

Dear All

The IPL auction happened over the weekend. I was waiting for all the teams names and data to come in to send you my learning note. It is important for non- cricket followers to get a context of what this is about.

Cricket is a very popular game in most of the commonwealth countries. It is a big game in Australia, West Indies, India, England, Sri Lanka, Pakistan, Bangladesh, New Zealand. Cricket is played in four formats, three of which are patronized by the International Cricket Council and the fourth is yet to be recognized as an intercountry affair. New Zealand is the current test champion of the world, a format played over 5 days and a maximum of 450 overs(one over = 6 balls) . England is the current one day champion, a game played over 100 overs in a day, Australia is the world champion for T 20, a game played over 4 hours and 40 overs. The Indian Premier league is a tournament that started in 2008 and has gained in popularity across the world. It started with 8 teams and this year has ten teams. all players across the world take part in the once in three year IPL auction where each team has the same amount to spend on the total maximum of 25 players per team and the teams bid for a player like in an auction. Cricket has five capabilities – batting, bowling, fielding, wicketkeeping and captaincy. Someone who can bat and bowl is regarded as an all - rounder. Here are five lessons I picked up:

1. This year the auction was for a period of three years. The lowest price for a player was Rs 20 lacs (\$26,667 for 3 years) and the highest price paid was Rs 152.5 million (\$ 2.07million). That's a 76 fold multiple. Rarely do we get this multiple in a team in an organization. The average CEO to worker ratio in 2020 for USA where the data is available was 351. So, who are the players who get the highest bid and why?
2. In this auction, players who were the best at one skill , real top class got high bids or players who were good at a few combined skills got high bids. T 20 cricket is not a purists game and hence, the purists weren't bought. So, someone who was good at two to three capabilities fetched a good price. Classic batsmen like Steve Smith, Labuschagne, Aaron Finch, Pujara, Morgan, etc. were not bid for in round 1. Question for people in management – would your skill set be broad to show better value or will your skill set be deep and excellent in one area to be valued in a company?
3. Prices go up and down. The price paid can go up or go down depending on a number of factors like short term form, like behavior like fitment in a team, like number of matches available for. Pay cuts are a standard feature in this bidding. Pat Cummins got 2 million dollars last time, this time he got 1 million dollars. The 5 players with the most pay cut tell a scary story – these 5 players had a combined value of Rs 36.15 crores last year and this year, the bids for them added up to Rs 4.1 crores, a staggering 89 % cut in salary!!. Will organizations go this way in the future where the salary is purely performance based, not reputation based? In Nokia, you could move jobs or countries and end with a lower salary. The concept of constant inflation led salary increases will stop sooner than later.
4. Loyalty is a thing to think about. What's the price for loyalty? When the team you have played for ten years does not bid for you, then why would others bid for you? Many players who stayed loyal to a team for a decade didn't find a buyer. Players have moved 5 to 8 clubs in these 14 years. What is loyalty between an employer and an employee when the world is moving more to a contract system? Something every employee needs to think about! Every team was thinking about the best combination they need, in some cases a few players are vital to that combination and in some cases a few players need to be sacrificed for that combination.
5. Real time decision making. The teams typically have about 5-6 people at a table bidding for a player against the other teams. One person in the team crunches the numbers, totals up

what's been spent, there are one or two ex- cricketers at every table advising the team owners, and many team owners are personally bidding at the table. The data is crunched, phone calls made, whispering discussions had and then the bid is made, all with a minute or two. Will business ever get into real time decision making like this except in a crisis situation? This is the new speed of a future world.

I believe that auctions like this tell us as managers:

1. Not to take old skills for granted, and to build new skills.
2. To stay relevant and not become obsolete
3. To think about which teams we best fit into that will give us the chance to showcase our talent
4. To take ownership of our destiny.

Feedback welcome

Wr
shiv