KORN FERRY Institute

The winning team: how to succeed as a new owner

Winning isn't easy. Here's the blueprint to build a sustainable winning sports organization.

The New Ownership Paradigm

If you are an owner of one of the 122 major professional sports franchises in the United States, the goal of this white paper is to provide guidance through the lens of your peers and our 35 years of direct experience, to identify new ways of thinking, and to enhance tried-and-true methodologies to advance your team's structure, alignment, and development.

Over the last decade, there have been 36 new owners across the National Football League, Major League Baseball, the National Basketball Association, and the National Hockey League. Thirty percent of all franchise fan bases have experienced new ownership this generation, yet only two of these franchises—the 2015 Golden State Warriors and 2016 Chicago Cubs—have won the ultimate prize. Clearly, winning is hard. And despite competition parity in all but one major sports league, new owners are not doing much of the winning.

At the same time, the nature of pro sports ownership is undergoing seismic changes. With a few rare exceptions—names like Rooney, Mara, Buss, Steinbrenner, and Brown—gone are the days when pro sports team ownership was strictly a family affair. No longer are owners defined solely by the franchises they own, inherited and run as a family business. A new generation of owners with diverse roots has sprouted up in their place—among them luminous private and public business executives such as Mark Attanasio, Arthur Blank, Tom Ricketts, Steve Ballmer, Mark Cuban, Joe Lacob, Ted Leonsis, and Shad Khan. These new owners come from a variety of disciplines and backgrounds—with self-built wealth from industries such as technology, finance, and private equity—each bringing a unique way of assessing his investment and applying the philosophies, expertise, and experiences that made him so successful in the business world to the realm of sports.

A quick primer on league franchise sales.

Average Franchise Sale Price			
NFL	NBA	MLB	NHL
$1,004,000,000	$702,583,333	$883,833,333	$251,500,000

Number of Franchises Sold			
NFL	NBA	MLB	NHL
5	12	6	13

Percentage of League Franchises Sold			
NFL	NBA	MLB	NHL
13.9%	33.3%	16.7%	36.1%

Percentage of Teams with Appearance in League Finals			
NFL	NBA	MLB	NHL
40.6%	30.0%	43.3%	43.3%

* Data reflects the last decade, from 2007 to 2017

"The days of operating one of these franchises as a hobby are long over," said Atlanta Falcons owner Arthur Blank, whose team recently competed in Super Bowl LI versus the New England Patriots. "They are very complex today and they are growing tremendously on the business and marketing side."

"So many of our owners are coming in at a fairly young age; they are tech guys or finance guys who have built their companies," said Minnesota Timberwolves owner Glen Taylor. "I think these guys have a different way of looking at things."

Consistent high-level performance is hard, and the transformation into a successful team is rare. When someone takes on the responsibility of ownership, he can optimize his potential for organizational success by following a few basic but critical steps. First and foremost, it is paramount to complete due diligence and determine the new owner's involvement within the organization. After these critical steps, an owner can then work on establishing a team culture, aligning all levels of stakeholders, assessing existing talent in a systematic manner, engaging fans and the community, and driving revenue—all the while removing barriers and silos that prevent the seamless integration of information across all facets of the organization. Taking over a franchise is always difficult; winners reap financial and emotional rewards, but only a select, high-performing few can bring all the pieces together to reach their championship aspirations. The gap between successful, established owners versus new inexperienced owners is highly evident in today's sports landscape.

For this white paper, we interviewed a select group of owners across the four major sports leagues to get their views on the challenges and opportunities new owners face. From their responses and the work we have done with ownership groups of more than 25 different franchises, several key themes emerged.

Ownership is an accretive learning experience built over years of exposure to the front lines of a given sport. With caution that it will take time—at least three seasons and lots of sweat equity from everyone involved—we compiled this primer to provide new owners with a strategic blueprint to creating a sustainable, winning franchise—both on and off the field of play.

Critical steps for new owners:

- Complete due diligence
- Foster alignment
- Establish a cultural identity
- Synergize business- and sports-side execution
- Plan for expansion and innovation

Checklist for new owners

- Make a decision on how involved you will be in the organization.
- Select the model that best fits your skill sets, and ensure that you will have the resources and time necessary to continue to be an expert in those areas.
- Do your due diligence to intimately understand the organization, the market, and the sport.
- Set the strategy and values that form your culture and continually reinforce your message through your actions and the people/players you bring on.
- Find fellow owners and peers that you can trust to be confidants.
- Hire elite leaders who can be a reflection of your vision on a day-to-day basis and whose skills and demeanor complement one another.
- Understand what resources are available from the league offices and other partners.
- Establish crossfunctional departments and ensure that their expertise is being properly utilized across the organization and that information flow is unobstructed at all levels.
- Determine the unique opportunities and challenges that exist.
- Understand your community and identify the key factors that it is passionate about; work to associate those factors to the game-day fan experience.
- Consistently message across all media in order to drive fan engagement 365 days a year.
- Utilize the unique investments and resources you have built in order to enhance your team's attractiveness to new talent.

The importance of due diligence

Many new owners come from industries where they wield a massive amount of power and influence. But sports can be a very different experience and it usually is the case that unsuccessful franchises are the ones being sold. The expertise and skills that new owners leveraged to become extremely successful in their other lives must be adapted and channeled in a productive, responsible, and targeted way in order to be beneficial in the sports world. Harnessed improperly, they could yield detrimental consequences to both the franchise and the sport. Upfront due diligence—detailing the dynamics of the team (from both the sport and business perspectives), the league, and the community—is crucial to determine how one's expertise and experience should be utilized, as well as to comprehend the unique challenges that will be faced.

Atlanta Falcons owner Arthur Blank has said that one of the biggest mistakes he sees new owners make is believing that knowledge and power are one and the same, and not understanding the key differences and progressive path between the two. After buying a team, an owner must make decisions such as whether he will make immediate moves to change a bad situation or take a season to assess the organization from the inside. Making these decisions and critical moves sets a tone to the rest of the organization, the league, the media, and the fans on what kind of owner they have inherited.

But before a new owner can set a strategic direction for his team, hire personnel to align with that mission, or even determine a style of play/methodology to achieve those goals, he first must decide on his own level of involvement and expertise as an owner. Running a team is a full-time endeavor, but owners can vary in their day-to-day involvement. Some are very hands-on and will want to meet formally every day; others may visit the team facilities irregularly. Some other owners won't even be in the same city and will check in by phone.

Important questions to ask when stepping into an organization

- What do you value and want to preserve about the organization?
- What are the key challenges you will face when assuming control of the team?
- Who are the key constituents, internally and externally?
- What barriers may prohibit you from attaining success? How can you overcome these challenges?
- How would you define success?

Korn Ferry has identified four unique models based on the differing activity levels of various owners across major sports leagues, from autonomous leaders to ones with a power-sharing balance. Jerry Jones of the Dallas Cowboys and Mark Cuban of the Dallas Mavericks exemplify the self-explanatory "owner-dominated" model, for instance, while Theo Epstein of the Chicago Cubs and John Elway of the Denver Broncos are two of the most successful examples of the "front-office dominated" model. Within this paradigm, Epstein and Elway have been personally selected by ownership to personify the vision as the face of the organization.

Teams like the San Antonio Spurs with Gregg Popovich and New England Patriots with Bill Belichick fall squarely into the "head-coach dominated" model, with their visionary leadership permeating through all levels of a franchise. The last category is personified by the Golden State Warriors and San Francisco Giants, featuring a "balanced" alignment model, in which all facets of the front office, ownership, and coaching staff work symbiotically toward shared goals.

While it may seem that the balanced model is the most utopian and, on paper, the most likely to lead to success, in practice, it is the most difficult to achieve at a high level given the various checks on power and consistent transparent communication needed to resolve disputes. In fact, each of the four models is capable of championship-level success given the right personnel. The principles that underlie all four models are the creation of alignment and the development of shared values, a unified approach to decision making, and the establishment of trust, which is ultimately the foundation of a culture. What is important is for the owners to decide early on which template to choose, and work to build the right blend of personnel to support it. Skilled leaders can be found to fit all models. Equally important is to be committed and steadfast in the principles surrounding the model—any inconsistencies or discrepancies will only cause the erosion of trust and disruptions to the culture.

For instance, Houston Texans owner Bob McNair made a decision early on in his ownership to be more involved on the football side of the business instead of just relying on the general manager or head coach. "The experiences that you gain if you've been an executive are applicable because there are a lot of the same questions that have to be asked, so now I am more involved," McNair said. "I still believe in selecting people and letting them do their jobs, but now I monitor them more closely."

Larry Tanenbaum, who serves on the executive committees at the NHL, NBA, and MLS, advises new owners to simply do what they do best, unless they are willing to gain the same experience and put in the same amount of work and dedication as a person they would hire for a less familiar role. "Don't try to be a coach and don't try to be a general manager unless you're going to be at it 24/7. Don't tell your general managers who to draft or trade," Tanenbaum said. "You can be a sounding voice for them, but if you want to do it, you better take over that position." While it is an owner's prerogative to have the final say in all matters, undermining the expertise of the people he hired without an equally compelling and well-thought-out reason will have long-term negative effects.

Nearly every owner with whom we spoke cited the fact that no formal mentorship or initiation program exists was a major obstacle they faced when coming into their respective leagues. "The league never did one thing for me to help. I didn't even know what resources were available," said McNair.

The four ownership models Korn Ferry has identified.

"Take your time and seek lots of counsel," said Cleveland Browns owner Jimmy Haslam. "You're really just a super fan in that role until you have to make all of those decisions yourself—then it's a completely different ballgame."

It would be prudent for new owners to find a mentor or sponsor when they come into a league, along with taking time to meet with as many league officials and other new owners in other leagues as possible, to get a feel for the resources available, best practices, learning curve, and some of the mistakes that have been made in the past. As a general rule, owners tend to be much more helpful on the business side than on the sports side. For instance, Milwaukee Brewers owner Mark Attanasio said he received some excellent counsel from NBA owners about media trends, the in-game experience, and best practices on engaging fan touchpoints in the stadium/arena. He stressed the importance of collaboration among owners in baseball and throughout sports, given that there are so few people—113 across the four major sports leagues (give or take equal-partnership ownerships)—who can share their experiences.

If there is a partnership with multiple owners, selecting the model can be much more difficult. It is advisable to ensure upfront which owner will be the operating partner, what responsibilities and power he or she will have, and how change of control issues will be dealt with. Being as specific as possible will help ensure (but not prevent) that there is one unified message from ownership to the organization.

"There is really good strength, guidance, and knowledge inside of the game already, so I'd advise to check your ego at the door and, with a little grace and humility, ask for help," said Pittsburgh Pirates owner Bob Nutting, who cites the opportunity to learn from dramatically different but effective leadership styles as helping owners craft the right approach for player, fan, and partner outreach.

Advice from the top: ideas for owners

- View your purchase as a long-term investment.
- Focus on building out the business side first in order to provide the fan base and resources necessary to support the sport side.
- Take time to assess your investment before making any radical changes, especially on the sport side.
- Begin with a focus on talent, organizational culture, and communications—all of which require hiring the right people.
- Clarify the values that link existing staff with the new infusion of talent.
- Realize that fans control the business and recognize the importance of community involvement.
- Avoid making emotional decisions that are not based on analytics or quantitative assessment.
- Identify talented individuals both inside and outside the organization whom you can trust to speak their opinions.
- Understand how your market is unique, and determine what opportunities and challenges are necessary to address.
- Be adaptable but have a consistent approach that adheres to the key values you have promoted.
- Know the difference between power and knowledge.
- Always strive for continuous improvement and believe that good ideas can come from anywhere.
- Ensure that decision making is matrixed and that all leaders can be held accountable for understanding all facets of a decision process.
- Utilize and leverage your assets to draw talent to your organization, both on the business and sport sides.
- Treat players as real people with real interests, not just as assets and commodities.
- Be aware that there will always be skepticism and resistance to change.

Fostering alignment

Alignment underscores the connection between ownership and executive leadership at all levels, including the coaching staff, front office, and business side. An organization in alignment operates symbiotically—executing its shared strategies and values that form the basis of the culture that will sustain long-term success. Disruptions to this ecosystem often occur when new owners make emotional, non-fact-based decisions. This can destabilize an organization and exacerbate existing challenges it may face.

In professional sports, it can be hard to overcome the old, pervasive mentalities in some organizations. For instance, Pittsburgh Pirates owner Bob Nutting said the biggest challenge he faced was "refocusing the organization on a longer-term view and setting clear expectations internally and externally."

"The biggest challenge is making sure that you get the culture and the chemistry right across the organization," said Clark Hunt, who runs franchises in both the NFL and MLS, and whose father helped found the American Football League and Major League Soccer. "In order to be successful and win championships, you really have to get that right. You have to have the entire organization working together for a common goal and you have to have a group of leaders who are willing to put their self-interests second or third to the success of the team."

Shad Khan is still considered a new owner, having finalized his purchase of the Jacksonville Jaguars in early 2012. While grappling with the numerous challenges that face NFL owners, Khan still maintains the biggest challenge is "winning the right way." Khan stressed the importance of fostering a sustainable system of compliance in organization practices to help drive success.

Mark Shapiro, the former Cleveland Indians general manager and current president and CEO of the Toronto Blue Jays, is a proponent of "SWOT" analysis—the effort to identify an organization's strengths, weaknesses, opportunities, and threats—for multiple different facets of an organization. In looking for the best data to develop an aligned culture for his clubs, he has found that questionnaires and individual meetings with upper- and mid-level management produce vital information.

Furthermore, the prevalence and importance of data has become ingrained in the front office, where the digital transformation is impacting all areas of management. In addition to a baseline of business acumen and knowledge of their respective sport, executives now must also possess a level of digital astuteness as well. Owners who can best integrate data into their player development and scouting, wellness, fan experience, operations, and the like, will be best positioned to align their front offices.

"There's been such a proliferation of available information, I knew we needed quantitative-oriented people to determine what was going to be useful and what was not," said St. Louis Cardinals owner Bill DeWitt. "The proper application of the relevant data in our decision-making process then became the key to achieving successful results."

Today, fans and the media track and analyze management performance with as exacting precision as they do the players. As a result, management turnover has increased exponentially. On the coaching side, current NFL coaches have been in their jobs for an average of 4.3 seasons, slightly ahead of MLB managers who average 3.7 seasons in their jobs.

Rounding out the list are NBA and NHL coaches, who both currently average about 3.5 seasons in their posts.

High and frequent turnover obviously impacts an owner's ability create alignment and build stable, winning franchises over the long term. "Selecting the general manager and coach is so critical, and it's really hard to evaluate their performance because their performance is so intermingled with the performance of the other people they are working with," said Houston Texans owner Bob McNair.

Communication is another key to fostering alignment. It is important for everyone in the organization to know what the plan is, from the general manager and head coach to the marketing and finance departments. New owners can learn from veteran coach Andy Reid, who stresses that sending a consistent message for an entire organization to embody is critical toward creating cultural alignment, overcoming adversity, and achieving long-term success. Not only does communicating in such a way instill the idea that everyone has an important part to play in what you are trying to get done, but being open, transparent, and accountable also ultimately infuses those traits throughout the organization and pays dividends in the long run.

Shapiro further elaborated, "We are inclusive and flat in the way we run meetings and attack our challenges." From the top down, empowering people and promoting development and inclusion is a collaborative way to foster alignment within an organization. A successful owner fosters alignment around all facets of his franchise—his people understand that the job is not only about generating enthusiasm and winning, but also about producing sustainable revenue streams built upon the promise that a team has, at the very least, a chance to win it all. When alignment is in place, the organization operates with a sense of purpose and direction that all stakeholders feel emotionally engaged, and consistent stability emerges that drives confidence, enhances performance, and begins to develop the foundation of a new culture.

The keys to alignment:

- Having constant communication among key stakeholders
- Maintaining consistency in decision making
- Utilizing data to drive continuous improvement
- Listening and observing interactions between departments
- Keeping emphasis on getting it right, not on who is right
- Having an open and transparent atmosphere
- Retaining the ability to disagree in an egoless, nonpersonal manner

> **"We don't care where good ideas come from or where the work comes from."**
>
> – Mark Shapiro,
> Toronto Blue Jays President of Baseball Operations

Establishing a cultural identity

The foundation on which a team grounds its philosophy, direction, and decision making and projects its identity to the public rests on its culture—and the responsibility for establishing that starts with the owner. Defining the organization's mission, projecting its image to the community, developing team goals, setting strategies to achieve them, identifying talent that aligns with your system, establishing a process for innovation, developing a roadmap for growing the business, and staking out a position in the league, among other tasks, all go into the cultural alchemy.

When Mark Attanasio took control of the Milwaukee Brewers, he wrote out the four tenets he wanted to drive every decision that was made and included them in the team's media guide. They were to: 1) put a perennially competitive team on the field; 2) make Miller Park the best fan experience possible; 3) be a leader in the community; and 4) create a great work environment. Thirteen years later, those tenets are still etched in the media guide as a way for Attanasio to measure his organization's performance and "set the tone and motivate" the team's roughly 400 employees across the United States. Including them in the media guide gave the public a way to hold the team accountable.

Culture starts with the attitude and approach that owners project when going about their daily business. One's commitment, work ethic, and values will ultimately be adopted consciously or subconsciously by everyone in the organization. Minnesota Twins owner Jim Pohlad applies the same eight-point checklist of values to his team as he does to his other diverse businesses, which include commercial real estate, automotive, and financial/banking companies. These values and characteristics are the drivers that he expects will govern each of the 2,500 people who work across his businesses, including the Twins. He caps off his expectations with an overarching expectation: "We depend on capable, engaged, and committed employees working within this culture to ensure individual as well as organization growth and long-term success."

Arthur Blank said that successfully running the Falcons and running Home Depot, which he co-founded, are based off the same cultural standpoint. "The same values that we put in place at Home Depot, and that we now run all of our family businesses with, applies to the NFL, as well," Blank said. Similar to Pohlad's checklist, Blank has six core values each of his family of businesses aspires to achieve. They include: 1) putting people first; 2) listening and responding; 3) including everyone; 4) innovating continuously; 5) leading by example; and 6) giving back to others.

These tenets espoused by Pohlad and Blank are neither clichés nor outdated notions of success. They are the bedrock on which an organization builds its culture—from the lowest person to the top executives. Creating the desired culture takes constant articulation, clarification, and refinement. Infusing new talent with different, positive, and respected ideologies is the first and most important step a new owner can take during their transition period. A culture shift fosters discipline, consistency, and repeatable execution; establishing a level of trust and understanding of where each person stands in the organization will help foster a sense of unity, which is often reflected in a team's work ethic and on-field performance.

Clark Hunt's DNA is captured in his belief that "if you hire the right people and have the right culture, you can count on them working together for that common goal, and if you get that part right, you have a very good chance at being successful."

> "It's just as much art as science, and the team belongs to the community as much as it does to me."
>
> – Mark Cuban,
> Dallas Mavericks owner

Sports-side execution

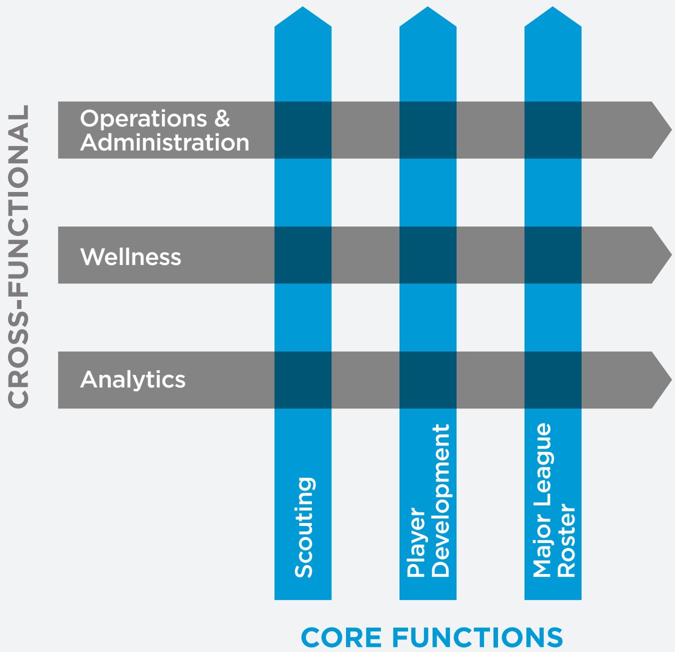
The complexities of running a professional sports team today require owners to be disciplined, rigorous, and highly scrupulous about hiring coaching and front-office talent. In addition to assessing the skills and experience that fit the current and aspirational construct of the team, owners must also understand a potential front-office leader's soft skills—the competencies, traits, and personalities—that are required to efficiently lead the franchise. These qualities are crucial to success but are oftentimes nebulous to determine. A perfect fit with one team can be a complete disaster with another.

Competitive advantages:

- Unique facilities
- Organizational efficiencies
- Winning culture
- Elite player development/wellness

As front offices across sports become more sophisticated, more is being asked of general managers from a leadership perspective. Beyond the significant responsibility of presiding over scouting, player development, and the roster, today's front-office leaders must ensure that all ancillary functions are incorporated when it comes to decision making and continuous improvement. Today's competitive advantages are more important than ever, and the window for taking advantage of them before other teams catch on is brief. As such, data and information flow must be continually assessed and improved upon. Silos of specialties that keep people locked into a single discipline and cut off from other departments within the organization will lead to unnecessary inefficiencies and a higher probability of failure over time. Instead, owners who promote

Organizational Systems—Sport Side



This function has grown to include all forms of scouting, player development, and the roster. Layered across these verticals are interwoven analytics, wellness, and operations and administration. Front offices that are structured in this manner eliminate siloed decision making and foster inclusive dialogue, as well as the mentorship and development of younger individuals in the organization.

integration and generate synergies from all aspects of the organization will establish a cohesive front office and be best positioned for success.

“You have to hire the best leaders possible, whether that is the business side, coaching, or the general manager aspect of the organization, and give them the resources to be successful,” said Clark Hunt. “If you have the right people that don’t need to be micromanaged and have the right culture, you can count on them working together for that common goal.”

While there are salary caps and luxury taxes in place across pro sports leagues, there is no such cap on the salaries of coaches, trainers, or infrastructure spending. Savvy owners understand that they can create a virtuous cycle and gain a competitive advantage by investing in front- and back-office talent, and world-class facilities, training rooms, lounges, as well as other areas where there are no restrictions on spending. Mark Cuban provided a perfect illustration of this when, as one of his first orders of business after acquiring the Dallas Mavericks, he hired twice the number of assistant coaches as other NBA teams, and at higher salaries. The result: After posting a below-40 percent winning record in the two decades prior to Cuban’s purchase of the team in 2000, the Mavericks have become a perennial playoff team, winning two division titles, two Western Conference championships, and one NBA title.

Having to navigate the turbulent salary-cap waters, and making often-risky bets on the draft, long-term contracts, and free agents, humbles even the most risk-tolerant new owners. Still, even in this era of free agency, money is not the only factor that attracts talent. Players will sometimes leave money on the table in consideration of less tangible benefits such as the chance to win a championship, play for a highly respected coach, front office, or team, or get to a market where they can capitalize on endorsement deals. For new owners, attracting the best talent in today’s market means going beyond financial compensation to creating a full-service experience for their athletes.

“You don’t treat your players as a commodity. You treat them as real people who have real interests,” Blank said. “You get to know them, their families, and their interests post-football, and help them with the transition both into the NFL and out of the NFL.”

Owners that invest in world-class facilities, luxury lounges, wellness and nutrition bars, on-site chefs, spas, mental and emotional trainers, digital and emerging technologies, and the like can go a long way toward fostering talent relations. Jerry Jones’ new $1.5 billion state-of-the-art Dallas Cowboys “The Star” training facility, the incorporation of Alex Guerrero’s regimen for Tom Brady into the Patriots’ own training program, and the Golden State Warriors’ adoption and partnership with Silicon Valley VR and wireless light systems technologies for Stephen Curry all embody owners’ efforts to add ancillary value to the talent experience toward the sake of winning. On the MLS front, Atlanta United have been commended for developing first-class facilities that have established its franchise as a premier destination for elite soccer talent.

As an owner, if you can hire and retain elite front-office talent, you will have found a huge competitive advantage as the drivers of a sustainable winning culture. Therefore, providing adequate resources and having an integrated and efficient operational model will allow for collaborative decision making in all functional areas. This foundation is the bedrock of creating an organization that is able to achieve sustainable success.

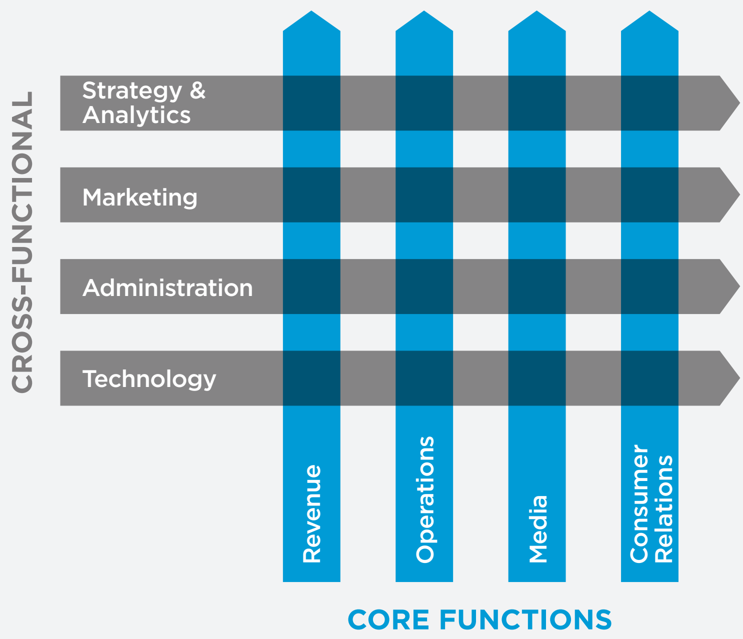
Business-side execution

It's no secret that professional sports team valuations have soared in recent years. In the last five years, the Los Angeles Dodgers sold for $2.1 billion and the Los Angeles Clippers sold for $2 billion, the highest-ever sale prices for pro sports franchises. Over the last 10 years, there have been 36 team sales—each reported price higher than its public valuation.

With sale prices soaring, the job of any new owner, outside of winning, is to maximize revenue. New owners need to be nimble and experimental while assessing for ways to procure and secure new revenue streams. Fortunately, there are no shortage of avenues to mine; among them are international expansion, television rights, e-sports, hospitality, fantasy sports, gambling, branding, licensing, stadium and sponsorship partnerships, and emerging-tech and digital-media experiments.

As on the operational side, it is equally important to have a visionary executive who possesses the business acumen, creativity, and inspirational leadership skills that can unite the various business departments in a synergistic and consistent manner. Similar to the model outlined on the sport side, the business organization must embrace integration throughout the critical functional areas.

Organizational Systems—Business Side



The core functions of the business side of sports include revenue, operations, media, and consumer relations, which all must coexist and interact with the key crossfunctional disciplines, such as strategy and analytics, marketing, administration, and technology.

Perhaps the biggest issue new owners face is the fragmenting media landscape owed to digital disruption and the competition for consumers' attention and leisure-time dollars. "The transition from where we are today to fully monetizing and understanding the value of those digital rights and media rights is a challenge," said Pittsburgh Pirates owner Bob Nutting.

"We are at the point now where more fans access watching the game on a tablet or an iPhone than they do on a standard TV," said Milwaukee Brewers owner Mark Attanasio. "We never would have imagined that in 2005 when I bought the team … so you have to be ready to adapt to a rapidly changing environment."

Added Dallas Mavericks owner Mark Cuban: "We no longer have the luxury of every household having a team they love. Kids focus on their devices. We only have 10 years of experience with smartphones as a primary entertainment alternative. We have to learn how to get kids who are growing up on Minecraft and other games to learn to love our teams or we will have challenges in the future."

The good news is that an array of deep-pocketed, over-the-top video streaming services has shown an increasing hunger for sports' rights. Yahoo paid $20 million to stream a single NFL game. And after Twitter agreed to pay $10 million to stream Thursday night NFL games last season, Amazon topped that offer with a $50 million deal for those games this season. Whether these are one-offs or the beginning of a massive digital media transformation remains to be seen. But assuming traditional television contracts have plateaued, new owners and leagues must figure out ways to partner and develop relationships with new media and tech companies to generate additional rights' revenue, all while working within the stipulations of the existing national and local media contracts. New owners who can be creative in tapping into the new media landscape will not only be able to reach new audiences and enhance fan engagement but also maximize output on the revenue side.

The astonishing rise of gaming, fantasy sports, and e-sports has created a number of avenues for leagues and owners to generate new revenue streams and fill empty stadiums during the off-season. The financial rewards of such partnerships for owners is substantial—researchers estimate the nascent e-sports market will grow to $1.5 billion in revenue by 2020. In these early stages, a relatively small investment in a team or league can yield financial rewards in sold-out arenas and access to a young affluent market that may not care as much about traditional sports. One example: the NBA and gaming company Take-Two Interactive Software recently partnered to form an e-sports league centered on its NBA 2K franchise. The league will feature 30 NBA teams, each owned by a real NBA franchise, that consist of five human gaming players who will compete in a five-month-long season that will eventually crown a champion.

"[For many owners] there's a lot of conversation about e-sports and whether that will make inroads on us and in the other major leagues … I think we can't be lackadaisical or arrogant to the platform we occupy," said Attanasio. "E-sports continue to be a lucrative opportunity, and we expect this diversification trend to increase."

However, the impact of e-sports is small compared to the growth in the fantasy-sports market generally, and daily fantasy sports in particular. Nearly 60 million people in the U.S. and Canada participated in a fantasy sports league in 2016, and estimates show revenue for daily fantasy sports alone at $5 billion by 2020, despite the industry's recent legal troubles. Stemming off that idea, new owners would be remiss if they did not develop a strategy to deal with both the challenges and opportunities presented by the possible extension of legalized sports gambling. NBA Commissioner Adam Silver is on the record as saying that expanded legalized sports gambling is "inevitable," and experts suggest that media and tech companies will emerge as digital bookmakers. Stock-market-like betting exchanges will be created, presenting leagues with the potential to profit directly off of legal sports gambling.

In summary, getting the leadership and business strategy in place is essential to maximize the efficiencies in building the brand, enhancing revenue, connecting with the fans, and taking advantage of the new digital technologies and platforms available to consumers.

Future expansion and innovation

Regardless of how one assumes ownership of a team, the principles of developing a sustainable and successful organization are relatively similar. With leagues that continue to expand domestically and aspire for global growth, it is imperative to understand the complexities that come with building a franchise from the ground up.

In the rare instances when a new franchise is inserted into a league via expansion, new owners must be even more diligent to build a foundation for sustainable success in their market. Amid the fanfare, a new owner must still decide the model for his involvement long-term and be strategic in how he presents himself publicly. Community enthusiasm over having a new team should not mask the importance of building a solid structural core—predicated on the recruitment and selection of elite talent—at all levels of the organization. Owners must develop a strategic plan with an extensive analysis of the market in addition to setting targeted goals. With most league rules concerning expansion drafts preventing new franchises from instantly competing on the field, it is critical for new owners to expedite the development of the franchise from a business perspective—cultivating brand affinity, collecting CRM data, and connecting to the fan base. Grassroots events in the community and team branding initiatives go a long way toward cultivating fan engagement and developing a loyal fan base. Having initiatives involving the naming of the team and creation of a logo, as well as meet-the-player events all help foster that intrapersonal bond and relationship with the fans. Lastly, a long-term strategy is prudent for player selection, for which it is paramount to hire an experienced general manager who has demonstrated a strategic understanding and successful track record when it comes to player development and talent acquisition. As a new owner of an expansion franchise, there is an extra level of complexity that exists in starting from scratch.

Dallas Mavericks owner Mark Cuban similarly advises new owners to “be as active as you possibly can in your area of specialty. And realize that it’s a lot of work to keep up. It’s an always-changing industry.” As the chief visionary of a franchise, a new owner would do well to understand how critical it is to be diligent about keeping up with or at least have a cursory understanding of the new ideas, opportunities, and technologies in media, sports business, tech, health and wellness, and analytics that may boost significant advantages on the sport or business sides.

In order for the increase in team valuations to continue, new owners have to be experimental and innovative with regard to expansion and innovation. While the number of people watching sports on TV may be declining, the overall audience is still growing on a global level. Some of the media viewership may surprise you; for example, 10 million people in China watch broadcasted NHL games. Globalization has increased the audience appetite for sports to levels never before seen. NBA owners cite Africa and India as the next two “huge opportunities” to build the brand, which is already in 200 countries. The potential audience for NBA games in Africa is more than one-billion people, and the interest in the sport continues to rise with the help of the NBA’s Basketball Without Borders program—growing the game at the grassroots level in developing nations. MLB’s World Baseball Classic is more popular overseas than back home. NFL

owners are eyeing England and Mexico, where they have already hosted professional competitions, in addition to South America, for expansion. “You look at the product itself, it’s in huge demand across America, both across media and in terms of the game experience,” said Atlanta Falcons owner Arthur Blank, in a comment specifically about football but equally applicable across the major sports leagues.

“Football has not only survived but thrived because it has changed with time. I’m very optimistic about it,” said Shad Khan, owner of the Jacksonville Jaguars, who continually stays on the cutting edge of new technological developments pertaining to the sport.

At the same time, however, today’s mobile- and social-first digital world has heightened consumer expectations to an unprecedented level. Smartphones have put power literally in consumers’ hands, creating an on-demand society where people want access to what they want, when they want, and how they want. As it relates to sports, this means that fans increasingly want and expect an experience, not just a game.

“With all the competition for the entertainment dollar, I spend time in all parts of the stadium talking to the fans and trying to better understand how we can deliver on a unique experience for them,” said Minnesota Twins owner Jim Pohlad. “The game-day experience and having the fans interact and feel that ownership really cares about the experience is essential.”

Or, as Atlanta Falcons owner Arthur Blank said, “You’ve got to continue to find ways to get people off the couch and away from their 90-inch TVs.”

One way owners are engaging more consumers is by investing in their communities through real estate development around their arenas and stadiums. At The Star, for instance, an exclusive “Cowboys Club,” sells memberships that cost as much as $4,500 plus a $350 monthly fee, which allow members to watch portions of the team’s practices, and provides access to the fitness center and perks such as scheduling talks with players and coaches. The Green Bay Packers are now capitalizing on their championship heritage by developing land west of Lambeau Field into a “Titletown District.” The development—which includes a high-end hotel, health center, bars and restaurants, a public plaza with an ice-skating rink, and high-end townhomes—is meant to mimic an authentic Wisconsin neighborhood to attract tourists and offer a distinct living experience for residents. Lastly, Bill DeWitt and the St. Louis Cardinals have successfully erected a first-rate ballpark district in downtown St. Louis, enhancing the area and making it far more attractive from a commercial and residential perspective. By developing the real estate around their stadiums and arenas, owners are signaling to fans that coming to a game is a life experience, while at the same time opening up avenues to maximize their revenue generation not related to the game itself.

Creating and maintaining the emotional connection between team and fans is a critical responsibility for owners, said Dallas Mavericks owner Mark Cuban. Leveraging digital and social media and new emerging technologies like virtual reality and augmented reality provides rich, new opportunities to connect teams with their communities and fans in ways that previously didn’t exist. Twitter and other services have already broken down barriers between athletes and fans, allowing them to engage with each other directly, and owners can do more to exploit this dynamic. Data are being leveraged to provide fans with more personalized experiences as well, from travel packages and in-stadium food recommendations based on past behavior and purchase history, to loyalty-rewards programs and the delivery of advanced statistics, trivia, and in-game content right to fans’ smartphones.

“We have a fan base that wants more access and greater insight into the players and teams that they cheer for, and I think using the opportunities from a digital standpoint to connect the fans with the teams is a great way to grow the fan base,” said Clark Hunt. “It’s also an opportunity to grow the revenue and the overall connection that your team has with the community.”

Still, as Cuban said, “Content, gaming, media, gambling, VR, AR—we will be involved in everything, but the key is maintaining the emotional connection with our fans.”

Case Study: Chicago Cubs

When Tom Ricketts' father bought the Chicago Cubs, we met with the Ricketts to build a governance model with an incentive structure for the organization, ensuring a corporate-like structure with the family, naming Tom as president. They inherited a team that was popular but had been struggling with a poor operational and financial system because of its increasingly antagonistic contract with the city of Chicago. During the first several years, Tom focused on the business side of things to shore up and develop a strategy for the renovation of Wrigley Field and set up a separate corporation to develop the community.

When then-General Manager Jim Hendry was let go, there were two people that they pursued to hire as the president of baseball operations: Theo Epstein and Brian Cashman. Both had reputations for being able to develop and build on a strategic vision that resulted in championship-winning teams. Ricketts selected Epstein and gave him the autonomy and resources necessary so he could execute his vision. Epstein was able to hire Joe Maddon as manager, and the rest is history: The Cubs were able to break their 108-year championship drought and the mythical Curse of the Billy Goat.

Ricketts was able to effectively set a strategy and determine his involvement in the operation of the organization. When assessing the organization, Ricketts strategically built up the business side of the Cubs, allowing the baseball side to take shape over time. While Ricketts played an active role in the construction, growth, and sophistication of the business side, he elected to hire visionary leaders in whom he instilled a great deal of trust to execute on the baseball side.

Case Study: Golden State Warriors

Regarding the Golden State Warriors, Joe Lacob and Peter Guber had prior ownership experiences in both entertainment and sports. Before acquiring the team, we met with Lacob, and soon thereafter helped Guber and the team's president, Rick Welts, build out the business and revenue side of their organization. Lacob, coming from a private-equity background, had been a minority partner with the Boston Celtics and had a feel for the culture within the NBA. Guber came out of the entertainment world and minor league baseball. Given his experience with Mandalay Entertainment, it was going to be his role to focus on business, while Lacob was going to focus on the basketball side of the operation.

While fortunately, inheriting a team that had some tremendous talent in Stephen Curry and Klay Thompson (though not yet the world-class talent it would become), the ownership nevertheless had to make the right moves. The first was to hire whom it thought was the best businessperson available—the Phoenix Suns' Rick Welts, one of the most respected people in the industry. The new owners left the general manager in place but put in a succession plan for basketball operations, bringing in former agent Bob Myers. They saw in him someone unproven but who was bright and had highly relevant experience negotiating contracts. While the organization planned to have Meyer learn in an apprenticeship fashion, he was thrust into action after only a year when Larry Riley was demoted. And then they acted decisively when Head Coach Mark Jackson was deemed not the right fit culturally—even after having an excellent season—quickly replacing him with Steve Kerr.

When they bought the team, Lacob and Guber had the vision of moving the arena to San Francisco. Despite taking on a huge amount of debt, they have been able to, based on the business performance and the success of the basketball team, build an organization that is sustainable within a top market. The Warriors just won the NBA Finals for the second time in three seasons, overcoming Steve Kerr's health issues. The owners have built and sustained a balanced culture that embodies winning, and each of the executives respects and communicates in an open and transparent way. On the basketball side, egos are left at the door, and there is tremendous amount of collaboration and transparency in their interactions.

The blueprint

In studying this document, the importance of leadership, whether it be at the ownership level or on the sport or business side, is the foundation of winning. When you try to win the right way, people see it. You win on and off the field, court, or ice by working hard and playing with relentless intensity. That is what galvanizes your workforce. However, the sustainability of this model only works if you are committed to the development of your people. This begins by hiring bright, passionate, and hard-working young employees. The constant exposure to seasoned professionals in various disciplines coupled with hands-on involvement in critical functions tends to be more relevant than finishing an MBA program in a business school.

If your organization is open to the models discussed in this document, you will be developing the leaders of the next generation and will avoid the challenge of hiring unproven talent. In corporations today, organizations are more often reaching internally to fill their most senior positions. The sports industry is a laggard when it comes to either the leagues or teams taking responsibility for the development of the next generation of leadership. One-day seminars and offsite retreats are not the way one learns a position. Leaders are developed through inclusion and offering broad exposure to employees, allowing them to move out of a silo, creating a crossfunctional organization that drives inspiration, creativity, and continual improvement.

The new paradigm for success as a new owner is first to understand the role and model you are choosing to employ. Once selected, you must perform your due diligence on the issues and complexities facing the organization. When the issues have been identified, your strategic plan must align with your people and their understanding of the values and expectations that you will hold them accountable to.

According to Bill DeWitt, who has won four National League pennants and two World Series championships and has one of the most sustainable franchises in all of sports, “You have to understand the assets within the organization, as well as identify areas of weakness, and be willing to substantially invest in both categories.”

New owners who develop systems and processes that lead to incremental efficiencies will experience sustained success by creating a symbiotic relationship with the organization and in the community. This will lead to winning, and the building of something bigger than any individual—a team that truly embodies and embraces the community in which it inhabits.

Acknowledgements

Mark Attanasio
Chairman & Principal Owner
Milwaukee Brewers

Arthur Blank
Owner & Chairman
Atlanta Falcons

Mark Cuban
Owner
Dallas Mavericks

Bill DeWitt
Chairman & Chief Executive Officer
St. Louis Cardinals

Jimmy Haslam
Owner
Cleveland Browns

Clark Hunt
Chairman & Chief Executive Officer
Kansas City Chiefs

Shad Khan
Owner
Jacksonville Jaguars

Bob McNair
Founder, Chairman & Chief Executive Officer
Houston Texans

Bob Nutting
Chairman of the Board & Owner
Pittsburgh Pirates

Jim Pohlad
Executive Chair & Owner
Minnesota Twins

Mark Shapiro
President & CEO
Toronto Blue Jays

Larry Tanenbaum
Chairman
Maple Leaf Sports & Entertainment

Glen Taylor
Owner
Minnesota Timberwolves

Author and contributors

Jed Hughes
Vice Chairman

Garrick Yu
Senior Associate &
Knowledge Manager

Andrew Montag
Associate

About Korn Ferry

Korn Ferry is the preeminent global people and organizational advisory firm. We help leaders, organizations, and societies succeed by releasing the full power and potential of people. Our nearly 7,000 colleagues deliver services through our Executive Search, Hay Group, and Futurestep divisions. Visit **kornferry.com** for more information.

About The Korn Ferry Institute

The Korn Ferry Institute, our research and analytics arm, was established to share intelligence and expert points of view on talent and leadership. Through studies, books, and a quarterly magazine, *Briefings*, we aim to increase understanding of how strategic talent decisions contribute to competitive advantage, growth, and success. Visit **kornferryinstitute.com** for more information.

KORN FERRY Institute