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9B21C033

Negotiating A New Agreement (E): Marcus Tatum—Owner of the San Antonio Sharks[[1]](#footnote-2)

Justin Patterson and Professor Ann Frost wrote this exercise solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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Background

You are Marcus Tatum, owner of the San Antonio Sharks. Your father, former National Football League (NFL) player Alex Tatum, was the principal owner of the Sharks for 39 years, until his death in 2011. Following his passing, you inherited the team along with a majority ownership stake. You have been described by the media as “the guy down the street” who woke up one day and had to begin running a billion-dollar company, which just so happened to be his favourite sporting team.[[2]](#footnote-3) Nevertheless, you are a savvy business person who was able to lead the efforts to establish a new stadium for the Sharks, something your father was never able to do. Since the inception of the Sharks, the team has always shared a stadium with a Major League Baseball team, and this has been a major point of contention for both teams. Because of this and declining attendance in recent years, you have relocated the team, and the former Orlando Sharks will now be the San Antonio Sharks, located in—you guessed it!—San Antonio, Texas.

Your team will essentially be starting fresh next year in terms of building a fan base. However, you have recently seen the success of the Las Vegas Golden Knights, a National Hockey League expansion team, and this has made you confident that San Antonio will welcome your team with open arms. However, you still are prioritizing an 18-game regular season, as you want new fans to have as many opportunities as possible to see and support your team in their first season. You are also prioritizing the franchise tag and stadium credits. You are currently unsure how players will feel about staying or playing for a team in San Antonio, and this is why you want to ensure that you can keep your best player around by using the franchise tag. Lastly, since you are building a completely new stadium, which is expected to cost close to US$2 billion,[[3]](#footnote-4) you want to ensure that you can share as much of the cost as possible with the players through the use of stadium credits.

KEY ISSUES

Drug Testing

You feel that the current restrictions and punishments for using cannabis as a recovery tool are inappropriate, as you are aware of the bodily harm players incur on a daily basis. Since you are a very hands-on owner and enjoy socializing with the players, you hear first-hand about the pain that they are in, and you know that many of them are talking about cannabis as a tremendous healing tool. As a result, you would like to see a re-evaluation of the current punishments for cannabis use and a more lenient approach.

Expansion of the Regular Season

This is an issue you are placing high priority on, as your team is relocating to a new city and needs as many games as possible to ensure fans’ interest in the team. With the addition of more games, the team’s revenue will also increase through the sale of television rights for two extra games and a higher volume of ticket sales.

Commissioner Discipline

In your tenure as owner, you have rarely had to deal with the commissioner in a scenario regarding player discipline, and the majority of players on your team have faced no disciplinary issues over the course of their careers. For these reasons, you would rather focus on more pressing issues. You are aware, however, that many people feel strongly that the commissioner should be removed from overseeing issues of player discipline, so you would be willing to make concessions here.[[4]](#footnote-5)

Fully Funded Rule

All owners will want to keep the fully funded rule, as it allows them to deny players more guaranteed salaries. Since you are aware that a serious injury could occur at any time, on any play in an NFL game, you would like the fully funded rule to remain as it is to avoid having to pay more guaranteed money to an injured player.[[5]](#footnote-6)

Franchise Tag

The franchise tag was established to give smaller-market teams the opportunity to retain their best players, in hopes that they would sign long-term deals instead of fleeing to bigger-market teams. In your team’s situation, you will be relocating to a new city, where no NFL players have previously played. This means that you have no indication of how the players will feel about staying on your team once their contracts end. Due to this uncertainty, you are making ensuring the franchise tag stays in place a priority in order to ensure that you know your best player will be moving with you to San Antonio.

Revenue Split

Since you are relocating your team and have to deal with building a new stadium and developing a new fan base, you believe that the split should be changed to give owners a bigger share of total revenue. You believe that a split of 55 per cent of league revenue for owners and 45 per cent for players would be appropriate. Since you are the one funding a majority of the team’s operations and you own the entire organization, it makes sense to you to increase the split to favour the owners more strongly.

Stadium Credits

This issue is a high priority for you, as you are building an entirely new stadium, which is estimated to cost $2 billion to complete. You would love to be able to take stadium credits from the players’ portion of the revenue share to fund a portion of this new cost instead of paying for the majority of it yourself. Ideally, you would like to see stadium credits of 5 per cent built into this next collective bargaining agreement (CBA).

Rookie Wage Scale

This is another issue where all owners will agree: all owners will want to keep the rookie wage scale at its current level. By paying reduced salaries for rookie players, NFL teams are then able to pay veteran players reduced salaries as well. This enables teams to “underpay” both rookie and veteran players, which saves the team money and allows them to pay more to get all-star-calibre players.[[6]](#footnote-7)

summary

You really do not want to face a work stoppage in this round of contract negotiations because that would leave all owners without a revenue stream until a deal is reached. There is also a risk of negative publicity if a deal is not made in a timely manner. However, as an owners’ representative, you know that you have to be firm when needed but also willing to make concessions throughout the negotiations. This means that, while you would not do so happily, you are willing to resort to a lockout if the players refuse to make concessions on the issues that matter most to the owners.

The NFL Players Association and NFL owners will have their first meeting to start negotiating the new CBA very soon. You want the other members on the owners’ side to see the importance of the issues you have prioritized, and you will try to influence their decisions prior to the meeting.

1. The individuals and teams named in this exercise have been created solely for the purpose of this exercise, they are not affiliated with the National Football League in any way. [↑](#footnote-ref-2)
2. Tim Keown, “Just Live Up to Your Dad's Name and Solve the NFL's L.A. Problem, Baby!,” ESPN, October 14, 2014, accessed October 1, 2020, [www.espn.com/nfl/story/\_/id/13735322/are-mark-davis-raiders-leaving-oakland](http://www.espn.com/nfl/story/_/id/13735322/are-mark-davis-raiders-leaving-oakland). [↑](#footnote-ref-3)
3. All dollar amounts are in US dollars. [↑](#footnote-ref-4)
4. Mark Maske, “NFL Owners Willing to Cut Roger Goodell’s Disciplinary Power, Make Marijuana Concessions,” *Denver Post*, October 19, 2019, accessed October 10, 2020, www.denverpost.com/2019/10/19/nfl-owners-roger-goodell-marijuana/. [↑](#footnote-ref-5)
5. Dom Cosentino, “Why Only the NFL Doesn't Guarantee Contracts,” Deadspin, August 1, 2017, accessed October 10, 2020, https://deadspin.com/why-only-the-nfl-doesnt-guarantee-contracts-1797020799. [↑](#footnote-ref-6)
6. Tyson Langland, “How Rookie Wage Scale Has Changed the Way NFL Teams Draft,” Bleacher Report, April 8, 2014, accessed October 10, 2020, https://bleacherreport.com/articles/2021239-how-rookie-wage-scale-has-changed-the-way-nfl-teams-draft. [↑](#footnote-ref-7)