Hockey Capital: Approaches to the Study of the Sports Industry

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Sports industries evince several unique characteristics – relating to firm organization, labor relations, and markets – that highlight an alternative path of industrialization that has not been adequately examined. Indeed, the very concept of sport being considered an industry is culturally contested, which draws historians into a discussion of the part that business and industry play in the creation, production, and propagation of culture. With reference to the National Hockey League, I examine the various methodological approaches used by economists, sport historians, business historians and sociologists to study the sports industry and propose that a synthesis of these approaches using capital theory may provide additional insights into the cultural connections of industrial organization.

Only he (the innocent) did wonder just what a professional hockey-match, whose purpose it to make a decent and reasonable profit for its owners, had to do with our National Anthem. What are we afraid of? Is it our national character of which we are so in doubt, so fearful that it might not hold up in the clutch, that we not only dare not open a professional athletic contest or a beauty-pageant or a real-estate auction, but we must even use a Chamber of Commerce race for Miss Sewage Disposal or a wildcat land-sale, to remind us that liberty gained without honor and sacrifice and held without constant vigilance and undiminished honor and complete willingness to sacrifice again at need, was not worth having to begin with?

—William Faulkner

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Appearing in *Sports Illustrated* in 1955, Faulkner’s essay “An Innocent at Rinkside” describes the Nobel Prize-winning author’s impressions of a National Hockey League (NHL) contest between the Montreal Canadiens and New York Rangers at Madison Square Garden in New York City. In the piece, Faulkner brings a depth of visual imagery that is, needless to say, unusual in sports writing, and he suggests a profound lyrical connection of the sport to American life and values. Unlike a sports writer, he views the sport with a more disinterested gaze, and levels a critical eye on the need to associate the game with the national anthem—a commonplace characteristic of post-war professional contests that would have been unremarkable to most observers. For Faulkner, this hockey game is emblematic of the overuse of national symbols by commercial interests. His identification of a discrepancy between the goals of the nation and the goals of business is somewhat paradoxical. Indeed, in “An Innocent at Rinkside,” Faulkner sees sport as a metaphor for American life, yet at the end (as the quotation shows) he is not willing to include business in this metaphor. He iterates the notion that commerce and culture are somehow distinct and separable, and thus speaks to a profound widespread societal discomfort with the relationship between the commercial and the non-commercial.

That a professional sporting match brought out this critical point is not surprising. The United States and Canada had no national car, or national movie, or national dish soap, but they did have national sports: baseball and hockey. There was popular acceptance of the concept, even if there was not always acceptance of the content. It is obviously a mistake to identify these national sports entirely with commercial enterprises (amateur organizations as well as informal games have always made up a

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2 Editor Sidney James commissioned Faulkner; striving for a literary angle for his new magazine, James had enticed not just Faulkner, but Robert Frost, Ernest Hemingway and John Steinbeck to contribute articles.


4 Note that that Faulkner did not question the commercialization of the sport itself, admitting that commercial sport’s “purpose is to make a decent and reasonable profit.” However, the overt use of the symbols of the nation was undesirable.

5 Though baseball held the U.S. title, football and basketball also have their “national” characteristics. In Canada, lacrosse had a longstanding claim to “national status.”
great deal of their cultural mass), but the role of the major professional leagues has become increasingly dominant over the last century. Yet, while commercialization has succeeded, there has been continual contesting of the process for over a century, both in the struggles among and within professional, amateur, and college leagues, and in public, where cries of “It’s just a business now” are implicitly negative comments on the capitalist content of sport. In addition, this contest for the social identity of sport off the field has had a profound effect on firm organization, labor relations, and many other facets of the sports industry, leading to a pattern that is both highly successful and quite different from most other industries.

While they have existed since the mid- to late-nineteenth century, the cultural profile of sports industries has far exceeded their economic size. However, even as their economic importance has grown, sports industries still get only scant attention from scholars. Indeed, the primary view of sports leagues, clubs, and players is through the lens of popular culture, which has so dominated the discourse that it has also dimmed awareness and appreciation of the singular characteristics that distinguish sports industries from other mainstream commercial enterprises.

Sports production has followed a distinctive industrial pattern. First, the contesting of the industry’s transition from the non-commercial to the commercial sphere provoked public debate on the social value of sport. One reflection of this debate is in the nomenclature, which maintained the terms of the non-commercial sphere and downplayed the commercial enterprise: “leagues” rather than cartels, “commissioners” not presidents, “clubs” or “teams” not corporations, and “players” instead of laborers. The industry was a “game”. Initially the conflicts over the legitimacy of sports laborers (that is, players) illustrated this best. Simply put, while steel workers never had to fight to justify being paid, the status of athletes was a longstanding issue arising out of the British amateur tradition, which limited sport participation on particular socio-economic, racial and gender lines. Even with the transition from amateur to formal paid play in the late-nineteenth and early-twentieth centuries, other restrictions on labor mobility remained. The reserve clause bound a player to a particular team at the team’s option. In situations where one league attained a virtual monopoly on the highest level of professional sport (a major league, such

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6 William S. Kern, ed., *The Economics of Sports* (Kalamazoo, Mich., 2000). For the purposes of this paper, “sports industries” refer to those concerned with the production and sale of athletic contests broadly defined.

as baseball) this effectively allowed monopsony in the labor market. The league was the only supplier of major league competition, and therefore the only buyer of major league talent. Furthermore, while unionization was growing in this era, attempts to unionize athletes failed to prosper. The state abetted many of these characteristics by not applying anti-trust laws and other statutes, or giving explicit waivers, particularly in the case of baseball.

Another specialized feature of the sport industry was its organization. While early examples of single-ownership leagues did exist, the pre-eminent organization was the multi-owner cartel, an association of club owners with limits on multiple team ownership. The NHL was an unincorporated, non-profit organization, and used this non-profit façade to style itself foremost as the protector of Canada’s national game, and not as a commercial organization. In many ways, this calls into question the boundaries and role of the corporate firm as the primary organizational unit of successful twentieth-century industries. The firm-market structure of sports industries has remained consistent over the last century, even with changes in scale, size, and cultural importance. Supply chain integration was also achieved outside the walls of the firm or cartel. By means of rule standardization and sponsorship agreements, but usually without formal ownership, major hockey leagues subordinated amateur, minor, college, and semi-pro leagues to their business model. By the 1950s, NHL teams had a great deal of influence over the education of minor-age players.

These and many other characteristics beg for an adequate examination, and the industries that call themselves “games” and their patterns of industrialization clearly require methodological approaches that can accommodate both commercial and cultural natures. Scholars may need to stretch and modify beyond common definitions of the firm, the market, and the border of the commercial world. In addition, the methodology must provide a framework for the integration of industry, economics, and culture in historical time.

**Sport Historians**

Scholarly investigation of sport industry has primarily been the purview of sport historians, who, to some degree, have marginalized it. The roots of the sport history sub-discipline are in physical education, and thus show a preference for amateur sport and sport education. When studying sport commercialization, this has often led to analytical frameworks that stress Marxian class conflict and unequal power relations. Within this discipline, only a handful of scholars deal explicitly with the behavior of individual sport businesses and industries, although there are excellent

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broader studies of the social context of commercial sports. Even so, they can remain tied to traditional Marxist approaches to commercialization. In general, these studies often bring to light many important insights into the historical relationship between sport and society, but they often do so at the expense of a nuanced treatment of commercial organizations and entrepreneurs. Indeed, Stephen Hardy called for the need for more attention to sports entrepreneurs and the market, believing that the product of historical analysis of the sport industry is not limited to sports and business history, but offers special insights into North American consumer culture and society. Few have taken up the challenge. In particular, there has been little historical academic study of the most prominent structures of modern sports era, the major professional leagues. Sport management scholarship is a developing field, but it has yet to make its mark on historical issues, and usually promotes the short-term horizon of many management scholars.

**Economists**

Economists have better served sport industries. Over the last three decades, economists have brought many of the tools of their trade to the sports arenas, and produced some important studies of franchises, labor

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11 Jules Tygiel shows the potential of this marriage of sport, culture and business in historical context; Jules Tygiel, *Past Time: Baseball as History* (New York, 2000).

12 Stephen H. Hardy, “Entrepreneurs, Organizations, and the Sports Marketplace,” *Journal of Sport History* 13 (Spring 1986): 14-33. Hardy also uses a broad definition of entrepreneurship and organization that dilutes the easy dichotomies of amateur and professional, and includes purveyors and organizations of both commercial and associative sports activities. Regrettably, this article was reprinted 11 years later without the need for updating in S. W. Pope, ed. *The New American Sports History: Recent Approaches and Perspectives* (Urbana, Ill., 1997): 342-365. In general, industry specific studies using the tools of business historian are rare.

13 John Wong is to cover the National Hockey League in *The Lords of the Rink* (Toronto, forthcoming 2005). Based on his doctoral dissertation, in which he applied a rudimentary business history methodology to the history of the league, Wong generally follows the amateur-professional dialectical approach of the sport history mainstream; John Wong “The Development of Professional Hockey and the Making of the National Hockey League” (Ph.D. diss., University of Maryland, College Park, 2001).

14 Although Daniel Mason has worked in both sport management and historical problems, his work as yet has not attempted to bridge the gaps.
relations, and other elements distinct to the industry.\textsuperscript{15} However, these decades have also seen a devaluation of economic history in the economics discipline, and thus it is no surprise that the historical experience has been given short shrift. Many studies do not address the period before the era of free agency (i.e. pre-1970s). If they do, they tend to be discrete studies that trace a theme (for example, the reserve clause), but without a full consideration of historical context. We see the promise of a historically-informed approach in the work Eric Leifer, who shows how the organization of professional sports markets and business entities are determined by a dynamic interaction between league organizers and customers. Teams and leagues responded to demographic change, new technology, and fan demand by pursuing particular strategies for attaining competitive balance, managing failure (losing), and creating the civic and national markets that went beyond a mere market relationship and contributed to customers’ identity formation.\textsuperscript{16}

Leifer calls his field of inquiry economic sociology, and mainstream economic historians have not addressed the industry at all, focusing rather on financial history and longer-term economic trends that led themselves to the tools of cliometrics. However, the common refrain at the gathering of economic historians is that, after all is said and done, the answers to many of their problems lie in the realm of an economy’s institutions, and therein lies the potential for a promising analysis. Douglass North defined institutions as “the humanly devised constraints that structure human interaction” made up of both formal constraints (rules, laws, constitutions) and informal constraints (norms of behavior, conventions, and self

\textsuperscript{15} Representative examples include: James P. Quirk and Rodney D. Fort, \textit{Pay Dirt: The Business of Professional Team Sports} (Princeton, N.J., 1992); Paul D. Staudohar, \textit{Playing for Dollars: Labor Relations and the Sports Business} (Ithaca, N.Y., 1996); and Paul D. Staudohar and James A. Mangan, eds., \textit{The Business of Professional Sports} (Urbana, Ill., 1991). It can be argued that sports are treated relatively well by economists, a characteristic seen more clearly when compared to industries with a more explicitly “cultural” content. Richard Caves comments that economists study many industries for their “special or distinctive features” but that those industries that supply “goods and services that we broadly associate with cultural, artistic, or simply entertainment value” have generally been missed, and economists “have largely ignored questions about why those activities are organized the way they are.” We see creative industries as “‘frivolous’ activities [that] can hardly exert the intellectual pull of serious industries such as steel, pharmaceuticals, and computer chips.” Indeed, Caves postponed his own project for two decades until his “reputation for professional seriousness could more comfortably be placed at risk.” Richard E. Caves, \textit{Creative Industries: Contracts Between Art and Commerce} (Cambridge, Mass., 2000), vii, 1.

imposed codes of conduct). Simply put, cultural constraints on sport industry are certainly worth investigating. In particular, we must investigate the idea that the industry and its entrepreneurs are not only subject to institutional “constraint,” but that they actively realign and adapt to the changing borders of the institution-market relationship.

**Business Historians**

One would expect that business historians would be prominent in sports industry study, but, in fact, very few researchers have studied the industry explicitly within the context of business history. However, business historians do have the tools. As part of a disciplinary tradition of synthetic history represented most prominently by the works of Alfred D. Chandler, Jr., business historians have been prominent in addressing the gap between economics and history methodologies. A focus on big business/core/traditional industries is a legacy of the Chandlerian approach, although attempts to address the nature of the newer dominant industries such as computers and batch production techniques have produced alternate frameworks. Those industries under study have also facilitated this analysis. The story of large mass production firms lends itself to Chandlerian meta-narrative, while the other historians’ treatment of smaller batch production firms led to identification of alternative paths

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of industrialization. Furthermore, the firm as unit of study is limiting. Franco Amatori and Geoffrey Jones also note the value of moving beyond the focus on the firm as unit of analysis to include “in the historical analysis not only the internal organization and strategies of firms, but also the national culture in which they operate, along with their legal and political environment.”

Kenneth Lipartito stresses the importance of this cultural context in particular, emphasizing that by ignoring culture, a strictly rational approach that reduces business behavior to the pursuit of profit, growth, and stability creates “an untenable abstraction of human action.” For him, we must consider the cultural influences on decision-making—how entrepreneurs create culture—and we must seriously consider general cultural factors as missing pieces of the puzzle.

**Capital Theory**

In pursuit of a satisfactory theoretical underpinning for the necessary integration of culture and business, I am exploring the relevance of capital theory, from which cultural and social capital are derived. As developed by several sociologists and business management researchers, social capital is an acknowledgement that we can mobilize non-tangible resources such as the relationships among people that facilitate collective action and access to resources for economic use. As envisioned by Pierre Bourdieu and others, cultural capital comprises the use of social status and family connections to attain educational goals. Economists such as Gary Becker and Theodore Schultz operationalized what they called human capital—showing the achievement of productivity increases through skill development and education.

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24 Lipartito, “Culture and the Practice,” 2. Louis Galambos views cultural approaches in business history with cautious optimism. The organizational synthesis that he envisioned as the heir to Chandler’s work did not survive the linguistic turn in the social sciences and the ensuing attack on meta-narratives. Yet, the move to studies on class, gender, and race do not provide the potential for synthetic history that Galambos would probably like; see Louis Galambos, “Identity and the Boundaries of Business History” in *Business History around the World At The Turn of the Twenty-First Century*, ed. Franco Amatori and Geoffrey Jones (New York, 2003), 26.


Management analysts have used social capital, but their studies remain restricted to the field of intra- or inter-firm network relationships, and are generally ahistorical in approach, preferring to deal with recent phenomena. The other major use of social capital theory does step beyond the corporation, but for different reasons. Robert Putnam, Francis Fukuyama, and others use the concept to study civic engagement and voluntarism, drawing popular attention to social capital in the context of declining public participation in voluntary organizations and increasing mistrust of formal institutions in the United States. However, the sociologist Nan Lin cautions that a social capital theory cannot simply become “merely another trendy term to employ or deploy in the broad context of improving or building social integration and solidarity.” Rather it must be distinguished from collective assets and goods such as culture, norms, trust, and so on. In his focus on the discrete individual interactions and networking, Lin makes the case for quantification of social capital. In contrast, James Coleman questions if social capital will become a useful quantitative concept and stressed that its current value is qualitative. Lin is concerned that the broadening of the concept—as with
the definition of “culture”—leads to a watering down of its utility and blurring of cause and effect resulting in tautology. This is the methodological downside of social capital theory. The quest for broad application takes the study beyond the networks of firm and inter-firm, and out into society, threatening to subsume any useful observations in a sea of data. Historians are generally comfortable with such methodology, which depends on qualitative evaluation rather than quantitative measurement and conclusions crafted with metaphor rather than statistics.

That said, a theory is needed which can accommodate the social, cultural, economic, and political resources that are activated and turned into capital by the sports industry model. It needs also to help explain the complex social and commercial identity that sport represents. My tentative approach is to “unload” the expectations of social capital theory and the implications of Bourdieu’s cultural capital theory, by referring to a new framework as sport capital, and more specifically, as hockey capital, acknowledging the specificity of the phenomena I am seeking to define. I propose to take a more empirical approach and adduce a broad range of material for the assessment of the relationship between hockey industry and its culture, from basic financial statements to the popular perceptions of the hockey industry. I will examine two processes: a) the way in which hockey entrepreneurs, organizations, and laborers function, and b) how these “players” use the meanings, identities, and institutions of hockey as a capital input in their business model. At the very least, the notion of hockey capital should serve as a metaphor for developments particular to the hockey industry.

broader approach—seeing social capital in terms of culture, norms, trust, etc.—is followed by Burt, “The Network Structure,” and others.

31 Lin, Social Capital, 28.
32 With reference to creative industries, which share several characteristics with sport industries, Richard Caves notes that although systematic data may be scarce, “If one settles for information that is heterogeneous and largely qualitative, but nonetheless abundant, a great deal can be learned of the economic organization and behavior of these sectors.” Caves, Creative Industries, vii).
33 Ideally, extrapolation to the broader category of sport capital will be feasible at the conclusion of my study, but even then, the addition of other sports to the concept will be tentative.
34 Professional hockey offers particular advantages to such a study of cultural capital, because it transacts business over several different geographic and cultural regions. Additionally, it provides an opportunity for comparing the dynamics of cultural and economic interaction, which is relevant to theories of globalization and borderlands.
Conclusion

The sport historian Alan Metcalfe has suggested that:

. . . sport is one of the sub-systems of culture that transcends socio-economic, educational, ethnic, and religious barriers. As well, it has the advantage of being a free-time activity, regarded as “frivolous” and thus “not important.” As a result, these activities reflect the attitudes and values an individual holds rather than those one is “expected” to hold.35

While it is intriguing to think that a sub-system can be isolated from its system and profound insight derived thereby, the very suggestion that sport should be seen in isolation from industry plays into the false dichotomy that drives much of sport history—and business history—research. One sees conflict between the social and the commercial, the other studies business without proper attention to cultural interplay. In fact, the study of sport—however “not important” or “frivolous”—must be married to that of industry (arguably the most important and least frivolous activity in a capitalist society). The interaction promises to be a fascinating nexus of investigation that will speak to the fundamental cultural meanings of business activity. In so doing, we may attempt to fill in the conceptual gaps between culture and economy, and perhaps, then, be less innocent when the national anthem plays at rinkside.