

Liability

Objectives. A prominent businessman purchased the majority stake in the development of an emerging minor baseball league. When the league subsequently failed, the minority investors sued for several million dollars, and SportsEconomics was called on to investigate the financial and management operations of the league in order to determine the underlying cause of its failure.

Challenges & Methodologies. Sports leagues, by their nature, are risky investments. One primary challenge on this engagement was to separate the failure due to risk from that due to league mismanagement. A thorough analysis of expenditures, league operations, supplier contracts, and decisions made by league executives was undertaken. This analysis, and the subsequent analysis and comparison to other sports leagues, showed the extent to which the subject league was overspending and being mismanaged.

Outcomes. The results of the analysis were the primary factor in showing that the league executives were responsible for causing the failure, not the majority investor. The facts and analysis presented by SportsEconomics were so irrefutable that the case was subsequently dropped, and the majority investor was not held liable for compensating the minority investors or league executives.