



how to handle **CONFLICTS** of **INTEREST**

by **Bernard Baur**

“Conflict of Interest” is a phrase that wields a lot of weight, not to mention emotion. But it should come as no surprise that conflicts of interest run rampant in the music business. For example, today it’s not unusual for a small indie label to also function as management for its acts — a setup that could lead to conflicts of interest. To help you understand this crucial area and be able to recognize and deal with a potential conflict, *Music Connection* offers the following one-of-a-kind feature.

THE CONFLICT

Music biz history teems with managers whose feverish loyalty to their artists is matched only by their tenacious enmity toward record labels. Case in point: The Eagles’ Glenn Frey allegedly referred to the band’s notorious manager, Irving Azoff, with “He may be Satan, but he’s *our* Satan.”

While there’s no question that label-versus-manager beefs have become the stuff of legend, what happens when the label *is* the artist’s manager? Is the artist’s career being properly served?

When asked if it’s a conflict of interest for a label to act as an artist’s manager, **Kenny Kerner** can hardly contain himself. “Of course it is,” he shouts. “It’s a serious conflict!” Kerner, a 30-year industry veteran, has produced and managed dozens of acts ranging from KISS and Badfinger to Gladys Knight. He is currently the director of the Music Business Program at the Musicians Institute in Hollywood, CA, where students learn about this sort of thing.

“I’m a firm believer in having separate members on an artist’s team. No one should wear two hats. It’s too hard to be objective when there are competing agendas,” he explains. Kerner suggests that managers and labels have different perspectives and

goals. As he sees it, managers want labels to commit as much as possible to their artists, while labels want the best deal for themselves — usually one involving less commitment and, certainly, less money.

According to Kerner, conflicts are most common during negative turnabouts. When sales are dipping or fail to develop, labels and managers may have very different ideas. The label will usually start cutting expenses, while management may want the act on tour to shore up sales, or set up their next record.

In fact, there are numerous artists whose managers saved them from a label’s decision. Cyndi Lauper’s career almost ended before it started. Her label was going to drop her before her manager begged them for additional time to pitch a song to radio. The label balked — they hated the tune and thought it was lame — but agreed to give him 30 days. When “Girls Just Want To Have Fun” hit the airwaves, Lauper became a superstar. If her label had managed her, Lauper would not have had a career, much less the stardom she later enjoyed.

“Having your label manage you is just not a good option,” Kerner emphatically insists. “You need a manager to look out for your interests.” For acts without managers,

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—Brad Fischetti
President, 111 Records

Kerner suggests that they manage themselves. "I'd much rather see artists taking care of their own careers. If they need guidance and direction, they could get advice elsewhere, even if it's from a book or a class."

THE CHOICE

The reality, today, does come down to that singular choice Kerner is so adamant about. Acts that sign to small indie labels generally cannot attract a professional manager, because the deals do not involve significant enough money, if any. In those circumstances the only choice artists have is to manage themselves — or let the label do it.

Often labels become the de facto manager, when none exists. **Brad Fischetti**, president of 111 Records, notes, "When a label like mine signs young bands, I become their manager whether I want to or not, even if there's nothing in writing."

As it is, Fischetti maintains, "at that level, managers are hit-and-miss anyway, from competent to totally incompetent." He admits, however, that when an act has a decent manager, "It's an important piece of the puzzle." To that end, Fischetti frequently helps acts find a manager. "Eventually, you get artists to a point where you need separation. And, personally, I prefer that they have someone else handling that part of their career. It's enough work just running a label."

THE QUESTION: CONFLICT OR BENEFIT?

Scenarios regarding conflicts are not new. In fact, they've been around for a long time. David Geffen was mentioned more than once as a manager who signed his



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—Jaecie, artist

acts to his label. **Tony Ferguson**, A&R for Geffen-A&M, adds a current spin to the issue. "Major labels used to have a development department that acted just like management. But, that department is long gone and today we generally recommend managers to acts that don't have one."

Ferguson, who has also done quite a bit of business overseas, reports, "In the U.K., many labels handle everything, and they've done so for years." He informs that labels across the pond often provide a variety of services for their acts, from management and booking to legal advice and production. "Everything is under one umbrella; and it doesn't seem to have caused any problems there," he says.

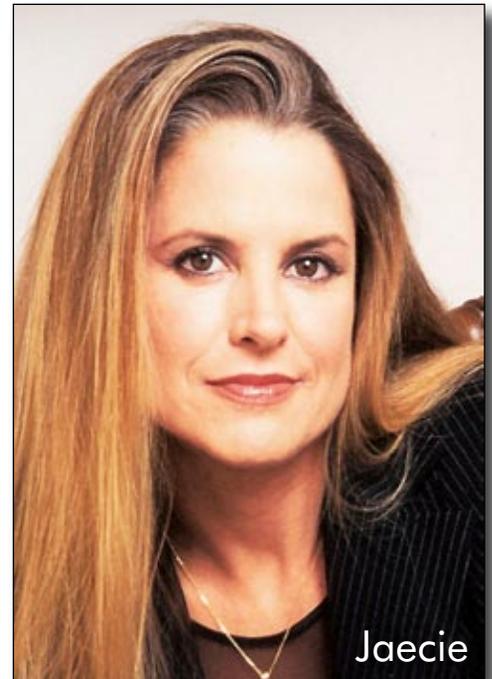
Nonetheless, even when everyone agrees that there may be no other choice and such an apparent conflict likely will not become a problem, it's not always the best choice. **Jerry Heller**, an agent, manager and 40-year music veteran, co-founded Ruthless Records with Eazy-E. He recalls, "Eazy told acts we were interested in that if they didn't sign with the label, I wouldn't manage them. And, some of those artists I had managed for a while." Heller relates that being both a manager and label executive was not always a comfortable situation. "Conflicts do arise and things can get complicated," he concedes.

Nevertheless, he notes cryptically, "Conflicts of interest aren't necessarily a bad thing. This business is all about relationships. You can't help but have a conflict of interest somewhere if you're in the music business. It's the way this business works and deals are made."

Jaecie is an artist who has played with Ike & Tina Turner, David Crosby, Lionel Richie, and has had several label deals. She has twice been managed by label honchos during her career. "Both times," Jaecie recollects, "it involved an executive at the label. After I was signed and got to know them, they offered to manage me. On two occasions my label also managed me, and they were the best management experiences I've ever had."

Jaecie felt that she received preferential treatment as a result. "I got a lot more attention; and," she laughs, "it only took one phone call to get business done or scream at someone." When told of this artist's good fortune, Kerner replied, "Was that fair to the label's other acts? Whenever you have mixed loyalties," he contends, "someone is going to suffer."

There's always more than one train of thought, Heller argues. "And both of them can be right. A manager and a label may



have a different approach, but both ideally want the best for the artist." So long as that goal is kept in mind, Heller believes, "A label that also acts as a manager is not evil."

MANAGING NEWBIES

Rory Felton, president of The Militia Group, a prominent indie label with Juliette & the Licks, Lovedrug and Quietdrive on its roster, sighs, "Ever since we formed this label, I've been a de facto manager, mostly because newbie acts don't usually have managers." Consequently, over time, Felton fashioned a hybrid label/management deal with his artists. "We don't take a management fee, but if they're picked up by a major, we become their management."

Other labels have a different approach. Quarter2Three Records, run by award-winning producer **Bruce Robb**, manages almost every act on its roster by virtue of an all-inclusive agreement that combines management and label duties. Robb recalls when labels used to provide all the services an act needed, and uses that as a template. "That's what we're trying to do with this label." Moreover, he asserts, "I've been in this business for over 25 years, as an artist, producer and label owner. I've discovered that managers don't always have their acts' best interest in mind. Sometimes their eye is only on the money, instead of an artist's career."