

Competing on Wits and Smarts

Written by {ga=gdbenz}

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If you're less a fan of the games on the field and more a fan of what goes on behind the scenes in professional sports, then this is your time.

The NFL and its players have been going at it hammer and tong for several months and just now seem poised to solve their labor problems before anything more than the Hall of Fame exhibition game is lost. The NBA and its players aren't so much going at it hammer and tong as they are attacking each other in a high schoolish passive/aggressive fashion but are likely months before they even start addressing their real problems let alone solving them. Don't bet against an entire NBA season being lost.

And now baseball, with its collective bargaining agreement set to expire on December 11, is set to enter the fray of public negotiations. No one seems to be talking about a strike or a lockout in baseball but yet it has perhaps the most turbulent history of labor relations so don't bet against some sort of labor action in that sport either.

While the issues certainly aren't the same in each sport, they are connected by money or, more specifically, revenue: how much is there and how do we divide it?

If the parties in the baseball and basketball disputes were smart, they'd take notice of what's happening in football and adapt accordingly. But basketball has never been that smart about how they go about their business and baseball even less so. Thus when both of those disputes inevitably conclude, whenever that is, basketball will have found a way to kick the can down the road for a few more years, like the nation's debt problem, while baseball owners will once again knuckle under to the players while convincing themselves that their problems have been solved.

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The real lesson emerging from the football negotiations is that the overall health of the league is tied more to cost certainty for all of its owners than it is to allowing a few "super" franchises to thrive. Football has learned that it's not just about the fans in cities with franchises. It's about hooking in the millions of fans outside of these cities and the best way to do it is by forcing the teams to compete on brains and not dough.

For example, in the NFL negotiations the dispute isn't just about dividing the overall revenue pie, although that's certainly been a key topic. It's also about all the little things that have big financial ramifications that have caused the owners angst for years.

It seems like the owners and players solved the big revenue issue a few weeks ago and yet as they put the finishing touches on a new, multi-year agreement the remaining revenue issues were rookie salary caps and how many rights of first refusal the owners could exercise on their potential free agents.

If reports coming from the negotiations are true, it looks as though the players have given in on the rookie salary cap in some fashion and the owners have all but abandoned the concept of right of first refusal, except for one "franchise" player per team. The resolution of both of these issues make sense, at least from a business perspective.

A rookie salary cap does two things. It gets younger players into camp more quickly and it helps keep costs in line while making future increases far more predictable. Understanding your costs not just on a near term but on a long term basis is important for any business. The explosion in rookie salaries has been a thorn in football's side for too long and it looks like the owners will mostly be getting the relief they've long sought.

When it comes to free agency, all the new rules seem to have done is institutionalize the way the more successful teams have operated for years. Every year it seems like both the New England Patriots and the Pittsburgh Steelers turn over half their rosters and let some of their more valuable players leave via free agency. And every year puzzled writers seem to write those teams off as a result only to see them once again deep in the playoffs at year's end.

What those teams learned long ago is that the right mix in football is to concentrate your more expensive investments in just a handful of players and then replace the more fungible aging,

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expensive veterans with younger, cheaper versions. There may be some production drop off in following that script, but it never seems to be enough to keep either team out of the playoffs for long.

Players always seem to crave absolute free agency as if it's their sport's Holy Grail. But with a hard salary cap in place, an economic recession that caused many teams to realize that the good times indeed don't always roll and a stronger group of owners, there's little likelihood that free agency in football will lead to crippling salary growth.

In the end, what you're left with in football is a a sustainable business model that forces teams to compete on wit and smarts and not on money. If the Cleveland Browns aren't a successful franchise under the coming structure, then it's because they continue to make bad personnel decisions and not because they got out spent. That's how it should be.

As obvious as that lesson is, whether it will take in both basketball and baseball is far less certain. But of the two sports, I hold out more hope for basketball.

If David Stern really does rule his sport with an iron fist, then he'll keep the league in shut down mode until it gets its house in order. What's plaguing the sport is a salary cap that no one can quite fully figure out. It isn't just all the loopholes that's the problem. It's the fact that the cap can be exceeded by simply paying a luxury tax and that's just what the big market teams have been doing for years. The thought initially was that teams wouldn't want to pay the tax. What's played out is that basketball has slowly but surely become a version of baseball where well financed owners in bigger markets are dominating the sport. That's not how it was supposed to be.

The short-sighted union sees the huge salary growth and doesn't want it to be checked in any way. But watching how all the small market teams are struggling and will continue to do so should be enough of an incentive to recognize that their long term future is tied more to the health of the league overall and less to the health of a few key franchises. In more ways than a few, basketball has essentially morphed into a winter version of major league baseball.

And baseball? Don't get your hopes up. The best way to illustrate baseball's financial problems is to look in our own backyard, at the Cleveland Indians. For many of the right reasons, the Indians are well into July and still fighting for first place. But anyone who pays attention at least

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a little understands that the holes in the Indians' roster are going to keep it from getting over the threshold unless they're addressed.

The problem that club president Mark Shapiro and general manager Chris Antonetti face is that baseball's lack of financial controls makes it difficult for teams like the Indians to make a push late in the season. Sure, the Indians can go after a handful of free-agents-to-be and rent them for a stretch run. All it costs is money.

But the Indians, as one of the many small market teams with owners who aren't nearly as well off financially as others, can't just toss around money without consequence. Spend now and it will have an impact on next year's budget. An even worse scenario is to make a trade for a productive big name that will cost you the lifeblood of the future—your key minor leaguers.

Everyone wants to make a run now, including Shapiro and Antonetti. But it's they and not the fans that have to live with the consequences if that run isn't successful. And even if it is, it still comes at the expense of the future. They sit in a perpetual "no win" situation.

Teams like the Yankees, on the other hand, can and have papered over their multitude of mistakes with even more money generated by operating in a major market in a league without any real restraints. It's been that way for years, of course and baseball, under Bud Selig, has always paid lip service to the problems.

What's really happened in both basketball and baseball is that some teams, meaning those in small markets, are forced to try and compete on wits and smarts while other teams, meaning those in major markets, get to add an open checkbook to the equation. It has hurt the competitive balance of both leagues and ultimately has hurt the experience for the fans.

If you want to root for the right outcome in each of these sports' labor disputes, then don't focus on the near term games that might get canceled. Focus instead on an outcome that assures that each team in the league can compete on the same terms as the others. It's the only way to give every team a real chance at success.