

Changes in business models

Inside and outside of sport new business models are emerging. Some are driven, or aided by, the digital revolution, while others attempt to address reduce social inequalities and/or environmental damage. Changing recreational habits are also forcing community sport and recreational organisations to adopt new business models.

What we're seeing

Businesses still going digital

The digital revolution has changed customer habits and expectations. However, after decades of "digital transformation" many businesses (public and private) have still to adopt digital technologies and processes. The pandemic has accelerated the transition.

While many businesses focus on just automating existing processes or other efficiency improvements, few have used digitalisation to transform their operating or business model.¹ An example of the latter is Amazon's increased focus on cloud services, rather than just being a platform for selling products.

A greater focus on customer experience and resilience

Improved digital capabilities can lead to businesses focussing more on improving customer experience and engagement.² Collecting more data is used to help tailor offerings to different customer needs or interests. The pandemic highlighted the benefit of business models that are resilient, not just efficient.³

Environmental, social, and governance values

Increasingly, businesses are trying to demonstrate sustainability by integrating environmental, social, and governance factors into their operations. This is usually driven by customer or client, and sometimes government, demands or expectations.⁴ But, intentionally or not, greenwashing and social washing can lead to practices that do not improve environmental or social conditions. The public and NGOs are increasingly aware of this, so adopting an ESG business model isn't a change that can be easily made.^{5, 6}

B corporations

Businesses that want to demonstrate high social and environmental performance, and be accountable to all stakeholders, not just shareholders can elect to undergo a rigorous certification scheme to be classed as a B corporation. This refers to a B or better score in an independent impact assessment.⁷

There is rapid growth in B corporations, including in NZ. But certification takes months or years. Often, firms seek accreditation not for financial benefits, but to demonstrate their values.⁸ In 2019 the US Business Roundtable declared that serving society, rather than just their shareholders is the purpose of a corporation. This is a significant change, but how they demonstrate this wasn't specified.⁹

Business model innovation in sport and recreation

Professional sports organisations are adopting new business models, helped by digitalisation. These create better fan experiences, new products or offerings, and new media revenue streams.¹⁰ There is untapped potential for community-driven business models that digitally bring participants and supporters together to share their sport & recreation passions.¹¹ Community sports hubs are becoming common. However, they can need new governance and organisational models to make them successful.¹²

Potential implications

Create

- Profitable, sustainable organisations that create positive social and environmental outcomes
- Organisations that meet the expectations of all their stakeholders

Relate

- Business models that focus on values not just profit
- Greater transparency of benefits and other impacts

Consume

- More sustainable and equitable products and services

Degrade

- Reduced adverse social and environmental impacts
- Trust in organisations declines through social and green washing, and poor data management & privacy

Connect

- Improved engagement and retention of stakeholders through better services & offerings
- Greater social cohesion through resilient sport & recreation hubs

Define

- How to get the right balance between profitability and stakeholder value

More information (links)

¹ [How to transform your business model for a post-COVID future](#)

² [Changing business models](#)

³ [How today's business model is changing](#)

⁴ [ESG Integration into the Business Model](#)

⁵ [Greenwashing is increasingly making ESG moot](#)

⁶ [What is social washing?](#)

⁷ [B Corporations](#)

⁸ [The B Corp businesses balancing purpose, planet and profit](#)

⁹ [US business Roundtable redefines the purpose of a corporation](#)

¹⁰ [Business model innovation in sports](#)

¹¹ [The opportunity for community driven business models in sport](#)

¹² [Bringing Tairāwhiti sports hubs to a national standard](#)