CHAPTER

1 Building a Business

***The Point:** The sports world, like much of the mainstream business world, has its stories of organizations and teams that seem destined for success, but fail, as well as those that seem to fail, and in fact succeed. Because the sports world has provided both sound and unreasonable approaches to business, it provides useful insight that should be considered by businesses of all sizes, especially when they are being established and built.*

What business executive hasn't gotten the nudge from a marketing manager just before giving an important presentation and leaned close to hear a whispered, "Try not to use any sports metaphors." Yet, sports provides a sound metaphors not only for life, but for business as well. Given the sporting world's ubiquitous nature throughout our culture, it is ideally suited to be used as a backdrop against which important business lessons can be enjoyably learned.

You might differentiate your experience as a sports fan from your career and your responsibilities as a decision maker, but by understanding precisely how and why sports and business have converged, you can improve your business acumen and become an even more valuable executive. In short, there is much to be learned—and applied—from understanding the structure of the sports business. Sports business industry leaders are continuously adapting to uncertainty, not only producing change, but also shaping the future of this lucrative and rapidly growing industry. Along the way, they consis-

tently demonstrate just how varied the results can be when adhering to—or dismissing—important business tenets.

Like most business executives, sports industry leaders wrestle with how best to segment domestic markets and penetrate foreign ones. Can they just slap their logo on the team's jersey and get the entire country to believe in their brand?

They struggle to establish mutually beneficial strategic alliances that won't compromise their brands or hinder their ability to grow. Is this cable TV network merely the highest bidder for the team's broadcast rights or is it the highest bidder than can and will convey the quality of the team on the field?

These leaders worry about financial and human resource management. How many free agents can a team really bid for without leveraging the team's financial future?

They obsess over customer service and crisis management in an effort to stave off erosion in market share. If we run out of beer, how will our fans react?

Sports industry leaders also concern themselves with employee relations and improving their own corporate standing. Are sports agents happy at a particular sports management firm or are they likely to defect and start up their own agency as soon as they make a name for themselves?

They make it their business to understand government relations and regulatory issues. How much does the organization have to know about the country to employ a workforce to make its baseballs?

In essence, the sports industry mirrors most others and faces similar trials and tribulations, but with a few insightful and different approaches. As the sports business industry continues to evolve, it often does so strangely, drawing the attention of fans and businesspeople alike.

Don't Try This at Home

Before reading about how to build successful sports business models, consider a couple of examples that, although they hardly hold up as sound models for business, are worth mentioning.

Long before we were intrigued by the NFL and MLB—and the antics of successful yet controversial team owners like the Oakland

Raiders' Al Davis and the New York Yankees' George Steinbrenner—there were the Silna brothers.

Ozzie and Dan Silna, arguably among the shrewdest and most opportune owners in the history of big-time sports, purchased the Carolina Cougars of the American Basketball Association (ABA) for $1.5 million in 1973. When the brothers bought the team, which they ultimately held for only three years, they surmised the league had a shaky future and a merger with the National Basketball Association (NBA) was, if not imminent, at least likely.

Hoping to be one of the teams that would successfully merge into the NBA, the Silnas moved their team to the largest city they could find that lacked a major sports team—St. Louis. The Silnas invested big bucks in players like Moses Malone, Marvin Barnes, Maurice Lucas, and Fly Williams. However, the team only averaged about 3,800 fans per game in its final year, after, according to Ozzie Silna, a promise by the St. Louis Blues owner to secure 5,000 season ticket holders never came to fruition.

When the NBA Board of Governors met in 1976 to broker the ABA–NBA merger, they only wanted four of the six ABA teams—the Denver Nuggets, Indiana Pacers, New Jersey Nets, the San Antonio Spurs. The NBA agreed to buy out the remaining two franchises. The Kentucky Colonels owner John Y. Brown, accepted a $3 million settlement. The Silnas, on the other hand, accepted far less—$2.2 million. However, the brothers also had the NBA agree that they would receive 1/7 of the national television revenue from each of the four accepted teams, *in perpetuity*.

At the time, it wasn't necessarily easy money. The NBA Finals were worth so little during the early 1970s that they were shown on tape delay in the wee hours of the morning. The Silnas had no idea that their share would grow to be as valuable as it is today.

It turned out to be one of the most brilliant—if not serendipitous—moves in sports business history. Thanks to the explosion of television rights, and the fact that they have not yet been bought out despite numerous offers, the Silnas have collected approximately $100 million over the past 25 years.

The Silnas made an estimated $8 million throughout the 1980s and, as broadcast rights fees swelled, so too did their share. They received checks annually totaling approximately $4.6 million from 1990 through 1994. The checks increased to $5.6 million per year until 1998. And the Silnas' portion of the NBA's recently expired

four-year, $2.64 billion contract with NBC and Turner netted them $13.5 million annually.[1]

Thanks to the NBA's current six-year, $4.6 billion TV deal with ABC/ESPN and AOL Time Warner's Turner Network, which runs through the 2007–2008 season, the Silnas could receive more than $20 million a year from the four teams combined. Although the affected teams have spent more than $250,000 trying to find a way out of the deal, the brothers have no inclination to accept an offer.

Just because the Silnas weren't aware of the future impact of TV on the NBA, that doesn't discredit their business decision. Plenty of high-powered executive decision makers have found themselves in similar positions. Successful executives don't allow themselves to easily take these types of risks frequently, but when they are presented with an opportunity, they possess the vision necessary to accurately gauge the risks and potential returns.

If that example doesn't leave you shaking your head about the sports industry's decision-making ability, try this one.

In 1995, the city of San Diego, to ensure that the NFL's Chargers would remain in the city, agreed to an amazing deal that would eventually include $78 million in stadium renovations (at then-named Jack Murphy Stadium, now known as Qualcomm Stadium). Along with the 14,000 additional seats, new scoreboards, and additional luxury boxes, the city council agreed to guarantee that from 1997 through 2006, if the Chargers didn't sell a minimum of 60,000 tickets per game, it would cover any shortfall.

If attendance was healthy, the city would stand to make a nice profit off the team because of the sharing of parking and concession revenue, as well as proceeds from ticket taxes. However, if the attendance figures lagged, the city would be paying the Chargers more in compensation for unsold tickets than the team would pay in rent.

The Chargers' annual rent to the city, not including what the team generates from the ticket guarantee, is approximately $5.7 million. Under the guarantee, the Chargers have paid an average rent of $1.5 million when enjoying strong attendance. In the team's lean years, the city has actually paid the Chargers through the purchase of unsold tickets for using the stadium.

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1. Rovell, Darren, "Spirit of ABA Deal Lives on for Silna Brothers," ESPN.com, January 22, 2002.

From 1992 to 1996, the Chargers were a competitive team, never posting a losing record. From the 1997 through the 2001 season, however, the Chargers won fewer than one in three of their games (23–57 for a .288 winning percentage). Not surprisingly, the city reportedly paid the Chargers $882,463 for 21,129 tickets for a game against the Chicago Bears in 1998. In the 2000 and 2001 seasons alone, the city paid for $14 million in tickets.

For the 2002–2003 season, ticket prices to Chargers games—whose six-year playoff drought was the second-longest in the league—increased $5 to $10. The taxpayers of San Diego remain understandably squeamish. Even though they had new coach Marty Schottenheimer at the helm and league newcomer Drew Brees calling the plays in 2002, enough damage was done from years of losing that the city had to buy over 30,000 tickets at a cost of $1.6 million for a preseason game against the Arizona Cardinals.

For the Chargers, however, the ticket guarantee is not unlike the tax breaks major corporations seek from cities in return for their commitment to the community and the scores of local residents they will employ. The guarantee also allowed the Chargers to use their local leverage to gain an important economic advantage.

Building a Business

For centuries, families have taken great pride in starting their own businesses. The family businesses, many of which began as garage start-ups with small amounts of borrowed capital, have always been the backbone of the American economy. Over time, and as a right of passage, some of these businesses have been handed down through generations, with those inheriting the family business continuing to see that it thrives and, on occasion, transforming it into a large, publicly traded company.

The list of American families who have successfully participated in this process range from the Fords and the Disneys to the Rooney and McCaskey families in professional sports, who continue to own the NFL's Pittsburgh Steelers and Chicago Bears, respectively.

It matters not whether these family businesses have been linked to the industrial revolution, the development of the entertainment industry, or the growth of professional football. Each has addressed issues of growth and family succession. They've all encountered economic downturns and fundamental shifts in consumer attitudes and

regulation. They've all survived and, for the most part, thrived, revered for their perseverance and tenacity.

It's not just small family businesses that have captured the imagination of American business. Small businesses of all origins and entrepreneurial makeup have established themselves brick by brick, business deal by business deal, until that fateful day—the day of their initial public offering (IPO).

The tenets for building a business are largely the same whether founded by a family patriarch like Sam Walton (Wal-Mart) or Vince McMahon (World Wrestling Federation [WWF], now called World Wrestling Entertainment [WWE]), or merely cobbled together by old college roommates or business associates, such as Yahoo! and Hewlett-Packard. The daunting challenges and stories of sacrifice are prevalent; so too is the commitment to tackling the long odds of being a successful entrepreneur.

When Vince McMahon Sr., a well-known wrestling promoter, handed the family business over to his son in 1982, Vince, Jr. had big dreams. McMahon Jr. wasn't afraid to take risks to expand the family business. He changed the company name from Capitol Wrestling Corporation to World Wrestling Federation, a name he strove to live up to. By developing compelling personalities such as Hulk Hogan and Randy "Macho Man" Savage, and by promoting wrestling on a national basis, dreams of an empire weren't hard to imagine.

McMahon didn't build the international brand, one marked by 300 full-time employees and more than 100 wrestlers under exclusive contract, without taking significant risks. In 1985, McMahon started the sport's major event, WrestleMania. Because the concept of pay-per-view TV had not yet gelled, McMahon believed enough in the product that he rented out more than 100 arenas to show the event on the big-screen TVs. According to the WWF, by fiscal year 2000, 2.3 million people attended 210 live wrestling events in 100 cities in North America, including 45 of the 50 largest metropolitan areas in the United States.

Today, with $5 to 7 million paying for its content per year, the company has not only become among the top pay-per-view producers in the world, but its "free" programming has consistently attracted more viewers in the coveted 18- to 34-year-old demographic group than any other property airing in prime time.

After surviving a fiercely competitive ratings battle with Ted Turner's World Championship Wrestling (WCW) in the late 1990s, McMahon decided to buy the WCW in 2000. This acquisition became

tougher for McMahon due to shareholder considerations that arose following his taking the company public in late 1999.

McMahon had far greater creative control and latitude when he owned 100% of the WWF. However, a reported $70 million loss in the first year of his new football league, the XFL, was enough for WWF and GE (which owned half the league) shareholders to pull the plug on the fledgling league.

And, as is often the case when companies become giants, McMahon had to deal with many lawsuits, including the one that changed the name of his brand forever. In May 2002, the WWF was forced to become WWE after losing a fight for the three-letter abbreviation with the World Wildlife Fund.

Despite its status as a publicly traded company, WWE and McMahon have still done their best to keep the business largely a family affair. His wife Linda serves as CEO and McMahon's son and daughter, Shane and Stephanie, have been worked in as WWE characters.

Long before the McMahons wrestled with shareholder issues, they focused on building their business methodically, exploiting their competitive advantages while carving out a unique niche within the sports and entertainment industry.

The Business Life Cycle

Those building businesses must recognize that every product and industry evolves in stages and that such life cycles require senior management to constantly assess, and then reassess, where their business is headed. Ian MacDougall, the founder and professional director of Corporate Lifecycles LLC, believes that the stages to any business can be boiled down to the following four:[2]

- ***Infancy***: Period in which the business is founded and scrambles to survive. The focus during infancy is on achieving what needs to get done to ensure that early customers are satisfied.
- ***Go-go***: Second stage in which the initial customer base allows the business to break even, and then grow rapidly through proactively exploiting new opportunities.

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2. Adapted from TEC Worldwide, Inc., "Best Practices: Sustaining Growth."

- ***Adolescence***: As growth continues, lack of infrastructure can cause growing pains and forces organizations to focus on what needs to be done to sustain early success.
- ***Prime***: At the peak of the company's growth cycle, the organization is finally hitting on all cylinders, simultaneously enabling it to turn a profit and allowing the company's personality and culture to shine.

These stages of the business life cycle will be explored in greater detail later in this chapter by considering NASCAR, one of sport's best examples of how to build a small regional business into an international powerhouse. Prior to that analysis, however, it is necessary to consider what issues fledgling businesses must address if they are to hit the ground running.

Regardless of which stage a company finds itself in, impediments to starting and growing the business exist. How *exactly*—from both a financial and strategic perspective—will you go about getting started? What kind of leadership style do you prefer? Once a business gets going, understanding and acknowledging precisely where a particular organization is in its life cycle will allow it to accurately diagnose and then address issues that could stunt company growth.

For example, in the infancy stage, cash management issues and personality clashes among founders might persist. During the second stage, vulnerabilities could include a lack of human or financial resources necessary to meet demand. Inappropriate organizational structure and goal setting might mar the adolescence stage. Finally, and from MacDougall's perspective, the prime stage routinely brings with it the challenge of redefining what business (or businesses) the company should pursue.

Before obsessing over business stages, budding entrepreneurs must decide for themselves if they have what it takes, particularly in terms of vision, to get into the game.

GETTING STARTED

Imagine you were the owner of the newest expansion team in professional sports—or the CEO of any start-up business for that matter. What actions would you take to propel the business beyond the initial planning process toward that of market leader? Once obscure companies like Microsoft and ESPN began with a mere vision and plenty of skeptics, but grew to become the bellwethers by

which other industry participants measure themselves in the software and sports media industries, respectively.

After being fired by the World Hockey Association's (WHA) New England Whalers, Bill Rasmussen, a public relations specialist, launched ESPN on September 7, 1979. The handful of people who noticed the network's launch undoubtedly dismissed the notion of a 24-hour cable sports station. How could the sporting world warrant that much nonstop coverage? Who would watch it? How could it be economically viable?

Compelling programming was thin for ESPN in its early days. ESPN's first live event was the 1979 Professional Slo-Pitch Softball World Series between the Milwaukee Schlitzes and the Kentucky Bourbons. But once *SportsCenter,* the network's flagship news program and highlight show, was supplemented by college basketball programming, the station managed to cobble together enough programming to fill each day. Nonetheless, few existing networks viewed the start-up cable network as a legitimate threat.

As the popularity of cable television grew, *SportsCenter* began to overshadow local sports broadcasts. Soon, as the concept gained support, *SportsCenter* junkies became acquainted with personalities like Chris Berman, Bob Ley, and Dan Patrick, each of whom became cult heroes who were just as famous as most of the athletes they covered. Today, *SportsCenter* airs in more than 80 percent of U.S. homes and ESPN is far and away, as its tagline suggests, "The Worldwide Leader in Sports" with ESPN, ESPN2, ESPN Classic, and ESPNEWS. The ESPN brand has also been attached to ESPN.com, ESPN The Magazine, ESPN Radio, and ESPN Zone restaurants. With the acquisition of the NBA's broadcast rights in 2002, the network became the first to broadcast games from all four major sports leagues at the same time.

Just like Rasmussen was able to get past the initial skepticism, so too was Frank Batten, who helped start the 24-hour, 7-days a week Weather Channel a couple of years after Rasmussen began ESPN. The initial response to the Weather Channel was just as bad. After all, who needed to watch anything but their local weather? Who cared if there was a massive storm in Oklahoma if you were soaking up rays in Malibu? Well, by 2000, the Weather Channel was generating $320 million in revenue and boasted a steady following of nearly 100 million weather watchers.

In addition to ownership believing in a business concept, most successful businesses, regardless of their industry, have adhered to the following process to achieve market leadership positions.

They must begin with a vision. An organization must be able to look at the future and determine its short-, medium-, and long-term strategic goals: How will the business adapt to inevitable change? What direction should the business take when faced with this change? Where should the business focus its human and financial resources? Creating a tight strategic plan answers these questions and provides a guide for growth and success.

Owners of expansion teams in professional sports must address these issues upon being granted their franchises. They must decide how they will stock their teams with players (employees). Will they do it economically and methodically over time through the draft and their newly established minor league affiliates? Or will the new owner choose to go the free agency route, electing to use checkbook diplomacy to rapidly—and expensively—establish a contending team? How will the primary stakeholders, namely the media, sponsors, and fans, react to the new owner's strategy for building a franchise?

In many respects the sports world has a lot in common with the dot-com frenzy, in which capital was easily raised and quickly spent to rapidly establish a brand. Financial returns were less important than establishing a strong Web presence. Throughout much of sports, success is measured not by operating incomes but by winning percentages. When sports teams fail to take into account the financial bottom line they face the same challenges encountered by online companies who invested heavily in establishing a brand name but lacked the business acumen to capitalize on it.

Business leaders are also measured by "winning percentages," such as stock price and other yardsticks, like profitability. However, unlike baseball players, corporate leaders need to bat well over .300 in their decision making to be considered successful in today's fiercely competitive business world.

Unlike Jerry Jones, who built the Dallas Cowboys over time while leveraging the rich tradition of the team, Arizona Diamondbacks owner Jerry Colangelo built his team rapidly and without the benefits of an established and committed fan base.

In 1995, Colangelo—long-time managing partner of the NBA Phoenix Suns—and numerous limited partners purchased the MLB expansion team, the Arizona Diamondbacks, for $130 million, $20 million more than the group anticipated it would cost.

Colangelo's primary goal was to field a competitive team that played in a great ballpark. He achieved this goal, as the Diamond-

backs became the quickest expansion franchise to win the World Series, doing so in only the team's fourth season. However, the costs incurred by Colangelo and his partners were enormous.

Before taking the field in 1998, the costs associated with building Bank One Ballpark soared from $230 million to $368 million. Following the inaugural 1998 season the Diamondbacks increased the team's payroll to about $70 million, giving it one of baseball's top 10 highest payrolls. The signing of six free agents, including pitcher Randy Johnson and outfielder Steve Finley, whose combined contracts cost Colangelo $118 million, was primarily responsible for the rapid increase in player costs. Despite these changes in the lineup, season ticket sales declined. The number of season tickets fell from 36,000 in 1998 to 27,000 in 1999 and again to 24,000 in 2000. For the Diamondbacks championship year, the season ticket base fell to 22,000.

Due to this eroding season ticket fan base Colangelo sought—and received—financial relief in the form of a $10 million loan to provide the team with the necessary capital to sign additional free agents. But even this proved to be insufficient.

By 2001, Colangelo took the extraordinary measure of asking his top 10 players to defer a reported $150 million to $200 million in salaries over five years. By the end of 2001, Colangelo had existing partners invest another $160 million over a 10-year period to ensure a financially stable and competitive team in the years to come.

Despite much criticism throughout the process, Colangelo said it all paid off—that merchandising, postseason ticket revenue, and the rebounding season ticket base allowed the team to lose only $44.4 million in its championship year and that the team would eventually be debt-free thanks to the owners providing the necessary cash. In the process, however, Colangelo's ownership stake in the team was further diluted and the franchise faces ongoing financial problems arising from the deferrals on player salaries, as well as $150 million in stadium debt. This financial situation has been further exacerbated by the fact that, as part of the team's agreement with the league, it did not begin to share in the national television revenue monies until the 2003 season.

Amazon.com, the Internet's largest retailer, and the Diamondbacks of the dot-com world, lost $2.8 billion from 1995 through 2001 before announcing in January 2002 that it had made its first quarterly profit, a meager yet welcomed $5.1 million.

Given the game plans undertaken—and well communicated to important constituents—by both Colangelo and Amazon, each was able to avoid some of the scrutiny associated with such extraordinary investment spending. Based on shareholder input, senior management must decide if the industry that a company is in, and the circumstances in which it operates, will allow it the latitude to undertake a similar strategy. They also must decide what constitutes "winning." Might it be having the greatest market share in the industry (the championship) or could winning be defined as being the most profitable (highest franchise value)? Perhaps winning requires both.

In sports, expansion teams—much like any new business—must assemble a great, service-oriented sales staff to help sell everything from season tickets to luxury suites. Along the way, aggressive sales forecasts are made and in the competitive world of sales, marketing representatives who aren't putting the proverbial fannies in the seats typically find themselves scrambling to keep their jobs.

Some employees in the sports world are driven by the fear that many others would love to work in their field and they are therefore, in essence, more replaceable than employees in other businesses. However, employees who are lower on the team's totem pole are often driven to do well for a team and sell as many tickets as possible because of the commissions they earn in the process. Small businesses and organizations, like expansion teams in sports, must consider which aspects of their operations allow them to attract, and then motivate, their own employees.

Because management has to more personally acknowledge employees in a commission-based system, it tends to be more cognizant of who is doing extremely well. Those that are excelling are routinely identified as fast-trackers, employees with a work ethic and track record that warrant senior management's attention. However, these fast-trackers are but a single component of a comprehensive strategic plan.

The strategic plan, which must include dedicated employees, might be the framework for the organization, but it alone is not enough. A company must establish measurable performance benchmarks and hold its management accountable to meeting agreed-on targets. The business should develop a financial and operational reporting system that allows it to track all of the critical performance numbers. Periodically revisiting and refining performance standards

will contribute to broader companywide goals. Markets don't wait for annual planning reviews, so the business shouldn't either.

Respected, revered, and dedicated leadership in the organization is also of paramount importance. Often a business owner is passionate about his or her product or service and knows the market well, but lacks sufficient expertise in management and leadership. Some of the best sports owners are those who admit to themselves that they can't manage or lead (or possibly even both), and thus delegate authority at the appropriate time and to the right people.

It is also critical that the owner of the business makes the personal transformation from technical expert to master strategist. The personification of this is Bill Gates. He is undoubtedly a computer genius, but he had to develop the key strategic and leadership skills needed to nurture and then lead a global organization.

It is equally necessary to assemble a competent, creative management team. A good manager will become a great one if he or she surrounds himself or herself with the best people possible. The key to manageable and sustainable growth is avoiding inconsistent or unpredictable leadership. By identifying all the key people who are driving the business and creating incentives for each of them to stay and help grow the business, the company will remain in a position to optimize its growth. This has been evidenced in both baseball and basketball, where the most successful active manager and head coach—New York Yankees manager Joe Torre and Phil Jackson of the Los Angeles Lakers—have spent many seasons discussing game strategies with their faithful assistants, Don Zimmer and Tex Winter, respectively.

Fear of inconsistent or unpredictable leadership is one of the reasons the founder of a family business might be hesitant to approve of his or her children's wishes to expand the business. The founder might think that the company would be compromised if one of them cannot possibly be in charge of every aspect of the business.

In the sports world, such issues prevail between university presidents and athletic directors who are required to relinquish a significant measure of control to the school's head football coach and pigskin patriarch.

Likewise, when an athletic director gets comfortable with a certain coach—even if he or she is no longer winning—he or she tends to keep that coach longer than he or she should.

Such was the case with college basketball coaching legend Denny Crum, who was forced to resign from the University of Louis-

ville after the 2001 season. Crum coached the Cardinals for 30 years, during 23 of which the team went to the NCAA Tournament, including six Final Four appearances and two national championships (1980 and 1986).

However, midway through the 2000–2001 season, Crum was forced to say he would resign at the end of the season. At the time, the team was 11–18 and 61–61 over the last four years with two first-round losses in the NCAA Tournament.

After Crum's firing, ESPN basketball analyst Jay Bilas likened being the head coach at a traditional power to being the CEO of a major corporation. Bilas suggested that success and succession were always major issues and that it would be unimaginable for a corporate board of directors and the company's shareholders to allow an aging CEO to serve at his pleasure when the company's fortunes were sagging. This would particularly be the case if no credible evidence existed to indicate that the company's future would improve.

Louisville basketball's new CEO was former Kentucky coach Rick Pitino, a man not unlike former Louisville football coach Howard Schnellenberger, a coaching patriarch who enjoyed the challenge of turning around programs.

Patriarchal Leadership

Most leaders, including those charged with bringing Florida Atlantic University (FAU) into prominence, aren't fortunate enough to always start at the top—they have to start from scratch, attempting to build an unbranded product into a well-known and revered competitor.

FAU had an ambitious, but responsible, plan when it decided to establish a football program. First, in May 1998, it hired Howard Schnellenberger, a man with tremendous credentials in the football world, to lead the way. He was offensive coordinator for Paul "Bear" Bryant's three national championship teams at Alabama in the early 1960s. He resurrected a University of Miami program that, in 1979, averaged fewer than 13,000 fans per game in the Orange Bowl, by leading the team to a national championship and thus capacity crowds in 1983. Schnellenberger then went on to Louisville where his success increased attendance by almost 40 percent, and filled the stadium with standing-room-only crowds.

Before long-term success could be achieved—defined as moving FAU to the "big-time" college football division, Division I-A—short-term successes had to be demonstrated. Thanks to Schnellenberger's hard work, FAU raised the necessary $10 million from more than 70,000 alumni to start the program and signed some quality recruits for the inaugural 2001 season.

Although Schnellenberger dreamed of 25,000 fans showing up per game, the team averaged a respectable 12,987 in Pro Player Stadium, playing the likes of Division I-AA teams including Slippery Rock, Jacksonville, and Gardner-Webb.

To be considered for the jump to Division I-A, the team has to average 15,000 fans at home games and play at least five home games against Division I-A opponents, which remains a significant obstacle for the school.

The Schnellenberger name means something throughout Florida, the state considered by many as the hotbed for college football recruits. Schnellenberger even suggested as much when he reminded people that 300 kids from Florida go to Division I schools and even if the Florida powerhouses (Miami, Florida State, and Florida) took their fair share of them, he believed there would still be plenty left for him to recruit.

Sure, Schnellenberger also has to compete with the likes of Central Florida and University of South Florida, the only two schools among the 122 Division 1-AA programs in 2000 that drew more than 24,000 fans to their games and have gained fame through alumni including Daunte Culpepper and Bill Gramatica, respectively. However, everyone knows FAU has a distinct advantage: Schnellenberger knows how to build a successful program. Whether that knowledge will translate into success for Schnellenberger—whose team endured a very unsuccessful season in 2002—might be another story.

As small or family businesses grow they occasionally outgrow their initial management model. The ownership and management structure that helped launch the company might not be ideally suited to expand the business. Consequently, the need to analyze the old model and perhaps create a new one exists.

In 1846, New England physician Dr. Austin Church and his brother-in-law John Dwight started the first American-made sodium bicarbonate (baking soda) plant in the Church's kitchen. The two went their own ways the following year and formed Church & Co. (which used the Arm & Hammer label) and John Dwight and Com-

pany. Fifty years later, the companies merged as Church & Dwight under the Arm & Hammer label.

Although the original use for baking soda was for cooking, flexibility and creativity became the product's key to long-term success when a decline in cooking before and after World War II caused sales to fall. Some organizations fail when they deviate from their core business or competency, but with a legitimate and authentic connection to other aspects of their consumers' lives, differentiation was the key to Arm & Hammer's success in the 20th century.

In the 1960s, Arm & Hammer ran advertisements that encouraged people to place a box of baking soda in their refrigerators to keep the contents fresh. Numerous other uses were detailed on an Arm & Hammer "versatility wheel" located on the box.

A carpet deodorizer entered the market in 1981 and a cat litter box version followed seven years later. Today, Arm & Hammer has spray room deodorizers, laundry detergents, toothpastes, and gum. In 2002, the company signed Yankees slugger Jason Giambi as a spokesperson for its body deodorant.

Had Church & Dwight management believed that baking soda was only good for cooking, Arm & Hammer would have never emerged as one of America's most recognizable brand names. The corollary here is that just because a company has reached the prime stage, it is not necessarily ideally positioned. Companies must continue to evolve, as did Arm & Hammer. Should a business not continue to evolve and refine itself, it could become the next Converse or Polaroid.

Before Nike sneakers and Air Jordan became ubiquitous with American sports and pop culture, Converse dominated the athletic shoe market. Wilt Chamberlain and Julius Erving wore them. Magic Johnson and Larry Bird also laced them up while leading their teams to NBA championships. Even Richie Cunningham appeared brand loyal to Converse on the hit show *Happy Days*.

College basketball coaches across America, including high-profile programs led by Crum at Louisville and Bobby Knight at Indiana, had contracts to outfit their teams in Converse shoes. However, the "Made in America" shoes took a hit as a result of the Nikes and Reeboks of the world emerging in the 1980s. Combine these competitors' strategic vision with Converse's messy series of corporate takeovers and it's easy to see why Converse had to file for Chapter 11 bankruptcy in 2001.

After Converse's logo was acquired in a bankruptcy sale, a new holding company led by former sales executive Jack Boys decided to reintroduce the brand. With new spokesmen including Cleveland Cavaliers guard Andre Miller and Minnesota Timberwolves forward Wally Szczerbiak, Converse hopes to make a comeback, but considering the extent of the brand's demise, a rapid rebound might not be possible.

After being in business for roughly four decades, Polaroid cameras, which could produce a photo in less than a minute, were so popular in the 1970s that the company name came to mean a photograph in much the same way Kleenex means tissue and Xerox means photocopy. However, in the 1980s, less expensive cameras and one-hour photo shops threatened Polaroid's competitive advantages. By the late 1990s digital cameras entered the ever increasingly competitive market. Polaroid had made a concerted effort to evolve, but it wasn't enough. The company rested on its historic past and, in 2001, filed for Chapter 11 bankruptcy. In July 2002, 65 percent of Polaroid was sold to One Equity Partners, an investment unit managed by Bank One, for $255 million to help the company reorganize.

When industries evolve and expand, established businesses within those industries must revisit their ability to not just remain afloat, but to compete successfully. Sometimes, if the head of a private organization doesn't want to adapt with the times and conform to the new state of business, he can choose to sell his organization, as was the case with Calvin Griffith and the Minnesota Twins.

When Clark Griffith purchased the Washington Senators in 1919, his nephew Calvin Griffith was already eager to be involved. He started as a batboy in 1924 at the age of 12, made his way to concession manager, and eventually team president before taking over as majority owner (with his sister Thelma) when Clark died in 1955.

In the early 1960s, Griffith moved the team to Minneapolis, and thanks to hall-of-famer Harmon Killebrew and the great Tony Oliva, the Minnesota Twins found themselves in the 1965 World Series. However, in the late 1970s, as the Players Association gained more bargaining power and player salaries began to increase, Griffith didn't want to spend beyond his means to remain competitive.

Whatever he made, he would invest in the team. If the team wasn't doing well financially, he wasn't going to dish out large salaries to players, because—unlike some other owners—his income was coming solely from baseball.

Calvin's son Clark, who was an executive vice president along with his nephew Bruce, wanted to talk to him about the business, the broadcasting, and the finance, but Calvin was disinterested. The business he spent 72 years of his life building had become too much of a business. So, in 1984, Calvin Griffith, unable to deal with the behemoth the sport had become, sold the Twins to local banker Carl Pohlad for $37 million, of which $24 million went to the Griffiths.

Seventeen years later, history seemed to repeat itself as Pohlad who, after winning championships with the Twins in 1987 and 1991, with one of the lowest payrolls in baseball, said he wanted out of the business because it was unprofitable. Somewhat ironically, in 2002 Clark Griffith attempted to structure an ownership group to buy the team from Pohlad.

Lower-Profile Leadership

Leadership issues are not limited to matters of succession; they often require the head of the business appreciating when to take a back seat in the decision-making process. This happens frequently in the sports world when neophyte owners purchase teams they do not have the expertise to run from a player personnel perspective. Instead, the owner surrounds himself or herself with management pros who have experience, and who understand what the owner's overall business goals are for the team. This helps the new owner deflect criticism about his or her knowledge of the game while adding credibility to the franchise. Significantly, it also provides the owner with his or her own personal set of consultants, savvy pros who can help acquaint the novice sports owner with the pressing issues of the day.

When Computer Associates Chairman Charles Wang bought the NHL's New York Islanders with his CEO Sanjay Kumar in April 2000 for $175 million, they both admitted they knew nothing about hockey. Wang said he had only seen two hockey games and was reading *Hockey for Dummies.* So Wang stayed behind the scenes, while he opened his checkbook for General Manager (GM) Mike Milbury, who was GM of the team since 1995. In the press, Milbury remained the voice of decision making on the ice, and Wang worried about servicing customers and getting to know the personalities and work habits of his personnel. Although Wang was not recognized by his own Islanders fans while sitting in a seat at the team's 2001 draft

party, it was his investment that enabled the Islanders to reach the playoffs for the first time in seven years in only his second year of ownership. In response to the team's performance, the Islanders began the 2002–2003 season with their largest season-ticket-holder base since the 1988–1989 season.

Wang's nearby New York rival is the New York Rangers, run by Cablevision mogul Charles Dolan's son James. Dolan also provides a compelling example of this approach to management. As chairman of Madison Square Garden, Dolan, a second-generation Cablevision executive, oversees the Rangers and the NBA's Knicks and the Women's National Basketball Association's (WNBA) Liberty. Although the Rangers media guide says he's "an ardent fan of the three MSG teams," Dolan downplayed his in-depth sports knowledge at the 2001 press conference announcing that former Philadelphia Flyers star Eric Lindros had been acquired by the Rangers.

At the news conference Dolan indicated that he didn't know much about the specifics of the organizations that he runs. He then went on to add that he manages the teams by placing trust in those that he hires, such as Rangers president and GM Glen Sather.

Dolan has a similar perspective on the Knicks and his role in running the franchise. He says he believes that, in addition to delegating authority, it is important that the people in his organization know that the company is not a faceless, soul-less corporation, and that his presence is not merely limited to a signature on the bottom of a check.

These might not seem like comments you would expect to hear from a guy who, along with his father Charles and his uncle Larry (who owns MLB's Cleveland Indians) was named the third most powerful person in sports by *The Sporting News* in 1999. However, it is a managerial style that, at least in James Dolan's case, works for him.

Many frustrated Rangers and Knicks fans who have witnessed escalating payrolls without the corresponding victories to match over the last several seasons disagree with Dolan's style. In 2002, the Knicks and the Rangers—neither of which made the playoffs—paid their players more on a per-win basis than any other NHL or NBA team. Meanwhile, the nearby and former laughing stock New Jersey Nets played their way into the 2002 NBA Finals.

When growing a business it is necessary to have short-, medium-, and long-term game plans. These plans must include strategies for increasing human and financial resources, and must focus on the tactics that will enable the cash register to ring today

and tomorrow, as well as a year or two from today or tomorrow. Unlike established Fortune 500 firms that might have thoroughly developed five- to seven-year business plans, most start-up businesses have difficulty projecting out further than about three years. Companies, regardless of size, that focus on growing their business in the short and medium term don't have to worry as much about growth over the long run.

A unique variation of this theme occurs throughout sports, especially within college athletics where athletic directors and coaches convince recruits and their parents into thinking the university has a five-year plan—when in fact it might really just be a year-to-year plan.

When a coach and his or her team are playing well, the coach's contract is generally automatically rolled over to give the appearance of long-term stability. Because many coaches have five-year contracts that are extended annually by a year or two, the coach can confidently say to a recruit, "I'm contractually obligated to be here for your entire playing career." Of course, he or she never says, "There's a buyout of $1.2 million, which I'm sure the school will pay if I'm not doing well or if I'm doing too well that another school is willing to pay it for me to take a better coaching position."

Two days after fourth-year head coach Bob Davie led the 2000 Notre Dame Fighting Irish football team to its first major bowl in five years, the school's athletic director Kevin White announced a five-year extension for Davie. Of course, after Davie's team was blown out by Oregon State in the Fiesta Bowl, 41–9 and Davie's 2001 team finished 5–6 on the year, the other four years on the contract meant nothing because the university chose to replace him.

Establishing and building a (family) business is an extraordinarily challenging, stressful, and daunting proposition. Yet Americans continue to do so every day, often relying on the inspirational and storied histories of companies like McDonald's and Harley-Davidson. In the sports business world there has been no better personification of a family business that has achieved the pinnacle of commercial success than NASCAR. NASCAR's history, track record, and extraordinary accomplishments have provided the requisite incentive for many to give entrepreneurship a try.

Now that many of the issues facing start-ups have been considered, it is useful to consider them along with the aforementioned stages of the business cycle. Following is a case study of sorts that chronicles how NASCAR has adeptly built its business by identify-

ing—like other successful businesses—opportunities and threats that shape the organization and its future.

Bill France: Seizing the Opportunity (Infancy)

During the prohibition era of the 1920s and early 1930s, the undercover business of whiskey running began to boom. The secret transportation quickly became more of a problem than making it. The common term for these runners was bootleggers, men who illegally ran whiskey from hidden stills to markets across the Southeast. Driving at high speeds at night, often with the police in pursuit, bootleggers were taking enormous risks.

As bootlegging boomed, the drivers began to race among themselves to see who had the fastest cars. Bootleggers raced on Sunday afternoons and then used the same car to haul whiskey on Sunday nights. Inevitably, people came to see the races, and racing cars became extremely popular in the backroads of the South.

Seizing on what he thought could become compelling sports entertainment, William H. G. "Bill" France—a driver and promoter who owned a local gas station—organized a race on the wide, firm sands of Daytona Beach, Florida, in the summer of 1938. The winner received such items as a bottle of rum, a box of cigars, and a case of motor oil (precursors to present-day sponsor involvement in the sport). France was a visionary; he realized for stock car racing to grow, an official organization had to exist to list champions, maintain statistics, and memorialize records and record holders.

Financial and Organizational Growth: NASCAR-a-Go-Go

By 1947, Bill France realized the time was right for a national sanctioning body to govern stock car racing, so he gathered influential promoters to gain their input. Over a three-day period, rules were drawn up and specifications were agreed on. The name of the organization would be NASCAR.

Through the 1950s, NASCAR began to flourish. Corporate sponsors, such as Pure Oil and Champion Sparkplugs took an active role

in the sport. Even the major automobile manufacturers, such as Ford, Chevrolet, and Chrysler gave "factory backing" to individual drivers whereby the drivers would receive money from a manufacturer to drive its product. The car companies realized the marketing potential of racing to sell cars. In fact, a common motto for these automobile manufacturers emerged: "Win on Sunday, sell on Monday."

In 1959, because he knew the importance of properly packaging his product, France founded the International Speedway Corporation (ISC), which constructed the Daytona International Speedway in 1959 and Talladega Superspeedway 10 years later. These tracks allowed France the opportunity to control the presentation of his product as he continued to methodically grow the sport throughout the South.

This marked the beginning of NASCAR's vertical integration, a business decision that served the sport well beyond its formidable years. What were once merely loosely affiliated tracks and events grew to become an extensively organized group of assets. The importance of bundling these assets, which today include NASCAR's own cutting-edge TV channel and Internet programming, was not lost on corporate America.

France realized that for NASCAR to become a booming success it needed three elements: a cohesive governing body, television exposure, and corporate support. For most businesses, this translates into leadership, distribution channels, and financing.

NASCAR's Adolescent Years

The American gas crisis in 1974 not only led to increases in gasoline prices and the need for rationing, but also led many people to believe racing wasted precious gas. So NASCAR cut back the number of miles in most races by 10 percent; therefore the Daytona 500 was only 450 miles that year. Through the 1970s, and despite the gas crisis, racing continued to grow.

It did so because the France family knew the inherent value of television rested in its ability to broaden exposure for the sport beyond the South. The first race that piqued corporate interest in the sport was the 1976 Daytona 500, the final laps of which were broadcast on ABC. This was followed in 1979 when CBS became the first network to televise an entire NASCAR race—an event that

attracted an estimated 15 million viewers. However, it wasn't so much the race itself that endeared the sport to so many fans.

On the back straightaway of the last lap, Cale Yarborough attempted to pass Donnie Allison on the inside, and Allison pulled down to block him. The two cars collided and careened into the third turn wall, then spun into the infield grass and stopped. Richard Petty, A. J. Foyt, and Darrell Waltrip drove past and Petty won the race by a car length. By the time Petty crossed the finish line, Yarborough and Allison had already climbed out of their cars and started fighting. Then Bobby Allison pulled up and entered the fistfight to defend his brother—all of which happened on live national television as several safety crew members attempted to break it up.

Many racing historians credit that race and its exciting finish for helping bring NASCAR to where it is today. Arguably one of the most bizarre incidents ever witnessed in sports, this nonetheless proved to be a defining moment for NASCAR.

NASCAR Enters "Prime" Time

Over the next 20 years the France family continued to capitalize on its momentum by focusing on the customer experience, whether that customer was a corporation or a racing fan.

Propelled by superstars such as Petty in the 1980s, and Dale Earnhardt and Jeff Gordon throughout the 1990s, the sport boomed in popularity and found itself with the most brand-loyal fans in all of sports. Research indicates that approximately 70 percent of NASCAR fans consciously choose NASCAR sponsors' products over other brands. The reason for the NASCAR fan brand loyalty is that fans know that the sport wouldn't exist without sponsors, and their driver couldn't compete if he or she didn't have money from a sponsor.

This fierce loyalty has enabled NASCAR to secure more than 900 sponsors that, at the beginning of 2001, were investing $400 million in the sport. Because of this sponsor and fan loyalty and the fact that NASCAR doesn't have strikes or lockouts like the rest of the major sports leagues (there is no "players union" in motorsports), it was able to negotiate a six-year, $2.8 billion television contract with Fox, NBC, and Turner, as well as a five-year Internet rights deal with AOL for a reported $100 million. On the merchandising front, NASCAR has entered into merchandising deals with more than 45 companies, which has allowed it to increase its licensing revenue from $80 mil-

lion less than 10 years ago to more than $1 billion today, thanks in large part to its themed restaurants and die-cast collectible cars, among other licensing initiatives. NASCAR, once a fledgling regional business, has grown to become an international sport because it keenly focused on its customers and what they sought from their affiliation with racing.

"Prime" Challenges

Earlier in the chapter mention was made about how NASCAR survived both the 1974 gas crisis and the "crisis" at the Daytona 500 five years later, which, by the way, proved to be more of an opportunity than a crisis when examined on a historical basis. Making that key leap from an adolescent company to one in the prime often requires getting past the moments that can turn into crises. Those companies, no matter how many years they have been in business, and even if they've reached their prime years earlier, won't get back to the top if they don't implement the right measures in tough times.

For most companies moments of crisis, many of which are defining moments in the organization's history, present themselves out of nowhere. Yet for others, moments of crisis—if and when properly manufactured—can help the organization.

In 1998, Hasbro manufactured its own crisis when it restricted the supply of its newly released Furby dolls during the winter holiday season. Most companies that manufacture trendy holiday gifts want to produce enough product, fearing that if there is not enough product available the company might miss its golden opportunity. Hasbro, however, made sure that scarcity was a huge factor in the company's marketing of the Furby, a decision that served the company well. Although this is certainly a risky business strategy, it worked for Hasbro.

Hasbro knew that lack of supply could drive demand, especially in the toy business. In 1982, Coleco acquired the rights to Cabbage Patch Kids from a young man named Xavier Roberts. Even when the toy was mass-produced around Christmas 1983, supply could not keep pace with demand. Every child wanted a Cabbage Patch Kid. A great many of those searching for the toy, including adults, wanted one not because of the merits of the toy itself, but for the bragging rights and the story that went along with acquiring the doll. Some parents drove for hours to find one, and others paid up to $5,000 for

an original doll. Some parents even trampled children while running full speed through the aisles at their local toy store.

The Cabbage Patch Kids became the fastest selling toys of all time, generating $1.2 billion in sales from 1983 through 1985. The company benefited by the fact that it was always behind demand. However, when the fad faded and Coleco went bankrupt, another toy company—Hasbro—acquired Cabbage Patch Kids.

All business strategies must be guided by a capable group of leaders, particularly during periods, whether unexpected or manufactured, of crisis. Beyond successfully emerging from crises, a major step in continuing to grow a business is precisely how that company handles the stepping down of the leader who founded the organization. The passing of the corporate baton down from family member to family member isn't necessarily the toughest test. That comes when the top leadership position is given to an "outsider."

The Changing of the Guard

Refinement in senior management is critical for companies if they are to become market leaders. Once they attain a market leadership position, reviewing and refining the ownership and management structure is instrumental in staying ahead of the competition. Certainly every organization faces change, but for family businesses, facilitating the necessary change is frequently an even more daunting task.

As is the case with so many businesses built from the ground up by the family's patriarch, there comes a point when success has been established and the baton must be passed to others who are charged with sustaining the momentum. It happens in sports, such as when Rick Pitino replaced Denny Crum at Louisville, and it frequently happens in big business.

In 1901, Charles Walgreen started his first drugstore in Dixon, Illinois. Through low prices, stellar service, and even good food—his wife Myrtle cooked everything in the early years—Walgreens grew impressively over the years. In 1919, Walgreen's had 20 stores; a decade later it boasted 525. By 1934 when Charles Walgreen turned 60, he was ready for his son to take over as president. Growth under Charles Jr. continued. Charles Jr. then groomed his son, Charles III, who oversaw the opening of the 1,000th Walgreen's store in 1984.

Walgreen III handed over the reigns to the first non-Walgreen to head the company, Daniel Jorndt, in January 1998. By the time Walgreen III left office as Walgreen's chief executive and became chairman emeritus, the company had a streak of nine years in a row in which it increased the number of store openings. By 2001, with the help of Jorndt—who would step down in January 2002—the number of stores surpassed 3,500, the annual streak of an increased number of openings was up to 13 and the company was listed 90th on *Fortune's* list of America's largest companies. Despite having fewer stores than CVS or Rite Aid, it was still number one in sales.

To its credit, NASCAR, like Walgreen's, has grown because of its willingness to hand over the reigns when other businesses might have remained reluctant to do so.

NASCAR's complete family leadership lasted for more than 50 years. When Bill France, Sr. retired in 1972, his family took over the business. Bill Jr. was named president and Sr.'s other son, Jim, became executive vice president and president of the ISC.

Bill Jr., who had a stroke in 1997 and survived cancer in 1999, ran NASCAR until November 2000, when he became chairman of a five-member board with Jim, Brian France (executive vice president of NASCAR), Lesa France Kennedy (executive vice president of ISC)—Bill Jr.'s son and daughter—and significantly, Mike Helton, whom he named COO of NASCAR in February 1999 and president in November 2000. Even though NASCAR's board remained 80 percent "France," the top position now belonged to a nonfamily member.

While a more in-depth look at NASCAR's handling of Dale Earnhardt's death on the final lap of the 2000 Daytona 500 can be found in Chapter 7, important managerial issues surfaced following the accident. Among these issues was how a rapidly growing business would deal with the largest tragedy to ever befall the industry.

Helton, the highest ranking non-France-family member in the organization, has been widely credited with opening up the Association's management style by being more accessible and forthright about NASCAR matters. He did so as the increasing popularity of the sport brought with it added scrutiny, particularly from the media.

This "opening up" even included outsourcing much of the investigation into what caused Earnhardt's death, a decision lauded by many as a defining moment for NASCAR now that it had penetrated mainstream sports.

Helton said he viewed that moment in NASCAR's history as being as much a tribute to Dale Earnhardt as it was to NASCAR's changing style.

Even drivers and car owners such as Kyle Petty acknowledged the management style of Helton during a period of intense growth and scrutiny. Petty thought NASCAR had undergone a philosophical change in their attitude and in the way they did business, and the majority of it was due to Mike Helton. Petty also noted that when Bill France, Jr. ran NASCAR some drivers had difficulty relating to him, whereas most people in the garage had seen Mike come up through the ranks and were comfortable with his presence.

Rick Hendrick, owner of cars driven by Jeff Gordon, Terry Labonte, and Jerry Nadeau, said he felt more like a partner than an adversary. In years past, Hendrick felt NASCAR made the rules and enforced them with little or no input from its constituents. He now notices that NASCAR solicits input from everybody, making for an improved working environment.

Unilateral decision making doesn't foster confidence within organizations, especially when small or family business structures begin to depend on outsiders for input and resources.

The change from the France family to Helton enabled NASCAR drivers to feel as if they were more a part of the process and the product that they helped build, even if four of five board members were still from the France family. When France announced Helton as president he said that Helton would be given the final word. This did not mean, however, that France would be completely out of the picture. After his successful battle with cancer, France continued to assist NASCAR by helping to fine-tune and clarify the organization's mission when necessary.

Decision makers all too often make unilateral decisions without helping their employees to understand the reasoning behind them. Employees don't need to be involved in every decision but they must at least feel as though they are being engaged in the company's business.

Managers might think that their control suggests to the others that they are more personally involved and hope to be given complete credit for the successful implementation of a company's agenda. However, if the employees don't feel as if they are part of the process, and they can't predict the direction in which managers want them to go, the company's growth could be slowed as employee "buy-in" could prove difficult to secure. Control is a big issue in tak-

ing businesses, which have typically been controlled by families, to the next level.

Working for a family-controlled business can be very trying, as in the case of Carly Fiorina, who took over as Hewlett-Packard CEO in 1999. Throughout 2001 and much of 2002, Fiorina tried to complete a $19 billion merger with Compaq to help Hewlett-Packard grow beyond its core competency in printing and further penetrate the personal computer and computer repair business. But Walter B. Hewlett, the eldest son of company cofounder William Hewlett, reneged on his "yes" vote, setting the stage for a highly public face-off.

Fiorina wasn't scared of Hewlett's lack of support and, after launching a national advertising campaign, as well as a Web site, and making her opinion known in the press, she eventually prevailed.

Growing Pains

NASCAR provides another lesson for the business world: Successfully growing a business induces growing pains. Now that NASCAR is as firmly entrenched in America's sports scene as any of the so-called "big leagues," it must redouble its efforts to manage its growth, identify emerging opportunities, and fend of new competitors like Team Racing Auto Circuit (TRAC), a longshot that hopes to chip away at NASCAR's dominant position.

NASCAR began hitting its marketing stride during the mid-1990s while the economy was strong. It capitalized on its fan loyalty and generated hundreds of millions of dollars in corporate support. However, as the economy entered a mild recession in 2001 and rumors of corporate fraud were becoming a reality, many sports sponsors began to reel in their sports marketing budgets. Two drivers, Todd Bodine and Joe Nemechek, were forced to find a new sponsor only days before the 2002 Daytona 500, the first race of the Winston Cup season, after their main sponsor, Kmart, filed for bankruptcy.

Against this backdrop, NASCAR found itself wrestling with growing pains that threatened to limit its impressive growth. As with any company that grows, it must sometimes learn how to shed its old partners to establish more profitable relationships. When NASCAR sold its broadcast rights to Fox, Turner, and NBC, it had to limit longtime partner ESPN, which was so integral to NASCAR's growth, from conducting trackside interviews for ESPN's bellwether NASCAR show, *RPM2Night.* To protect the investment of a network like Fox,

which was starting up its own competitor to *RPM2Night,* NASCAR had to limit ESPN's access to races. Although it handled the situation awkwardly by allowing the story to play out in the press, NASCAR had little choice because it had to demonstrate an extraordinarily high level of commitment to those networks that were now financing the sport's ongoing growth.

New business relationships also require their share of massaging. Just as NASCAR was protecting Fox's investment in it by blocking out ESPN, NASCAR also put its foot down when it believed Fox was compromising a critically important component of NASCAR's business model.

In the first month of broadcasting under the new deal, Fox's computer-generated cars—shown for less than a minute in the Budweiser Shootout race—only featured the logos of companies that had purchased ads on their broadcast. As discussed earlier, sponsor investment in NASCAR is integral to the sport's growth, both past and present. Fox never did it again. In this case it was Fox that was forced to deal with growing pains of its own. Although Fox had televised most major sporting events and leagues, it did not fully appreciate NASCAR's sponsorship culture, an oversight that generated significant attention throughout sports business circles.

Accordingly, when businesses grow they must appreciate and acquiesce (when appropriate) to the wants and needs of strategic partners if growing pains are to be transformed into profitable, long-term business relationships that increase shareholder value.

Championship Points

Small but growing businesses, regardless of ownership structure, evolve in stages and work their way through the business life cycle. They survive infancy, and make it to the go-go stage prior to reaching adolescence and then, with a little luck and a tremendous amount of hard work, they reach their prime. Throughout it all, businesses and business people must do the following:

- Appreciate and pay keen attention to your business life cycle and the strategic vision required to ensure success, as did Vince McMahon and WWE, and Bill Rasmussen and ESPN.
- Create, monitor, and refine the strategic plan as necessary. Along the way, be sure to revisit and, if necessary, alter orga-

nizational goals and the approach to business as demonstrated by Jerry Colangelo and the Arizona Diamondbacks.

- Identify all the key people who are driving the business and create incentives for each of them to grow your business for you. These could be season ticket sellers or broadcast TV partners.
- Focus on leadership. Make sure you have a Howard Schnellenberger around—someone who has a tradition of starting from scratch and is willing to work hard to deliver the same magic for your company.
- Once you've reached the top, continue to evolve and determine what it will take to always stay there. Don't become Converse or Polaroid; think Arm & Hammer.
- Have owners or top executives who are willing to transition themselves into the role of master strategist, especially if there are people in the organization who know more about key areas than you do.
- Work to solve your moments of crisis by turning them into solutions for your business future. Realize when your own Daytona 500 is unfolding in front of you.
- Refine senior management much like you refine the attributes of your organization's product or services. Recognize the need for your Mike Helton and capitalize on the timing of managerial transitions.
- Be prepared to address growing pains head-on; a failure to promptly do so will result in lost opportunity.

An organization's ability to build a successful business—and work its way through the four phases of the business cycle—will be compromised if it lacks the keen ability to attract and retain customers. To attract customers, many businesses rely on sports marketing, usually enlisting the aid of advertising and sponsorship of sports teams and leagues, as well as specific events.

Accordingly, the issue of reaching customers through the use of sports marketing is the focal point of Chapter 2.