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THE IMPACT OF DEBT ON TEAM SUCCESS IN THE NATIONAL HOCKEY LEAGUE

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All authors:
James Allen (corresp), Bjoern Claassen

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Synopsis:
The researchers examined the relationship between debt and team performance in the professional hockey context

Abstract:
Theoretical Background
A highly researched area in the field of finance is capital structure, which deals with the levels of debt and equity financing for an organization. Previous studies have looked at the optimal levels of debt and equity financing as is related to an organization’s performance. Studies have found that high levels of debt have a negative impact on company performance, including bankruptcy (Tudose, 2012). However, Halkos and Tzeremes (2013) examined the impact of debt levels on team performance among European football clubs and found no influence.
Aim of Study
The researchers of the current study were interested in determining the impact that debt has on a National Hockey League (NHL) team’s success.
Methodology
Team success was defined by the researchers as the total number of points in the official standings at the conclusion of the regular season. In the NHL, two points are awarded for winning a game, one point is awarded for losing in overtime or a shootout and a team receives zero points for a loss during regulation. The current study utilized the debt figures provided by Forbes (2014). The researchers utilized a simple linear regression model with debt serving as the independent variable and team success (total points) serving as the dependent variable. Forbes (2014) also provides the revenue figures for each NHL team. Interestingly, when Tthe researchers attemptedutilized another simple linear regression model to determine the relationship between revenue and team success.,
Results
The results indicated the model was statistically significant (F (1, 28) = 5.14, p

< .005. The model indicated that debt had a negative impact on team success (β = -.35). Forbes (2014) also provides the revenue figures for each NHL team. Interestingly, when the researchers attempted to determine the relationship between revenue and team success, tThere was no statistically significant relationship between revenue and team success (p > .005).

Implications

This The results from the present study revealed a significant (negative) relationship between debt and team success, which contradicts the findings from Halkos and Tzeremes (2013). These findings could indicate to General Managers and owners of NHL teams that increasing revenue will not increase the likelihood of a successful season unless those increased revenues are utilized for reducing debt. Additionally, Dimitroplulos (2014) displayed evidence that efficient corporate governance mechanisms such as increased board size and the presence of more dispersed ownership aides in the reduction of debt. Forbes began publishing the debt figures for NHL teams in 2013. Unfortunately, the NHL experienced a lockout during the 2012-2013 season and were forced to cancel 41.5% of the games. The researchers used the Forbes (2013) debt calculations and performed another simple linear regression model with debt serving as the independent variable and team success serving as the dependent variable. The results indicated that the model was not statistically significant (F (1, 28) = 2.96, p > .005. However, one could argue that debt did have an impact on team success even during a shortened season as the p value was approaching significance; p = .096. One clear limitation to the present study is the lack of multi-year data. It is difficult to evaluate the impact of debt on team success in the NHL without conducting a longitudinal study. Assuming that Forbes will continue to provide debt figures for NHL teams going forward, the researchers intend to complete a multi-year study measuring the impact of debt on team success. If the results from a longitudinal study are consistent with the 2014 findings, this will provide crucial information for General Managers and owners of NHL teams. In order for their team to achieve success, there must be a comprehensive strategy for maintaining a healthy debt level.

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