**Teaching Note**

**The Football Transfer**

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1. Summary

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| **Difficulty Level** |  | 5 ( Scale of 1 to 7) |
|  |  |  |
| **Group Size** |  | 4 |
|  |  |  |
| **Teaching Points** |  | Agent-Principal problems in negotiation |
|  |  | Importance of coordination and sharing of interests within a team during a team negotiation. |
|  |  | Difficulty of effective lie detection |
|  |  | Value of sustainable relationships and building trust |
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| **Target Audience** |  | Generic (any student of negotiation) |
| **Materials** |  | General information and 4 individual roles  |
|  |  |  |
| **Time Required** |  | 3 hours in total |
|  |  | 15 mins to read the role materials |
|  |  | 30 mins to prepare with partner |
|  |  | 60 mins of team vs team negotiation |
|  |  | 20 mins for instructor to input results and compute scores |
|  |  | 55 mins of debrief |

1. About the Case
	1. General Storyline

David Sosa is a top football player who plays for Greenpark Football Club, a top club in England. The team is coached by the legendary Adam Knight and run by CEO Anna Smith. David is represented by the celebrity agent Jeremy Manuel.

A top club in Spain, Garcia FC, has called Jeremy, and informed him that they are interested in the services of the David Sosa and are willing to double the player’s pay. Jeremy, excited about the news, calls David and informs him of Garcia’s interest and also invites Greenpark’s Coach and CEO to the table to have a discussion about David’s future.

Prior to this meeting, David & Jeremy, and Anna & Adam, have a discussion as two individual teams to prepare their respective strategies. These ‘intra-team’ discussions could be very interesting since the pairs of individuals, even though ostensibly on the same side, have varying interests they may or may not reveal to each other.

At the end of the final discussion, the four individuals involved have to come up with a unanimous decision that permits the player to stay at Greenpark FC, or else the player leaves for Garcia FC. The two situations in which the consent of all four individuals is not required, is if (1) the player chooses not to attend the final negotiation or (2) the agent is fired by the player or quits. In such cases the consent of the three remaining parties is sufficient for a decision.

* 1. David Sosa

David, the footballer in question, has been at Greenpark FC ever since he was a teenager. He is loved by everyone at the club, including the fans and has always been grateful for everything the club has done for him. He is likewise grateful to Jeremy, who has been with him since the beginning of his career, and trusts him to secure the best possible deal on his behalf. David is open to a move to Garcia FC, but his first preference is to stay at Greenpark and build on the reputation that he has built for himself all these years. The student with the role of David has the option to choose not to attend the meeting with the CEO and Coach if he completely trusts Jeremy.

* 1. Jeremy Manuel

Jeremy is a celebrity agent with a big reputation and David is one of his most prestigious clients. In the football industry, the agent is only as good as his last deal and therefore it is vital that Jeremy gets the best deal possible for his client. He is open to both the player moving to Garcia FC or staying at Greenpark FC. Having said that, his personal interests are quite different to those of David and there is a possibility that he negotiates a deal that will enhance his own reputation rather than serve David’s best interests.

* 1. Anna Smith

As CEO of Greenpark FC, Anna is assigned the task of ensuring on-the-pitch success, while maintaining profitability and marketability of the club. In order to achieve these goals, she would like to retain the services of David Sosa. She also has to ensure that she maintains a cordial relationship with Adam Knight, the powerful coach of Greenpark FC, whose cooperation she needs in order to retain David and at the same time control financial costs for the club.

* 1. Adam Knight

Adam Knight is a renowned coach in the world of football. His main interest lies in success on the pitch and he does not consider the board room to be his field of play. Though he is angry at receiving information about David contemplating a change of club, he knows that keeping David is vital for Greenpark’s success. Though he enjoys an elevated status at Greenpark FC, he knows that the consent of his boss, the CEO, is vital to any decision that is made during the meeting with David and Jeremy. Overall, the coach is way more desperate to retain David than CEO Anna Smith, who receives the consolation prize of a £65m transfer fee from Spanish team FC Garcia (something she may or may not reveal to Knight).

1. Individual Interests of The Parties Involved

The four individuals have different interests related to the various issues to be negotiated and therefore different payoff structures. The following is a listing of the issues and the underlying interests of the parties involved:

* 1. David’s Weekly Salary

The player wants Greenpark to match Garcia’s offer of 250k and does not care much beyond that, gaining relatively few points from further increases in salary. The coach wants an increase in salary in the middle of the range of options in order to retain David but avoid political and motivational problems on the team stemming from huge inequalities in pay. The CEO wants to pay the player as little as possible to maximize financial profits for the club. The agent wants the salary as high as possible to maximize his commission and gets extra points for negotiating a world-class salary which would add to his celebrity. The agent suffers a huge penalty in points if the player’s salary stagnates at its current level well below market, since what kind of celebrity agent cannot even get a pay increase for a star player with a lucrative outside offer?

* 1. David’s Playing Position

The player prefers to play midfield but is somewhat open to shifting entirely to striker, so long as he can focus on one position and really hone his skills. Both the CEO and his own agent want him to play as a striker as much as possible to increase his marketability. The coach prefers to test him out as a striker part time or otherwise prefers for David to stay as a midfielder.

* 1. Investment in New Players

The player and coach want the club to invest in new players so they can compete for more trophies, the bigger the budget the better. The CEO also wants to be more competitive and has £75 million budget for salaries for new players, but doesn’t want to go higher since it would really stretch the club’s financial means to spend £100 million. The agent prefers the club not hire more star players since this will reduce his ability to get pay raises and star billing for David.

* 1. Job for Marina (David’s Girlfriend)

The player wants a job in London for his girlfriend Marina. The CEO would be delighted to help her obtain a position at the London office of their apparel sponsor, since she recognizes Marina is a talented designer. The agent would strongly prefer Marina not get the job, and instead move to Milan and hopefully break up with David, since she has repeatedly badmouthed Jeremy as a “lowlife parasite.” The coach is indifferent as to whether Marina is hired but is happy to have the team help her get a job if that keeps David at Greenpark.

* 1. Does Jeremy Keep His Job?

The agent will suffer a huge loss of points if the player fires him, but firing the agent would cost the player comparatively little in value. The CEO and coach gain points if the agent is fired since they are finally rid of the hated parasite Jeremy Manuel! The CEO hates Jeremy much more than the coach and gets more points if he is dismissed.

1. Teaching Points for Debrief
	1. Agent-Principal Problems

An agent-principal problem occurs when one person (the agent) can make decisions on behalf of another (the principal), and has different underlying interests and better information (Jensen et al., 1976). It is rare for different individuals’ incentive structures to be perfectly aligned, and agent-principal problems are pervasive in organizational life.

One empirical example is real estate agents leaving their own houses on the market much longer than they do for their clients, since their incentive is to complete deals for their clients quickly so they can collect more commissions (Rutherford et al., 2005). Another example is that CEOs tend to inflate their own pay when industry conditions are generally good and oversight is weak (Bertrand & Mullainathan, 2001).

There are two major agent-principal problems in The Football Transfer. First, Jeremy’s interests are often different from David, the person he is ostensibly representing. Jeremy cares more about salary than David because it directly affects his commission and prestige, and may push for a higher salary even if David could get more value through other means. David wants to play as a midfielder, but Jeremy wants him to be a striker to increase his market value. Finally, Jeremy secretly does not want Marina to get the job in London that David wants for her!

Second, the Coach (Adam Knight) has different interests from the CEO (Anna Smith), despite ostensibly representing the club together with her. Knight has no motivation to keep David’s salary low, even though that is in the club’s financial best interest. He also does not want David to play as a striker, even though that would serve the club’s marketing needs. Finally, Knight wants the club to make major investments in new players, which costs him nothing, and helps him win games and keep his job.

Means of addressing agency problems include commissions, profit sharing, performance evaluations, and the threat of termination.

* 1. Difficulty of Lie Detection

Detecting deception on the part of others is difficult, with human beings on average exhibiting barely above chance accuracy. Humans show 54% accuracy at distinguishing lies from truth, when 50% would be chance level (Bond & DePaulo, 2006). We are overconfident regarding our ability to detect deception in others, and yet deception is everywhere.

* 1. The Value of Sustainable Relationships

In the short term, deception and non-cooperation can be a rational self-interested strategy that allows the individual to claim value at the expense of others. But in the long term, research shows that “fairness finishes first” as individuals with positive reputations thrive and the bad reputation of deception and dishonest individuals catches up with them (Rand et al., 2013). Inspiring trust in in those who work with you is the best long term predictor of success in organizations (see Manzoni and Barsoux, 2007, for a review). Thus, the best long-term professional strategy is to develop sustainable relationships and a reputation for trustworthiness.

* 1. Teams are not Unidimensional

Teams have an advantage over individuals in both creating and claiming value during negotiations, but only if they show high coordination and act as one unit (Thompson et al., 1996). Team coordination is a particular challenge when different members of the same team have different interests and incentives. This highlights the importance of active preparation among team members in order to share interests and reduce chances of conflict among members during a team-on-team negotiation.

* 1. Negotiation Ethics

Agent-principal problems are a major source of ethical challenges in negotiation, since the negotiator’s personal self-interest (especially in the short term) can be at odds with their responsibility to serve the interests of those they represent. Three philosophical perspectives can be applied to the case.

*Consequentialism*. From this perspective, ethical acts are those that maximize good outcomes or utility (Mill, 1863/1998; Smart & Williams, 1973). An agent might justify serving his or her own interests rather than the principal on the grounds that the ends justify the means or that total value is maximized.

*Deontology*. From this perspective, ethics are a matter of principle and duty (Kant, 1796/1996). On this view, an agent might be considered duty-bound to represent the interests of his or her principal.

*Virtue theory*. This perspective asks what a good person would do (Aristotle, 4th Century B.C.E./1998; Hume, 1739/1888). A related notion is the *mirror test*, which asks how you would feel about your decision if you looked in the mirror afterward.

1. Flow of Class

The class session is dominated by the time students spend completing this lengthy multi-stage negotiation. If done in class, students will require 15 minutes to read the general information and their individual materials for their role. They should then be given 30 minutes to prepare with their partner (Player & Agent, Coach & CEO), which may turn into a heated negotiation itself as the parties have divergent payoff structures. This is followed by a 60 minute “team vs team” negotiation with all four counterparts together in the same room. It should take 20 mins for the instructor to input the point scores into the excel calculator and create the summary results figures for the class, and 55 minutes to complete the debrief lecture. If the instructor has an additional hour or more of class time, she can pair The Football Transfer role play with The Union Case (Bruno, Schweinsberg, Falcao, & Uhlmann), a discussion case that also focuses on agent-principal problems and negotiation ethics.

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