A dynamic capabilities view of the NBA and esports

David J. Finch, Norm O'Reilly, Nadège Levallet, Anthony Mikkelson

A dynamic capabilities view of the NBA and esports

David J. Finch*

Mount Royal University,
4825 Mt Royal Circle SW,
T3E 6K6, Calgary, Alberta, Canada
Email: dfinch@mtroyal.ca
*Corresponding author

Norm O'Reilly and Nadège Levallet

University of Maine,
168 College Ave, Orono, ME 04469, USA
Email: norman.oreilly@maine.edu
Email: nadege.levallet@maine.edu

Anthony Mikkelson

Mount Royal University,
4825 Mt Royal Circle SW,
T3E 6K6, Calgary, Alberta, Canada
Email: amikk800@mtroyal.ca

Abstract: Guided by a dynamic capabilities framework, this research explores the National Basketball Association's (NBA) expansion into esports. Based on the input of thirteen sport industry experts, the paper presents research on simulated professional sports (SPS) with a deep investigation of the NBA 2K League (2KL). NBA 2KL is the first esports league in North America that is owned and operated by a traditional professional sports league. Results identify both league and club level outcomes for: 1) learning dynamic capabilities; 2) integrating/coordinating dynamic capabilities; 3) reconfiguring dynamic capabilities. Practical recommendations to the NBA, extended to other professional leagues, are provided. A framework for future research, including questions to be addressed, is outlined based on the findings.

Biographical notes: David J. Finch holds a PhD in Management and is an active educator, scholar and practitioner. He currently holds several academic appointments including as a Full Professor at Mount Royal University's Bissett School of Business, a Visiting Fellow at the Henley Business School at the University of Reading, and the Gordon S. Lang School of Business and

Economics at the University of Guelph. As a Senior Fellow at the Institute for Community Prosperity, He has authored over 50 scholarly papers and published in journals.

Norm O'Reilly is the Dean of the Graduate School of Business at the University of Maine where he leads the university's graduate business programs, including its globally ranked MBA. He is a high performing academician with strong industry links, who is recognised as one of the leading scholars in the business of sports. He has authored or co-authored 16 books, 14 case studies in the Harvard/Stanford series, and more than 145 peer-reviewed journal articles.

Nadège Levallet is an Assistant Professor of Management and Information Systems in the Maine Business School at the University of Maine (USA). She holds a PhD in Management Information Systems from the Smith School of Business at Queen's University (Canada). Her research interests include dynamic capabilities, organisational improvisation, digital capabilities, and knowledge management. Her work has been published in leading journals such as *Information Systems Research*, *European Journal of Information Systems*, and *Journal of Knowledge Management*. Prior to joining academia, she held management positions in public and private organizations in France and Canada.

Anthony Mikkelson is a former-Research Assistant for the Institute for Innovation & Entrepreneurship at Mount Royal University. He is an alumnus of the Honours Bachelor of Business Administration (Marketing) of Mount Royal University. His honours thesis studied the sponsorship strategy the National Basketball Association adopted with the launch of the NBA2K league. Currently, he creates football-related content focusing on equipment education, alongside his partners at Nike and Adidas, and covering ongoing NFL "story-lines".

1 Introduction

As one of the most rapidly growing sectors in entertainment (Perez, 2018), esports encompasses numerous genres including real time strategy games (e.g., StarCraft), first-person shooter games (e.g., Halo), and the focus of this research, simulated professional sports (SPS) (e.g., FIFA 19). SPS games are virtual versions of existing sports. They first emerged in a videogaming format with the introduction of John Madden Football by Electronic Arts (EA) Sport in 1988 (EA Sports, 2018). A SPS game lets the player mimic a traditional professional sport (TPS) in a virtual simulation, normally using similar elements as the TPS, such as goals, penalties, fouls, or touchdowns. Today, SPS encompasses almost every major professional sport league globally, including Formula 1 (F1), English Premier League (EPL) soccer, National Football League (NFL), National Hockey League (NHL), Australian Rules Football League (AFL) and NASCAR. In 2017, the International Olympic Committee (IOC) recognised the potential of SPS by contending that "competitive esports could be considered as a sporting activity, and the players involved prepare and train with an intensity which may be comparable to athletes in traditional sports" (International Olympic Committee, 2017).

The IOC later requested that international sport federations 'explore the potential benefits and applications of the electronic and virtual versions of their sports' (Grohmann, 2018). The IOC is not the only global organisation to consider SPS, as part of its future strategy, with a mix of development and challenges observed. The 2018 Asian Games, for instance, included esports as a demonstration sport. However, esports will not be on the program for the next (2022) edition of the games. Reports suggest the esports was left off for two reasons:

1   the need for a single federation to be responsible for esports

2   a desire to move to an SPS game and not the shooter games that were included in 2018.

A further example is the 2019 Maccabiah Games, which included a series of competitions, including SPS games, alongside its TPS.

This research responds to recent calls to explore the relationship between esports, SPS and TPS, a topic rarely considered in the literature (Pizzo et al., 2018). While the relationship between TPS and SPS was formerly limited to licensing agreements at both the league and player association level (Jonasson and Thiborg, 2010), today professional leagues and franchises develop SPS leagues and franchises that parallel TPS instead. In 2018, the National Basketball Association (NBA) launched the NBA 2K League (2KL), the first North American SPS League owned and operated by a TPS League and its franchises. This is the context of our study. Today, NBA 2KL is popular globally with its 2021 season planned to be broadcast in the USA, Canada, throughout Southeast Asia, India, the Caribbean, Latin America, Oceania and Sub-Saharan Africa.

The gaming industry is estimated to include 2.9 billion gamers worldwide generating US\$175 billion in revenue (Newzoo, 2020a). In contrast, the global sport market generated US\$90.9 billion in the same year (Statista, 2017). Esports makes up a portion of gaming with US\$950 million in revenues in 2020 (Newzoo, 2020b). By 2021, 557 million esports players are forecasted, including 250 million esports enthusiasts and 307 million occasional viewers (Newzoo, 2018). Within esports, TPS leagues, clubs and players have started to invest. For example, nine of ten participating teams in the North American League of Legends Championship Series have shareholders that include current or former NBA owners and players, as do five of the 12 Overwatch League teams (Wolf, 2018). There are more than 200 identified TPS organisations globally who have equity positions in esports assets (Chaloner, 2018). Table 1 provides an overview of North American cross ownership of TPS and esports assets.

The objective of this study is to explore how the NBA and its affiliated franchise clubs collaborated to leverage their existing resources and capabilities to successfully enter the esports market. A dynamic capabilities (DC) perspective is adopted as the theoretical lens (Eisenhardt and Martin, 2000; Teece et al., 1997). By focusing on the ways by which organisations modify their existing resources and capabilities to adapt to changing environments through DCs, we can uncover the mechanisms that could lead to success on the esports market. A second objective of this research is to explore how the NBA and its franchises can leverage DCs associated with integrating, learning and reconfiguring to expand into SPS.

Table 1 Examples of cross ownership of TPS and esports assets

Cross ownership	TPS asset	Esports asset
Delaware North	Boston Bruins	Splyce (which fields nine professional esports teams)
Jerry Jones	Dallas Cowboys	compLexity Gaming
Kraft Group	New England Revolution	Boston Uprising
	New England Patriots	
Miami Heat	Miami Heat	Florida Misfits
Fred Wilpon	New York Mets	New York Excelsior
Comcast Spectacor	Philadelphia Flyers	Philadelphia Fusion
Hersh Interactive Group	Texas Rangers	Dallas Fuel
Kroenke Sports and Entertainment	Arsenal Football Club	Los Angeles Gladiators
	Los Angeles Rams	
	Denver Nuggets	
	Colorado Avalanche	
	Colorado Rapids	
	Colorado Mammoth	
Steve Kaplan	Memphis Grizzly	Los Angeles Valiant
Andy Miller	Sacramento Kings	San Francisco Shock
Madison Square Garden Company	New York Knicks	Counter Logic Gaming
	New York Liberty	
	New York Rangers	
Golden State Warriors	Golden State Warriors	Golden Guardians
Houston Rockets	Houston Rockets	Clutch Gaming
Wesley Edens and Fortress Investment Group	Milwaukee Bucks	FlyQuest

Source: Ring (2017) and Chaloner (2018)

The research on the business of esports is relatively new but growing in scope, depth and rigour, with numerous future studies needed by scholars and practitioners alike (Finch et al., 2020). Its growth, as noted previously, is rapid and some scholars suggest that eventually esports will become its own sport (Hallmann and Giel, 2018). To date, most of the scholarship has been focussed on the status of esports as a sport and exploring the esports-based opportunities for managers and marketers (Finch et al., 2020; Hallman amd Giel, 2018). Recently, a comprehensive review of the esports literature reports on an analysis of 150 peer-review publications in a variety of fields between 2002 and 2018, 17.3% of which (or 26 articles) classified as business research (Reitman et al., 2020). The review summarises the existing literature under three major themes, namely contested definitions, nature of expertise, and the state of nascent research, all of which characterise a new and growing field, lacking in empirical study (Reitman et al., 2020).

2   Conceptual development

DCs are commonly defined as an organisation's ability "to integrate, build, and reconfigure internal and external competencies to address rapidly changing environments" [Teece et al., (1997), p.516]. Effective management requires a deep understanding of an organisation's resources and capabilities, particularly in hypercompetitive environments characterised by increased competition, uncertainty and volatility require organisations to constantly adapt to changes (D'Aveni et al., 2010). In such environments, organisational leaders need to develop DCs to enable their organisations to adapt to external constraints, but also to influence their competitive environment (Teece, 2007). DCs allow organisations to quickly renew key organisational resources (e.g., physical assets, human resources, organisational processes) and capabilities (i.e., the ability to manage these valuable assets and resources) to address daily challenges strategically (Eisenhardt and Martin, 2000).

Different types of DCs lead to varying degrees of organisational capabilities (Danneels, 2011; Eisenhardt and Martin, 2000). The current research focuses on three types of DCs with varying impacts on capability modification in a new product context:

1   learning DCs that lead to a different application of existing capabilities

2   integrating/coordinating DCs that entail modifying and combining existing resources and capabilities

3   reconfiguring DCs for the creation of new capabilities for the new market (Ambrosini et al., 2009).

Learning DCs are important in new product development in the pursuit of new markets (Pavlou and El Sawy, 2011). Here, learning is viewed as the cycle of reflecting failure or success and allowing future tasks to be performed more effectively and efficiently (Ambrosini et al., 2009). For instance, knowledge about existing and new markets can be leveraged to adapt existing capabilities to the new markets. Integration/coordination DCs refer to the ability of organisations to reorganise their existing resource base into new capabilities for the new market, leading to eventually leveraging them into a new emergent resource base (Ambrosini et al., 2009). In contrast, reconfiguration DCs lead to the development of new capabilities for the new market that did not previously exist. These could require the acquisition of new resources (e.g., human capital, equipment) and the development of new processes to create the new capability.

Researchers have explored the role of DCs from different contexts, as context plays a key role for the effectiveness of DC. In addition, calls have been made to expand DC research beyond firm boundary contexts (Schilke et al., 2018). One of those contexts is related to franchisor-franchisee systems, which are unique because the resources and capabilities exist within structurally separate organisations (the franchisor and the franchisees). Research suggests that the franchisor-franchisee system could be a barrier to DCs if systems are not designed to ensure bi-directional knowledge flow between both entities (Paswan and Wittmann, 2009). El Akremi et al. (2015) specifically identified DCs that serve as an effective model for analysing the franchisor-franchisee system. The DC perspective is based on the need to integrate, reconfigure and renew knowledge resources and recognises that replication and learning are critical to value creation. For example, previous franchising research shows that replication is critical to franchising performance (Winter and Szulanski, 2001). Franchise-based professional sport

organisations offer a unique context to explore the role of learning, integrating/coordinating and reconfiguring DCs because they exemplify the difficulties that franchisor and franchisees may encounter when seeking to enter a new market.

3 Method

The launch of the NBA 2KL is the context for this study. This launch is considered appropriate for this study since it is the first North American professional league to expand to SPS, allowing for the exploration of how TPS DCs can be leveraged for SPS. The first NBA 2KL season in 2018 introduced 17 2KL franchises, all owned and operated by NBA franchises. A qualitative study based on 13 one-on-one expert interviews (Hodge and Walker, 2015) was used to provide insight into a person's subjective interpretations, perceptions, and frames of reference of the topic under study, exceeding the minimum of ten recommended (Creswell, 1998). The 13 professionals who participated were purposely selected to provide specific expertise related to the objectives of this research (Polkinghorne, 2007).

Table 2 Expert interviewees

#	Title	Population	Gender	Years' experience
1	Vice president	Pro sport	Male	11
2	Director	Pro sport	Male	12
3	President and founder	Partner	Male	14
4	Director	Pro sport	Male	6
5	Director	Partner	Male	11
6	Director	Pro sport	Male	9
7	Director	Partner	Male	13
8	Director	Pro sport	Female	17
9	Director	Partner	Male	3
10	Director	Pro sport	Male	12
11	Director	Partner	Male	16
12	Vice president	Partner	Female	14
13	Director	Partner	Female	7

To ensure a diverse range of participants, two distinct population groups were established. The first group were managers of professional sport organisations, with significant experience at both the league and the club level. This group was selected because these managers offer first-hand insight in defining the resources that exist at the league and club levels, as well as the capabilities used to maximise the value of these resources at both levels. The second group were corporate partners of sport organisations. This group was selected because corporate partners could offer external insight into how leagues and clubs can leverage different DCs collaboratively. Senior managers from both groups were sought in order to offer historical depth and insight into the transition. On average, participants had 11 years of experience in their field. Of the 13 interviewees, 11 were directly involved in the inaugural season of NBA 2KL in a management or

corporate partner capacity. This sample (see Table 2) is characterised as acceptable given the exploratory scope of this study (Hodge and Walker, 2015).

Semi-structured phone interviews were conducted with each of the expert interviewees, a format allowing for the exploration of major themes, while maximising objectivity and ensuring spontaneous reflection on the issues (Hodge and Walker, 2015). The interview protocol used was designed to be non-leading, in the sense that participants were not asked to directly comment on the three types of resources described above. Rather, the protocol explored how a franchise-based sport organisation could leverage DCs to maximise their competitive advantage in the new esports market.

Table 3   NBA 2KL industry source material

	Industry source	Type
1	Analysis of 2KL Franchise Executives.	Websites
2	Anekal (2017, December). The branding behind the NBA 2k league team logos	Media
3	Booton (2018). NBA's Adam Silver welcomes 'new generation of athletes' with 2K League	Interview
4	Brady (2018, June). Raptors Uprising: The fourth pillar of the NBA	Media
5	Business Wire (2018). NBA 2K18 hits franchise sales record	Press release
6	Chaloner (2018). Sport teams in esport	Analysis
7	Donohue (2018). Welcome to The NBA 2K League	Press release
8	EA Sports (2018). Top 25 Features in Madden NFL history	Report
9	Jacobson (2018, June). The present and the future of the NBA 2K League Twitch experience	Media
10	Kennedy (2018). FAQ. Everything you need to know about the 2K League	Media
11	Li (2018, September). NBA 2K League Managing Director: The players exceeded our expectations with their passion and energy	Interview
12	Mazique (2017). 2K League: How to qualify, salary info, draft process, twitter account, rules and more	Media
13	Murray (2018). NBA 2K League Sponsorship Guide.	Media
14	NBA 2K (2018). Austin 'Boo Painter' Painter dismissed and disqualified from NBA 2K League	Press release
15	NBA (2017, May). 17 NBA teams to take part in inaugural NBA 2K esports league in 2018	Press release
16	Newzoo (2018). 2018 Key numbers. SPS revenue streams global	Report
17	Newzoo (2017). Global games market report	Report
18	Perez (18, February 21) Report: esports to grow substantially and near billion-dollar revenues	Report
19	Ring (2017, December 12). The ESI Super Forum will explore why over 175 sports clubs have entered esports	Media
20	Sport Geek (2018) NBA 2K League season one – Podcast with Brendan Donohue	Interview
21	Wolf (2018, August). NBA welcomes Hawks, Nets, Lakers, Wolves franchises to NBA 2K League	Media

All interviews were completed during the first NBA 2KL season (May to August 2018). The interviews ranged from 25 to 60 minutes. To ensure objectivity, each interview was coded by a single researcher (Strauss and Corbin, 1990). Following this, three researchers synthesised overlapping themes and linked the themes to one of the three DC processes. Through the reduction process, composite themes were identified, while ensuring no loss or dilution in the integrity of each interviewee's contribution (Moustakas, 1994). Finally, to mitigate researcher bias, a series of second interviews were undertaken with participants to review the initial results and consider the implications on practice. Concurrent to the expert interviews, league and team level press releases, reports, organisational structures, reported interviews with executives and trade press materials were analysed (Frasquet et al., 2013), as summarised in Table 3.

4 Results

An analysis of the interviews and secondary data identifies themes associated with how the NBA 2KL integrates, learns and reconfigures resources and capabilities to maximise the potential of the emerging esports market. These findings offer a first glimpse into how a franchise-based sport organisation can leverage existing capabilities to expand into new products, services or markets.

4.1 Learning and experimentation DCs

All interviewees identify the NBA and its franchises as a progressive organisation that recognises growth opportunities. This finding is supported by past research reporting that progress is anchored in experimentation and trial and error learning (Bingham and Davis, 2012). Interviewees commend the NBA on being the first North American professional league owning and operating both a women's professional league and an SPS league. This appears to reflect the league's experimental culture. One interviewee summarises: 'From the NBA 2KL perspective, a lot of learning will come from the NBA and their processes'. Secondary sources confirm this finding that the league and its franchises seek to leverage the learning's from across their different assets. For example, 51% of the front office executives for NBA 2KL franchises in 2018, came from the team's NBA franchise[1] and the first managing director of the NBA 2KL was a previous senior vice president of the NBA.

Several interviewees use the very different approach the NBA and its franchises have taken to SPS compared to the NFL and the NHL as evidence of their trial and error learning culture. One reports: "The NBA has proven itself to be the most innovative of the four big American professional sports leagues…it is first to market in a lot of different areas". This trial and error learning approach is reflected by the fact that the NBA does not require unanimity when launching new properties, as only 17 of the 32 NBA franchises reportedly opted to join the NBA 2KL for its inaugural season.

Interviewees note how the NFL and NHL focus their SPS strategy on low risk short-term tournaments, whereas the NBA 2KL is a long-term design to experiment how esports can create new consumer touch points, reaching a younger audience and more international fans. For example, the 2KL Managing Director uses the evolution of the NBA 2K League franchise as evidence that the league is learning through trial and error:

"We're listening to them and applying their thoughts in real time. If you watch the broadcast from week one and then now, they're not similar" (Li, 2018).

Secondary reports note that the NBA 2KL and its franchises recognise how important the individual athletes are to both the league and club brands. As NBA Commissioner Adam Silver contends: "I think what's so exciting today in particular is that we'll be welcoming a new generation of athletes, of NBA players, into this fourth league" (Booton, 2018). Interviewees report that the NBA's previous experiences with its other leagues contributed to the league establishing processes to leverage esports and esports athletes, while also ensuring safeguards are in place. For example, the draft process included the league and its franchises conducting hundreds of one-on-one interviews with potential NBA 2KL athletes (Kennedy, 2018). Moreover, the league includes a player code of conduct to ensure players represent the values of the league (NBA, 2018). As an interviewee attests: "I think they have done some incredibly brave things including removing players from the ecosystem and creating their own superstars. It's certainly resonated and differentiated itself from the other sports simulation titles".

Table 4   Learning DC

Exemplar DCs	Support	Illustration of league DCs	Illustration of franchise DCs
Ability to leverage institutional knowledge to accelerate adaptation to new products, services or markets.	Bhatt and Grover (2005)	League office transitions staff across leagues to leverage institutional knowledge and integrate it into new capability for 2KL. For example, inaugural 2KL managing director was a senior VP of the NBA.	51% of 2KL franchise leadership in 2018 transitioned from NBA franchise.
Leverage TPS learnings to define policies and processes to ensure consistent application in new products, services or markets.	Eisenhardt and Martin (2000)	Proactively establishes a 2KL player code of conduct to ensure players align to NBA brand values. e.g., Boo Painter was disqualified by the league for violation of this policy (NBA 2K, 2018)	Club-level scouting and due diligence process in place.
		League establishes rigorous player selection via 2KL draft process including combines to narrow down the player pool to 250. One on one interview with all candidates, which reduced the final pool to 102 eligible players (Kennedy, 2018).	

Table 4 reports additional examples of how the NBA and its clubs use DC learning processes to support the development and operationalisation of NBA 2KL.

4.2   Integration/coordination DC

Integration and coordination DCs to support the expansion into the NBA 2KL is a dominant theme that emerged from the interviews. This includes topics related to integrating existing league and franchise assets, strategic partners, data assets and financial resources, as one interviewee reports:

> "The NBA is a forward-thinking product in that their overall strategy is a collection of professional basketball leagues. This organisation is comprised of four leagues, which ultimately means more opportunities for sponsorship, touchpoints, a wider audience and more consumers."

Secondary sources complement the interview results. In 2017, the NBA 2K17 game was the leading sport videogame in the USA, selling over 10 million copies (Business Wire, 2018). This led to the NBA and its gaming partner, take-two interactive, to launch an the NBA 2KL, as noted publicly by the NBA 2KL Managing Director at the launch of the League: "Our teams have expressed tremendous enthusiasm for esports, and we are looking forward to forming something truly unique for basketball and gaming fans around the globe" (NBA, 2017). An interviewee supports this point:

> "Adam Silver as a fairly progressive commissioner, saw this and says, 'we already have team owners that are invested in this space in other esports titles, like League of Legends or Overwatch; and, do we have the capacity, as a league, to invest in and create our own franchises that ties to the most purchased game in the market place – NBA 2K."

A common theme of the study is the ability of the NBA and its franchises to facilitate the development and integration of strategic partners in order to accelerate the development of esports. As the NBA 2KL Managing Director states, "We have 90-plus partnerships across the league, and the cool thing is for our teams, a lot of times they're taking their current NBA partners and helping them navigate esports" (Li, 2018). Secondary sources confirm that these strategic partners include distribution partnerships with Microsoft (Xbox) and Sony (PlayStation). Additional examples provided by interviewees include Twitch to live stream content and Nike to integrate Nike Connect to offer NBA 2K Virtual Currency, MyTEAM Free Agent Cards, and Nike shoes.

Interviewees report on the important role of partners in creating value for the SPS community. The expansion into new properties, such as 2KL, allows the league and its franchises to create new value for existing sponsors. As one interviewee notes: "The league might be leveraging sponsorships across multiple properties, NBA 2K League, NBA, but opening up brands that you haven't been able to use before but can now because of this new subset of fans".

In the first season of the NBA 2KL, roughly 60% of the league's partners were endemic to SPS (compared to 38% for the NBA).[2] These partners include manufacturers of gaming consoles, peripherals and software, such as Alienware, Turtle Beach, DX Racer, Intel, Microsoft and IBM. Thus, as interviewees report, remaining authentic to the SPS community is about delivering value for the users' experience. One interviewee observes that endemic partners focus on creating value by giving the club a competitive edge, while non-endemic partners must focus on elevating the overall experience for both the participant and spectator. Interviewees note that if a non-endemic partner chooses to add on screen activations, they must not obstruct the play in any way and seamlessly integrate with the content. One interviewee adds that this level of control and integration is not available with traditional sport. Two other interviewees report that SPS consumers like to experience the 'behind the scenes' actions. Therefore, the NBA 2KL's high production and behind the scenes content add touchpoints between the fans and that club, including onsite events, bringing these clubs to areas closer to you, providing access to players, and efforts put forth for social causes like obesity, inclusion and accessibility.

Another integration and coordination DC theme relates to the ability to integrate customer data assets across the NBA 2KL and its franchises. This enables unified relationship management to drive targeted acquisition and retention activities (Maklan and Knox, 2009). Interviewees suggest that this data can help determine which fans are most likely to crossover from traditional sport to esports, as well as the driver of this crossover. As one interview states: "the NBA is the model for all sports leagues for digital engagement. The NBA 2K League is a natural extension of this". Interviewees suggest that this may lead to the integration of new assets, notably fan engagement activations like Pro-Am tournaments, fan appreciation days, behind the scenes into the SPS practice facility. These activations can increase incremental revenue through ticket sales, sponsorship and onsite merchandising sales. Table 5 provides examples of how the NBA and its franchises leverage integration and coordination DCs to support the development and operationalisation of the NBA 2KL.

Table 5   Integration and coordination DC

Exemplar DC	Support	Illustration of league DCs	Illustration of franchise DCs
Ability to integrate and operationalise existing resources to develop and launch new product services or markets.	Meyvis and Janiszewski (2004)	League develops and launches 2KL videogame with partner. Launch NBA 2K league based on videogame.	17 NBA franchises launch 2KL franchises for 2018 season.
		League embeds the basketball community knowledge to support development of 2KL.	
Ability to integrate and operationalise strategic partnerships to accelerate expansion into new products, services or markets.	Danneels (2011)	League partners twitch to live stream all games and make all games available on demand.	Club-level sponsors extended into 2KL franchise. Raptors Uprising selling naming rights for the 2KL home (Brady, 2018).
		League partners with Nike Connect to offer NBA 2K virtual currency, MyTEAM free agent cards, and shoes.	
		NBA 2K partners with NBA Players Association to embed NBA players in 2KL extensions	
		League partners with Microsoft, Sony and Steam to distribute NBA 2K across multiple platforms.	
Ability to integrate data assets when expanding into new products, services or markets.	Maklan and Knox (2009)	Deploy league wide digital analytics for tracking fan engagement.	Both NBA and 2KL share club-level data assets (Sport Geek, 2018)
Ability to coordinate financial resources to fund product and services expansion.	Maklan and Knox (2009)	League leverages franchises to participate in 2KL to diversify risk.	17 NBA owners acquired 2KL franchises for a fee of $750,000 for three-years (Wolf, 2018).

4.3 Reconfiguration DC

Interviewees agree that the NBA is driven by ongoing innovation and market trends. They report that the league and its clubs leverage their DCs to reconfigure and extend their brands to support expansion into esports, both as a new product category and to reach new audiences. For instance, several interviewees note that reconfiguring the NBA brand to extend into esports enables the league to extend its reach into three critical areas: a younger consumer, increased inclusivity and a global market. For example, the Director of Esports Business and Team Operations for Wizards District Gaming states, "Our logo is the perfect extension of the values that are reflective of the Monumental Sports and Entertainment family of teams: inclusivity, diversity, and a desire to be the best" (Anekal, 2017). One interviewee states that esports brands need to "bring value to the community. Fans appreciate a brand that will help legitimise their passion, and brands need to find a way to activate and engage that community". In addition, one interviewee emphasises that branding is 'more than putting a logo on something. Brands need to make the content better, more fun, engaging and natural (authentic) fit'. In the NBA 2KL context, this interviewee argues the fit all about unique and relevant branded content that is valued by these new markets and communities.

The NBA 2KL provides a platform to build the NBA brand globally, without the logistical challenge of flying entire NBA clubs to Asia or Europe. This brand expansion includes livestreaming, location of international SPS franchises and the recruitment of international players. In this regard, one interviewee states:

> "The digital market creates a global platform with an international audience. This includes making games and brands available on native platforms (TV, apps, etc.) The NBA has major support in China and the Philippines. They also want to continue growing international talent, which includes contractual obligations to global engagements."

Interviewees further reflect on how a pick-up basketball game in a local playground is very different from a professional game, both physically and financially. The result is that very (if any) few pick-up ballers truly believe that they have a chance to play in the NBA. Conversely, many interviewees discuss how SPS is very different, as fans play the same game as professionals. In fact, the NBA 2KL players were only NBA 2KL gamers a year before who were drafted by the league to play professionally. This creates a unique bond between SPS fans and SPS athletes that cannot exist in TPS. About launching the 2KL, the Managing Director states: "there is no prototypical athlete in our league. Regardless of who you are – man or woman, young or old, tall or short – if you are one of the best NBA 2KL players in the world, we want you in the league" (Donohue, 2018). This inclusivity leads to a distinct sense of community as players and fans have a common bond. One interviewee suggests:

> "The biggest challenge with the developing new intellectual property is making these athletes into superstars. Players are more accessible through digital media giving them a scalable platform. Just as NBA players have contractual obligations for global appearances, 2KL players need to reach that level."

Another concurs:

> "Esports fans are unlike traditional sport fans in their consumer behaviour. They are very passionate but also completely engaged in the gameplay. Brands have the unique opportunity to engage with passionate fans at the height of their attention and engagement."

Table 6 includes a series of examples of how the NBA and its franchises utilise reconfiguration DCs to support the development and operationalisation of the NBA 2KL.

Table 6   Reconfiguration DC

Exemplar DCs	*Support*	*Illustration of league DCs*	*Illustration of franchise DCs*
Ability to reconfigure and extend brands to support expansion into new markets	Maklan and Knox (2009)	Reconfiguration of league visual identity for 2KL that removed player likeness to promote inclusiveness.	Reconfigure of franchise brands to expand into new markets.
		League tasked a single agency to develop all 2KL franchise visual identities (Wolf, 2018).	
Ability to reconfigure and operationalise media and content resources to support expansion into new markets.	Eisenhardt and Martin (2000)	League reconfigured its live media for the 2KL by partnering with Twitch to live stream all games (Jacobson, 2018).	Club-level media and content

5   Discussion

This study explores the role – at both the league and club level – of DCs in the expansion of the NBA into esports. Where, in just a few years, the NBA 2KL game has gained a significant global following. In exploring the role of DCs in NBA's esports expansion, this research builds on literature which has examined the unique dimensions of DCs in franchisor-franchisee systems (e.g., El Akremi et al., 2015). These systems are unique because the resources and capabilities are structurally separate (the franchisor and the franchisees). Previous research suggests that a franchisor-franchisee system may act as a barrier to DCs (Paswan and Wittmann, 2009). Specifically, the DC perspective suggests that a franchisor-franchisee system must be designed to effectively integrate, reconfigure and renew knowledge resources, while also enabling replication and learning.

This study identifies specific areas where DCs related to learning, integration and coordination, and reconfiguration were leveraged to expand the NBA and 17 of its franchises into the NBA 2KL. Specifically, it provides support that the NBA's expansion into NBA 2KL was not a simple case of a unitary corporate organisation focusing on leveraging its DCs to maximise a new market opportunity. Rather, it was 18 independent entities (the league and 17 clubs) that had the capacity to access and contribute learning, integration and coordination, and reconfiguration DCs to this new venture.

Firstly, previous research (Bingham and Davis, 2012; Meyvis and Janiszewski, 2004) suggests progress is anchored in *learning and experimentation DCs*. This study supports the contention that the NBA leveraged both learning and experimentation DCs. For

example, previous literature suggests that leveraging existing talent to accelerate and diffuse learning is essential (Bhatt and Grover, 2005). In the NBA 2KL, over half of the senior managers transitioned from within the NBA league office or its franchises. Moreover, the NBA's previous learning from its other leagues provided evidence of the important role of athletes. Building on this learning, the NBA 2KL developed mechanisms (e.g., draft) to profile esports athletes, while maintaining safeguards (e.g., contract provisions) to ensure these athletes' behaviour aligned with core NBA values on an ongoing basis. Moreover, the launch of the NBA 2KL reflected the NBA's core experimentation DCs. For instance, the NBA 2KL was launched in 2018 with only 17 of 30 NBA participating franchises. This enabled the league and its franchises to experiment and refine the 2KL, growing to 23 teams in 2020. Now planning for the 2021 season, NBA 2KL will be telecast in countries all over the world to an ever-increasing global audience.

Secondly, *integration and coordination DCs* were central to the launch of the NBA 2KL. This includes integrating existing league and franchise assets, strategic partners (Danneels, 2011), data assets and financial resources (Maklan and Knox, 2009) into the launch of the NBA 2KL. For example, NBA 2KL endemic partners (e.g., technology providers) generated value by providing a club a competitive edge, while non-endemic partners value lay in elevating the overall experience for both the participant and spectator. Moreover, the NBA leverages integrated customer data assets to guide which fans are likely to crossover from traditional sport to esports. The integration and coordination of this data enables the development of new properties such as Pro-Am tournaments or fan appreciation days, all of which can increase incremental revenue through ticket sales, sponsorship and onsite merchandising sales.

Thirdly, this study highlights the critical role that *reconfiguration DCs* play in driving NBA innovation. For example, the NBA and its franchises are constantly reconfiguring their brands to extend the NBA's reach into three critical areas: a younger consumer, increased inclusivity and a global market. NBA 2KL's global reach and its popularity outside of North America are evidence of its relevance. While DC research on innovation has traditionally focused on intraorganisational new product development (e.g., Pavlou and El Sawy, 2010), this study extends our view of the importance of DC at the dyadic level, between franchisor and franchisees. The findings show that DCs can be successfully developed and coordinated across organisations toward a common goal. Understanding how the league and its partners (franchisees) can reconfigure DC for product innovation is especially important in the context of innovation ecosystems that seek to co-create value by leveraging partners' knowledge and expertise.

6   Conclusions

This study provides practical direction to leagues similar to the NBA and a rationale for further examination of DCs in the framework of any league entering esports (or other related new ventures). Moreover, the results of this study provide the foundation for franchise-based sport organisations to explore opportunities in esports, while offering guidance for future research in esports. If leveraged, these composite capabilities can be used as a platform for both the league and its franchises to maximise emerging market opportunities. Practically, leagues and their clubs must nurture a culture and processes

that facilitate DCs to maximise opportunities to expand into new markets, products and services.

The research has limitations in that it is based on the views of a limited number of experts from two stakeholder groups. As a result, the generalisability of these findings to leagues outside of the NBA should be taken with caution and based on the results of this study that highlights how the NBA has built a culture more supportive of such change. Within these limitations, our results provide rationale for future research:

1   Future research should further deconstruct DCs at both a SPS league and SPS franchise level to better understand composite SPS capabilities. For example, this could be done by conducting a deep qualitative study involving expert interviews of SPS league and franchise senior managers.

2   Future research should map and segment the different journeys of SPS fans. This could involve a content analysis of online gaming platforms or a survey of gamers. Importantly, this segmentation needs to include country as a basis to examine SPS fans from a global perspective.

3   Future research should explore the emerging role of digital content as composite SPS capabilities. For instance, a semiotic comparative analysis of SPS and TPS fan online behaviors would be helpful (Thorne et al., 2012).

4   Future research should explore how the SPS leagues and SPS franchises can leverage DCs when expanding into other genres of esports (e.g., Overwatch). Experiments or inter-league studies would be useful here.

5   Future research should explore the factors that facilitate, or act as barriers, to the development of composite SPS capabilities. Expert interviews with professionals involved could provide insight here.

6   Future research should explore how DCs vary in non-franchise based sport organisations. A questionnaire of managers from multiple leagues would offer depth in this area.

7   Future research should explore how DCs vary by the form of SPS. For example, a study comparing F1, FIFA and the 2KL would start to explore the moderating role of the sport.

References

Ambrosini, V., Bowman, C. and Collier, N. (2009) 'Dynamic capabilities: an exploration of how firms renew their resource base', *British Journal of Management*, Vol. 20, No. s1, pp.S9–S20.

Anekal, M (2017) *The Branding behind the NBA 2K League Team Logos*, December [online] https://medium.com/tnlmedia/the-branding-behind-the-nba-2k-league-team-logos-44f83c21277b (accessed 28 November 2018).

Bhatt, G.D. and Grover, V. (2005) 'Types of information technology capabilities and their role in competitive advantage: an empirical study', *Journal of Management Information Systems*, Vol. 22, No. 2, pp.253–277.

Bingham, C.B. and Davis, J.P. (2012) 'Learning sequences: their existence, effect, and evolution', *Academy of Management Journal*, Vol. 55, No. 3, pp.611–641.

Booton, J. (2018) *NBA's Adam Silver Welcomes 'New Generation of Athletes' with 2K League* [online] https://www.sporttechie.com/nbas-adam-silver-welcomes-new-generation-athletes-nba-2K-league-esports/ (accessed 25 November 2018).

Brady, R (2018) *Raptors Uprising: The Fourth Pillar of the NBA*, June [online] https://www.theglobeandmail.com/sports/article-the-fourth-pillar-of-the-nba/ (accessed 2 November 2018).

Business Wire (2018) *NBA 2K18 Hits Franchise Sales Record* [online] https://www.businesswire.com/news/home/20180802005110/en/NBA-2K18-Hits-Franchise-Sales-Record (accessed 21 November 2018).

Chaloner, P. (2018) *Sport Teams in Esport* [online] https://docs.google.com/spreadsheets/d/1qkr79b8V3GR2Uk2ZYCzeccm7oWWeNV72TZRKOL_Khbg/edit?lipi=urn%3Ali%3Apage%3Ad_flagship3_profile_view_base_recent_activity_details_shares%3BzKJxBhTgQdWP%2B%2FxjGyyw0w%3D%3D#gid=0 (accessed 29 November 2018).

Creswell, J. (1998) *Qualitative Inquiry and Research Design: Choosing among Five Approaches*, Sage, Thousand Oaks, CA.

D'Aveni, R.A., Dagnino, G.B. and Smith, K.G. (2010) 'The age of temporary advantage', *Strategic Management Journal*, Vol. 31, No. 13, pp.1371–1385.

Danneels, E. (2011) 'Trying to become a different type of company: dynamic capability at Smith Corona', *Strategic Management Journal*, Vol. 32, No. 1, pp.1–31.

Donohue, B. (2018) *Welcome to The NBA 2K League* [online] https://2kleague.nba.com/news/welcome-to-the-nba-2k-league/ (accessed 2 November 2018).

EA Sports (2018) *Top 25 Features in Madden NFL History* [online] https://www.easports.com/madden-nfl/news/2013/madden-football-history (accessed 14 November 2018).

Eisenhardt, K.M. and Martin, J.A. (2000) 'Dynamic capabilities: what are they?', *Strategic Management Journal*, Vol. 21, Nos. 10–11, pp.1105–1121.

El Akremi, A., Perrigot, R. and Piot-Lepetit, I. (2015) 'Examining the drivers for franchised chains performance through the lens of the dynamic capabilities approach', *Journal of Small Business Management*, Vol. 53, No. 1, pp.145–165.

Finch, D., O'Reilly, N., Abeza, G., Clark, B. and Legg, D. (2020) *Implications and Impacts of eSports on Business and Society: Emerging Research and Opportunities*, IGI Global Publishing: Business Science Reference, Hershey, PA, USA.

Frasquet, M., Dawson, J. and Mollá, A. (2013) 'Post-entry internationalisation activity of retailers: an assessment of dynamic capabilities', *Management Decision*, Vol. 51, No. 7, pp.1510–1527.

Grohmann, K. (2018) *Talk of Esports in Olympic Games is Premature: IOC*, December [online] https://www.reuters.com/article/us-olympics-esports/talk-of-esports-in-olympic-games-is-premature-ioc-idUSKBN1O70NK (accessed 2 November 2018).

Hallman, K. and Giel, T. (2018) 'eSports – competitive sports or recreational activity?', *Sport Management Review*, Vol. 21, No. 1, pp.14–20.

Hodge, C. and Walker, M. (2015) 'Personal branding: a perspective from the professional athlete-level-of-analysis', *International Journal of Sport Management and Marketing*, Vol. 16, Nos. 1–2, pp.112–131.

International Olympic Committee (2017) *Communique of the Olympic Summit* [online] https://www.olympic.org/news/communique-of-the-olympic-summit (accessed 18 December 2018).

Jacobson, J. (2018) *The Present and the Future of the NBA 2K League Twitch Experience,* June [online] https://www.sporttechie.com/nba-2k-league-twitch-experience-evolution/ (accessed 21 November 2018).

Jonasson, K. and Thiborg, J. (2010) 'Electronic sport and its impact on future sport', *Sport in Society*, Vol. 13, No. 2, pp.287–299.

Kennedy, A. (2018) *FAQ. Everything You Need to Know about the 2K League* [online] http://hoopshype.com/2018/04/04/faq-everything-you-need-to-know-about-the-new-nba-2K-league/ (accessed 6 November 2018).

Li, X. (2018) *NBA 2K League Managing Director: The Players Exceeded our Expectations with their Passion and Energy*, September [online] https://dotesports.com/general/news/nba-2k-league-managing-director-the-players-exceeded-our-expectations-with-their-passion-and-energy (accessed 10 December 2018).

Maklan, S. and Knox, S. (2009) 'Dynamic capabilities: the missing link in CRM investments', *European Journal of Marketing*, Vol. 43, Nos. 11/12, pp.1392–1410.

Mazique, B. (2017) *2K League: How to Qualify, Salary Info, Draft Process, Twitter Account, Rules and More* [online] https://www.forbes.com/sites/brianmazique/2017/12/05/nba-2K-league-how-to-qualify-salary-info-draft-process-rules-and-more/793e06735d76 (accessed 6 November 2018).

Meyvis, T. and Janiszewski, C. (2004) 'When are broader brands stronger brands? An accessibility perspective on the success of brand extensions', *Journal of Consumer Research*, Vol. 31, No. 2, pp.346–357.

Moustakas, C. (1994) *Phenomenological Research Methods*, Sage, London.

Murray, T. (2018) *NBA 2K League Sponsorship Guide* [online] https://esportsobserver.com/nba-2k-league-sponsorship-guide/ (accessed 11 December 2018).

NBA (2017) *17 NBA Teams to Take Part in Inaugural NBA 2K Esports League in 2018*, May [online] https://www.nba.com/article/2017/05/04/nba-2k-esports-league-17-nba-teams-participate-inaugural-season (accessed 6 November 2018).

NBA 2K (2018) *Austin 'Boo Painter' Painter Dismissed and Disqualified from NBA 2K League* [online] https://2kleague.nba.com/news/austin-boo-painter-painter-dismissed-and-disqualified-from-nba-2k-league/ (accessed 10 December 2018).

Newzoo (2017) *Global Games Market Report* [online] from https://newzoo.com/insights/trend-reports/newzoo-global-games-market-report-2017-light-version/ (accessed 2 November 2018).

Newzoo (2018) '2018 Key numbers', *SPS Revenue Streams Global* [online] https://newzoo.com/key-numbers/ (accessed 2 November 2018).

Newzoo (2020a) '2020 Key numbers', *2020 Global Players Per Region* [online] https://newzoo.com/key-numbers/ (accessed 15 November 2020).

Newzoo (2020b) '2020 Key numbers', *2020 Global Esports Market, Revenuer Per Stream* [online] https://newzoo.com/key-numbers/ (accessed 15 November 2020).

Paswan, A.K. and Wittmann, C.M. (2009) 'Knowledge management and franchise systems', *Industrial Marketing Management*, Vol. 38, No. 2, pp.173–180.

Pavlou, P.A. and El Sawy, O.A. (2010) The 'third hand': IT-enabled competitive advantage in turbulence through improvisational capabilities', *Information Systems Research*, Vol. 21, No. 3, pp.443–471.

Pavlou, P.A. and El Sawy, O.A. (2011) 'Understanding the elusive black box of dynamic capabilities', *Decision Sciences*, Vol. 42, No. 1, pp.239–273.

Perez, M. (2018) 'Report: esports to grow substantially and near billion-dollar revenues', *Forbes*, February 21 [online] https://www.forbes.com/sites/mattperez/2018/02/21/report-esports-to-grow-substantially-and-near-a-billion-dollar-revenues-in-2018/#5a78d47a2b01 (accessed 10 December 2018).

Pizzo, A.D., Baker, B.J., Na, S., Lee, M.A., Kim, D. and Funk, D.C. (2018) 'Esports vs. sport: a comparison of spectator motives', *Sport Marketing Quarterly*, Vol. 27, No. 2, pp.108–123.

Polkinghorne, D.E. (2007) 'Validity issues in narrative research', *Qualitative Inquiry*, Vol. 13, No. 4, pp.471–486.

Reitman, J.G., Anderson-Coto, M.J., Wu, M., Seok Lee, J. and Steinkuehler, C. (2020) 'Esports research: a literature review', *Games and Culture*, Vol. 15, No. 1, pp.32–50.

Ring, O. (2017) *The ESI Super Forum will Explore Why over 175 Sports Clubs have entered Esports*, December 12 [online] https://esportsinsider.com/2017/12/esi-super-forum-will-explore-175-sports-clubs-entered-esports/ (accessed 12 December 2018).

Schilke, O., Hu, S. and Helfat, C.E. (2018) 'Quo Vadis, dynamic capabilities? A content-analytic review of the current state of knowledge and recommendations for future research', *Academy of Management Annals*, Vol. 12, No. 1, pp.390–439.

Sport Geek (2018) *NBA 2K League Season One – Brendan Donohue* [online] https://player.fm/series/sports-geek-a-look-into-the-world-of-sports-marketing-sports-business-and-digital-marketing/nba-2k-league-season-one-brendan-donohue (accessed 10 December 2018).

Statista (2017) *Global Sports Market – Total Revenue from 2005 to 2017* [online] https://www-statista-com.subzero.lib.uoguelph.ca/statistics/370560/worldwide-sports-market-revenue/ (accessed 14 November 2020).

Strauss, A. and Corbin, J. (1990) *Basics of Qualitative Research*, Sage Publications, London.

Teece, D.J. (2007) 'Explicating dynamic capabilities: the nature and microfoundations of (sustainable) enterprise performance', *Strategic Management Journal*, Vol. 28, No. 13, pp.1319–1350.

Teece, D.J., Pisano, G. and Shuen, A. (1997) 'Dynamic capabilities and strategic management', *Strategic Management Journal*, Vol. 18, No. 7, pp.509–533.

Thorne, S.L., Fischer, I. and Lu, X. (2012) 'The semiotic ecology and linguistic complexity of an online game world', *ReCALL*, Vol. 24, No. 3, pp.279–301.

Winter, S. G. and Szulanski, G. (2001) 'Replication as strategy', *Organisation Science*, Vol. 12, No. 6, pp.730–743.

Wolf, J. (2018) *NBA welcomes Hawks, Nets, Lakers, Wolves franchises to NBA 2K League*, August [online] https://www.espn.com/nba/story/_/id/24381282/nba-welcomes-4-new-franchises-nba-2k-league (accessed 10 December 2018).

Notes

1   Analysis of 2KL franchise executives conducted on December 12, 2018.

2   Endemic in the context of sponsorship and corporate partnerships are product or service categories that are directly or indirectly related to the core business of the sponsorship property. For example, a gaming headset company is endemic to esport, whereas a soft drink company is not.