

PROTECTING YOUR POSSIBILITIES PODCAST WITH LUKE FEDLAM

Episode 37: Becoming an Athlete CEO | April 21, 2021

The following is a transcription of the audio podcast recording. It is largely accurate but in some cases it is incomplete or inaccurate due to inaudible passages or transcription errors.

Luke: I'm sports attorney Luke Fedlam, and welcome to the Protecting Your Possibilities podcast. Each conversation we focus on sharing information and having conversations around how athletes can best educate and protect themselves or their life outside of their sports.

Thank you so much for tuning into the protecting your possibilities podcast. I'm your host, Luke Fedlam. And I'm excited for another episode where we can talk about how can we protect the possibilities of athletes and those around them? This episode, I'm really excited about because I've had past episodes, where we've talked about athletes as CEOs, right? And this idea that the athlete is the CEO of their business that's going on around them while they're playing, and when they're done playing their sport.

But I've gotten some questions. And I wanted to address really from the beginning. What does it mean to be an athlete CEO? What does that even mean? What does it mean to be the CEO of your business? I had the opportunity to speak to an NFL team, two seasons ago was the season preceding COVID. And I went in, I was talking to the team, second year players. And I'd already given them a presentation the month before I went in and was giving a second presentation. And I started off by saying, who in here has been called the CEO of their business, or this idea that you're the head of your business? And just about everybody raised their hand that was in the room about 15 guys. Instead, I said, Well, how many of you understand what it means to be the CEO of your business? Anybody taught you what it means to be CEO? And most people didn't raise their hands, one or two, raise their hands. And what that told me is that sometimes we make assumptions about understanding what it is that something is, right.

So what is a CEO? And maybe we understand what it stands for: chief executive officer. But what does that mean on a regular basis? And so I want to spend some time, during this episode, just talking a little bit about what does it mean to be an athlete CEO? And what does it mean to be the head of your business around you? So let's start off with what exactly is a CEO? Alright, so CEO stands for Chief Executive Officer, and it's the highest ranking executive in a company. And ultimately, their responsibilities are for everything that the company does or fails to do. It falls on the CEO, they're the head of the company. They make major corporate decisions. They oversee operations, and oversee all of the resources of the company. And really, they're the head honcho, if you will, they're on top. And so everyone within the company reports to them, everyone, except maybe the board of directors, but that's a another conversation for another episode. But generally speaking, everyone at the company is reporting to someone who ultimately reports to the CEO, the chief executive officer.

And I share this with professional athletes, because if you were to look at an organizational chart, you would see the CEO at the top. And then from that, you'd have lines would come

down, where maybe you have the chief financial officer, the Chief Operating Officer, the chief marketing officer, the Chief Human Resources, Officer, maybe head of sales might be in there as well. And they all report to the CEO. And then they have people who report to them who have people who report to them, and so on and so forth. And so the CEO isn't typically getting involved in the business of a designer who's brand new to the company just starting to do some design work on the marketing team. The CEO is going to ask the chief marketing officer, how are we coming along with this particular campaign that we're working on? Or where are we at with our strategic marketing plan as we move forward into this new area, and it's the responsibility of the chief marketing officer to be able to work through down their leadership chain and understand what's happening at every level.

And I think it's important to make that analogy because for professional athletes, the interesting thing is that their day to day business, the way in which they earn their compensation is by playing their sport, right? So WNBA, NBA, Major League soccer, NFL, whatever the sport is, the athlete gets paid to play their sport, but there's this other business, their life, the business that's going on around them. And that may entail things like having a separate entity established and we've done a past episode on getting your startup business going as an athlete CEO. And so we've also done an episode where we've talked about managing the team of advisors that's around you. And I think one of the most important concepts here, and the reason why I wanted to do an episode, just on understanding the roles and responsibilities of being a CEO, is because it's so important to understand that ultimately, you are responsible as the athlete, you are responsible for everything that your business does or fails to do, right, because it affects you.

So when we think about this, let's break this down a little bit, just like we talked about the organizational chart or the org chart for a company, an athlete has a very similar org chart that they can establish as well. So you've got the athlete CEO at the top. And then you have lines coming down of people who are reporting to the CEO, it could be Chief Operating Officer, which oftentimes would be the equivalent of a business manager for an athlete, or someone, maybe it's a family member, or some other trusted individual who is just responsible for the operations, the day to day operations of that athletes business and life. And depending on how in depth the business is that they have, where maybe they actually have operating businesses, or other investments that they're overseeing in businesses, then that that could be more complex or not. But if we think about, especially this time of year, the NFL draft is coming up here in a couple weeks, the NBA draft is in a few weeks. So when an athlete is transitioning from college into the pros, we know we just had the WNBA Draft last week. So we're in the middle of this transition for athletes. And when athletes are transitioning from college, into the professional ranks, their focus that they want to focus on is their sport.

But because this business is happening around them, they have to be actively engaged in it as well. And so having someone that they trust, overseeing and or helping them with the day to day could be the equivalent of a chief operating officer. We know that most athletes when they make their transition, one of their first focuses is on how to hire an agent, a player agent to represent them. And so when you think about that, what is that player agent's job? That agent's job is to go out and sell the athletes talent to teams. All right, get them workouts, get them interviews, make sure that they're fully trained and ready to go. It's all of those things that go into getting the contract that they're looking for, and to get drafted, where they want to get drafted and everything. And so it's that work that is very similar to like a head of sales, right? It's like your sales director, responsible for selling the company's product, if you will. And in most of these instances, the product is the athletes ability to go out and perform in their sport.

But there's also opportunity to sell the athlete when it comes to marketing and endorsements and other opportunities for off the court or off the field compensation. And so thinking about the agent, as well, especially if the agent is providing the marketing services, then they're going to be able to identify those opportunities for athletes to be compensated outside of their sport, which will lead to additional earnings and additional brand building opportunities to be able to grow their brand and ultimately, hopefully continue to grow their business and grow their revenue. So when you think about that, that's like the head of sales, it may bleed over a little bit into that Chief Marketing Officer, agents especially on the marketing side, could really serve in that capacity. Sometimes, if an athlete selects to go with a larger agency, they may have one person that's identified as their player agent, but then within the same agency have a different person that's responsible for their marketing opportunities.

And so that's how you could see that split your marketing person, obviously being responsible for all of your opportunities to earn compensation beyond your sport. And those really fit into that role of Chief Marketing Officer. What is your brand look like? What are the things that you're posting on social media? Right? What is it that people would say about you, if you did a brand study or brand analysis on a particular player? What is it that fans or others are saying how engaged is the social media following etc. So all of these things really lend themselves to like that chief marketing officer.

But then when you keep going, you've got General Counsel. And obviously I could talk about this part for four hours. This is pretty much what I do is serve as General Counsel for professional athletes, not an agent. And so my focus is on how to make sure that anything that the athlete signs their name to that they fully understand the legal impact of signing their name to whatever that agreement is, or whatever that document is, and then we creatively find ways to make sure that we can help athletes limit their liability because, obviously, as high wage earners as celebrities, they are often targets for lawsuits or targets for people who are trying to violate their privacy. And so we want to make sure that we ultimately can protect them across the board. And so that's really what a general counsel does. So just like at a company being responsible for all of the legal issues that are affecting the company, General Counsel for an athlete is responsible for all of the potential legal matters, that might affect the athlete on a day to day basis. That could be the marketing opportunities that they have in front of them, it could be investments that they want to make in businesses purchasing real estate, estate planning, tax issues, filing for trademark and brand protections, starting in overseeing a nonprofit.

I mean, there are a lot of different things that involve legal that a lot of athletes don't realize until we start having these kinds of conversations. So we've talked about the agent as the head of sales, we've talked about the marketing agent, as the chief marketing officer, we've talked about a family member or a trusted individual serving as that chief operating officer who's overseeing the day to day operations. We talked about the general counsel in the legal oversight, but there's also the chief financial officer, somebody that's responsible for finance.

And this can be really broken down into a couple of ways. You can have the finance side, which is really the budgeting. And so having a financial advisor, especially when an athlete is just transitioning into a professional league, really understanding the budget is critically important. Think about this, an athlete transitioning from college to the pros in college, oftentimes, especially, we're still not in a name image and likeness environment yet. So athletes in college, typically don't have much disposable income. And so all of a sudden, now they transition into the pros, and now they have significant money coming in. But they also have significant expenses. So you may have gone to school in one state, and maybe it was a smaller town, or maybe was even a somewhat of a mid-level city. But now all of a sudden, you're playing on a

professional team in a big city. And so if let's say you were played at University of Texas, in Austin, and you end up getting drafted to go play in New York City, you could have very different monthly spending habits, living and playing in a city like New York, versus living and playing in a city like Oklahoma City, or Seattle, or in Florida, somewhere like Jacksonville.

So it's understanding what am I spending, what should my budget be? What does my lifestyle month to month budget even look like? And so that Chief Financial Officer should first and foremost be focused on what is it that you need in order to make it through in the way in which you want to live. So you can start to set a baseline for your budget, right, and you want to be able to understand that. So there's that piece, then there's also the accounting piece. And so that accounting piece is really important, especially if you have a separate entity set up for your off the court off the field opportunities, being able to have that advisor in place proactively and not just reactively is important as well, because there are a lot of decisions that can be made around the operations of your business and the way money flows in and through your business, they can have a taxable impact.

So you really want to have that accountant as part of your overall team as well. Now, I shared those positions with you to give some more context around this org chart, if you will. But the important thing to take away from all of this is, this is the org chart itself, right? It's the image of the athlete CEO on top, and all of these positions reporting to the athlete as the CEO. Now, you may have a little dash or a little line off, where the CEO maybe plays that intermediary role, where maybe they oversee a lot of these advisors. But I tell athletes all the time, when you're first starting off in your career, obviously you want to focus on your sport. But you really have to take the time to learn and understand your business. You want to understand what is it that you are dealing with on a daily basis, what is your business, because everyone in it's in those roles, they all work for you as the athlete, they are responsible to you. Now while they may be much older than you, they may have much more experience in that particular area than you. Ultimately they report to you. You can hire and fire them at any time.

And I tell that to my clients all the time, right, you can hire me, you can fire me whenever you want. And my job is to earn your business every single day. With every project that I do with every contract that I analyze for feedback I give you on a deal that you're interested in doing. That's how I earn your business. And every advisor should be in that same boat. And so you want to make sure that you are in position to be able to hold those advisors accountable.

So a couple things to think about when you do that. Number one, you should always feel comfortable asking your advisor a question. If there's something that you don't understand, you should be able to feel comfortable and telling your advisor, I don't understand what you're saying. And if you don't even know where to start on how to ask the question, you just know that you don't understand. You can simply say, I don't understand what you're saying about this, can you explain it to me in another way. And if your advisor cannot explain whatever it is that they're doing for you in a way that you understand, then maybe they shouldn't be your advisor. Right. And that's just to say, we should be able to break down whatever it is that we're talking to you about in a way that you understand because you are the one that has to make the decision based on the information and the analysis that's provided. So making sure that you're comfortable asking questions, and that the person that you're asking questions of is able to answer you in a way that you understand is so critical. A lot of times I've seen situations where advisors want to use all these technical terms and sound super, super smart and speak right over the top of people's heads.

That's not helpful. Right? That doesn't help you make decisions, that doesn't help you become more equipped to be a better CEO of your business to be a better decision maker for the decisions that you have related to your business and how you're growing, where you're going. So you want to make sure that you have people who can directly answer your questions in ways that you understand.

So finally, I think it's important that when we think about the athlete CEO -- what are you going to do as CEO? Right? What do you want your advisors who are working for you to do? One of the things that I oftentimes share a lot with parents of athletes, as they're transitioning into the pros, is that parents will oftentimes play that role of either that Chief Operating Officer, if you will, that person that's overseeing all of the advisors, or at least playing a role in all that. And I share with them, it's important for the athlete to see this happen. It's important for the athlete to understand not to be involved in all the minutiae, but to at least see what goes into overseeing a team of advisors. Because this is how you learn, you see it, you watch it, you ask questions about it, right?

So I always recommend to athletes, I think it's important to have annual meetings, at least an annual meeting, one annual meeting, if not, having two semi-annual meetings with all of your advisors. And now, so many of us have gotten comfortable with zoom and other video conferencing platforms that it's easier to convene a meeting of your advisors via video. And in doing that, you have the opportunity to hear from them. What are they working on? What are they doing? How does that fit into the overall vision of where you want to take your career? Is there a series of checks and balances, right? So is the financial advisor doing everything they want to do in a vacuum, and no one else sees what they're doing or understands what they're doing? Or is there oversight by different advisors to be able to help provide that level of protection that those checks and balances that you need.

So having these meetings allow for the opportunity for people to share what they're working on to share where things are going. And it's that shared information that does a couple things. Number one, as a CEO, it helps you make informed decisions about where you want to continue to take your career beyond your sport. Number two, it helps you to understand the people that are working for you how you can hold them accountable. Are they doing what they said they're going to do? So if we had a meeting six months ago, and we're having another meeting now, have they done the things that they said they were going to do? Have they followed up with you in the way that you wanted to be followed up with? Alright, what are your expectations? And are they meeting your expectations? And the other thing to think about too, by having these meetings, it also helps to establish the fact that you are the CEO, you all as advisors work for me as the CEO, right? I think that's, that's the point that we want to get through to athletes so that you understand that you have the ability, you have the ability to convene these meetings when necessary, because ultimately, all of these people who are your advisors, they work for you.

And when I think about athlete empowerment, that's so critically important is to realize the position that you have as CEO. And when you think about this, if you think about your actual sport as a career, think about all the time that you put into it right, from watching film, to weightlifting and physical training to physical therapy, recovery, actual X's and O's the drills that you do, practice and ultimately perform forming in the game. That's a lot, right? But think you don't want to leave your business outside of sports to run itself. You want to stay engaged, and you want to stay engaged as the CEO, hire people who you trust, who you've gotten to know, and who you can hold accountable to serve in these key roles for you. So that ultimately, you

can lean on them as you're looking for analysis. And as you're looking for information so that you can make the right strategic decisions about where your career goes from here.

As athletes, you have a lot of opportunities to have a positive impact on yourself, your family and your community. And having the right team around you. And truly acting as that athletes CEO that holds that team accountable, will set you up for success throughout your playing career. But then, most importantly, when you transition beyond your playing career, and now you're making decisions for the rest of your life, in terms of what life is going to look like.

And the last thing I'll say, is while you're playing, that is the best time to set yourself up for a career outside of your sport. I'm going to do a whole other episode on this another time. But just to give you a little teaser, when you are playing, even right after your rookie year. When you think about that first offseason you have, you have the opportunity to be able to build relationships and think about those things that you want to do potentially when your career is over. And reach out to those people start reaching out to people that are doing that work, let's just make this real. If you're interested in real estate, right, which is something I hear quite a bit from people, if you're interested in real estate, when your first season is over with, you should think about and talk to your advisors about it right.

Obviously, as lawyers, we have plenty of clients who do all different kinds of things. Your financial advisors have clients who do all different kinds of things, agents have a lot of relationships and network marketing, people have a lot of relationships. If you're interested in real estate, let's say, then you should try to start getting a 360 degree view of what does that even mean? Because with real estate, you could get into real estate development, you could get into the investment sides of real estate, like real estate investment trusts, you could get into the actual construction side of real estate, you could get into so many different areas, right? commercial residential, buy, and hold, buy and flip.

There are a lot of different ways to think about it. So why not spend time throughout your offseason when you're going to be training. But why not take a couple hours a week, and shadowing somebody that's in a different part of the real estate world. And it doesn't matter if your interest was culinary, right and into cooking or whatever, go spend some time shadowing some different chefs. If it's whatever that might be business, marketing, whatever, say you went to a photoshoot and you really liked this particular company that's having you as a brand ambassador, wow, what a great way for you to be able to get involved in shadowing people around and understanding how that works. So you're building relationships, expanding your network, and setting yourself up for success.

And you can do all that when you have a strong team around you, who's running the day to day and managing the day to day of your business. But it's equipping you so that you can make those informed and educated strategic decisions in your life outside of your sport. So hopefully, this episode gave you some more context on what it actually means to be the athlete CEO, how you can put that into effect for yourself. And I know that there's so much more there, we're going to revisit it in some future episodes.

But for now, just remember, you are empowered and everyone who works for you, works for you. Alright, so you want to make sure that you hold them accountable to everything they say they're going to do. So it's all about being that athletes CEO hopefully found value in this episode. Definitely thank you all for the comments for the ratings and for all of the support that the podcast is received. If you have any questions, feel free to reach out to me on social media at Luke Fedlam. Or feel free to leave comments in the comment section on whatever podcasting

platform you're listening to this on. But I really enjoy having these conversations. And I hope you do too. So please feel free to share them with colleagues, share them with friends, and we'll keep this keep this thing going forward. Thank you so much for tuning in. Have a great day.

Disclaimer: Porter Wright Morris & Arthur LLP offers this content for informational purposes only, as a service for our clients and friends. The content of this publication is not intended as legal advice for any purpose, and you should not consider it as such. It does not necessarily reflect the views of the firm as to any particular matter, or those of its clients, please consult an attorney for specific advice regarding your particular situation.