

Contracts for Professional Sports¹

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Making sure you are going to get enough

ABSTRACT

“Why could I not become a professional soccer player?” How many kids, how many students or teenagers have already thought of that? It is the dream of plenty of people who are passionate about their sport and already live for it. Especially when you hear about the top players’ salaries. “Let’s become a professional player and earn a living doing what I love to do: playing soccer”. Unfortunately, it is not as easy as it seems. Those top players represent the emerged part of the iceberg. Sports players who failed to be professional are much more plentiful. That is why making from your passion your own job is a tough career path. However, if you keep on working hard and you take the right decisions, it could be one the most lucrative job on earth. Neymar is currently earning the amount of 1 € per second, only with his salary (which doesn’t cover his sponsorship compensation and rewards). But people forget one thing. He is one of the best guys in his job! We are used to comparing us (and our wages) to them and to say, “he is paid too much, just to kick a ball around”. But Neymar is not a common guy, he is one of the best soccer players in the world and he is valuable.

Key words: Compensation, Contracts, Sports, Professional, Payment, Amateur

INTRODUCTION

Professional sports contracts are quite similar than contracts in everyday life. Athletes are compensated for their services against a payment. We can differentiate 3 professional sports contracts. The professional services contracts, the endorsement contracts and the appearance contracts.

You are going to be introduced to how to deal with contracts if you want to start a professional career. We will discuss more particularly the compensation part of the contracts. This part is important to handle for 2 reasons. Firstly, it will formalize the way you will earn money. And

¹ *Editor’s note: Student papers are authored by graduate or undergraduate students based on coursework at accredited universities or training programs. This paper was prepared as a deliverable for the course “International Contract Management” facilitated by Dr Paul D. Giammalvo of PT Mitratata Citragraha, Jakarta, Indonesia as an Adjunct Professor under contract to SKEMA Business School for the program Master of Science in Project and Programme Management and Business Development. <http://www.skema.edu/programmes/masters-of-science>. For more information on this global program (Lille and Paris in France; Belo Horizonte in Brazil), contact Dr Paul Gardiner, Global Programme Director, at paul.gardiner@skema.edu.*

then, this is one of the only parts of a professional contract which can differ from your teammates.

Step 1 - PROBLEMS / OPPORTUNITIES / OBJECTIVES

- What are the different Professional Sports Contracts?
- How can you earn a living by signing a Professional Sports Contract?
- How to be sure to earn enough when moving amateur to professional?

METHODOLOGY

Step 2 - FEASIBLE ALTERNATIVES

The aim is to assure athletes that they understand the relevance of alternatives:

1. The professional services contract
2. The endorsement contract
3. The appearance contract

Step 3 - DEVELOPMENT OF OUTCOMES AND CASH FLOWS FOR EACH ALTERNATIVE

1. The professional services contract

The professional services contract defines the duties and rights of a player and his team. This contract is also called “boilerplate” or standard player contract as the teams use and reuse the format and conditions to deliver to all athletes. Sometimes they don’t change anything from the document expect from the compensation and bonus parts. In some organizations, they even establish a baseline salary for very players, in others the team pays the player individually in an addendum to the contract.

2. The endorsement contract

An endorsement contract is a contract used to make the agreement between a contractor and an independent contractor, between an athlete or a player and a sponsor. Those contracts are written and signed to authorize a brand or a company to use a player’s name, image or likeness as an advertisement.

3. The appearance contract

The appearance contract sets out the specifics of the appearance of an athlete. It compensates the athlete only for its presence in a certain event such as sports event or public function. The contract must include the dates and times, length of appearance, who will be responsible for the transportation expenses and accommodations and of course how much the player will get paid for his appearance.

Step 4 - SELECTION OF CRITERIA

We are going to assess, measure and evaluate each of them through different attributes: duration, ease of breach for the 2 sides, Amount of compensation, ease of renegotiation and bonuses clause amount. And we will compare all the alternatives to some standard professional contracts we can find in the professional world. In that way, we could have a bigger picture on the question: Is it worth signing a professional contract?

Table 1. Multi-Attribute Decision Making

Selection Attributes	The professional services contract	The endorsement contract	The appearance contract
Duration	Medium	Low	Very Low
Ease of breach	Very High	High	High
Amount of compensation	High	High	High
Resolution of disputes	Medium	Very Low	Medium
Flexibility of negotiation	Medium	Low	Medium
Bonuses amount	High	Very Low	Very Low

FINDINGS

ANALYSIS AND COMPARISON OF THE ALTERNATIVES

In order to use compensatory models to analyze those alternatives, they will be represented quantitatively. To do so the relative options (Low, medium, high) will be turned into dimensionless values.

Table 2. Quantitative representation of the attributes

Attribute	Duration	Ease of breach	Compensation	Disputes	Negotiation	Bonuses
Very High	1	1	1	1	1	1
High	0.75	0.75	0.75	0.75	0.75	0.75
Medium	0.5	0.5	0.5	0.5	0.5	0.5
Low	0.25	0.25	0.25	0.25	0.25	0.25
Very Low	0	0	0	0	0	0

Thanks to this table, we can now replace the values to give a measurable approach to the Multi-Attribute Decision Making Matrix.

Table 3. Relative weighting

Selection Attributes	The professional services contract	The endorsement contract	The appearance contract
Duration	0.5	0.25	0
Ease of breach	1	0.75	0.75
Amount of compensation	0.75	0.75	0.75
Resolution of disputes	0.5	0	0.5
Flexibility of negotiation	0.5	0.25	0.5
Bonuses amount	0.75	0	0
TOTAL	4	2	2.5

We use the “additive weighting technique” by ranking each attribute by importance. The sum of each alternative can be compared to the normalized weight of 1, which is the score to reach. The attributes are ranked as following (Most important to least important): The professional services contract > The appearance contract > The endorsement contract.

Table 4. Additive Weighting Technique

Attribute	Ranking	Weighting	The professional services contract		The endorsement contract		The appearance contract	
Duration	2	0.24	0.5	0.12	0.25	0.06	0	0
Ease of breach	3	0.19	1	0.19	0.75	0.1425	0.75	0.1425
Amount of compensation	1	0.29	0.75	0.2175	0.75	0.2175	0.75	0.2175
Resolution of disputes	4	0.14	0.5	0.07	0	0	0.5	0.07
Flexibility of negotiation	5	0.09	0.5	0.045	0.25	0.0225	0.5	0.045
Bonuses amount	6	0.05	0.75	0.0375	0	0	0	0
TOTAL	21	1	SUM	0.68	SUM	0.44	SUM	0.47

Step 6 – SELECTION OF THE PREFERRED ALTERNATIVE

After the “relative weighting” analysis, we could say that the better choice was the “Professional services contract”. Indeed, this alternative is 200% better than the “endorsement contract”. The 2 last alternatives (Endorsement and Appearance contracts) were almost similar to this analysis. After ranking the attributes and criteria by importance with the additive weighting technique, we could see that the difference between all the alternatives has been reduced (The Professional services contract is 155% better than the endorsement contract). Nevertheless, the ranking didn’t change: 1st is Professional services contract, 2nd is Endorsement contract and 3rd is appearance contract.

Step 7 – PERFORMANCE MONITORING AND POST-EVALUATION OF RESULTS

We have proceeded with this analysis to give the best option to amateur being a professional athlete. They have now the key information to choose the most relevant option and secure their professional sports career. The results of this analysis will impact the life of the athlete. A good management of this situation of transition between amateur and sports life is primordial and could limit a loss of compensation and salary. Finally, we could have added some analyzing methods to the one used. In that way, we could have specified a bit more the results of the analysis and maybe we could have found different results. Other analyzing methods that could have been used are PARETO analysis or we could have simply run an opinion survey to compare the alternatives used in the real life.

CONCLUSIONS

In this paper, we wanted to identify the alternatives of professional sports contracts to protect the transition from being an amateur player to a professional athlete. We can see thanks to the complete analysis we have made that one alternative came up. Indeed, the Standard Services Contract appeared to be the most secure and relevant Contract for an amateur athlete beginning a professional career. In terms of earning a life, flexibility of negotiation, ease of termination or duration of the contract, everything shows that this contract is the most suitable for their career. Nevertheless, don’t forget that an athlete can sign the 3 alternatives at the same time.

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About the Author



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Louis Roland is a 5th-year student at ITEEM Centrale Lille. This engineering school has the particularity to give a triple competence to their students: engineer, manager, entrepreneur. Louis comes from Champagne-Ardennes area. He was born from a farmer father and a teacher mother in Reims. He used to play tennis and football since his early childhood and still plays and loves sports in general. Louis carried out his scholarship in Vouziers and Reims where he passed a scientific bachelor degree with honor in the Pensionnat du Sacré Coeur, a “Lasallian” establishment. He then chose to do ITEEM Centrale Lille to get a very wide profile as engineer-manager-entrepreneur. During his studies, he seized the opportunity to spend 8 months in Bangalore, India. He achieved an internship as a software developer there. A few months later, after having tasted an international experience he decides to catch up with his girlfriend in Australia. He lived with her in Sydney for 2 months. He found a job as a dishwasher in an ice-cream shop. Finally, he came back to France, to complete his final year in ITEEM Centrale Lille. Meanwhile, he decided to pass a Master in Project management at Skema where he wrote the article “Contracts for professional sports, making sure to get enough”.

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