Blizzard eUnited "Call of Duty" Training Broadcast (2017)
Yongsan eSports Stadium	Seoul, South Korea	1,000	9,000 sf	<ul style="list-style-type: none"> ONGameNet (2016- present)

Note. sf = square feet; n/a = information not available; LoL = League of Legends.

APPENDIX 3 – INTERVIEW GUIDE

Would you introduce yourself? What do you do and what's your background?

eSports market

Would you explain about your organization's presence in eSports?

How do you think that the eSports market is changing?

How is eSports industry driven?

How do you predict the following years regarding market evolution?

Which rules or governance are present in eSports?

- Which principles regulate eSports? / How are eSports regulated?

Business Model

How do you think that the structure of traditional sport organizations is changing?

How does an eSports organization differ from the traditional sports?

- In terms of relation with the stakeholders?

How does your organization benefit from being part of eSports?

Strategy

Why did your organization decide to grow to eSports?

- Which factors were key for the decision?

How did your organization make this expansion?

- Which were the possibilities being considered and which one did you choose?
- Why?

How did your organization decide what videogame titles be part of?

Which are the following steps that your organization plans in eSports?

Culture

Which steps do you take in order to ensure the wellbeing of your staff & players?

How does your organization integrate all the different cultures in order to achieve your goals?

Which values does your organization bring the employees?

Audience/Stakeholders

What is the difference in terms of audience reach?

- How do you reach this unique audience?

What are the key stakeholders for your organization's success in eSports?

- How does your organization interact with the stakeholders?

How do you think that eSports is an opportunity for sponsorships?

- (Why is eSports an opportunity for sponsorships?)

Others

How does a traditional sport organization provide additional value for an eSport organization?

What is the role of technology and digitalization in eSports?

—

Is there anything else you want to mention regarding eSports and your organization?