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How Rupert Murdoch Outfoxed Larry Tisch:
Ten Enduring Lessons from the Negotiations that Wrested the NFL from CBS
By James K. Sebenius,* March 7, 2019

Abstract

A remarkable 1993 negotiation rocked the world of American football with aftershocks that have directly shaped today's entertainment and media landscapes, and even our polarized politics. In December of that year, Rupert Murdoch's fledgling Fox Network unexpectedly displaced longtime incumbent CBS as the host of the National Football League's flagship programming. Fox's negotiating success seemed most unlikely given that CBS had regularly renewed these NFL rights since 1956, enjoyed a good relationship with the NFL, sported an acclaimed broadcast unit, and had affiliates in virtually all important U.S. markets. Yet acquisition of these NFL rights directly enabled the expansion Fox, then a minor broadcaster, into the media behemoth of today. For many observers, Fox's NFL "heist" looked like the result of a simple move: Fox offered more money than CBS. A closer analysis, however, suggests a far more complex reality with ten broader lessons for negotiators facing challenging situations.

Keywords: Negotiation, Bargaining, Sports, Football, Media

Barely a quarter-century ago, in December 1993, a remarkable negotiation tectonically rocked the world of American football with aftershocks that directly shaped today's polarized politics.

At the time, this was an important niche deal, but hardly the kind of negotiation that dominated headlines of the day such as the diplomatic *tour de force* that peacefully united Germany within NATO in 1990 after the Berlin Wall fell or James Baker's virtuoso coalition building of the force that kicked Saddam Hussein out of Kuwait a year later.

Rather this was the business deal that vaulted the fledgling Fox network from its status at the time as a minor player, far behind the Big Three—CBS, NBC, and ABC—to the hugely influential role it now plays. In the [words](#) of a jubilant Rupert Murdoch, immediately after winning prime rights to broadcast games from the National Football League (NFL), "We're a network now. Like no other sport will do, the NFL will make us into a real network. In the future there will be 400 or 500 channels on cable, and ratings will be fragmented. But football on Sunday will have the same ratings, regardless of the number of channels. Football will not fragment."

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Whether one condemns Fox News as the assassin of American democracy or praises it as the salvation of the conservative movement (or both!), this episode also brims with insights about negotiation and bidding. These lessons apply well beyond the media world to a much wider range of industries, especially where a serious outsider, though the underdog, challenges a longtime incumbent. Idolized and demonized, Rupert Murdoch as a negotiator of this deal rewards careful study.

Having studied, advised, and worked with many of the world's best negotiators, I had never examined any of Rupert Murdoch's negotiations in detail—until I recently read a terrific [article](#), *The Great NFL Heist: How Fox Paid for and Changed Football Forever*, by Bryan Curtis and posted on theringer.com on December 13, 2018. Curtis's riveting account, which runs to 18,000+ words, mostly consists of an oral history by key players on all sides. One part of his story details the process by which Rupert Murdoch and his fledgling Fox network managed to wrest key NFL rights, the crown jewel of U.S. television sports, away from CBS, the incumbent since 1956.

Reading this portion of Curtis's article stimulated me to think not about football, media, or politics—or the later story of Fox and its burgeoning influence—but about the strategies and tactics of the negotiation itself. (In later parts of his piece, Curtis describes the shock of the CBS “losers” and how legendary sportscaster John Madden and other figures were lured to Fox. Human interest abounds for football fans in the whole piece, but my focus is narrower. I urge anyone interested to read the full article.)

How did Fox, an upstart, pull off this deal during a nine-month period beginning in December 1993 when the old TV rights contracts were expiring? Simplistic explanation: Fox wrote a bigger check than CBS when the rights came up for renewal. For casual observers, Murdoch's outbidding the other guy is the beginning and end of the story. For savvy negotiators, his high bid was the key piece of a much larger strategy.

As I'll demonstrate below, a bigger check was *necessary* for Fox but less certain by itself to have been sufficient. Other insightful moves by Murdoch greatly magnified the chances of victory. The fuller story holds powerful implications for those, especially outsiders, who negotiate and bid for assets of all kinds, as well as for potential defenders and sellers of those assets.

This episode from the 1990s may seem like ancient history. Yet today's tech behemoths—especially Apple, Amazon, Facebook, and Netflix—increasingly see the value of compelling, original content like professional sports. One or more of them

may soon do to Fox and today's other NFL incumbents what Fox did to CBS in 1993. Stay tuned.

In my account below that illustrates ten lessons about the negotiating and bidding aspects, I rely heavily on Curtis's opus for the overall story (and he graciously clarified and added some key points in an email exchange, for which I'm grateful). Many quotes by key figures are directly taken from his reporting and linked back to it.

The situation and the challenge. As the story starts, the three main networks each had a package of the main NFL games: CBS had the NFC (the National Football Conference), NBC had the AFC (the American Football Conference), and ABC had Monday Night Football. Two relatively minor networks, Turner and ESPN, shared what were then less valuable Sunday night games. (See Figure 1.)

Since 1956, CBS had hosted the NFC division of the National Football League, generally regarded as the most valuable asset in TV sports, and had the celebrated analyst, John Madden, in the broadcast booth during games.

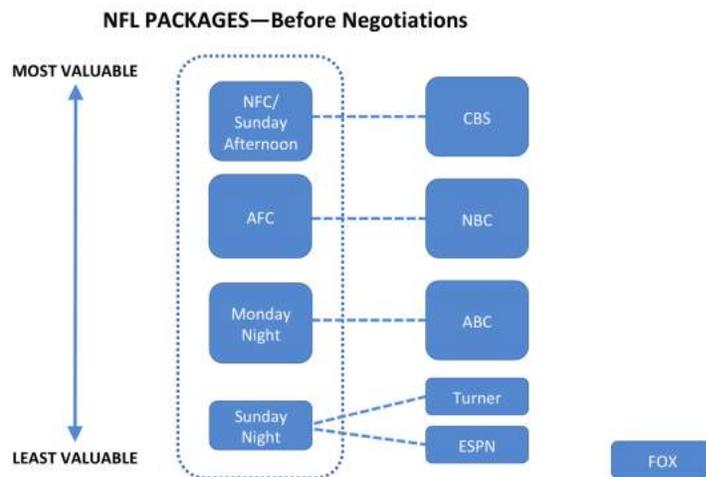


Figure 1

Fox's target deal: to win this asset and leverage it to build itself into a far more powerful network. Fox was then an upstart facing seemingly impossible odds. It had been regarded as the "coat-hanger network" since over 85% of its affiliates broadcast on UHF versus VHF, the dominant TV format at the time for ABC, CBS, and NBC. "Coat hanger" derisively referred to wire and tinfoil would-be viewers allegedly had to attach to their TV antennas ("rabbit ears") to tune in UHF stations. Many TV markets didn't even carry Fox in 1993.

Achieving this target deal was a daunting task for Fox as Tracy [Dolgin](#), Fox's EVP of marketing, said "No matter what anybody says, this was a Hail Mary. We did not expect to win."

NFL Commissioner Paul Tagliabue outlined the process to win the expiring TV rights. These rules permitted Fox to place a single bid on CBS's and NBC's Sunday-

afternoon packages. If Fox's bid was the highest, CBS and/or NBC could then choose to match Fox's bid, ending the negotiation. But even coming in as the top bidder might not do the trick for Fox given existing relationships, Fox's relatively small broadcast footprint, and other factors. So how would I crystallize Murdoch's keys to success in a contest like this? In the account that follows, I've used bold type to generalize the broader implications of Murdoch's approach for negotiators and bidders.

To start, here are some obvious and standard pieces of advice that are often ignored, but that this episode clearly illustrates:

1) Develop absolute clarity on your own interests and strategic objectives.

2) Carefully assess your competitors and counterparts—their motivations, interests, styles and other characteristics.

What would such player assessments have revealed to Murdoch?

First, relative to his predecessor and CBS founder William Paley, who had held onto the NFL rights since 1956, then-CBS CEO **Larry Tisch**, whose fortune had largely come from theaters, was more focused on cost factors plus ad revenue with its implications for margins than on the value of branding and the power of unique content like the NFL. The 1990-91 recession heightened Tisch's [concern](#): *"No way I am going to lose money on the NFL!"* Run by Capital Cities and GE, respectively, ABC and NBC also focused on cost cutting, but in the view of Murdoch and his team, not as intensively as Tisch.

Given CBS's long-time incumbency with the NFL, Tisch would surely have believed that his network's position was secure. He had routinely heard from the League that "other networks" might try to displace CBS, but as the longtime holder of these rights, had not taken these "threats" seriously. With respect to other potential buyers of the prime Sunday package, Neal Pilson, CBS Sports president [dismissed](#) this possibility: "Now, the league has always done that to us. Never in a threatening way, but in an offhand, casual way. 'Oh, if you don't want to pay the price, we might have somebody else interested in your package!'"

Second, **Paul Tagliabue**, in his fifth year as NFL Commissioner, had decided to change the TV rights game from the approach of his longtime predecessor, Pete Rozelle, as new contracts became due. Based on the huge jump in the value of Sunday night football games when the Turner network was added to the mix, Tagliabue had made a critical observation about bidding—which is well worth

remembering. He noted “If you have three packages and [three bidders](#), you’re not going to do very well. It’s like musical chairs. You always have to have one more person looking for seats than you have seats. When you brought new players to the table, it was a different set of negotiation. All the networks understood that, except maybe CBS.”

Third, **Jerry Jones** and **Pat Bowlen**—new owners of the Dallas Cowboys and Denver Broncos, respectively—had leveraged themselves to buy into the NFL and were determined to maximize the financial return from selling broadcast rights. Compared with old-line owners, who often had personal as well as economic motives for having acquired teams, Jones and Bowlen had stronger financial motives and much less sentimental attachment to or relationship with the networks.

A revealing episode: when the networks were apparently losing money as the economy softened, longtime owner Art Modell of the Cleveland Browns, confident in his ability to deliver old-line owners, suggested that some rights money be refunded to the networks. Outraged, Jerry Jones and Pat Bowlen worked tirelessly to persuade enough owners to successfully block this initiative. Tagliabue soon invited the two onto the TV rights committee, indicating a shift in power dynamics among the owners from old to new.

Fourth, **Rupert Murdoch**, a swashbuckling Australian media mogul who, after largely dominating his home market, had made bold moves abroad. By 1990, *before* the NFL episode or his later purchase of the *Wall Street Journal* (in 2007), his holding company, News Corp, had acquired Britain’s *News of the World*, *The Sun*, and *The Times*, had formed European media conglomerate BSkyB, and in the U.S. had acquired Harper Collins and Twentieth Century Fox.

Murdoch had tried to buy NFL TV rights twice before, in 1987 and 1990, but believed that the NFL had not taken his bid seriously. Instead he thought the League mainly used his interest to prod the major networks to increase their bids. For the upcoming 1993 round, however, Murdoch called Jerry Jones who [recalled](#) recently: “[Rupert] said, ‘Jerry, I think I was a stalking horse last time. I’m not going to do that and be just a stalking horse.’” Jones continued: “I said, ‘Mr. Murdoch, I wasn’t a part of that negotiation. But I am [in] this one.’” Murdoch clearly recognized the importance of a new kind of player with different motivations.

Had the Big Three networks, especially CBS, similarly assessed their new potential challenger, they would have seen that Rupert Murdoch, visionary founder of Fox, characteristically zoomed out to the big, strategic picture to deeply understand his own interests. In Bryan Curtis’s [words](#): “Unlike CBS, Fox wasn’t much worried about losing money on football. As Murdoch would later boast, he regarded the price of

NFL rights as the price of buying a network—and whatever he paid the NFL would be cheaper than buying CBS or NBC outright.” Fox VP George [Krieger](#): “When he does a deal, Rupert’s thinking about, ‘What’s this going to look like 10 years out, 20 years out? Will this help me build a network?’ The other guys are trying to manage financials for the next quarterly financial report.” Fox EVP Chase [Carey](#): “You weren’t going to make money buying the rights. What it was going to do was give you momentum to build the business around those rights.” (Figure 2 is a map of the main parties and where Murdoch and Tisch focused their efforts.)

The standard advice in the first two lessons above—to know your own objectives and assess the other side(s)—is essential, but insufficient. The above party evaluation suggests two vital extensions of these lessons:

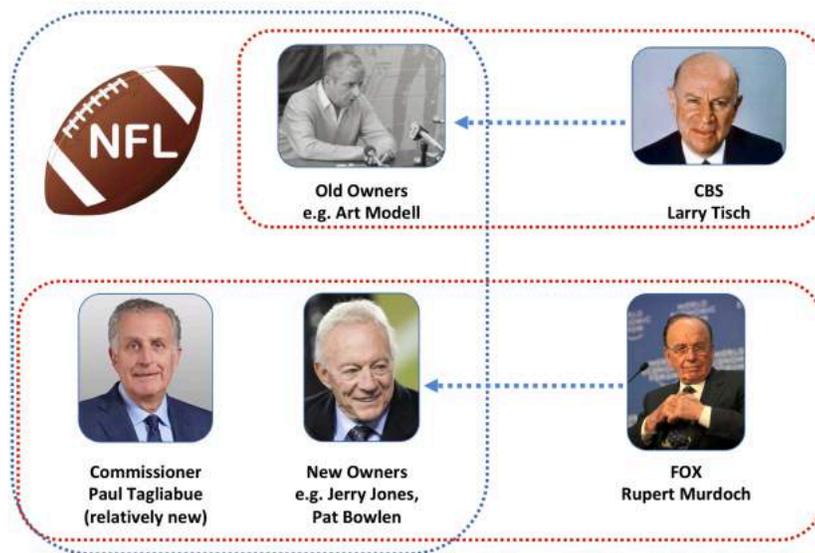


Figure 2

3) In assessing the “other side(s),” don’t think of them as monolithic as if you will be negotiating with “CBS” or the “NFL.” Rather, probe for the views and interests of distinct individuals and internal dynamics.

4) Be especially careful to re-assess these factors when there are new players in the game, and/or circumstances have changed.

As we’ll see below, had Murdoch not sussed out the different factions and changing internal dynamics of the NFL, he would not have had the basis for his ultimate approach to the negotiations. As NBC Sports President Dick Ebersol [observed](#), “The key to those negotiations more than anything else was Pat Bowlen and Jerry Jones. There never would have been a Fox network if the two of them hadn’t stood up and repudiated Modell.” Had Murdoch thought in terms of a monolithic “NFL,” and missed those vital internal negotiations, he would not have had the basis to use this new situation to his advantage.

5) Use your assessment of these new players to understand their distinct interests, valuations, and likely strategies.

An assessment of Larry Tisch, at the helm of CBS, would have suggested how his bid would be determined, given Tisch's short-term financial focus. In the expiring NFL rights contract, CBS had paid \$265 million for the premier NFL package (the NFC). With the recession, however, CBS calculated that breakeven given ad revenue going forward could only justify a bid of \$250 million. Tisch mandated that his team present that number, a \$15 million cut, to the NFL, pleading poverty.

Not only was CBS's NFC package the most valuable, both financially and for network-building purposes, but among the Big Three networks, Murdoch and his team judged that miserly Tisch was the most focused on cutting costs . . . and hence the most susceptible to an aggressive Fox bid.

Yet relative to the ad-revenue driven incumbents, the above assessment of the parties would have revealed Fox as a determined, smart, wealthy upstart. It would have shown an NFL commissioner and new owners who were all focused on extracting increased revenue from the networks. Together, these factors implied a real opening for Fox on both sides of the table—the NFL and the other networks—which Murdoch clearly perceived and could exploit.

Had they probed more deeply into Murdoch's key objective and paid closer attention to the NFL power shifts brought on by new players, the traditional networks, especially CBS, might have identified a vital *defensive* interest in these negotiations. More than generating ad revenue, they should have focused on blocking Fox from getting and using these valuable rights as the cornerstone to becoming a formidable competitor, and not just in sports. In their preoccupation with near term financials, which implied only modest bids, they apparently did not see this risk, or minimized it.

6) As the incumbent, don't complacently underestimate your potential competitors, especially if they are hungry, smart, and rich—and may see your industry differently from the conventional wisdom.

Be sure you understand their real motivations and don't merely project your own objectives onto them (in this case, for CBS, an ad revenue-driven orientation). With respect to the Sunday afternoon package that CBS had held, Paul Tagliabue [observed](#) "I think they [Fox] had recognized that this could be a network-maker, not only in terms of the Fox brand, but the VHF affiliates that would switch to Fox."

7) With your assessment of the players, their interests, and strategies in mind, evaluate the key barriers standing between you and your target deal.

From the vantage of Murdoch and Fox, such an assessment would have revealed at least three serious barriers to realizing their objectives.

- The NFL had a high degree of comfort and good relationships with traditional networks, CBS in particular since 1956. CBS had John Madden, the legendary game analyst. Past rights negotiations and these factors made the current incumbents the presumptive favorites.
- Murdoch and David Hill, head of Sky Sports and Murdoch's creative head for the Fox NFL project, were both from Australia. How could they possibly understand American football, almost a religion in many parts of the United States?
- Even if Murdoch made the high bid, the NFL would still harbor serious qualms about Fox, which was seen as "[small, rickety network](#)," with limited coverage and no American football experience. About 60 US cities had no fourth TV station even available to become a Fox affiliate. These factors could damage the value of the NFL TV franchise if Fox was the high bidder and key rights went to Murdoch's network. For example, Fox had created the X-Files, generally regarded as a great show, but sharply limited in its impact by not being on one of the Big Three networks, where it would have been vastly more successful. Even a bigger check from Murdoch—that appeared to risk the long-term value of the NFL franchise by condemning football to the equivalent of broadcasting Siberia—might not clinch the deal.

8) In tandem with your financial bidding strategy, customize your approach to surmount each of the specific barriers you have identified.

In this situation—as a “foreigners” without US football experience, with spotty and often-weak network coverage, faced with an entrenched long-time incumbent network with wide coverage that enjoyed a good relationship with the NFL—Fox tailored its actions in several ways to overcome these formidable barriers and heighten its odds of success:

- **8a) Make it personal.** Fox executives went to Dallas to dispel the hesitations that the league had about partnering with the “coat hanger” network. Knowing that the Big Three had endlessly complained to the NFL about overpaying and

losing money on their football coverage—the Fox guys wanted to contrast this sour message with a wholly different attitude. It registered with Jerry [Jones](#): “The NFL was going to be the star of the Fox network.” Fox Executive vice president Preston Paddon [echoed](#) the aspect of the approach “Essentially, everyone else was telling the league the baby was ugly, and we don't think we should pay what we've been paying. We were telling them you've got the most beautiful baby we've ever seen. No one wants to hear the baby was ugly.”

- **8b) Offer compelling new ideas that will add value in the eyes of the other side (and, ideally, be profitable for you as well).** For an innovative approach to promote and grow the NFL, Murdoch turned to David Hill, the Australian president of the U.K.'s Sky Sports channel. [Hill](#), later the creative power behind Fox Sports, “put together a tape. And I wrote this thing up: ‘This is how we do soccer in England, and this is how we’ll do American football.’” The [reaction](#) of Dallas Cowboys owner Jerry Jones to the tape: “The committee members were shown a tape of a Sky Sports telecast of a First Division soccer game in England the quality of the production compared favorably with that of any NFL game on U.S. television.” Fox VP George Krieger [elaborated](#): “[David] Hill just killed it. He said, ‘At the other networks, the A and B games have seven cameras and the rest have five. We’ll have a minimum of seven cameras at every game, and the big games will have 12 cameras. We’ll have more angles, more for the viewers.’ He talked about audio. ‘The excitement in the NFL is its sound.’ And ‘Why is the league only marketed six months a year? All our Fox stations were going to promote the NFL 12 months a year.’” Fox’s year-round NFL-related programming would include a children's show, and international opportunities. According to Jerry [Jones](#), “They talked about using our players on the network a lot, maybe even on their shows.” His overall [judgment](#): “I was just mesmerized by their imaginative thinking. They were changing the presentation of the game.”
- **8c) Creatively address core objections.** Fox’s spotty coverage deeply worried the NFL. In As Preston Padden, Fox Broadcasting president of network distribution, [explained](#), “There were about 60 cities in the United States where there was no fourth TV station to become our affiliate.” Padden continued “CBS was saying to the NFL, ‘If you move these rights to Fox, in these 60 cities there will be no free over-the-air broadcast of the NFL.’ If football went the Fox for the next four years, the NFL owners had a very deep concern: since the most valuable NFL package would not be available in at least 60 cities and only on a weak network in many others, both viewership, ad dollars, and the brand would suffer. But Rupert Murdoch had a plan, [telling](#) Preston Padden that ‘You got to come to this meeting with the NFL TV committee.’ Mr. Murdoch did not tell me what he was going to say. We stand up in front of the TV committee, and he says, ‘Within 60 days, Preston will get a secondary affiliation with some TV station in every one of these 60 markets.’ I just about wet my pants.” To these major

network affiliates, the fear of losing the NFL and the lure of getting it back via a secondary affiliation with Fox would be powerful indeed. So Fox’s commitment to at least secondary affiliation and greater VHF versus UHF broadcasting served to greatly assure the NFL executives and owners.

- **8d) Tailor the financial aspect of your bid to your strategic objectives and the seller’s likely situation.** Despite the other appealing elements of its approach to the NFL, Murdoch concluded that Fox would also need to offer a shockingly large amount of money, a “knockout bid,” such that CBS would not exercise its match rights. Fox’s Preston Padden [explained](#): “The finance people and the salespeople at the network got together and said, ‘OK, how much can we pay for these rights?’ They did an analysis of what kind of advertising they could sell and came up with the maximum break-even number.

Then Mr. Murdoch came bounding into the room and [said](#), ‘What do we have to bid?’ We told him. He said, “That’s not enough. *The NFL doesn’t really want their games on our network. They’re just using us to bid up CBS.* [emphasis supplied]

I’ve got to bid CBS away from the table.” Fox EVP Chase Carey [elaborated](#): “You had to have a number that—I don’t have a better word for it—made them choke.” Murdoch identified that killer number: Fox would bid \$1.6 billion for the NFC



Figure 3

rights over four years.” In his account, author Bryan Curtis put that amount—\$400 million per year by Fox relative to CBS’s roughly \$300 million annual bid—in [perspective](#): “In 1993, it was an astonishing figure.” (The alignment of the NFL factions with Murdoch at the end of the process, with Tisch left out, is represented in Figure 3.)

9) Especially as an underdog challenger, don’t assume that a higher bid by itself will win the asset, especially if there are other important interests.

We can never be sure that a bigger check by itself would not have clinched the deal for Murdoch. Yet along with his higher bid, his other moves in the negotiation, surely improved his success odds. Recall some of these other moves: contrasting a

football-positive Fox with the Big Three who were endlessly complaining about the cost of football rights, presenting creative ideas to broaden the NFL's appeal, and credibly promising dozens of secondary affiliations in non-Fox markets.

Would a higher bid have been sufficient? Both sides say no. "There is no question," said [Murdoch](#), "that if CBS had been \$20 million lower than us, the NFL would have taken CBS." And NFL owner Jerry Jones then [declared](#), "CBS has given the league 38 years and a great tradition, and we preferred the incumbent. We handicapped Fox; they had to be significantly better. But they were. The type of commitment they gave us, we felt, was above and beyond dollars. They said, 'We'll take this entity, the NFC, and build our network around it.' It's a tremendous commitment on their part, and we just couldn't look past it."

10) If you are the incumbent and have the chance to preempt a formidable challenger, act fast!

CBS Sports President Neal Pilson had privately cornered NFL Commissioner Paul Tagliabue the week before the deadline and [pressed](#) him for information: "I had asked Paul to step outside the studio for a minute. "Paul, what's the number? What do we need to do here? What is the number we really got to get to to make this work?" He said, "\$295 million. . . I think if we had closed at \$295 million early in the week, that would have been over. That was kind of the tragedy of the whole thing. We had that number all week. All we had to do was say yes."

That \$295 million would have been for the prime NFC Sunday package, not the secondary AFC one. Jay Rosenstein, CBS Sports vice president of programming, [pointed up](#) the painful irony of this choice: "four years later, when CBS had new management—Tisch was gone—they paid \$500 million for the weaker package. Fox's marketing VP Tracy Dolgin [summed](#) the longer ramifications of this episode: "If [Murdoch] didn't make that bet on the NFL . . . I'm sure of one thing: . . . Fox News, FX, Nat Geo—the cable empire wouldn't have been there. I'm not sure that this *whole* empire wouldn't have been there. . . . All of that is traced back to this bet-the-farm, multibillion-dollar Hail Mary to get NFL rights. Because NFL rights were the only thing that was going to get him new stations. . . . Look, he just sold [the studio] for \$70 billion.† I guess it was the best \$400 million he ever spent."

* * *

† The June 2018 sale from Murdoch's News Corp to the Walt Disney Company included Fox's movie and TV studios, the FX cable networks, and the Fox regional sports networks. Other Rupert Murdoch-owned assets, such as Fox News and the Fox TV network remained with News Corp.

While I've offered these ten lessons in the context of Rupert Murdoch, Fox, CBS, and the NFL, they resonate with the experiences of other formidable negotiators with whom I've worked, studied, and/or written about. These range from Microsoft's Bill Gates to financier Bruce Wasserstein and to former secretary of state, Henry Kissinger, among many others.

Cutting through this NFL-CBS saga and these ten lessons lurk a simple but potent caution and an abiding truth.

Simple caution: failure to really probe and understand the interests of the other side—and seriously take them into account in your approach to the negotiation—can be damaging or even fatal to your side. Without identifying the real barriers to a deal and customizing your approach to overcome them, your success odds are low. This warning especially holds when one side overconfidently dismisses the competition, focuses on tactics and the shorter term, like Tisch at CBS—while the other side, like Murdoch, is a strategic negotiator, carefully reading his counterparts, and playing the long game.

Abiding truth: while Murdoch's success depended on his impressive negotiating strategy and tactics, his approach only succeeded given his deep, almost unique understanding and conviction about the long term *value* of professional football to build up Fox as a network. Virtuoso tactics in service of a flawed understanding of the value at stake cannot succeed.