THE BUSINESS OF SPORTS

B8687 - Fall 2016

Tuesday 5:45pm – 9:00pm

Warren Hall Room 208

Professor Salvatore Galatioto Professor Sunil Gulati

Adjunct Associate Professor Hours: M: 10a-11a; W: 11a-12p

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Professor Mark Broadie Professor Jonathan Knee

Carson Family Professor of Business Hours: 4pm-5pm on Tuesday

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Course Description

The course surveys a number of the drivers of contemporary sports business. The class will consider a mix of theoretical and applied approaches to understanding the underlying business dynamics of the industry.

Among the topics, the course will explore league structure, valuation methodologies, statistics, labor relations, fantasy sports and sports as media content. The course will be taught by four faculty members with diverse backgrounds and areas of expertise. Grading will be through a combination of class project, class participation, homework and a final.

Course Outline

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| Session 1 | Intro to Business of Sports |
| **September 6th** Professor Knee | Topics:(1) Class overview and organization(2) History of sports business and player economicsCases: Bharat N. Anand and Kate Altea, International Management Group (IMG), Harvard Business School case 9-702-409, Sept. 16, 2002Reading: Malcolm Gladwell, “Talent Grab,” New Yorker, Oct. 11, 2010 |
| Session 2 | Intro to Sports Economics and Industry Structure  |
| September 13thProfessor Gulati | Topics:(1) Microeconomics and sports(2) The structure of professional sports in the U.S. Reading: Online Quiz 1 due |
| Session 3 | Soccer — Domestic and International |
| September 20thProfessor Gulati | Topics:(1) The Institutional Landscape(2) MLS and Euro SoccerCases:Reading:Guest:Online Quiz 2 due |
| Session 4 | Major League Baseball |
| September 27thProfessor Galatioto | Topics:(1) History and background of MLB. (2) Concentration on the economic issues and challenges facing baseball, specifically the disparity in revenues between large market and small market teams and labor issues.Case: The Texas Rangers Bankruptcy: “Limits to MLB’s Power or The Object That Would Not Be Moved”Guest: A Guest Speaker will discuss the challenges and opportunities in MLB. |
| Session 5 | National Football League |
| October 4thProfessor Galatioto | Topics:(1) NFL overview discussing the collective bargaining agreement, league economics, franchise values. Case: The Globalization of the NFLGuest: A Guest Speaker will discuss the NFL and its future.  |
| Session 6 | Professional Sports Franchise Valuation Methodology and Leadership Discussion |
| October 11thProfessor Galatioto | Topics:(1) What makes a successful franchise, manager, general manager, coach, etc.?Cases: *(1) San Francisco Giants**(2) Bill Belichick and the Cleveland Browns*Guest: A Guest Speaker will give a presentation on the valuation of sports franchises.Class Project/M&A Exercise Begins |
| Session 7 | National Basketball Association |
| November 1stProfessor Galatioto | Topics:(1) Overview of the NBA, including labor relations, valuation and financing techniques.(2) Basketball as an expanding international sport. The increase of interest of foreign buyers in the NBA.Guest: A Guest Speaker will discuss the collective bargaining agreement, labor negotiating, etc. |
| Session 8 | National Hockey League |
| November 15thProfessor Galatioto | Topics:(1) Overview of the NHL, including labor relations and opportunities and challenges facing the NHL, as well as valuation and franchise financing techniques.(2) Analysis of M&A exercise.Cases:*(1) Negotiating on Thin Ice: The 2004-2005 NHL Dispute**(2) The Chicago Blackhawks: Greatest* Sports Business Turnaround Ever?Guest: A Guest Speaker will discuss the challenges and opportunities in the NHL.Class Project/M&A Exercise Due |
| Session 9 | The Role of Analytics in Sports  |
| November 22ndProfessor Broadie | Topics:(1) Overview of analytics in sports (2) Decision making in sports(3) Creating an analytics-driven baseball organizationCases:Reading: (1) Notes on Decision Making in Sports (2) Portions of the book The Extra 2% by Jonah KeriGuest: Stuart Sternberg, owner of the Tampa Bay Rays |
| Session 10 | Fantasy Sports  |
| November 29thProfessor Broadie | Topics: (1) Overview of fantasy sports(2) Analytics of fantasy sports(3) Valuation of a fantasy sports businessCases: Valuation of FanDuel (CBS Caseworks case)Reading: Guest: Dan Singer, McKinseyOnline Quiz 3 due |
| Session 11 | Sports Media |
| December 6th Professor Knee | Topics:(1) Media rights drivers and characteristics (2) Emergence of RSNs and SVODCases: 1. *Victoria Chavez and George Foster, Fox Sports and News Corp., Sports Empire, Stanford Graduate School of Business – Case SPM-10, September 3, 2003*
2. *Norm O’Reilly and George Foster, The Rise of the Regional Sports Network Content Ownership in an Ever-Changing World: The Yes Network in 2009, Stanford Graduate School of Business – Case SPM-44, November 1, 2011*

Readings:Guest: Leo Hindrey, former CEO, YES NetworkOnline Quiz 4 due |
| Session 12 | Summary and Conclusions |
| December 13th Professor Gulati | Topics: International Events(1) International Events: World Cup/Olympics(2) FIFA—The Path Forward(3) What’s next?Cases:Reading:Guest: Panel discussion with Professors Galatioto, Broadie and KneeOnline Quiz 5 due |

Method of Evaluation

Class Project 35%

Class Participation 20%

Homework 20%

Final 25%

Class project – The class will be broken up into buy-side teams and will negotiate the acquisition of a professional sports franchise.  On October 11 (Session 6) teams will be assigned and provided with financial information for a sports team, as well as personal financial information for each member of the group and valuation data for the league. On October 18 the teams will submit their first round bids and analysis in a Powerpoint presentation, which will be graded based on the best reasoning and logic for their respective bids. At that point, four semi-finalist teams will be chosen to move to the next round. They will be given 48 hours (October 20) to refresh their bids. Two finalist bidder teams will be chosen to move to the final round. The two finalist teams will negotiate a final Purchase & Sale Agreement on a date to be agreed with the two finalist teams, and the winner will be determined.

Class participation – will be monitored by all faculty in collaboration with the TA throughout the semester

Homework and final - 45% of the grade will be based on the results of five homework questions (20%) that will be due by the start (5:45 p.m.) of selected classes specified on the syllabus and a take home final (25%). These will both be submitted through canvas and must be done independently. In addition to assigned readings, any outside materials can be used to answer questions, although the class materials should be sufficient to determine the correct answers.