**CASE: “If You Can’t Stand the Heat, Get Out of the Kitchen.”**

Larry Stybel, Karen Golz, and David Gabor.

You recently saw the Broadway revival of the classic American musical, “Show Boat.” All day long you have been thinking about the lyrics of one of its songs, “Old Man River:”

“I’m tired of living

And Scared of Dying”

Why does that song keep spinning around in your brain?

You realize the lyrics reflect how you feel: you are tired of Tom Tully’s antics and “larger than life” attitude. The company would be better off with him gone. Or would it?

 TOM TULLY SPORTS CENTER

Tom Tully is a burly, gregarious former professional football player with the Dallas Cowboys who became known for his being both aggressive and friendly at the same time. The Wall Street Journal once called Tom “the bully you would still want to have drinks with after he crushed you.”

In 1995, Tom retired from football and opened created Tom Tully Capital, Inc. The first investment was called The Tom Tully Sports Center (TTSC) located in Dallas, Texas.

Tom Tully Sports Center grew in popularity and has 129 retail locations in 30 States. Last year, Tom Tully Sports Center opened retail outlets in London and Dublin. Sports Centers are set to open in Beijing and Singapore next year.

In 2015, KMG Private Equity purchased a controlling interest in The Tom Tully Sports Center. Karen M. Golz, Managing Partner of KMG, became Chair of the Board of Directors of Tully Sports Center. Tom Tully is the CEO. The Board is currently comprised of seven Directors: Tom and two close friends have three seats. Karen and the outside directors she nominated have four seats.

You are one of the outside Directors nominated by Karen.

KMG’s objective is to grow the business and then to exit through an IPO or a sale to a larger firm such as Amazon or Target.

While the traditional retail industry has suffered from inroads made by online companies like Amazon, most sports consumers continue to prefer to compare equipment in person. Tom Tully Sports Center is known for having a full line of products for sports-minded consumers plus sales people who know the strengths/weaknesses of products. The company is proud of paying retail sales people straight salary and no commissions. Customers know that sales personnel are not biased or incented to make recommendations.

 TULLY SPORTS CENTER IS TOM’S “BABY.”

The company bears the Tom Tully name. And Tom is the face of Tom Tully Sports Center. He describes the company as “his baby.” Tom appears in its television ads and a caricature of his face is the logo for the company. When customers enter the Center, there are monitors with video replays of Tom greeting people and wishing them a happy time.

Tom has launched Tom Tully Sports Center Venture Capital, a nonprofit designed to create seed funding for entrepreneurs committed to the design of sports equipment that improve player safety. Competition generates great publicity and parental approval. Competitions are held in New York, Boston, Austin, Chicago, San Francisco, Minneapolis, and London. It also has alliances with MIT, California Institute of Technology, and University of Texas at Austin to study ways of playing sports safer.

 **“If You Can’t Stand the Heat…….”**

At one level, Tom Tully is just a “Good Old Boy” from Texas and is everybody’s friend. He laughs easily and makes jokes all the time. But Tom is a competitive person and his management style reflects his origins as a competitive, elite athlete.

The good news is that this competitive nature has helped Tully Sports Center leap frog over its competition. The bad news is that turnover among people reporting to Tom is higher than industry average.

He has had two Chief HR Officers in five years, two CFOs in four years, and three COOs in six years. By any measure, that is high turnover in senior management and unacceptable for a successful IPO.

Tom replies that retail is a highly competitive industry.

 “If you can’t stand the heat, get out of the kitchen.”

You have always suspected that employees are intimidated by Tom. He can be sarcastic and there is that “Tom Tully Look.” It is an expression of boiling anger and contempt that says, “I am going to destroy you and watch your pain with great pleasure.”

**A Complaint Has Been Filed:**

June Hann is Administrative Assistant to Tom Tully. She filed a formal HR complaint stating that Mr. Tully has created a “hostile work environment” for her. There are no allegations of sexual harassment. Ms. Hann accused Tom of constantly yelling at her and telling her that her work performance “sucks.” He also calls her “slant eyes,” “Chink,” and “yellow skin.”

Having Tom Tully yell at employees is not uncommon.

When confronted with the formal complaint, Tom told his General Counsel, “Pay her off. Fire her. Do what you need to do. I don’t want to see her again.”

The Vice President of Human Resources retained an outside law firm to investigate allegations of harassment against employees. The outside firm reinforced the fact that no sexual harassment allegations had been made. But employees did complain that Tom Tully made disparaging remarks against gays, Blacks, and Orientals that some employees found offensive.

Tom Tully is furious with his Vice President of Human Resources. He told the General Counsel that when the commotion dies down, Tom wants the General Counsel to fire the head of Human Resources. “She is not a team player.”

**Karen Golz Intervenes:**

Hiring an outside law firm, brought the matter to Karen Golz’s attention.

She is furious with Tom Tully for what she calls his “antics.” It is a distraction from growing revenue and her goal of achieving an IPO or a sale.

Karen has concluded that too much of the business revolves around Tom Tully. It would be better if Tom left the company and the company rebranded from Tom Tully Sports Center to TTSC.

She thinks it is best if Tom quietly left the company, but she is doubtful a quiet exit can be arranged.

Tom’s position is that Karen has violated his trust. They were going to build the business together and now Karen has turned against him.

Tom’s perspective is that Karen is trying to throw him out at the worst possible time:

Allegations about Tom’s behavior and the law firm’s subsequent investigation was featured in a WALL STREET JOURNAL article. Given the publicity surrounding the “Me Too#” movement, it will be assumed that Tom was fired for inappropriate sexual activity even though no such allegations have been made.

Tom wants to remain at the company and will agree to attend private “sensitivity coaching” sessions if the Chair wishes him to do so.

He also makes it clear that if he is forced to leave Tom Tully Sports Center, TTSC was a spin-off of Tom Tully Capital. Upon the conclusion of his non-compete Tom can choose to enter the sports retail market again using the name Tom Tully Capital.

You are attending the Board meeting with Karen and General Counsel David Gabor. Tom has asked permission to speak with the Board and then will depart the room.

As you walk down the office corridor to the Board meeting you are humming, “Old Man River……”

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