

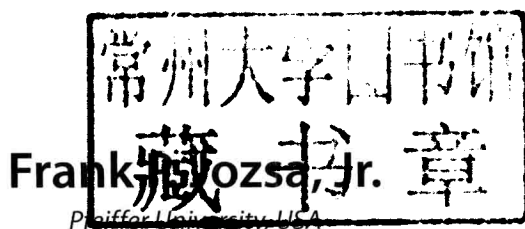
Frank P. Jozsa, Jr.

THE NATIONAL BASKETBALL ASSOCIATION

Business, Organization and Strategy

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 **World Scientific**

NEW JERSEY • LONDON • SINGAPORE • BEIJING • SHANGHAI • HONG KONG • TAIPEI • CHENNAI

Published by

World Scientific Publishing Co. Pte. Ltd.

5 Toh Tuck Link, Singapore 596224

USA office: 27 Warren Street, Suite 401-402, Hackensack, NJ 07601

UK office: 57 Shelton Street, Covent Garden, London WC2H 9HE

British Library Cataloguing-in-Publication Data

A catalogue record for this book is available from the British Library.

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AND STRATEGY**

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ISBN-13 978-981-4313-90-2

ISBN-10 981-4313-90-4

Typeset by Stallion Press

Email: enquiries@stallionpress.com

Printed in Singapore by World Scientific Printers.

THE NATIONAL BASKETBALL ASSOCIATION

Business, Organization and Strategy

***To John A. Rosbel, Jr., Steve J. Newton
and Don "Bacan" Smith***

Foreword

Based on the publication of his sports articles and books, and his extensive experience in teaching principles and theories of business administration, economics, and finance at American universities, Frank Jozsa is well-qualified to author a book on the National Basketball Association. His book, *The National Basketball Association: Business, Organization and Strategy*, explores the ins and outs of the NBA as a business, from its storied franchises to those that barely keep their heads above water. It provides readers with an inside look at the league's innovations, methods, and policies in accounting, human resources, management and marketing, and how all of these influence decisions of owners and affect revenues, profits, and valuations of NBA teams.

Dr. Jozsa explores important topics such as league expansions and mergers, team territories and relocations, franchise organizations and operations, basketball arenas and markets, and domestic and foreign affairs — all key factors that have contributed to the NBA becoming one of, if not *the*, premiere professional sports leagues in the world.

Have you ever wondered about those early expansion years, in particular why some made it and others did not? What were the average home attendances and winning percentages of each team? Why did a franchise fail to draw enough fans to survive in one city, but succeed in making a substantial profit when moving to another? You will find those answers and many

more in this book. You will also learn all about the types of franchise officials and distributions of fan cost indexes between NBA clubs, the year, capacity, and cost of the league's arenas and their different naming rights. An insider look at the league's developmental and summer league is also provided.

The Appendix contains tables of additional information about professional basketball leagues in America and the performance of teams and their coaches and players during various regular seasons and postseasons. A Selected Bibliography lists some of the most interesting, recent, and relevant articles, books, doctoral dissertations, media guides, and internet sources on subjects related to the NBA and the game of professional basketball. The Index makes it easy to locate information on various basketball arenas, events, officials, personalities, players, publications, and teams associated primarily with the NBA.

Professor Jozsa has authored a book that should appeal to a diverse audience, from die-hard professional basketball fans to students of sports administration, management, and marketing and the faculty that teach these types of classes, as well as to economists, historians, and sports research scholars, and NBA executives and franchise owners. If you are interested in the how's and why's of the league's financial success — its commercialization, globalization, and reforms during periods in the 20th and early 21st centuries — then *The National Basketball Association* is the book to read.

Connie Kirchberg
Author of *Hoop Lore: A History
of the National Basketball
Association*

Preface

The subject of this book is the National Basketball Association (NBA), which, for various reasons, has evolved into one of the most competitive, prominent, and successful organizations in the history of American team sports. Since the league formed during the late 1940s and then developed, matured and prospered, its officials and groups of franchises and their owners, coaches, and players have each shared, in part, the revenues and profits generated from spectators who attended games of these teams; from corporate advertisers, partners, and sponsors who provided fees, royalties, and other types of payments to the league and franchises; and from companies who broadcasted the NBA's events, programs, and shows on radio, television, and the Internet to fans and into households across the world.

As an academic interested in the emergence, growth, and significance of the professional sports industry, I have researched and studied the business, economics, and finance of the NBA and its operation, performance, and structure for more than four decades. Based on my education, experience, and knowledge about the game, the most intriguing topics in basketball are those regarding such matters as when the league's membership and size changed during its 61 years in existence; why there are any differences or similarities in the winning records of clubs while located at home in very small, small, mid-sized, large, and very large metropolitan areas; and where teams exist at sites in sports markets. In other words, I focus on the commercial,

demographic, and financial aspects of these issues and their short and long run consequences, effects, and implications on the NBA relative to other professional sports leagues like Major League Baseball, Major League Soccer, the National Football League, and National Hockey League.

To learn about the game and history of basketball, and the administration and operation of the NBA and its franchises, I read articles in journals, magazines, and newspapers and on the Internet. Furthermore, I reviewed several sports books published since the 1950s, wrote a doctoral dissertation on league expansions and team relocations in the mid-to-late 1970s, and authored several books on different aspects of professional sports. This research occurred when I was a student in various colleges, and during my career while teaching undergraduate and graduate courses in business administration, economics, and finance. In other words, I have devoted more than 40 years of my adult life to comprehending and understanding this subject.

For decades, many experts and practitioners of the sport, and academics, historians, and other scholars have reported results from their research in numerous articles and plenty of books with respect to the cultures, organizations, and strategies of professional sports leagues including the NBA. As indicated in the Selected Bibliography of this book, a range of themes, titles, and subjects appear in the literature. For example, various articles on professional basketball franchises, players, and seasons are in print, while some encyclopedias contain information about the sport, the NBA, and any teams that have performed in the league. Indeed, the authors of these materials are former or current commentators, consultants, editors, fans, journalists, and retired NBA athletes, coaches, or officials.

The chapters in this book feature topics that I model and discuss in a somewhat different but complementary, straightforward, and unique way in contrast to other sources in prior publications. Besides the Introduction in Chapter 1, there are an array of facts, perspectives, and tables on league expansions and mergers in Chapter 2, team territories and relocations in Chapter 3, franchise organizations and operations in Chapter 4, basketball arenas and markets in Chapter 5, and NBA domestic and foreign affairs in Chapter 6. In short, this book highlights and examines these matters in a few chapters, and particularly, it denotes how they have influenced the business, progress, and prosperity of the league.

Anyone who reads *The National Basketball Association* will appreciate and realize the history and uniqueness of the NBA, and therefore, can identify which factors have contributed to its development as a different, elite, and special sports organization and business entity. As such, this book is useful as

a reference for educators and their college and university students who major in sports administration, marketing and management, for scholars and others who research the league and industry, and for fans who prefer basketball and seek some basic but more detailed information about the performances and struggles of NBA teams and their owners, coaches, and players.

Several people conscientiously helped me in various ways during my effort to create an official, professional, and well-documented manuscript of *The National Basketball Association*. From Pfeiffer University in North Carolina, these talented and smart individuals included Frank Chance, the Director of Information and Support Services at the school's Charlotte Campus and his part-time evening librarian, Theresa Frady.

In addition to them, Lara Little, Pfeiffer's Library Director at the Misenheimer Campus and an Assistant Professor of Library Sciences, scanned databases and without delays mailed me the titles of numerous articles and books that related to issues, problems, and topics about the NBA and its teams. While employed at the York County Main Library in York, South Carolina, adult reference librarian Page Hendricks requested and obtained several sports books on interlibrary loan and forwarded these to the Fort Mill Library, whose personnel then contacted me. Consequently, I thank each of these librarians.

I am especially grateful to two academics for their assistance. Penn State University Professor Murray R. Nelson, who authored *The National Basketball League: A History, 1935-1949*, answered some difficult questions that I had about the league. Furthermore, University of Michigan Professor Rodney D. Fort who co-authored *Pay Dirt: The Business of Professional Team Sports* responded to my queries, and his online database contained accurate statistics about NBA teams and their attendances, fan cost indexes, and ticket prices. As such, Professors Nelson and Fort provided inputs that I learned and used within the contents of this book.

Connie Kirchberg, the author of *Hoop Lore: A History of the National Basketball Association*, is an expert on lessons, teachings, and traditions of the league. She graciously agreed to spend time and write a Foreword for my volume. As such, I thank Connie and recommend her book to fans, historians, and others interested in the NBA.

Besides the contributions of Nelson, Fort and Kirchberg, a Senior Vice President of the league's Orlando Magic, Pat Williams, encouraged me to research the business, economics, and finance of the NBA and to produce a manuscript for a book on it. Interestingly, Pat is an entrepreneur and national motivational speaker whom I greatly respect after hearing him deliver a

presentation to a group in Charlotte, North Carolina, where he spoke about amateur and professional sports and the meaning, significance, and value of athletics.

For approximately 60 years, I and Dr. John Roshel, Jr., Steve Newton, and Don “Bacan” Smith have been good friends. While at Gerstmeyer High School in Terre Haute, Indiana, we played basketball together as teammates on teams coached by Bill Welch and Howard Sharpe. Then at Indiana State University, we were fraternity brothers at Lambda Chi Alpha besides participating in various sports. After his junior year at Indiana State University, John completed dental school and later became a successful orthodontist in Terre Haute. Meanwhile, Steve and Don coached basketball in various college or university programs for many years while I spent my career as a professor in higher education. To honor, recognize, and remember our experiences as former teammates in basketball and a longstanding friendship, I dedicate this book to John, Steve, and Don.

Frank P. Jozsa, Jr.

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Chapter

1

Introduction

HISTORY

During the 20th and early 21st centuries, some American and foreign scholars and other researchers investigated and studied the game of basketball and its origin and history. They authored articles, books, and reports about the sport, and how it was organized, controlled, and managed by administrators, investors and sponsors, and about the role of different teams and their owners, coaches and players. To be sure, these authors discuss topics that include the emergence, development, and failure or success of professional basketball associations and leagues, performances of teams who compete for and win championships, and the athleticism and skill of players to score points while on offense, to rebound the ball after a missed shot, to assist teammates, and to defend against opponents in games.

In retrospect, it was a Canadian clergyman, educator, and physician named James Naismith who visualized, invented, and introduced the game of basketball in the early 1890s while he served as an instructor at a Young Men's Christian Association (YMCA) training school — renamed Springfield College — in Springfield, Massachusetts. Naismith's superior, Dr. Luther H. Gulick, had requested that he organize a vigorous indoor, winter recreation activity for the benefit of boys to engage in while they lived at the YMCA.

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This request, in turn, inspired Naismith and led to a game that originally involved elements of American football and also ice hockey and soccer, the use of a soccer ball, teams with nine players each, and goals constructed of wooden peach baskets attached to walls in a gymnasium. Played between two teams at the YMCA on January 20, 1892, the first basketball game ended 1–0 when an athlete placed a 25-foot shot into a basket on a court one-half the size of a modern basketball floor.¹

When James Naismith's granddaughter discovered his handwritten diaries in 2006, these documents indicated how nervous he was about the game he had invented, which Naismith called then, "Basket Ball." Despite such doubt and uncertainty during the early-to-mid-1890s, Naismith's sport gradually led to the creation of loosely organized amateur, semiprofessional, and professional basketball organizations throughout the northeastern United States (US) and eventually to official leagues that devised and implemented formal rules, standards, and schedules for regular seasons and post-seasons. Similarly, many colleges and universities in America enthusiastically adopted the sport and then played each other in games, series, and tournaments each year.

Consequently, between the late 1890s and 1940s, basketball incrementally became more common, established and complex, and somewhat entertaining and popular among America's sports fans. In fact, a few prominent, professional basketball leagues emerged during that era and approved the distribution of their teams within small, mid-sized, large, and very large US metropolitan areas. Chronologically by seasons, these early groups were in part the National Basket Ball League (NBBL) in 1898–1904, the American Basketball League (ABL) in 1933–1953, the National Basketball League (NBL) in 1937–1949, and the Basketball Association of America (BAA) in 1946–1949. Indeed, each of these four leagues contributed in some way to the acceptance, growth, and popularity of the sport and its significance and success particularly during the first 50 years or thereabouts of the

¹ For basketball's origins and Naismith's invention of the game, see "History of Basketball" at <http://library.thinkquest.org> [cited 24 August 2009]; "History of Basketball" at <http://www.kansasheritage.org> [cited 11 July 2007]; "History: The First Rules, Court, and Game" at <http://en.wikipedia.org> [cited 20 August 2009]; Bernice Larson Webb, *The Basketball Man: James Naismith* (Lawrence, KS: University of Kansas Press, 1973); James Naismith, *Basketball: Its Origins and Development*, 10th ed. (New York, NY: Bison Books, 1996).

20th century. Their histories were not extensive or long-lasting and, respectively, I highlight them as follows.²

First, some sports editors employed by major newspapers within the State of New Jersey (NJ) decided to form the NBBL in 1898. This league consisted of clubs that played games at home in such cities as Camden and Trenton, NJ and in Bristol, Connecticut, and within urban areas of Delaware, New York, and Pennsylvania. Nevertheless, throughout its six years in existence at the turn of the 20th century, a number of NBBL teams experienced financial problems because of low attendance of spectators at their games. Thus, most of them ceased to operate as franchises after one or a few seasons. Subsequently, the NBBL folded in January 1904 due to weak leadership of its officials, lack of fan support, and teams' inadequate cash flows, high financial risks, and their inferior business environments.

Second, after organized into a basketball league with its headquarters located in New York, the ABL put teams in relatively big American cities like Brooklyn, New York and Philadelphia, Pennsylvania but also within mid-sized markets such as Newark, NJ and Wilmington, Delaware. These places, scattered among US states in the east and within New England, contained mid-sized-to-large ethnic populations and many immigrants who had fled from nations in Europe to escape repression from national governments there and any radical political, religious, and social groups. Unfortunately, selfish sports promoters and entrepreneurs primarily owned and managed this league's teams for immediate profit rather than them being controlled and operated by dedicated, experienced, and ethical basketball coaches, investors, and other officials. Even so, the ABL existed during most of the Great Depression years and throughout World War I. Nevertheless, it failed in the early 1950s because many of the ABL teams' best players resigned and joined clubs in other basketball leagues or they simply obtained jobs in private businesses and in local governments of an expanding American economy.

² These and other professional basketball leagues discussed in this section of Chapter 1 are, in part, reported in "List of Basketball Leagues" at <http://en.wikipedia.org> [cited 24 August 2009]; "Professional Basketball Leagues" at <http://www.apbr.org> [cited 22 August 2009]; "Basketball History" at <http://www.history-of-basketball.com> [cited 20 September 2005]; Zander Hollander, ed., *The Modern Encyclopedia of Basketball* (Old Tappan, NJ: Four Winds Press, 1973); Murray R. Nelson, *The National Basketball League: A History, 1935-1949* (Jefferson, NC: McFarland & Company, 2009); Glenn Dickey, *The History of Professional Basketball Since 1896* (New York, NY: Stein and Day, 1982).

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Third, while teams within the ABL had performed in games during seasons, such US industrial companies as Firestone, General Electric, and Goodyear sponsored basketball clubs who then played against each other in a new professional league that originated in the late 1930s. As denoted in Table 1.1, the NBL's membership consisted of several franchises from small, mid-sized, and large areas within states that extended from New York on the east coast into Illinois of the west, and Minnesota and Wisconsin in the north to Virginia of the south.

While amateur and professional clubs within leagues of baseball, and some in groups of football, dominated many local sports markets across the eastern portion of the US through the 1940s, many NBL teams folded after one or only a few seasons. In fact, some business firms withdrew their sponsorship of NBL teams after the economic recession of 1937 while others ended their support when basketball players entered the US military to serve with the Allies in Western Europe during the early-to-mid-1940s. After four of the league's most stable clubs joined a rival basketball organization in 1948 and then another league one year later, the NBL experienced serious financial difficulties and management issues that, in turn, caused it to merge and terminate operations in 1949.

With respect to Table 1.1, the Non-Skids, Zollner Pistons, and All-Stars each won two league championships while the Wingfoots, Packers, American Gears, Lakers, Royals, and Redskins each finished in first place at least once. Moreover, the Bruins, Chase Brassmen, All-Americans, Nationals, and Bears were each new teams when they joined the league. Some other NBL clubs, however, experienced problems and relocated to different cities where they changed their nicknames. Nonetheless, they discontinued operations that year because companies would no longer sponsor them. In short, while 42 clubs in total played in the NBL during its 12 regular seasons, four of them left to be members of a rival professional basketball league in 1948, and one year later, the NBL dissolved when six of its franchises transferred to another basketball organization.

Fourth, exactly two years after the Allies had invaded the beaches of Normandy, France in June of 1944, a group of New York City business executives — who enjoyed the game of basketball and its current opportunities and prospects as a professional sport in the future — founded the BAA at the city's Commodore Hotel, which was located next to Grand Central Station. While there, they unanimously chose American Hockey League President Maurice Podoloff to be the BAA's president. Although Podoloff knew very little about the game and business of basketball, his knowledge of law and real

Table 1.1 National Basketball League, by Teams, Selected Seasons

Teams	Seasons	History
Akron Firestone Non-Skids	1937-1940	four seasons in NBL
Akron Goodyear Wingfoots	1937-1941	five seasons in NBL
Anderson Duffey Packers	1946-1948	joined NBA in 1949
Buffalo Bisons	1937	one season in NBL
Buffalo Bisons	1946	moved to Tri-Cities in 1947
Chicago American Gears	1944-1946	joined PBLA in 1947
Chicago Bruins	1939-1941	three seasons in NBL
Chicago Studebakers	1942	one season in NBL
Cincinnati Camellos	1937	one season in NBL
Cleveland Allmen Transfers	1944-1945	two seasons in NBL
Cleveland Chase Brass	1943	one season in NBL
Cleveland White Horses	1938	moved to Detroit in 1939
Columbus Athletic Supply	1937	one season in NBL
Dayton Metropolitans	1937	dropped from NBL in 1938
Dayton Rens	1948	replaced Vagabond Kings
Denver Nuggets	1948	joined NBA in 1949
Detroit Eagles	1939-1940	two seasons in NBL
Detroit Gems	1946	moved to Minneapolis in 1947
Detroit Vagabond Kings	1948	disbanded in 1948
Flint Dow A.C.'s	1947	dropped from NBL in 1948
Fort Wayne General Electrics	1937	one season in NBL
Fort Wayne Zollner Pistons	1941-1947	joined BAA in 1948
Hammond Calumet Buccaneers	1948	one season in NBL
Hammond Ciesar All-Americans	1938-1940	three seasons in NBL
Indianapolis Kautskys	1937-1947	joined BAA in 1948
Kankakee Gallagher Trojans	1937	one season in NBL
Flint-Midland Dow A.C.'s	1947	one season in NBL
Minneapolis Lakers	1947	joined BAA in 1948
Oshkosh All-Stars	1937-1948	12 seasons in NBL
Pittsburgh Pirates	1937-1938	two seasons in NBL
Pittsburgh Raiders	1944	one season in NBL
Richmond King Clothiers	1937	moved to Cincinnati in 1937
Rochester Royals	1945-1947	joined BAA in 1948
Sheboygan Redskins	1938-1948	joined NBA in 1949
Syracuse Nationals	1946-1948	joined NBA in 1949
Toledo Jeeps	1946-1947	dropped from NBL in 1948
Toledo Jim White Chevrolets	1941-1942	folded in 1942

(Continued)