

## **Final Round – Eye of the Storm**

### **JUDGES' SUMMARY**

*N.B. These specifics are provided to give you background and guidance in evaluating the teams. There are few rigid, “right” or “wrong” answers to negotiating problems. Some moves by negotiators may be poorly thought out or based on a misunderstanding of the facts or violate specific instructions from their clients. Those should cause you to grade that team poorly. Conversely, some moves by negotiators may be especially well planned, based on a complete mastery of not only the facts, but an understanding of their client’s real-world interests, and may meet their client’s interests in a creative way. Those characteristics should cause you to grade those highly. In between, there are myriad of behaviors that you will need to use your best judgment on: how effective was the negotiator in representing his client’s interests.*

#### **Background:**

The final round involves a coaching contract negotiation between the Seattle Storm, a team in the Women’s National Basketball Association (WNBA), and former University of Tennessee men’s basketball head coach, Bruce Pearl. The Storm is one of the WNBA’s premier franchises. Pearl has been out of the coaching ranks since he was removed from Tennessee following a recruiting scandal. While the Storm will not be able to compensate Pearl at the level he was paid at Tennessee, Pearl will be flexible, but only if he is being paid at the level of an above-average WNBA coach. The Storm have flexibility to offer Pearl additional compensation in the form of housing allowances and marketing and performance incentives, but Pearl will only accept those bonuses that he considers attainable.

Each side would like the other to commit to four years, but be able to opt out after two years. Ideally, the Storm wants Pearl to be there for 3-4 years until their star player, Sue Bird, retires and can take over coaching. Pearl on the other hand is looking at the Storm job as a way of rehabilitating his image so that he can go on to more lucrative coaching positions in college basketball (either men’s or women’s) or the NBA. The most challenging part of the negotiation will be to work out some way for these interests to be accommodated. Each team has been instructed on what their client’s interests are and an indication to be somewhat flexible, but not given any proposed solutions. The authors of the problem expect that the good teams that make the finals will come up with creative solutions that will bridge a substantial potential incompatibility over the opt-out provisions.

**Issues and Client Instructions:**

	<b><u>Bruce Pearl</u></b>	<b><u>Seattle Storm</u></b>
<b>Length of the Contract</b>	Wants a contract with enough job security to justify moving cross-country. Must be at least four years.	Does not want to be stuck with a bad fit at head coach and would prefer to sign contract for 2-3 years. Willing to add club options up to a maximum of a five year commitment. The Storm would like veteran Sue Bird to be the eventual head coach once her career ends (3-4 years) but would prefer she spend a year as an assistant before taking over as head coach.
<b>Opt-Out Clause</b>	While job security is important, having the flexibility to be open to future opportunities is more important. Would like an opt-out after the second year so he can pursue opportunities back in the NCAA. Willing to trade financial compensation for this right and willing to accept certain conditions to allow this clause to happen.	Does not want Pearl to be able to leave early in his contract if they are going to give him an above-average financial commitment. Only willing to accept opt-out clause if Pearl is willing to give the team substantial monetary compensation and prove that his departure is not just about getting more money elsewhere.
<b>Total Compensation</b>	Must be higher than \$415,000 in total compensation, and all bonuses within that figure must be what he considers "attainable"	Cannot exceed \$400,000, not including housing, marketing job and \$10,000 moving allowance.
<b>Base Salary</b>	Base salary should be as high as possible but Pearl is willing to work with the Storm to find other ways to increase total compensation	Would prefer base salary of \$200K; cannot exceed \$300K
<b>Marketing Bonuses</b>	Marketing bonuses are ok as long as it doesn't take away from other commitments with coaching, the radio program and the JCC	Willing to provide \$25,000 incentive for attending 20 community events, unless he takes the marketing job (below)

<p style="text-align: center;"><b>Other Compensation</b></p>	<p style="text-align: center;">Willing to accept other bonuses (travel or part time marketing job), but they cannot conflict with his length of the contract interests and his work with Sirius/XM and the JCC.</p>	<p style="text-align: center;">\$50,000 playoff bonus automatically provided by the league; Storm will match. Also willing to provide \$30,000/yr housing allowance OR \$50,000/year marketing job, but neither are available if Pearl can end contract early</p>
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**Deals Possible:**

As can be seen from the grid of issues, it should be relatively easy to work out the monetary issues. Pearl wants more than \$415,000 in total compensation and the Storm can offer a base salary of up to \$300K, plus marketing incentives of \$25-50K, plus \$50K match of playoff bonuses (total value arguably \$100K with the match) plus a possible housing allowance, plus a \$10,000 moving allowance. If the league playoff bonus and Storm match are counted, then the total package could be as much as \$450K. This would still fit within the Storm’s limitation of no more than \$400K when it is considered that \$50K of this is from the league and thus the cost to the Storm is only \$400 K and the housing allowance and/or marketing job do not count toward the \$400 K figure either.

On the other hand, it seems unlikely that the teams can reach a final deal at the table concerning the contract length and opt-out provisions. Their clients have not given them specific enough instructions that they should feel comfortable making a deal without client approval. The Storm has somewhat conflicting goals – they would like to be able to get out of the deal if Pearl does not work out well, but they would prefer to have a four-year commitment from Pearl so that if he does do well as coach, they can use him to facilitate the transition to Sue Bird as first assistant coach and then head coach. The Storm’s negotiators have been instructed that they may be willing to give Pearl an opt-out after two years if they receive compensation if he exercises it and if it is limited to exceptional offers and not just anything that pays more money.

Pearl also has conflicting motivations, he does not want to move across the country for a two-year job (even though his daughter is starting college in Oregon and he would like to see her play basketball there). Thus, he would like to get a commitment from the Storm for four years. But he doesn’t want to be locked into four years in case a really good offer comes from a college program, either men’s or women’s. He has instructed his negotiators that they can agree to (1) some limitations on which deals he could accept after two years and (2) some compensation to the Storm if he does opt out.

The instructions are deliberately vague to test the teams' ability to be creative. The authors thought of a clause limiting Pearl to accepting offers from 5 pre-designated college teams and requiring that Pearl pay a full year's compensation to the Storm so that they can hire someone to replace him. But we don't want to limit the creativity of the teams in trying to reach the structure of a deal to take back to their clients. We don't think that it would be prudent for either side to bind themselves with so little guidance from their clients. Any team that agrees to a proposal should be probably judged adversely on outcome and effectiveness unless they come up with a very good explanation of why they need not check the details out with their clients.

In judging the round, you should be aware that the teams got the confidential facts last night around 6pm so they had only about 14 hours to come up with strategies and solutions. But these are the top four teams out of the 40 that entered the preliminary rounds and we believe that they should be able to agree on creative approaches to take back to their clients.