

Valuing Professional Japanese Baseball Players and the Role of Statistics, Economics, Culture, and Corporate Governance

Matt Nichol *

- I. Introduction
- II. The Structure of the NPB
 - 1. A brief history of Japanese baseball
 - 2. The NPB player system
 - 3. The Japanese 'free agent' system
 - 4. The 'posting' system for transferring 'non-free agent' players
- III. Valuation Models for Japanese Players in the NPB
 - 1. 'Tools' and the scouting baseball valuation model
 - 2. Statistical valuation of baseball players: tradition versus 'SABR'
 - 3. The 'Moneyball' valuation model
 - 4. The economic valuation model
 - 5. 'Independent' analysis of a player's value: salary arbitration in the NPB
 - 6. A 'tool shed' approach to player valuation
- IV. Player Value and Japanese Baseball Culture
- V. The Impact of Corporate Governance on Player Value
 - 1. Corporate governance in Japanese baseball and player salary
 - 2. 'Lifetime' employment in the NPB
 - 3. Japanese Player Value on the Global Labour Market
- VI. Conclusion

I. INTRODUCTION

Professional baseball in 2011 is likely to be remembered as the 'year of the big deal'. In the Nippon Professional Baseball League ('NPB') the Tokyo Broadcasting System Holdings Inc and its subsidiary BS-TBS Inc sold the Yokohama Baystars Baseball Club

* This article is based on a conference paper I presented at the Japan Studies Association of Australia biannual conference at the University of Melbourne in July 2011. I would like to thank the Department of Business Law and Taxation for funding my conference participation. My appreciation extends to the conference participants who provided me with feedback on my presentation. Also, I would like to thank Professor Dr Luke Nottage and Ms Stacey Steele for their valued feedback on early drafts and their willingness to embrace the world of baseball. Thank you to the Melbourne Aces players and Phil Dale from the Melbourne Aces and Atlanta Braves for discussing my research. I was able to gain practical insight into professional baseball in Japan and the United States. Lastly, I thank my wife Emma for her continued support and love.

Inc to technology company DeNA Co Limited in December 2011.¹ The same month saw pitching sensation Darvish Yu² ‘posted’ by the Hokkaido Nippon Ham Fighters to the Texas Rangers in Major League Baseball (‘MLB’) for US\$51,703,411. The transfer was completed in January 2012 when Darvish signed a six-year contract for US\$60 million.³ Also, an unusual controversy occurred within the conservative powerhouse of the Yomiuri Giants. Watanabe Tsuneo, owner of the Giants and the Yomiuri Shimbun fired former General Manager Kiyotake Hidetoshi and both parties initiated legal proceedings against the other.⁴

Not to be outdone, MLB teams in the North America were also chasing ‘big deals’ with a number of high profile ‘free agents’ on the market. The Los Angeles Angels of Anaheim made headlines with two ‘free agent’ signings: Slugger Albert Pujols inked a 10-year deal for US\$250 million (potentially US\$265 million if performance targets achieved) and starting pitcher C.J. Wilson to a five-year US\$77.5 million deal.⁵ The newly named Miami Marlins also chased high profile and expensive talent. Despite failing to secure Pujols, the Marlins signed manager Ozzie Guillen to a four-year US\$10 million contract and short stop Jose Reyes to a six-year US\$102 million deal with a US\$22 million option for a seventh year.⁶ When the Boston Red Sox fired manager Terry Francona, the resignation of General Manager Theo Epstein followed. In October

-
- 1 “DeNA Co., Ltd. Acquires YOKOHAMA BAYSTARS BASEBALL CLUB, INC.”, Reuters, 2 December 2011 at <http://www.reuters.com/finance/stocks/2432.T/key-developments/article/2443952> viewed 1 February 2012.
 - 2 Darvish is the son of an Iranian father and Japanese mother who was raised in Japan.
 - 3 This figure slightly exceeded the US\$51,111,111.11 ‘posting’ fee paid by the Boston Red Sox for Matsuzaka. The figures in Darvish’s US\$51,703,411 ‘posting’ fee represent: 34 was Hall of Fame pitcher Nolan Ryan’s playing number. Nolan is the current CEO/President of the Texas Rangers. Darvish’s uniform number is 11; Lemire 2012. See D. WALDSTEIN, Bidding for Japanese Players Is a Denigrated Risk in: New York Times, 13 December 2011 at http://www.nytimes.com/2011/12/14/sports/baseball/darvish-is-up-for-bidding-and-system-in-japan-draws-criticism.html?_r=2 viewed 26 January 2012.
 - 4 Watanabe and Yomiuri are suing Kiyotake for 100 million yen while Kiyotake is claiming 62 million yen in his lawsuit; see “Yomiuri sues fired manager for damages”, The Asahi Shimbun, 5 December 2011 at http://ajw.asahi.com/article/behind_news/social_affairs/AJ201112050060b viewed 1 February 2012 and KYODO NEWS, Giants ex-boss Kiyotake sues Yomiuri, in: The Japan Times, 15 December 2011 at <http://www.japantimes.co.jp/text/nm20111215a8.html> viewed 1 February 2012.
 - 5 J. CRASNICK, Sources: Albert Pujols deal backloaded, in *ESPNLA.com*, 29 December 2011 at http://espn.go.com/los-angeles/mlb/story/_/id/7401469/albert-pujols-agreed-backload-deal-help-los-angeles-angels-land-cj-wilson viewed 1 February 2012 and “Angels, C.J. Wilson agree to deal”, *ESPNLA.com*, 8 December 2011 at http://espn.go.com/los-angeles/mlb/story/_/id/7330909/los-angeles-angels-add-texas-rangers-cj-wilson-5-year-775m-deal viewed 1 February 2012.
 - 6 A. GLEEMAN, Ozzie Guillen’s new contract with the Marlins worth \$10 million, *NBCSports.com*, 28 September 2011 at <http://hardballtalk.nbcsports.com/2011/09/28/ozzie-guillens-new-contract-with-marlins-worth-10-million/> viewed 1 February 2012 and “Sources: Jose Reyes, Marlins agree”, *ESPN.com*, 6 December 2011 at http://espn.go.com/mlb/story/_/id/7316606/sources-miami-marlins-agree-six-year-deal-new-york-mets-jose-reyes viewed 1 February 2012.

2011 Epstein signed a five-year deal with the Chicago Cubs for between US\$15 million and US\$20 million, becoming as the Cubs' president of baseball operations.⁷

These deals highlight the capital invested in baseball players, coaches and management in Japan and the United States. Also, the markets in Japan and North America value each group differently. Surprisingly, such deals draw relatively little criticism when compared to the pay packets of corporate executives and Wall Street bankers. Even less debate surrounds the income of professional baseballers compared to the income of average 'Joe'. This paper will examine the valuation of professional baseballers in Japan and propose a hybrid valuation model that integrates several approaches to valuing Japanese baseball players.

Normative practice within the modern game of baseball complicates a player's value. Short relievers, middle relievers, closers, the designated hitter rule, pinch hitters, designated hitters and 'platooning' of outfielders all limit the effectiveness of traditional statistical data. Game strategy and roster composition shapes the volume and quality of player statistics. Even harder to value are personal attributes that affect performance, such as mental ability and susceptibility to injury. A player's value might even be based on their worth playing for a team, not against it. As highlighted by Sheldon and Alan Hirsch, modern baseball is a game underscored by parity and the common practice of the market over valuing and under valuing players.⁸ The question is whether a baseballer, or even an employee, can be accurately valued to determine that person's income?

Creating a system to accurately value a professional athlete would effectively be the 'Holy Grail' in sport. Such a tool would allow unparalleled economic efficiency in sport and in baseball. But is trying to develop a player valuation method a trip down a one-way road that never ends? Perhaps but it does not stop people from trying to develop such a model. The starting point for player valuation is the assessment of player performance.

Traditionally, the assessors of 'value' in professional baseball were 'baseball people': coaches and scouts. Accumulated baseball experience, knowledge and instinct ('gut feel') are the tools of coaches and scouts to evaluate a player's skills and project future performance. This will be called the 'jock' model of player valuation. The 'front office' (led by the General Manager or 'GM') determines who is hired, fired and a player's salary according to the payroll budget set by ownership. Not all General Managers are

7 Demonstrating the value of Epstein is that for the first time since 1994, a player will be traded for a General Manager. This is a result of Epstein being contracted to the Red Sox for 2012; see B. LEVINE, Sources: Theo Epstein issue to Selig, ESPNChicago.com, 21 January 2012 at http://espn.go.com/chicago/mlb/story/_/id/7484991/source-theo-epstein-compensation-issue-chicago-cubs-boston-red-sox-commish viewed 1 February 2012.

8 S. HIRSCH/H. HIRSCH, The Beauty of Short Hops How Chance and Circumstance Confound the Moneyball Approach to Baseball (Jefferson et al. 2011) 24-27.

'baseball people'.⁹ Globally, 'baseball people' and the 'front office' use statistics to assess a player's value. But what statistics are used? Modern baseball now has more statistics and metrics than used by a Wall Street banker. One explanation in North America is that MLB teams employ economists and former Wall Street bankers. Another is the rise in popularity of sabermetrics. Essentially, sabermetrics attempts to use statistics and mathematics to rationally explain all events that take place on a baseball field.¹⁰ Importantly, sabermetrics ignores the ideas of 'baseball people'. Since the release of Michael Lewis' book 'Moneyball: The Art of Winning an Unfair Game' in 2003, and the movie starring Brad Pitt in 2011, for many people in baseball, sabermetrics is viewed as the 'Holy Grail'.¹¹ Moneyball and sabermetrics will be referred to as the 'geek' model of player valuation.

Even law academics have entered the baseball valuation game. Harvard University professor J. Mark Ramseyer and University of Tokyo professor Nakazato Minoru applied Chicago school law and economics theory to justify the salary of non-free agent and free agent Japanese baseball players in the NPB.¹² Interestingly, like sabermetricians, Ramseyer and Nakazato use rational economics at the exclusion of all theories. At

-
- 9 For example, in the NPB most 'front office' people are rotated through the baseball team via the corporate owner of the baseball subsidiary. In MLB, Billy Beane, General Manager of the Oakland Athletics played in the major leagues. However, this is the exception, not the norm for MLB GM's.
- 10 In August 1971 L. Robert Davids and 15 baseball researchers formed the Society for American Baseball Research ('SABR'); see the official home page of SABR at <http://sabr.org/>. The aim of 'sabermetricians' is the objective analysis of baseball through the use of reliable statistical data. SABR has 6,000 members around the globe, a journal and an annual conference. Sabermetricians are now employed by MLB teams as 'statistical experts' or consultants like Bill James, a leading sabermetrician.
- 11 The Moneyball/SABR valuation models have even infiltrated Australian sport. James Sutherland, the Chief Executive officer of Cricket Australia stated in an interview that Moneyball is the best sports book/movie of all time. In the Australian Football League ('AFL'), cheaply acquired players are now called "Moneyball players" and the Sydney Swans are viewed as the champions of the AFL adapted Moneyball approach. But former coach Paul Roos is not a statistics person, demonstrating that the Swans selectively adopted and then adapted elements of the philosophies behind sabermetrics and Moneyball. RMIT University even conducted an AFL 'Moneyball' analysis of statistics in Australian football; see "James Sutherland: Cricket Australia CEO", in: BackPageLead at <http://www.backpagelead.com.au/twenty20/1295-twenty20-james-sutherland-cricket-australia-ceo>, J. NIALL, Moneyball: AFL clubs' search for the hidden gems, in: The Sydney Morning Herald, 26 November 2011 at <http://www.smh.com.au/afl/afl-news/moneyball-afl-clubs-search-for-hidden-gems-20111125-1nz bq.html> viewed 2 February 2012 and N. CORDY, Sydney Swans reap the rewards of the recruiting philosophy in Brad Pitt's new movie Moneyball, in: *FoxSports.com*, 11 November 2011 at <http://www.foxsports.com.au/afl/trade-and-draft/sydney-swans-reap-the-rewards-of-the-recruiting-philosophy-explored-in-brad-pitts-new-movie-moneyball/story-fna8vsun-1226192182692> viewed 2 February 2012.
- 12 M. NAKAZATO/J.M. RAMSEYER, Bonuses and Biases in Japanese Baseball, in: The Harvard John M. Olin Discussion Paper Series, Discussion Paper No. 589 (2007). Available from: <http://ssrn.com/abstract=1009346>.

its core, sabermetrics is the application of economic calculations and theory to baseball. Therefore it is not surprising that sabermetricians and law economists view baseball in North America and Japan through a set of metrics that ignores the unpredictability of humans.

The billion-dollar industry of baseball now operates on a global basis. The global market for professional baseball players includes leagues in Japan, South Korea, the United States, Mexico, Germany and South Africa. Even Israel has a professional league. But a 'one-size fits all' approach to valuing players in the global era of sports results in the simplification of a complex system. Moneyball is evidence of such dangers. Ownership and corporate governance play a pivotal role in the valuation of baseballers, coaches, management and the various employees in a professional baseball organisation. NPB teams are not owned individuals but by large corporations. An immediate and obvious consequence is the corporatisation of baseball teams. NPB teams are the involuntary recipients of their corporate owners' culture. Added to the mix of corporate culture are Japanese culture and baseball culture.

Valuing a commodity in a global market is complex. In the context of baseball this complexity is furthered when valuing a Japanese baseball player. A number of economic/statistical models exist for valuing baseball players. These models will be analysed to determine their suitability for Japanese baseballers. This paper will argue that to be effective, a broad based valuation model for Japanese baseball players is required. A multi-disciplined approach that examines statistics, economics, corporate governance and culture is the basis for a valuation model. Within such a model, scouts and NPB and MLB teams can select appropriate metrics and principles to value Japanese players. To begin, the structure of the NPB and its player contract system will be explained. This will be followed by an analysis of economic/statistical valuation models. Then, the role of Japanese culture in player valuation will be discussed. Finally, the role of corporate governance in Japanese player valuation will be explored.

II. THE STRUCTURE OF THE NPB

1. *A brief history of Japanese baseball*

During the Meiji Period (1868-1912), English teachers first introduced Japanese to baseball in 1873. Baseball quickly became popular in Tokyo's elite preparatory schools and by the early 1900s had taken root in universities. Amateur school students dominated the Japanese baseball landscape for the sport's first 60-years.¹³ In 1936, Japanese corporations established the nation's first professional league, the *shokugyô yakyû* or 'Occupational Baseball' league. In 1939, the league was renamed the Japanese Baseball League.

13 T. BLACKWOOD, *Bushidô Baseball? The Three 'Fathers' and the Invention of a Tradition*, in: *Social Science Journal Japan* 11:1 (2008) 223, 238.

Then in 1950 the league was renamed the Nippon Professional Baseball League.¹⁴ The NPB now has twelve teams competing in two leagues: the Central League and the Pacific League.¹⁵

2. *The NPB player system*

Typically, NPB teams have a 70-man roster to play in the *ichi-gun* or Division 1 team and the *ni-gun* or Division 2 team (some NPB teams have a *san-gun* team). *Ichi-gun* is the highest level of baseball in Japan and teams have a 28-man roster. In addition to the 70-man roster, teams with a minimum of 65 rostered players are permitted to have up to five *ikusei* or ‘development’ players.¹⁶ Teams may have an unlimited number of foreign players on their 70-man roster, but are restricted to a maximum of four foreign players on their 28-man roster.¹⁷

To understand the valuation of Japanese baseball players, it is necessary to briefly explain the player contract system in the NPB. The contract system influences a player’s value as it restricts player movement within the NPB and to MLB teams in North America. After an NPB team recruits a player, the mobility of players is restricted by the Japanese ‘free agent’ system.¹⁸ Under this system NPB teams exclusively own the contractual rights to a player for a maximum period of nine years. During this period a player can only change teams if traded to a NPB team or ‘posted’ to a MLB team. Otherwise, a player must wait to qualify as a domestic or international ‘free agent’ to move to their preferred team.

14 V.J. SIESTA, Out at Home: Challenging the United States-Japanese Player Contract Agreement under Japanese Law, in: *Brooklyn Journal of International Law* 33:3 (2008) 1069, 1074.

15 The Central League teams are: Chûnichi Dragons, Hanshin Tigers, Yomiuri Giants, Hiroshima Toyo Carp, Tokyo Yakult Swallows and Yokohama DeNA Baystars. The Pacific League teams are: Fukuoka Softbank Hawks, Hokkaido Nippon-Ham Fighters, Orix Buffaloes, Chiba Lotte Marines, Tohoku Rakuten Golden Eagles and Saitama Seibu Lions.

16 *Ikusei* players cannot play on a Division 1 team unless their status is changed to a rostered player. The annual deadline is March for foreign players and the end of July for Japanese players.

17 Of the four non-Japanese players permitted on a 28-man roster, a maximum of three position players or three pitchers are permitted. Since 1997, foreign born players who qualify as a ‘free agent’ are classed as a Japanese player. Naturalised Japanese citizens are also considered Japanese players. Non-Japanese can qualify as Japanese players if: (1) live in Japan for five or more years and attend junior high, senior high, a two-year college, and/or vocational school for three years; (2) live in Japan for four or more years and continuously attend a Japanese university for this period; (3) live in Japan for five or more years and play on a team in an industrial baseball tournament for three or more years. There is no limit on the number of non-Japanese on a 70-man roster. For the history of the number of foreign players permitted on an NPB roster see S. NISHIZAKI, Foreign Player Restrictions, in: *JapaneseBaseball.com* at <http://www.japanesebaseball.com/faq/gaijin.jsp> at 17 September 2011.

18 Typically, the majority of Japanese players are recruited via the amateur NPB draft from high school and college. A small number of players are drafted from the industrial tournaments and independent leagues.

3. *The Japanese 'free agent' system*

In a global labour market, NPB teams and MLB teams now compete to secure the employment of the highest 'valued' players. But it must be remembered that value is not a simple concept. Japanese and American cultures affect value, as do the league rules like 'free agency' in the NPB and MLB. Organisations then affect player value in terms of ownership, corporate governance and coaches. 'Free agency' is a key legal rule that shapes how professional baseball players in Japan (and the United States) are valued. A legal rule developed in MLB in the 1970s as a result of the collective bargaining agreement and salary arbitration, the NPB introduced a restrictive version of 'free agency' in 1992.¹⁹ The broad policy behind 'free agency' is that drafted or non-drafted players are paid an appropriate signing bonus and a relatively low wage until they prove themselves at the highest level in the NPB or MLB. After signing a contract, the 'free agency' systems in Japan and North America prevent players moving teams to negotiate a higher income and better contractual conditions. Simply, the 'free agent' system values performance.

Eligibility is the key difference between the 'free agent' systems in the NPB and MLB. When first introduced in the NPB, a player required ten years of service on an *ichi-gun* roster to become a 'free agent'. In 1997 the qualification period was reduced to nine years. Then, in 2007, after lobbying by the Japan Professional Baseball Players Association ('JPBPA'), the NPB made a significant amendment to the 'free agent' system. Effective from 2008, these changes allow draftees from the industrial leagues to qualify as domestic 'free agents' after seven seasons. All other draftees are eligible for domestic 'free agency' after eight seasons. No changes were made for international 'free agents' who are eligible after nine seasons. Players who exercised their 'free agent' rights must play another four seasons to re-qualify. Meanwhile, players seeking to play overseas must play nine seasons to qualify as an international 'free agent'.²⁰ Attaining 'free agent' status is difficult as eligibility is calculated on the total number of days a player is on an *ichi-gun* roster, not the number of seasons.²¹

19 MLB salary arbitrator Peter Seitz struck down the 'reserve clause' system and established the 'free agent' system in 1975. Seitz found that if a player had six years of major league experience before 1977 and his contract expired, he was eligible for 'free agency'. For the history of 'free agency' in MLB see W.B. GOULD, *Globalization in Collective Bargaining, Baseball and Matsuzaka: Labor and Antitrust Law on the Diamond*, in: *Comparative Labor Law & Policy Journal* 28: (2007) 283, 292. The Yomiuri Giants advocated 'free agency' in order to obtain the best players from other NPB teams.

20 KYODO NEWS,, NPB, players to revise free-agency system, in: *The Japan Times*, 26 June 2008 at <http://search.japantimes.co.jp/cgi-bin/sb20080626j1.html> viewed 17 September 2011 and KYODO NEWS, NPB to present plan to shorten free-agency period, in: *The Japan Times*, 1 April 2008 at <http://search.japantimes.co.jp/cgi-bin/sb20080401j1.html> viewed 17 September 2011.

21 A Division 1 season in the NPB season consists of 145 days. Therefore a player must spend a cumulative total of 145 days on a Division 1 28-man roster to be credited with one year of service.

4. *The 'posting' system for transferring 'non-free agent' players*

Globalisation has fundamentally changed how Japanese baseball players are valued. The transfer of NPB ace pitcher Nomo Hideo from the Osaka Kintetsu Buffaloes to the Los Angeles Dodgers in 1995 set in motion the creation of a formal player transfer system between Japan and the United States. Nomo's agent Don Nomura exploited a contractual loophole in the NPB by-laws that allowed Nomo to 'voluntarily retire' from the NPB. The rule permitted Nomo to make a comeback in MLB without qualifying as an international 'free agent'.²² Iribu Hideki and Alfonso Soriano quickly followed Nomo to the 'big leagues', both moving to the New York Yankees.²³

The NPB and MLB created a new player protocol and replaced the 1967 Agreement when they agreed to the United States-Japanese Player Contract Agreement 2000.²⁴ This agreement had two key aims: create a level playing field for MLB teams to recruit of Japanese NPB players and to provide compensation to NPB teams who lose 'non-free agent' players. In addition, the Posting Agreement²⁵ attempts to allay fears in Japanese baseball that the NPB will become a 'feeder league' for MLB by restricting the movement of elite players. Importantly, the Posting Agreement requires each league to honour the other's 'reserve' clause ('free agent') system.²⁶

-
- 22 R. WHITING, Contract loophole opened door for Nomo's jump, in: *The Japan Times*, 10 October 2010 at <http://search.japantimes.co.jp/print/sb20101010j2.html> at 17 September 2011.
- 23 Iribu's contract was purchased by the San Diego Padres without his knowledge in 1997. A furious Iribu refused to play for the Padres and was eventually traded to his team of choice, the New York Yankees. Soriano attempted to negotiate a salary increase in 1998 with the Toyo Hiroshima Carp. When negotiations failed, Soriano proceeded to salary arbitration which was also unsuccessful. Soriano then retired under the standard NPB player contract. He signed with the New York Yankees and although the NPB had eliminated the retirement loophole, the Carp did not pursue legal action against the powerful Yankees.
- 24 Herein referred to the 'Posting Agreement'. According to clause 17, the Posting Agreement commenced on 15 December 2000 and ended on 15 December 2002. However it remains effective on a yearly basis unless either party gives 180 days notice of termination prior to the anniversary of the initial termination date. Interestingly, Gould identified that neither the Major League Baseball Players Association ('MLBPA') nor the Japan Professional Baseball Players Association ('JPBPA') were involved in creating the Posting Agreement; see GOULD, *supra* note 19, 290.
- 25 The Posting Agreement includes a player transfer system for NPB players to move to a MLB team based on a 'blind auction'. Eligible players are those who are in the NPB but are not international 'free agents'. For an explanation of the 'posting' system see GOULD, *supra* note 19, 291-292.
- 26 United States-Japanese Player Contract Agreement 2000, clause 5. Prohibits a MLB team contacting or engaging a Japanese player on the reserve, military, voluntarily retired, restricted, disqualified, suspended or ineligible list of any Japanese clubs without the permission of the Japanese team via the NPB Commissioner and the rules in the Posting Agreement. Clause 2 places a similar duty on Japanese teams recruiting MLB players.

III. VALUATION MODELS FOR JAPANESE PLAYERS IN THE NPB

Recently, two broad schools of valuing baseball players have evolved: the 'jock' model and the 'geek' model. The 'jock' model was developed and used by baseball people, typically former players who become managers, coaches and scouts. Recently, the 'geek' model has emerged as an alternate to the 'jock' model of player valuation. Embraced by the 'front office' (administrators who generally are not former players), variations in the 'geek' model now attract mainstream global media coverage and compete with the 'jock' valuation model. When appropriate, Darvish Yu will be used to explain the below valuation models.

1. *'Tools' and the scouting baseball valuation model*

The starting point in baseball for valuing a baseball player is the assessment of baseball skills. Professional scouts ('recruiters') are typically comprised of 'baseball people' who recruit players according to the five 'tools' or key athletic skills required for success in professional baseball. Varying degrees of weight are placed on the five tools depending on whether a player is a pitcher or a 'position player. The five tools are running speed, arm strength, hitting for average, hitting for power and fielding.

A scout provides the 'front office' with a player's 'scouting report' that is cross checked by at least one other senior scout. The scouting report is critical as it determines if the player's skills are at a level that a team wishes to purchase. Then, the scout's valuation of a player will determine the amount of money that will be offered to a player. It must be noted that the emphasis place on tools in valuing a player varies. For a pitcher, scouting tools focus on velocity/arm strength and the type of pitches thrown. For example, the Texas Rangers website lists Darvish at 6'5' and 215 pounds (196 cm and 97.52 kg).²⁷ Darvish's powerful athletic frame is classed as a 'major leaguer's body' and allows him to pitch a fastball that reaches a maximum of 96 mph (154.5 kph). In addition, Darvish was scouted as a six-pitch pitcher.²⁸

2. *Statistical valuation of baseball players: tradition versus 'SABR'*

In addition to the scouts' 5-tool assessment of players, valuation of baseball players utilises traditional statistics. Statistics are divided into three categories: hitting, fielding and pitching. Individual and team statistics exist for each category. When combined

27 See Texas Rangers. 2012, Players-Yu Darvish at http://rangers.mlb.com/team/player.jsp?player_id=506433 viewed 17 February 2012.

28 Darvish's pitches are a 4-seam fastball, a 2-seam fastball, a cut-fastball, a horizontally breaking slider, a downward breaking slider and a curveball; see R. DURRETT, Scouting report: Yu Darvish, in: ESPN Dallas/Fort Worth, 19 January 2012 at http://espn.go.com/blog/dallas/texas-rangers/post/_id/4877357/scouting-report-yu-darvish viewed 17 February 2012.

with a player's tools and a scout's assessment of a player during a game or try out, statistics help provide a more accurate picture of an individual player's value (and skill) within a larger group of players, be it a team, league or country. A challenge in using game generated statistics is choosing the correct metrics for valuation purposes. Another challenge is that traditional player statistics measure past performance, not future performance. Despite these challenges, Japanese baseball is still quite conservative and traditional baseball statistics are the norm in Japan.

The official score card for a baseball naturally produces a myriad of data that can be used to assess a player's performance and skill. Games played are an important statistic for all players. Several key hitting statistics are typically used to assess a hitter's performance. Plate appearances ('PA') and at-bat ('AB') rates²⁹ are used to determine how frequently a hitter is played by their manager. Typically, players who perform have high numbers of PA's and AB's.³⁰ A batting average ('AVG') is a universal method for assessing a hitter. It divides a player's total number of safe hits by the total number of at-bats. Slugging average ('SLG') is slightly different and is used to measure a hitter's power. It is calculated by dividing the total number of bases from safe hits by the total number of at-bats. Another traditional hitting statistic is on-base percentage ('OBP').³¹ Home runs ('HR') are indicates a hitter's power and run production. Another indicator of run production is runs-batted-in ('RBI'), representing the number of runs scored by a hitter.³² Fielding statistics are quite narrow and include put outs ('PO'), assists ('A'), errors ('E') and fielding percentage.

Traditional pitching statistics concentrate on raw data and Darvish demonstrates how these statistics can be used to form the basis of a pitcher's valuation. Over seven years, Darvish pitched in 167 games throwing a total of a total of 1,268.1 innings.³³ Of these 167 games, Darvish pitched 58 complete games and 18 shutouts (no runs scored). Darvish won a total of 93 games and lost only 38 games.³⁴ In his last five NPB seasons Darvish had an Earned Run Average ('ERA') under 2.00 and a career ERA of 1.99. Darvish's control is demonstrated by his totals of walks, hit batters and strike-outs: 333:50:1,250. Another important statistic is that Darvish only allowed 58 homeruns or 8.28 per season.³⁵ These numbers, combined with extensive scouting of Darvish in Japan, resulted in Texas paying over US\$100 million to secure Darvish's services for six years.

29 A PA includes all trips to the batter's box that results in a play being recorded by the scorer. An AB is slightly different in that it excludes walks, intention walks and hit-by-pitch.

30 At-bats are limited to strike outs, safe hits and fielding errors. Plate appearances record all trips to the batter's box.

31 On-base percentage includes safe hits, walks, hit by pitch, fielder's choice and fielding errors.

32 A limitation on RBI production is that runners must be on base for a hitter to have the opportunity to record a RBI. Consequently RBI production may be low if a hitter frequently hits with no runners on base.

33 This a yearly average of 23.85 games and 181.15 innings.

34 Remarkably, had a 'no decision' in only 36 games or 5.14 games per year.

35 For every hitter Darvish walked or hit, he struck out 3.26 hitters; NPB official website. 2012.

Traditional baseball statistics do have limitations. Statistics such as batting average, ERA or fielding percentage ignore valuable such as the ability to work a pitcher deep into a count and thus increase a pitcher's pitch count.³⁶ As the Hirsch brothers point out, a short stop with excellent 'range' may be charged for a throwing error on a ball that most other players would not field and may require a high level of skill to field and throw the baseball.³⁷ The many shortcomings of traditional baseball data resulted in a simple solution: create new statistics and more data.

The Society for American Baseball Research ('SABR'), through their practitioners who are known as 'sabermetricians', continue to develop a long list of non-traditional statistics to value every aspect of player's performance. SABR is yet to have the impact on Japanese baseball that has occurred in the United States. But with MLB teams increasing their scouting in Japan, SABR inspired metrics will be influencing the valuation and recruitment of Japanese players to MLB. SABR statistics will be examined for this reason and because it is an alternate to traditional methods of valuing Japanese baseball players.

The 'Godfather' of sabermetrics, Bill James, has even attempted to predict future performance.³⁸ The aim of sabermetricians is to objectively analyse a baseball game. By using advanced mathematics to determine a player's value, the SABR valuation model excludes non-scientific data, such as the shared experience and knowledge of 'baseball people'. Since the 1970s the baseball field has been centre stage for the fight between traditional rivals, the 'jocks' and 'geeks'. But what are SABR statistics?

Sabermetrics attempts to provide a series of mathematical based and therefore objective statistics to assess player attributes that are critical to winning a game of baseball. When compared to traditional baseball statistics, statistics that form the foundation of sabermetrics demonstrates that the selection of metrics plays is vital in determining which skills are 'valued' in an employee. An important SABR statistic is 'on base average plus slugging average' or 'OPS'³⁹ and is calculated by adding a hitter's on base

Players – Hokkaido Nippon Ham Fighters – Darvish, Yu at <http://bis.npb.or.jp/eng/players/61965110.html> viewed 6 March 2012.

36 A hitter's 'count' is the number of balls/strikes in a PA. The more pitches a pitcher throws to a hitter, the higher his 'pitch count' will be for a game. Depending on the type of pitcher and the level of competition, coaches generally set pitchers a maximum number of pitches per outing.

37 HIRSCH et al, *supra* note 8, 39.

38 Ibid.

39 An 'on base' average is different to a batting average and slugging average as it indicates how frequently a hitter gets on base from any method, be it a safe hit, a fielder's error, a walk or catcher's interference. It is an important indicator of a hitter's ability to get on base and when combined with a slugging average, an OPS demonstrates the frequency that a hitter gets on base and the number of bases achieved when hitting (excludes stolen bases and other means of advancing when on base). An OPS is an important statistic for this reason and in effect is a hitter's run scoring value or simply the number of opportunities to score a run a hitter creates.

average and slugging average.⁴⁰ Sabermetricians prefer OPS to traditional statistics like batting average and RBI as it measures a hitter's skill to get on base. OPS therefore measures a hitter's ability to create run scoring opportunities. 'Expected run value' is a predictive statistic that combines OPS with the events on a baseball field that influence a run being scored to create a player's.⁴¹ Sabermetricians use a similar methodology for assessing pitchers. 'Walks plus hits per nine innings pitched' or a 'WHIP'⁴² measures pitching efficiency by calculating the number of opposing hitters a pitcher allows on base over nine innings. The fewer hitters allowed on base, the fewer run scoring opportunities a pitcher creates.

Although sabermetrics has resulted in an increased understanding of what is valuable in baseball it has 'problematised' baseball. The result is a never-ending stream of statistics to prove and disprove theories. The Hirsch brothers succinctly described sabermetricians as using "sports as a plaything for social scientists, a laboratory to manipulate probabilities and chart results in order to assist the next simulation. The game itself conveys no beauty of meaning". For example, a meteorologist named Clay Davenport devised Equivalent Average ('EqA')⁴³ and Bill James developed the useful fielding metric called 'range factor'.⁴⁴ SABR has also given birth to Adjusted OPS, Ultimate Zone Rating ('UZR'), Value Over Replacement Player ('VORP'), Wins Above Replacement ('WAR'), Batting Average on Balls In Play ('BABIP') and Fielding Independent Pitching ('FIP').⁴⁵ The growing number of SABR statistics creates interest in baseball but do not always provide useful insight into a player's value. Collectively and individually, SABR numbers can be as effective or ineffective as traditional baseball statistics. Ultimately in Japan and the United States, a player's value is determined by a team's ownership. Different owners will place varying value on the myriad of traditional and SABR statistics.

40 M. LEWIS, *Moneyball: The Art of Winning an Unfair Game* (New York. 2003) 80, 128.

41 Expected run value is a complex mathematical calculation using derivatives to combine offensive and defensive events in a baseball game; *ibid* 133-137.

42 A WHIP is the total number of walks and hits a pitcher allows over nine innings. In effect, a WHIP is the number of scoring opportunities a pitcher allows over the course of a regular nine innings game.

43 EqA attempts to calculate a player's offensive value by taking into account what a player does in an AB and on the bases, while allowing for a players' team, ladder position, league and field.

44 Range factor is a fielding statistic that takes into account variables such as a player's ability to reach a baseball ('range'). HIRSCH et al, *supra* note 8, 39,65.

45 For an explanation of detailed these metrics see B. SIMMONS, Finally joining the revolution, in: *ESPN*, 2 April 2010 at <http://sports.espn.go.com/espn/page2/story?page=simmons/100402> viewed 15 November 2011.

3. *The 'Moneyball' valuation model*

Michael Lewis' 2003 'Moneyball: The Art of Winning an Unfair Game' is more than a hit book and a box office smash. In telling the story of how Oakland Athletics General Manager Billy Beane used sabermetric principles, Moneyball has changed the manner in which professional sports teams around the globe value and recruit players. In short, the Moneyball valuation model is that success in MLB can be achieved by correctly valuing players and recruiting based on such valuation. Simply determine the skills and players undervalued by the market and recruit such players. Consequently, a team can assemble a relatively inexpensive team that can compete with teams with big payrolls.

Although SABR provides the theoretical basis for Moneyball, the Moneyball valuation model is distinct from the SABR model. Critics of Moneyball correctly argue that the book (and to a greater degree the movie) is clever storytelling, and only tells part of the Oakland story.⁴⁶ Moneyball should be criticised for its simplicity in its representation of SABR and playing baseball. No magic formula exists that can predict what will happen on a baseball field as baseball involves many unpredictable variables.⁴⁷ The fact that Oakland has not won the American League Championship, let alone the World Series with Billy Beane as their general manager is evidence of the limitations of the Moneyball and SABR valuation models.

4. *The economic valuation model*

Professors Nakazato Minoru and J. Mark Ramseyer applied the 'Chicago school' of law and economics to conclude that professional Japanese baseball players in the NPB receive market value salaries.⁴⁸ In other words, the 'market got it right'. Traditionally in Japanese baseball, the market for a professional Japanese baseballer is limited to the NPB and the newly formed independent leagues or the semi-professional industrial league teams. But with a global labour market for baseball players, Japanese players can now sell their services to MLB and independent league teams in the United States. Nakazato and Ramseyer did not examine the impact of globalisation on Japanese salary. Also, their research used traditional baseball statistics: slugging average and at-bate rates for hitters and strike-out to walk ratios and innings pitched for pitchers.

46 A valid criticism of Moneyball is that Lewis did not discuss Oakland's dominant starting pitching rotation of Mark Mulder, Barry Zito and Tim Hudson in the 2002 season. These three pitchers provided the foundation for Oakland's success. For a detailed analysis of the flaws of Moneyball, see HIRSCH et al, *supra* note 8, 7-33.

47 Some of these variables include the field, weather, umpires and the players themselves.

48 NAKAZATO / RAMSEYER, *supra* note 12, 589.

Nakazato and Ramseyer compared the wages of players during their initial multi-year contracts over a nine-year period to the salary obtained by ‘free agents’.⁴⁹ They suggest that Japanese players, in particular hitters, are paid their market wage before becoming ‘free agents’, arguing that ‘non-free agents’ earn similar base salaries to those of ‘free agents’.⁵⁰ On average, Nakazato and Ramseyer found that a team recovers its initial investment in a player by the fifth year of a player’s contract. But a team’s initial player investment is not recovered for a large percentage of players as one third of NPB players quit after two years. Upon repaying a team’s initial investment, Nakazato and Ramseyer conclude players are paid close to what they would earn as ‘free agents’. Consequently, the market competes for the best amateur talent as such players tend to progress quickly to the *ichi-gun* team.⁵¹

Like the valuation models discussed, Nakazato and Ramseyer’s economic valuation model has limitations. An important question raised by Nakazato and Ramseyer’s conclusion is in its generality. Within a NPB team’s 70-man roster and across all 12 NPB teams, some players will not be paid their market value. Professor William W. Kelly’s research on the Hanshin Tigers illustrates this point. In Kelly’s research, Tigers’ players were aged between 19 and 36 and their professional experience was between 0 and 14 years. Yearly salaries were between \$40,000 and \$1.5 million. Importantly, Kelly found that there was no correlation between salary and age, experience and performance.⁵² Another limit on Nakazato and Ramseyer’s conclusion is that they excluded all players from their dataset with no *ichi-gun* experience, including the lowest paid *ikusei* players.⁵³ Other factors that indicate some players are not paid their market value are that NPB draftees frequently receive ‘under-the-table’ payments⁵⁴ and that Nakazato and Ramseyer included approximate endorsement income in a player’s salary.⁵⁵ Globalisation presents another challenge in that Nakazato and Ramseyer did not compare the salary of domestic ‘free agents’ to those of ‘posted’ players and international ‘free agents’.

49 Nakazato and Ramseyer’s dataset includes all 2004 rostered NPB players and uses income and career playing statistics from 2003. Nakazato and Ramseyer’s data was restricted to *ichi-gun* players.

50 Nakazato and Ramseyer explained the difference as ‘free agents’ meeting performance requirements in incentive-based contracts. Robert Whiting argued that the similarity in base salaries represents a ‘salary cut’, a mandatory requirement of becoming a ‘free agent’; see R. WHITING, NPB players in need of a strong union like MLBPA, *The Japan Times*, 14 April 2007 at <http://search.japantimes.co.jp/cgi-bin/sb20070414c1.html> viewed 17 September 2011.

51 NAKAZATO / RAMSEYER, *supra* note 12, 3, 6-7, 15.

52 W.W. KELLY, *The Other Koshien Stadium Game: The Hanshin Tigers and Professional Baseball in Japan*, in: Gmelch (ed.), *Baseball Without Borders: The International Pastime* (Lincoln 2006) 31.

53 NAKAZATO / RAMSEYER, *supra* note 12, 5.

54 R. WHITING, Resentment of Valentine’s power factored in downfall, in: *The Japan Times*, 31 January 2010 at <http://search.japantimes.co.jp/print/sb20100131c1.html> viewed 17 September 2011.

55 NAKAZATO / RAMSEYER, *supra* note 12, 5.

Darvish's salary at the Fighters compared to his US\$10 million a year contract at Texas indicates that at least in case, it is likely that Darvish was undervalued in terms of salary in Japan.

5. *'Independent' analysis of a player's value: salary arbitration in the NPB*

Salary arbitration in professional sport provides a third party's perspective on whether a player is being paid their value. In the NPB, the *Yakyū Kyōyaku* 1995 (Japanese Professional Baseball Basic Agreement 1995) provides players the right to arbitration proceedings if salary is disputed. In theory players possess an annual right to salary arbitration.⁵⁶ Since 1973 there have only been six NPB salary arbitration decisions, indicating that salary arbitration rarely features in Japanese baseball.⁵⁷ Furthermore, only four of the six players involved were Japanese. Of the six arbitrations, only one player was successful in obtaining an increase in salary. Remarkably, no player has been granted salary arbitration since Shimoyanagi Tsuyoshi's successful arbitration in 2001.⁵⁸

A mix of arbitration rules and culture confine the ability of arbitration to independently assess salary disputes. Composed of the NPB President and two team owners elected by the 12 NPB teams, the arbitration panel is paid by the NPB teams. Therefore independence is absent. Japanese culture is instrumental in arbitration panels. Promoting dispute resolution by consensus, the panel frequently rejects applications for arbitration, requiring players to continue negotiations with owners. Even when arbitration is granted, players are typically required to negotiate with teams and may never present their case before the arbitral panel.⁵⁹

When salary arbitration is granted, a player's value is assessed according to a 250-point checklist. NPB teams use a similar list in determining a player's salary. Little is known about the list but it is believed to include statistics, team play and mental ability.⁶⁰ Some guidance is required to assess a baseball player's performance and subsequent value. But a list of 250 performance indicators will include factors that bear little or not at all on performance and may distract from the objective of salary negotiations: how good is the player? What results is an arbitration system rarely used by players, as demonstrated by the relatively small number of arbitration requests and arbitral decisions.

56 Most Japanese NPB players are on contracts that are 10 to 11 months in duration.

57 This number extraordinarily low compared to MLB. Between 1974 and 2008, MLB salary arbitration made decisions for 206 player requests and 280 team requests.

58 D.L. SNYDER, *Automatic Outs: Salary Arbitration in Nippon Professional Baseball*, in: *Marquette Sports Law Review* 20:1 (2009) 79, 86-87.

59 *Ibid* 86-87.

60 *Ibid* 85-91.

6. *A 'tool shed' approach to player valuation*

A majority of the practitioners of the above valuation models share a common trait: a belief that their way is the best way to the exclusion of other models. However, global baseball is far too complex for a 'one-size fits all' methodology to player valuation. Japanese teams value players differently to MLB teams. Instead, coaches, front office staff, statisticians and even academics need to take a 'tool shed' approach. By this I mean use sabermetrics for professional teams when trying to identify a 'peripheral' professional player who is undervalued by the market but who possesses skills valued in baseball. The 'tools' valuation is appropriate when recruiting amateur players from competitions where the skill of such players produces statistics that prove more about the opposition than the target player. Team owners possess limited resources. Perhaps Nakazato and Ramseyer's use of economics could utilise SABR statistics and determine if different types of players are paid their value: starting pitchers, closers, amateur draftees or veteran professionals. It should be remembered that the above methods of player valuation exclude the most important commodities required for success as a 'pro ball player': determination, mental toughness and few injuries.

IV. PLAYER VALUE AND JAPANESE BASEBALL CULTURE

Valuing a player is not as simple as reading a player's statistics and making an appropriate assessment based on batting average or a pitcher's win-loss record. Japanese players are required to commit to a physically and mentally demanding training regime within a rigid team structure that is regulated by normative cultural values. Many Japanese players pursue a MLB career not only for the lifestyle and money, but the challenge of competing in the world's premier baseball league. This section will examine the role of culture in shaping the value of a Japanese ball player.

Much attention is devoted to the differences in Japanese and American baseball. Japanese baseball is viewed as defensive, and players are more serious and disciplined than their free-swinging American counterparts.⁶¹ Culture is commonly used to explain the differences between Japanese and American baseball. A popular discourse in and outside of Japan for explaining Japanese baseball is *bushidô* baseball⁶² (*samurai bêsûbôru* or 'samurai baseball'). Different interpretations of *bushidô* baseball have evolved since the late 1800s. Thomas Blackwood identified that despite being an 'invented tradition',

61 M. IKEI, Baseball, Besubôru, Yakyû: Comparing the American and Japanese Games, in: *Independent Journal of Global Legal Studies* 8 (2000) 73, 75.

62 *Bushidô* was used primarily as a tool to legitimise playing a foreign sport in the Meiji and Taishô periods. The Japanese national men's baseball team were officially named 'Samurai Japan' for the 2009 World Baseball Classic; see ASSOCIATED PRESS, Japan looks for WBC warrior spirit, *The Japan Times*, 13 November 2008 at <http://search.japantimes.co.jp/cgi-bin/sb20081113o1.html> viewed 17 September 2011.

bushidô baseball continues to have a lasting impact on Japanese amateur school baseball and therefore the graduates who form the backbone of the NPB.⁶³ The fact Japanese and American baseball is different is important in any valuation model as these differences possess value.

NPB team culture encourages behaviour that increases the chance that Japanese players will succeed in MLB. The culture of professional Japanese baseball places a premium on the principle of *wa* or 'harmony'. Combined with the Japanese preference for 'groupism' over individualism, Japanese baseball players are bred in an environment where the team is sacrosanct. Also, loyalty is central to the maintenance of *wa*. Therefore the concept of *wa* generally develops players that are increasingly rare in modern MLB teams: the old fashioned team player. Players are valued not just by skill but by their *konjo* or *kiai wo ireteiko* or 'fighting spirit'. This attribute is particularly valuable for baseball players. What differentiates an average baseball player from an outstanding ball player is the ability to play through niggling injuries and perform under pressure. Fighting spirit is something that many Japanese baseball players learn through *gattsu* or 'guts' (effort) training.⁶⁴

NPB teams value Japanese players as much for their willingness to embrace back-breaking training as they do for their exploits on a baseball diamond. Commitment to the team, its strict rules and training schedule are part of the Japanese cultural dynamic of groupism.⁶⁵ This involves deference to authority and avoiding conflict, essentially to preserve *wa*. For example, during winter and spring training players are required to swing a bat 1,000 times a day and field 1,000 ground balls a day. Yomiuri Giants great Kawakami Tetsuharu, the 'God of Hitting' summarised the Japanese devotion to training when he quoted samurai master swordsman Miyamoto Musashi who said 'one thousand days to learn, ten thousand days to refine',⁶⁶ giving new meaning to the western phrase 'practice makes perfect'. Pitchers are not exempt and can throw up to 300 pitches a day during the 'off-season'.⁶⁷ Foreign leagues like the Australian Baseball League ('ABL') are used as training venues predominantly for young NPB players.⁶⁸

63 BLACKWOOD, *supra* note 13, 226, 237.

64 See R. WHITING, *The Samurai Way of Baseball and the National Character Debate*, in: *The Asia Pacific Journal: Japan Focus* (2006). Available from: <http://www.japanfocus.org/-Robert-Whiting/2235> and R. WHITING, *Samurai Baseball vs. Baseball in Japan-Revisited*, in *The Asia Pacific Journal: Japan Focus* (2008). Available from <http://www.japanfocus.org/-Robert-Whiting/2764>.

65 SNYDER, *supra* note 58, 84.

66 R. WHITING, *You gotta have wa* (New York, 1989) 60.

67 For regular media reports in English (translations of *Nikkan Sports* and *Sponichi*) on NPB spring training, see *YakyuBaka* at <http://yakyubaka.com/>.

68 The Melbourne Aces is one of several ABL teams who had NPB players. Yomiuri Giants sent several players to the Aces in the 2010/2011 season. In 2011/2012 the Aces had two pitchers from the Seibu Lions.

In terms of player value, the training regime of NPB teams has positives and negatives for player value. A positive is that Japanese players possess strong work ethics who are mentally and physically capable of success in a long MLB season. Also, Japanese players typically have excellent skill levels. But the demands of Japanese baseball can have a negative affect on player value. If not managed correctly in the NPB, Japanese players face a high risk of injury, particularly pitchers. Another challenge is the ability of Japanese players to adapt to a less rigid and relaxed baseball culture and communicating in English. The transition for Japanese players is also a challenge for MLB teams. After all, Japanese recruits are a product of their environment. MLB teams are learning to fine-tune a Japanese player's training program to enable success at MLB level.

Globalisation and the movement of managers have influenced the Japanese model for a baseball team. During their time in the NPB, foreign-born managers like Bobby Valentine and Trey Hillman 'Americanised' their respective teams. This was primarily through creating a less rigid and more relaxed and flexible environment. They also won Japan Series Championships at the Chiba Lotte Marines and the Hokkaido Nippon Ham Fighters respectively. After their departures, the Marines and Fighters returned to the status quo of Japanese managers and 'Japanese' team culture.⁶⁹ Currently, all NPB managers and the majority of coaches are Japanese. The culture of Japanese baseball teams is entrenched, successfully producing MLB calibre players and competing at all levels of international tournaments.

V. THE IMPACT OF CORPORATE GOVERNANCE ON PLAYER VALUE

1. *Corporate governance in Japanese baseball and player salary*

Professional baseball teams value players in yen (dollars). Therefore ownership plays a central role in setting a payroll budget that will influence how players are valued, recruited and paid. Ownership of professional baseball teams in Japan and the United States influences the amount of money paid to highly valued players. Typically in MLB teams are owned by billionaires. In contrast, large Japanese corporations own NPB teams⁷⁰ and NPB teams are traditionally used as a cheap marketing department for the

69 See WHITING, *supra* note 54 and R. WHITING, Clandestine campaign led to Valentine's demise, in: The Japan Times, 17 January 2010 at <http://search.japantimes.co.jp/print/sb20100117j1.html> viewed 17 September 2011, R. WHITING, Hillman relied on intensity, goofball antics during time with the Fighters', in: The Japan Times, 1 June 2009 at <http://search.japantimes.co.jp/cgi-bin/sb20090601j1.html> viewed 17 September 2011 and R. WHITING, Open mind key to Hillman's success, in: The Japan Times, 31 May 2009 at <http://search.japantimes.co.jp/cgi-bin/sb20090531j2.html> viewed 17 September 2011.

70 Shigemitsu Takeo, a Korean born Japanese educated businessman owns the Lotte Group, owner of the Chiba Lotte Marines.

parent company.⁷¹ Japanese corporate governance is a feature of the NPB that influences player value. As part of a larger corporate structure, the baseball team is one of many unrelated and baseball related subsidiaries.⁷² Corporate governance raises a number of issues that determine the ability of Japanese players to be paid their market value. One issue arising from corporate governance identified by Kelly is internal conflict over control of the baseball team. Such conflict generally involve players and issues like player salary and the recruitment of Japanese and foreign players.⁷³

Corporate structure and taxation incentives present a problem in the ability of teams to pay players their value. As a subsidiary, the losses of the baseball team are used as a tax 'write-off' for profits of the parent company. Consequently, NPB teams are encouraged to run at a loss. Ironically, this arrangement should encourage teams to pay players inflated salaries, thereby increasing the parent's company's tax benefit. Compounding this problem is that operating a professional sport is expensive. With the exception of the Hanshin Tigers and the Yomiuri Giants, most NPB teams do not make annual profits.⁷⁴ When a team makes a profit is made its parent company typically takes the profit.⁷⁵ This restricts a team's ability to pay players their market value and invest in personnel and resources needed to build a successful baseball team.

Corporate governance of NPB teams has another influence on the market value of a Japanese player. A recent trend in MLB is the long-term player contract, some times worth tens or even hundreds of millions of dollars. But in the NPB most player contracts are renegotiated on a yearly basis, typically in November and December. Performance and therefore value varies each year. Subsequently salary also varies, as demonstrated by Kelly's research on the Hanshin Tigers provides. Kelly concluded that NPB contract negotiations result in three outcomes: less than half of the 55 players received salary

71 When DeNA Co purchased the Yokohama Bay Stars from the Tokyo Broadcasting System Holdings Inc in late 2012, some NPB teams were unhappy that the team was renamed the Yokohama DeNA Bay Stars and thereby including a company's product in the team name; R. WHITING, NPB needs major reform, vision to prosper like MLB, in: *The Japan Times*, 13 April 2007 at <http://search.japantimes.co.jp/cgi-bin/sb20070413c1.html>.

72 Other baseball subsidiaries include stadium management company, ground maintenance company, security company and goods and concessions company.

73 KELLY, *supra* note 52, 26-27 and W. KELLY, Men at Work or Boys of Summer? The Workplaces of Professional Baseball in Contemporary Japan, in: Kelly (ed.) *This Sporting Life: Sports and Body Culture in Contemporary Japan* (New Haven 2007) 252-253.

74 The dominance of the Giants and Tigers over television ratings and revenue negatively affect the income of other teams (particularly Central League teams who only play the Giants and Tigers in inter league games or the Japan Series) as there is no television income sharing agreement between NPB teams; NAKAZATO/RAMSEYER, *supra* note 12, 3 and R. WHITING, Is the MLB destroying Japan's national pastime?, in: *The Japan Times*, 11 April 2007 at <http://search.japantimes.com.jp/print/sb20070411c1.html> viewed 17 September 2011.

75 For example, the Giants and Tigers annually earn approximately ¥20 billion through ticket sales and television rights but these profits are not injected into the baseball team, instead going to the parent company; WHITING, *supra* note 74.

increases between 5 per cent and 250 per cent, 18 players accepted salary reductions ranging from 5 per cent to 40 per cent and the salary of 12 players did not change.⁷⁶

Such fluctuations in player salaries make valuing a player difficult due to regular deviations in yearly performance. Also, deviations in salary may be linked to the financial performance of the baseball subsidiary and the parent company. Making the annual salary negotiations lopsided is the lack of collective bargaining agreement, a minor presence of player agents and a restricted player bargaining position of Japanese players⁷⁷ due to cultural pressures such as groupism. Players who ask for more money are often traded or subjected to harsh media criticism.

2. 'Lifetime' employment in the NPB

After retirement, a select number of ball players will continue working for their NPB team team as coaches, bullpen pitchers, scouts or administrators. Such late career movement is similar to the *amakudari* (literally 'descending from heaven'), retiring high-ranking Japanese government officials who accept positions on corporate boards of directors in their field of expertise.⁷⁸ But unlike *sarariman* or 'salary man', a NPB career is generally measured in years, not decades.⁷⁹ Injury and yearly contract renegotiations add to the lack of employment security. Lifetime employment in a baseball team is typically short as the average of retirement in the NPB is 29 years.⁸⁰ The result in the NPB is long-term career and financial security for a relatively small number of players. Lifetime employment remains the norm in the NPB for Japanese players. Players who change teams within in the NPB or go to MLB represent a small percentage of Japanese NPB players. Changes to NPB lifetime employment are similar to those experienced by the Japanese legal profession during the 1990s.⁸¹ But the reality for most retired NPB players will be to begin a new career and seek a 'regular' job.⁸²

76 KELLY, *supra* note 73, 256.

77 SNYDER, *supra* note 58, 89.

78 For an explanation of the *amakudari* in the finance sector, A.A.R.J.M. VAN RIXTEL / W.H.J. HASSINK, Monitoring the Monitors: Are Old Boys Networks Being Used to Monitor Japanese Private Banks?, in: Journal of the Japanese and International Economies 16 (2002) 1.

79 Kelly's research on the Hanshin Tigers found that the average age of the 69 Tigers players in 1998 was 27 years and only four players were 35 years or older. In fact, from 1936 to 1999, 50 per cent of Tigers pitchers and 40 per cent of position players were on the Division 1 team for one or two years.

80 Y. ANDO, NPB / Life after baseball not an easy adjustment, in: The Asahi Shimbun, 27 December 2011 at http://ajw.asahi.com/article/sports/base_ball/AJ201112270029 viewed 21 February 2012.

81 A more dynamic economic and legal environment increased demand for corporate lawyers, thereby enabling lateral movement in the labour market. See KITAGAWA et al. 2007.

82 Of the 103 players released from NPB teams in 2010, 12 players signed contracts with other NPB teams, 17 signed *ikusei* player contracts, nine became coaches, 22 are club staff and 31 left baseball. In 2008 the NPB initiated the Second Career Support program to help players with the transition from retirement; see ANDO, *supra* note 80 and for an examination of a

Lifetime employment in the NPB is likely to shape a player's value. Salary may reflect the long-term job security given to players with lifelong employment. Value itself is likely to be amorphous. Lifetime employment in professional Japanese baseball affects payment of a player's market value. If a player is likely to spend their entire playing career, or at least the bulk of it, at one team, then salary may reflect this. Lifetime salary may be apportioned over a player's entire baseball career at a team. Future employment as a bullpen catch, scout or coach may be calculated into a player's salary, creating the false appearance of a sub-optimal market value. Yearly contract negotiations would allow for the readjustment of salary based on performance, years of service and the likelihood of a career with the team upon retirement.

3. *Japanese player value on the global labour market*

Perhaps the best measure of a Japanese player's market value is not the salary received by Japanese domestic 'free agents'. After all, the NPB is part of a global labour market for baseballers, a market that is supported by the Posting Agreement. This dual market for Japanese players creates the impression that the player markets in the NPB and MLB operate at different extremes of the same spectrum. When comparing salaries received by Japanese players in the NPB to those earned in MLB, one conclusion is that the NPB undervalues players and MLB overvalue players. A related conclusion is that the market does not correctly value Japanese players in either league. An examination of two high profile 'postings' helps to illustrate this point.

As discussed above, in late 2011 the Texas Rangers won the right under the Posting to Agreement to negotiate a transfer of Darvish Yu from the Hokkaido Nippon Ham Fighters. Texas spent over US\$111 million to secure Darvish's services: a 'posting' (transfer) fee of US\$51.7 million and a six-year \$60 million employment contract with Darvish. Darvish's transfer continues the MLB trend of signing star players to long-term contracts for big bucks. In fact, the money spent to recruit Darvish exceeded the total payroll of 20 out of the 30 MLB teams, including the Rangers' 2011 payroll of US\$91,885,265.⁸³ Darvish is an example of a trend in MLB for teams to invest large amounts of money starting pitchers and in Japanese NPB stars that are unproven at MLB level. An interesting question that is likely to remain unanswered is how the Fighters

similar program in the J-League see K. TAKHASHI / K. SHIGENO, Career Transitions in the J-League: theories and Practices of Career Support for Professional Football Players, in: Japan Labor Review 8:4 (2011) 67.

83 ESPN. 2012. Texas Rangers Salary/Payroll Information – 2011 at http://espn.go.com/mlb/team/salaries/_name/tex/texas-rangers viewed 21 February 2012. In 2007 the Boston Red Sox paid a 'posting fee' of US\$51.1 million to secure Daisuke Matsuzaka's negotiation rights. The parties then agreed to a six-year US\$50 million contract plus bonuses; "Matsuzaka, Red-Sox reach agreement on six year deal", *ESPN*, 23 February 2007 at <http://sports.espn.go.com/mlb/news/story?id=2696321> at 17 September 2011.

valued Darvish to retain his services in 2012? Time will tell if Darvish was undervalued or overvalued by Texas.

An example of MLB overvaluation of a Japanese pitcher is the New York Yankees' recruitment of Igawa Kei (and Irabu Hideki). The Yankees paid US\$25 million for the negotiation rights to Igawa and agreed to a 5-year US\$20 million contract. Amazingly, by the end of 2011, Igawa had played only 16 MLB games, spending most of his time in the minor leagues (Pennington 2001).⁸⁴ The Igawa experiment is unresolved as he attempts to continue his career in the United States with another MLB team. The Yankees represent an interesting footnote in the transfer of Japanese players to MLB. Igawa and Irabu did not meet the on field performance requirements expected by players in a pin stripe uniform or receiving large pay cheques. Oddly enough the Yankee's Japanese success story was with international 'free agent' Matsui Hideki, who transferred from the Yomiuri Giants to the New York Yankees in a US\$21 million deal.⁸⁵ Perhaps the MLB teams dominant in the recruitment of Japanese players creates a clearer picture of the valuation of Japanese players. Big market teams like Yankees and the Red Sox have little difficulty in paying top dollar for the best Japanese or MLB players. Meanwhile, as discussed above, teams like the Rangers had salary room for Darvish after they lost 'free agent' pitcher C.J. Wilson to the Los Angeles Angels of Anaheim for a five-year US\$77.5 million deal.

The transfer of a small group of Japanese players to MLB is evidence of an undervalued group of players. Such players are typically involved in controversy that removes interest from NPB teams. After being expelled from high school, Suzuki 'Mac' Makoto was sent to the United States by his parents. He debuted for the Seattle Mariners in 1996.⁸⁶ College prospect Tadano Kazuhito proceeded directly to the Cleveland Indians minor league system after being passed over in the NPB draft due to an appearance in a gay pornographic video.⁸⁷ Yamarin Yoshinori was not involved in controversy but was simply overlooked by teams in the NPB draft. He signed with the Atlanta Braves in 2009.⁸⁸ Little criticism resulted from these transfers as all NPB teams had the oppor-

84 Despite attempts by the Yankees to trade Igawa back to Japan, he demonstrated resilience in accepting a career in the minor leagues in an effort to pursue an opportunity with another MLB team; B. PENNINGTON, Kei Igawa: The Lost Yankee, New York Times, 23 July 2001 at <http://www.nytimes.com/2011/07/24/sports/baseball/kei-igawa-the-lost-yankee.html?pagewanted=all> viewed 23 November 2011.

85 Note that In January 2012 the Yankees signed pitcher Kuroda Hiroki to a one-year deal for US\$10 million.

86 S. SLUSSER, "A's the latest stop on Suzuki's long ride / Right-hander likely to begin season in Triple-A", in: San Francisco Chronicle, 21 February 2006 at http://articles.sfgate.com/2006-02-21/sports/17282536_1_dominican-republic-japanese-players-santo-domingo viewed 8 November 2011.

87 "Minor leaguer: It was a 'one-time incident'", ESPN, 28 January 2004 at <http://sports.espn.go.com/mlb/news/story?id=1720362> viewed 8 November 2011.

88 M. STREET, Kamado Report: Yoshinori Yamarin, examiner.com, 28 January 2009 at

tunity to recruit Suzuki, Tadano and Yamarin. What is important is that for personal or performance reasons, these players were not valued by NPB teams but were by MLB teams.

Globalisation has increased the value of amateur Japanese players and created tension between aggressive MLB teams and the NPB. The longstanding unwritten rule between the NPB and MLB was that MLB teams not recruit Japanese amateurs who may be drafted by NPB teams. The rule was designed to protect grass roots Japanese baseball and thereby preserve the NPB draft. After Tazawa Junichi requested that NPB teams not draft him in 2008, the Red Sox signed Tazawa to a \$3.3 million three-year deal.⁸⁹ Tazawa was an amateur pitcher for industrial baseball tournament team Nippon Oil ENEOS. To discourage amateurs from repeating Tazawa's decision, NPB owners agreed to ban amateur players from returning to the NPB who choose a direct path to MLB. High school players face a three-year ban, while college and industrial baseball tournament players face a two-year ban.⁹⁰ Thus, the ban removes a vital safety net for amateurs but penalises players, not MLB teams. Yet the ban did not deter high school baseball pitcher Kikuchi Yusei from fielding MLB offers in 2009. Leaving his decision to the last minute, and to his parents, the pitcher rejected MLB interest and was drafted by the Seibu Lions.⁹¹

VI. CONCLUSION

Valuing a professional athlete is not a simple process. It is a process complicated in Japanese baseball due to the role of culture and corporate governance. With the movement of Japanese players to MLB, a product of globalisation, a global market for Japanese baseball players is shaping. But before a player signs with the Hanshin Tigers in the NPB or moves to the Chicago Cubs, a player is valued. The 'jock' and 'geek' models of player valuation utilise different metrics and methodologies in assessing player value. Choosing the appropriate statistics from an ever-growing field is needed to correctly value a modern baseball player. Japanese baseball culture and corporate governance play important roles in developing player skills and attributes that are then valued by

<http://www.examiner.com/asian-american-sports-in-national/kamado-report-yoshinori-yamarin>
viewed 8 November 2011.

89 I. BROWNE, Tazawa officially in fold for Red Sox Talented righty likely to spend much of '09 in the minors, in: MLB.com, 4 December 2008 at *http://boston.redsox.mlb.com/news/article.jsp?ymd=20081130&content_id=3695971&vkey=news_bos&fext=.jsp&c_id=bos*
viewed 8 November 2011.

90 "Japan tries to discourage amateurs from playing in MLB with ban", ESPN, 8 October 2008 at *<http://sports.espn.go.com/mlb/news/story?id=3632083>* viewed 11 November 2011.

91 S. BIGGS, Japan Teen's 94-mph Fastball May Spur U.S. migration, in: Bloomberg, 20 August 2009 at *<http://www.bloomberg.com/apps/news?pid=newsarchive&sid=a.X6E.DD0.XI>*
viewed 10 November 2011.

NPB and MLB teams. Player salary is a common method of valuing a player but in Japan is influenced by corporate ownership and the Japanese economy. MLB recruitment of Japanese players is another factor affecting Japanese player salary. The one certainty in the valuation of professional Japanese baseball players is that there will never be universal agreement on how to value a player. After all, value is highly subjective and deeply personal. What is needed to value Japanese ball players is a flexible model that considers baseball wisdom, statistics/metrics, culture, corporate governance and the role of globalisation.

ABSTRACT

In the world of baseball, the 2011 season is unlikely to be remembered for achievement on the field. Instead, the year will be remembered for the offseason and the number of 'mega deals'. Intense media coverage in Japan and the United States followed the transfer of pitching sensation Darvish Yu from the Hokkaido Nippon Ham Fighters in the Nippon Professional Baseball League ('NPB') to the Texas Rangers in Major League Baseball ('MLB'). Texas paid a total of US\$111 million for Darvish. Teams were also on the market. Tokyo Broadcasting System Holdings Inc sold the Yokohama Baystars Baseball Club Inc to technology company DeNA Co Limited. Meanwhile, in the United States, MLB experienced a frenzy of activity in the 'free agent' market. The biggest 'free agent' deal involved veteran St Louis Cardinals slugger Albert Pujols signing a 10-year deal for US\$250 million with the Los Angeles Angels of Anaheim. Yet the flow of money was not limited to players. The Miami Marlins signed manager Ozzie Guillen to a US\$10 million deal and former Boston Red Sox general manager moved to the Chicago Cubs for a deal estimated at between US\$10 and \$15 million. The question is how players, managers, general managers and teams valued? This article will examine the valuation of Japanese professional baseball players.

After Nomo Hideo moved from the NPB to MLB's Los Angeles Dodgers in 1995, the NPB quickly lost its monopoly over Japanese baseball labour. Consequently, a global market for professional Japanese baseball labour is emerging. Currently, the two major markets are the NPB and MLB. Yet the method in which teams value players in each competition is quite different, as are the salaries paid to players. Economics is common-

ly used in baseball to create valuation models. In their 2007 article titled 'Bonuses and Biases in Japanese Baseball', Professors J. Mark Ramseyer and Nakazato Minoru applied the 'Chicago school' of law to Japanese baseball. Their conclusion was that NPB players were paid their market value, or at least their Japanese market value. Yet there is no discussion by Professors Ramseyer and Nakazato of how markets, legal rules, culture (baseball and Japanese) or corporate governance shapes a player's value and salary. The Society of American Baseball Research ('SABR') adopts a similarly narrow approach to assessing and valuing baseball players. Practitioners of SABR, known as sabermetricians, utilise mathematics and complex derivatives in an attempt to develop a rational and objective set of metrics to determine a baseballer's value. Interesting, the ranks of sabermetricians are quickly being filled by economists and former Wall Street bankers.

This article argues that most efficient method to value a Japanese baseballer is not to exclusively rely on one methodology or one group of statistics. The modern game of baseball has evolved that limits the value of traditional statistics, while the overreliance on 'new age' statistics like sabermetrics can be equally dangerous. Such perils are demonstrated by the ongoing science project where sabermetricians constantly create new metrics designed to either assess or predict performance. Instead of a 'one size fits all' methodology to valuing a professional Japanese baseball player, this article proposes a multi-disciplined approach where the appropriate methodologies can be combined to value a player depending on the standard of competition they compete in, their experience and if the position they play. Such an approach is designed to provide insight into how Japanese baseball consistently produces professional players with skills that can be transferred into successful careers at a higher competitive level in the 'major leagues'.

To begin, Part II will introduce readers to the basic structure of the NPB. This section will examine the player contract system in professional Japanese baseball and the role of 'free agency' and the United States-Japanese Player Contract Agreement 2000 ('Posting Agreement'). Part III will analyse two competing models of player valuation: the 'jock model' and the 'geek model'. The jock model examines how baseball coaches, managers and scouts value players. This model will be contrasted to the geek model, which includes traditional statistical valuation, the SABR valuation model and Ramseyer and Nakazato's economic model. Also, this section will discuss the impact of Michael Lewis' popular book and movie 'Moneyball: The Art of Winning an Unfair Game', where the central character was sabermetrics. Part IV will explore how Japanese culture and baseball culture shapes the value of Japanese ball players. Finally, Part V analyses the role of corporate governance in determining player value and salary. Value will be examined in the context of changes to lifelong employment in baseball, primarily through the transfer of Japanese players to MLB teams.

ZUSAMMENFASSUNG

Der vergleichend angelegte Beitrag befasst sich mit dem Transfer und den Transferzahlungen für erfolgreiche Baseball-Sportler in Japan und in den USA. Im Kern geht es um das Bewertungsverfahren und die Kriterien, nach denen ein Spieler beurteilt wird. Der Verfasser vertritt die Auffassung, dass die tradierten Bewertungsmodelle überholt seien und plädiert für einen multidisziplinären Ansatz, der eine Kombination verschiedener Bewertungsmodelle zulässt. Teil II beschreibt die Strukturen der professionellen Baseball-Verbände in Japan. Teil III analysiert zwei unterschiedliche Bewertungsmodelle. Teil IV untersucht, auf welche Weise japanische Traditionen und kulturelle Prägungen in die Bewertungen einfließen. Teil V greift Fragen der Corporate Governance auf.

(Dt. Zusammenf. durch d. Red.)