THE BUSINESS OF SPORTS

B8687 - Fall 2017

Tuesday 5:45pm – 9:00pm

Room: WJW 208

Professor Salvatore Galatioto Professor Sunil Gulati Professor Jonathan Knee

Adjunct Associate Professor Hours: M: 10a-11a; W: 11a-12p Hours: 4pm-5pm on TuesdayHours: by appointment Office: 1001C Intl Affairs Bldg Office: 312 Uris

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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 5th**  Professor Knee | Topics:  (1) Class overview and organization  (2) History of sports business and player economics  Cases: Bharat N. Anand and Kate Altea, International Management Group (IMG), Harvard Business School case 9-702-409, Sept. 16, 2002  ***Reading***:  (1) Malcolm Gladwell, “Talent Grab,” New Yorker, Oct. 11, 2010(2) Jonathan Knee, "'Powerhouse' Lifts Veil on Secretive Hollywood  Agency," New York Times, August 8, 2016. (3) Bruin Sports Capital website, [www.bruinsportcapital.com](http://www.bruinsportcapital.com)  Guest: George Pyne, founder and CEO, Bruin Sport Capital, former President, IMG Sports and Entertainment. |
| Session 2 | Intro to Sports Economics and Industry Structure |
| September 12th  Professor Gulati | Topics:  (1) Microeconomics and sports  (2) The structure of professional sports in the U.S.  Reading:  (1)Richard H. Thaler, “Anomalies: The Winner's Curse***.***” *The Journal of Economic Perspectives*, Vol. 2, No. 1. (Winter, 1988), pp. 191-202.  (2) Simon Rottenberg “The Baseball Players' Labor Market.” *The Journal of Political Economy*, 1956.  Online Quiz 1 due |
| Session 3 | Media |
| September 19th  *Professor Gulati*  Professor Knee | Topics:  (1) Cost and exploitation of sports rights  Cases:   1. *Victoria Chavez and George Foster, Fox Sports and News Corp., Sports Empire, Stanford Graduate School of Business – Case SPM-10, September 3, 2003*   Reading:  Guest:  Online Quiz 2 due |
| Session 4 | Sponsorship/Ticketing |
| September 26th  *Professor Gulati*  Professor Knee | Topics: Sports sponsorship and marketing dynamics  Case: Stephen Geyser, ‘I Lost My Volvo in New Haven’: Tennis Event Sponsorship, Harvard Business School Case 9-599-037, August 10, 2004  Reading:  Guest: Kathy Carter, President, Soccer United Marketing |
| Session 5 | Major League Baseball |
| **October 3rd**  Professor 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.  Cases:  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 6 | National Football League |
| October 10th  Professor Galatioto | Topics:  (1) NFL overview discussing the collective bargaining agreement, league economics, franchise values.  Case: The Globalization of the NFL  Guest: A Guest Speaker will discuss the NFL and its future. |
| Session 7 | Professional Sports Franchise Valuation Methodology and Leadership Discussion |
| October 31st  Professor 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 8 | National Basketball Association |
| November 14th  Professor 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 9 | National Hockey League |
| November 21st  Professor 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 10 | Soccer — Domestic and International |
| November 28th  Professor Gulati | Topics:  (1) The Institutional Landscape  (2) MLS and Euro Soccer  Cases:  Reading:  (1)Stefan Szymanski, “The Economic Design of Sporting Contests.” *Journal of Economic Literature*, Vol. 41 (Dec., 2003), pp. 1137-1187.  (2) Jeffery Borland and Robert Macdonald, “Demand for Sport.” *Oxford Review of Economic Policy*, Vol. 19, No. 4 (2003), pp. 478-502.  Guest: |
| Session 11 | The Future of Media |
| December 5th  Professor Knee | Topics:  (1) Emergence of RSNs and SVOD  Cases:   1. *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 Network  Online Quiz 4 due |
| Session 12 | Summary and Conclusions |
| December 12th  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 Gulati, Galatioto and Knee  Online 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 (6-7 members) that will negotiate the acquisition of a professional sports franchise.  On October 31 (Session 7), the 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 November 20 (the day before Session 9), the teams will submit their first round bids and analysis in a PowerPoint presentation (due 5:00 p.m.), which will be graded based on the best reasoning and logic for their respective bids. After the submissions are reviewed, four semi-finalist teams will be chosen to move to the next round. The semifinalist teams will be given 48 hours to refresh their bids once they are notified of their selection. 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.