

# THE NAME OF THE GAME

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## The Business of Sports

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A unique look at today's  
pressures on team sports and  
how fans control success

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JERRY GORMAN & KIRK CALHOUN  
ERNST & YOUNG

# The Name of the Game

*The Business of Sports*

**Jerry Gorman**

**Kirk Calhoun**

*with Skip Rozin*

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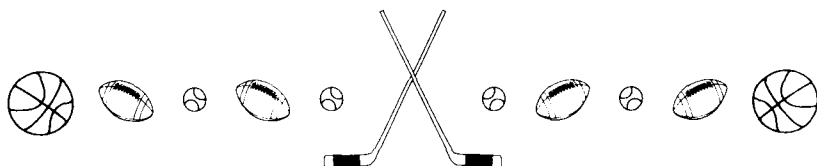
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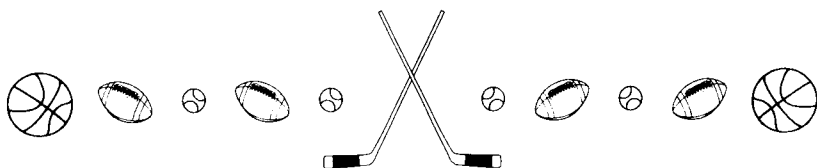
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## Preface

*Baltimore attorney Peter G. Angelos assembled a group of fellow Marylanders early in 1993 to purchase the hometown baseball team, the Orioles. The 64-year-old Angelos, who amassed his personal fortune litigating workers' asbestos damage suits, numbered among his partners writer Tom Clancy, tennis star Pam Shriver, sportscaster Jim McKay, and movie director Barry Levinson. In the following pages, he addresses the reasons why any group would spend \$173 million—a record price—to buy a baseball team when players' salaries are at an all-time high and climbing, and future profits have been thrown into uncertainty by shrinking television revenues.*

A lot of people in Baltimore were deeply affected by the spiriting away of the Colts in 1984. I was saddened by the loss of our NFL team, too, but for a lot of my friends it was even more painful. It was a kind of spiritual death, not so much for them personally, but for all of us as citizens of Baltimore and as Marylanders.

People have asked if this had anything to do with my wanting to lead the effort to return the ownership of the Orioles to Maryland. Well, it did and it didn't.

I never felt that Baltimore was in danger of losing the Orioles. This is far too successful a franchise; the financial health of the club was an accepted fact, and in the short term losing the team was not a realistic possibility. But it was the long term that concerned me, and I knew this could be put to rest if Marylanders once again owned the Orioles.

This does not mean I was offended by the Edward Bennett Williams ownership [1979–1988], or for that matter the Eli Jacobs ownership [1988–1993]. Both men made contributions to the Orioles that will benefit that organization for many years to come. But since this community was fortunate enough to have a major league baseball club, I believed there were enough Marylanders—and Baltimoreans particularly—to come together and bring back local ownership and local control.

I have always believed that hometown control brings the team closer to the public and more clearly demonstrates that a major league franchise is a key community asset.

When I was growing up in East Baltimore, the ball clubs were a part of our everyday life. These were not just teams, owned and run as businesses. They were part of the community. And that's how I see baseball today, even in this economic environment. Baseball is not a business through which one expects to derive great profits, or maybe any profits at all. Baseball is America's traditional game, and the Baltimore Orioles are a Maryland institution.

Where you have a major league baseball franchise in a city that claims to be a major city, and you don't have local ownership, it rightfully raises a question about the city's local business and professional community and their willingness to put themselves and their money on the line.

I am not questioning the devotion of the fans. I am questioning the commitment of the commercial interests, the power centers, the movers and shakers.

Ultimately, it comes down to a question of pride in your city. Do we care enough—are we proud enough—to get involved? It would be inconsistent to claim major city status and permit people from out of town to own a community asset such as our baseball team.

I never looked at buying the Orioles as an investment. There was always much more to it. It was intensely more than a business transaction, and I knew in the beginning that the eventual price paid might be more than economics alone could justify. And it happened; it was how we got to \$173 million. But in light of the greater goal—to accomplish Maryland ownership—paying that premium, however momentarily painful, was justified.

That said, the actual running of a baseball club must be done in a business-like manner. The operation must be financially viable to be a success and a continued source of community pride. How to accomplish this is the challenge.

Even as a new owner, I can see that baseball must improve as a business operation. The entire methodology of compensating players is obviously an imperfect one. While many ball players get too little money, some get the lion's share. The current system serves neither the players nor the owners effectively. Together, we must find another way. I have no answers, and I'm sure owners and players have been searching for one for years. Finding the solution will take luck and more than a little ingenuity.

It will also take cooperation, more than we have seen exhibited in the past by either side.

As owners, we must look at the overall health of the game, not only at the success of our own individual franchises. I do see this coming. All the owners—those who are making money and those who are not—realize baseball has to be looked at in its totality. The day is long past when we can afford that old attitude of self-interest, ignoring what happens to anyone else.

Players, too, are going to have to separate themselves from that narrow, personal perspective and look at the greater good. They fought the good fight, gained free agency, and now it's time to make some concessions to ensure that the game remains healthy.

I may be new to the inner workings of baseball, but I am not new to the necessity for compromise. I believe my years of experience representing steelworkers and construction unions will help me see the other side of an argument. It's never a one-sided argument; the validity is never with only one party. Both sides have requirements; both sides also have good ideas and should be listened to. The key is to get the good and workable positions from each side and put them together so that both prosper. Not just survive, but prosper.

Our goal must be to make sure the fan, our customer, gets a first-class product from management and labor. In the last 30 years we have seen management and labor wage full-scale war—especially in the automobile industry—and we've ended up creating products inferior to those produced abroad. As a consequence, both labor and management suffered greatly.

While we in baseball do not have foreign competition, there certainly are many things competing for our fans' time and money.

It is important that all of us recognize that if we don't get our house in order, the public will become disenchanted. More wrangling and more acrimony will only lead to fans determining that the great American pastime has deteriorated into nothing more than a money-making operation, with management and labor fighting over the spoils.

I also believe we must devise a workable system that permits a strong commissioner, one able to act "in the best interest of baseball." In the days when we had a strong commissioner, baseball was a thriving sport that had the deep respect of the public and the fans. We cannot survive without that respect—without the fans' confidence that we are all working toward the betterment of the game.

This does imply some sacrifice, or at least measured expectations; we are capable of finding a way.



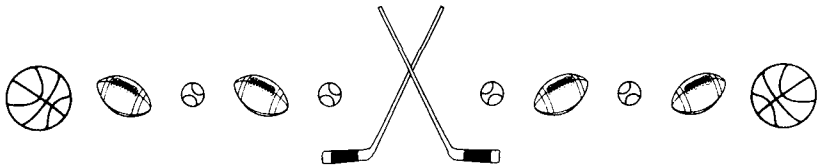
Those of us involved with the Orioles know exactly what is needed. We must assess what revenues we can expect, what savings we can effect, and from that decide how much money we can commit to improve the ball club. We are not concerned with how many dollars might be returned for investors—that is at the bottom of the priority list. This is a very special kind of business, and profit should not be the primary goal for owners.

What is a primary goal for this franchise is the providing of long-term stability and community pride. We see that pride as an active force and feel a responsibility to nurture it. Love of baseball begins at a very young age, and if our youngsters are not exposed to the excitement of our sport, they will never know the joy that the game has been giving for generations. We intend to enter into partnerships with schools and local communities to see that more of our young people have the opportunity to enjoy Orioles baseball. They are the future and we are committed to them.

The perspective is local; insuring that perspective is why we bought the Orioles. Local owners tend to be right-thinking owners. We are part of the community; our fans are our neighbors. Regular contact with the fans who support the ball club reminds an owner who the fans really are and what the relationship should be between the fans and the ball club.

We on the Orioles know we are privileged to own this ball team. But we are not unique in that regard. What owner could feel otherwise? We all hold our teams in trust for our communities, for our fans and our neighbors.

*Peter Angelos*



## INTRODUCTION

# Games and Money

**T**he classic images of sports have traditionally been conjured up by the mind automatically, as each year progresses through its seasons:

Springtime and summer are baseball: the collision of bat striking ball; the hitter charging out of the batter's box, legs churning toward first bases; the flight of the fielder, pursuing the ball across the rich, green outfield grass.

Fall is football: that tense instant at the line before the ball is snapped; the crashing together of giant men clad in plastic armor; the receiver streaking down the sideline, lunging through the air to catch the brown, oblong projectile, fired by the quarterback.

Winter has basketball: elongated bodies, suspended high in midair while slamming the ball through the basket. And hockey: the explosion

of a puck, rocketed by the mere flick of a wrist from the blueline, skipping at 100 miles an hour over the ice.

That's what sport is. Or, more accurately, that's what sport was until recently.

Welcome to the modern world of sports. Those scenes remain; the games themselves have not changed so much. But we the fans are barraged by other images, fed to us daily by our morning paper and evening sports report on television.

That baseball player is attending the winter meetings with his agent, fielding not fly balls but the highest offers for his services. That football player is in court, forcing his league to grant him the freedom to bargain as a free agent, doing his best to join the baseball player in the millionaire's club. The basketball player is trying to get his league to give up some percentage of what comes from luxury seating in the stadiums; the hockey player wants a little of that revenue generated by trading cards.

How did this happen? When did the world of our favorite games become the world of big business? The pace may have sped up in recent years, and the stakes increased, but sports was always business, right from the start.

## The Business of Baseball

To understand this pattern, we look at baseball. Because it is the oldest professional team sport in this country, it has the most history.

Most of what we have come to know as characteristics of major league baseball has evolved because of the pressure of business, from something so basic as the number of leagues to the complexity of multimillion-dollar salaries. The starting time of games, who plays on a team, even the existence of a big-league team in your hometown—all, in one way or another, were driven by decisions of commerce.

Sports on the field, but business at the helm.

Baseball began on the eve of the Civil War, then flourished in the years that followed, moving rapidly from a recreational activity to become its own industry. Part of the popularity was the times: America was in a period of transition, a nation of farms becoming a nation of cities. Baseball aided that conversion. Played outdoors on grass in the sunshine, it incorporated the rural past with the speed and excitement of the new age to come.

The sport struggled with its professionalism—who gets paid and who doesn't—until the Cincinnati Red Stockings fielded the first openly all-salaried team in 1869. Charging money to watch paid players proved to be so successful that the National League was formed in 1876. Moving into the new century, it held the keys to what was essentially a locked house.

Several attempts were made to start other leagues, but the National League was too well entrenched. It threatened, bullied, and sued challengers out of existence, while insisting it was keeping the game pure for America. If one of the new leagues had a team that showed particular promise, the National League absorbed it.

It exhibited that same control over its athletes. Players were blocked from changing teams by the reserve rule, and the league established a salary cap. No player could earn more than \$2,400 a season, including such future Hall of Famers as Honus Wagner, Wee Willie Keeler, and Cy Young.

But holding down players and competition took energy, and the game suffered. Instances of drunkenness and rowdiness in the stands kept more and more people from the games; baseball was becoming an event nice people avoided. Teams started losing money; four were disbanded.

Suddenly the once powerful National League was vulnerable. A new rival, the Western League, was headed by a man with a keen sense of how to subvert the competition.

The man was Ban Johnson. He realized that the country, while fascinated with baseball, was uncomfortable with the crude exhibition the National League was delivering. Not only were there hooligan conditions at parks but also a lack of order on the field. Catchers would tip the bat as the hitter began his swing to disrupt his timing; infielders threw blocks into base runners. When umpires tried to bring order, they were booed and baited. All this contributed to the game's sinking image and falling attendance.

Johnson had nothing personal against the roughness, but he saw an angle. Pursuing a more genteel game and a better class of clientele, he banned the sale of liquor, discouraged the use of rowdyism, and made games played in his Western League a more civil experience. He also gave umpires complete control over the game, with fines and suspensions at their disposal to maintain order.

In 1900, Johnson renamed his alliance the American League and went after the National League. What followed were the great baseball "wars," with the American League raiding National League teams of

some of their top players, paying as much as \$20,000 a season for the stars.

It looked like baseball but it was business, pure and simple. And good business. In 1902 the new league boasted an attendance of \$2.20 million, while the National League dropped to \$1.68 million. By 1903 there was a merger, with two leagues and a World Series to decide the champion.

## The Die Was Cast

Baseball arrived early on the American scene, and became a model. For the most part, the others—first football, then hockey and basketball—would follow its lead, growing as it grew, through the challenges of rival leagues, through expansion and clashes with labor. That pattern exists to this day.

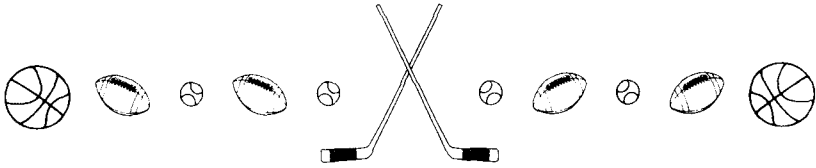
And in all these sports, as their histories evolved, it was business that shaped them. The sizes of playing surfaces differed, as did the means of scoring and rules for each game, but profit controlled decisions and policies in every sport.

Basketball got its start as a professional sport because the owners of arenas needed another attraction for the long winter. Baseball's All-Star Game was originally a promotion to announce the beginning of the season and stimulate attendance during the game's troubled 1930s. Sunday became pro football day because early in the sport's history the more popular college games played on Saturday and drew all the fans.

Business is what made the Boston Red Sox sell Babe Ruth to the Yankees, what made the New York Nets sell Julius Erving to the Philadelphia 76ers, what made the Edmonton Oilers trade Wayne Gretzky to the Los Angeles Kings. Business moved the Dodgers out of Brooklyn and the Colts out of Baltimore.

Sports is an elite business, its dealings conducted by powerful individuals behind closed doors, all in sharp contrast to the bright lights and intense press coverage of games.

Business is the inner game of sports, the game of the really big players—the owners. This is a book about the forces that make them do what they do.



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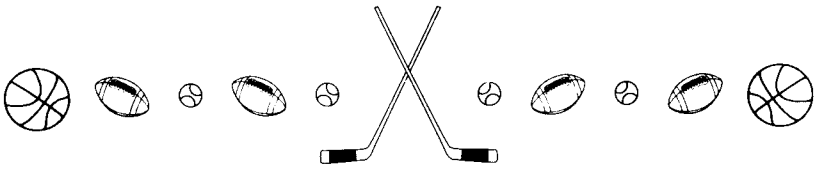
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# PART ONE



## Roots of the Sports Business

*or*

How We Got to  
Where We Are  
Today



