



CEO EXCHANGE PROGRAM #402 TRANSCRIPT

“WINNING THE GAME: The Rough-and-Tumble Business of Sports” FEATURING DAVID STERN AND BUD SELIG

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TEASE

Big league sports means big egos, big money, big controversies, and big pressure. So running the show is no slam dunk. From Columbia University Business School in New York, NBA Commissioner, David Stern: “We ultimately build up a resistance to stress; otherwise, you can’t do the job.” And Major League Baseball Commissioner, Bud Selig: “The players are so busy after a game, and he can’t spend five minutes or three minutes signing autographs, it’s just wrong.” That’s next on CEO Exchange.

SPONSOR SPOT

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OPEN

One world, many ideas, inspiring the next generation, shaping trends and forging the future, ideas that change the way we live. CEO Exchange. And now your host, Jeff Greenfield.

JEFF GREENFIELD

Thank you. Welcome to CEO Exchange. I am Jeff Greenfield. Secretary of State Condi Rice has said absolutely, she does not want to be President of the United States. Commissioner of the National Football League? “Absolutely!” Former President Nixon supposedly was actually offered the job of baseball commissioner, and no doubt he might have thought that the change might seem welcome, you know, from the grueling world of politics into the pastoral serenity of sports. But these days

with free agency and multi-million dollar player salaries and billionaire owners and limitless choices for the eyeballs and dollars of fans, our two guests today might argue that nuclear proliferation deficits would be like a stroll in the park, compared to what they have to deal with.

Not that they haven't had a lot of good news in recent years. After hitting rough waters in the past two decades, both major league baseball and the national basketball association enjoyed record attendance and record revenues during their most recent seasons. Each league has TV contracts that pay in the ballpark of a billion dollars a year. Each is campaigning hard for new viewers, literally, all over the globe. And also, both leagues have had to tackle very tough issues about player discipline and drug abuse, among others.

There are also a couple of striking similarities between the two leagues' CEOs or Commissioners, who are our guests today. Each developed a love of sports by rooting for a favorite team as a kid, no surprise. Each worked in his dad's business. Each had the same undergraduate degrees in political science and history, and each was considered a safe, understated choice for the job of Commissioner. Insiders who would not rock the boat. Well, yeah.

Bud Selig's mission in life was to bring baseball back to Milwaukee, after his beloved Braves fled to Atlanta. He not only did it, he became the owner of the Milwaukee Brewers and then his fellow owners chose him for the temporary role as Acting Commissioner in 1992. He's been Commissioner ever since.

We'll be chatting with Bud Selig in just a minute. No longer temporary Commissioner of major league baseball.

But first, the man widely credited with saving the National Basketball Association. When David Stern, who had been a corporate lawyer, representing the NBA, became Commissioner in 1984, most teams were losing money. The league was in disarray. And under Stern's hand, the NBA has been on the rebound, pardon the pun, ever since. His savvy marketing and negotiating skills have transformed the NBA from a public relations nightmare, into a global empire with total revenues topping \$3 billion dollars a year, and with games now seen in 215 countries in 43 languages. So there is no dispute, that David Stern has taken the game of baseball to new heights.

DAVID STERN'S BACKGROUND PACKAGE

"Here's the trophy." This is David Stern's NBA. It's flashy and loud and a big success. The man some call "King David", took a struggling league and turned it around.

SAM SMITH, AUTHOR

David is virtual emperor. David is both a terrific business man and a very forward looking marketer. And a very exceedingly strong figure. One, two, three.

CECI RODGERS

Stern is a long way from his childhood, spent as the son of a New York City deli owner. Growing up, he loved the New York Knicks. “Those were the days. On Thursday nights, you could see a double header too, but that’s when I went with my dad and if you knew a friendly usher, you could sort of get down closer to the action than your ticket stub might otherwise indicate.” Stern earned his law degree from Columbia University and went to work for a firm that was doing legal work for the NBA. From there it was a short jump to becoming the NBA’s in-house counsel, and then Commissioner. He negotiated a salary cap and got the players to agree to a tough anti-drug policy, but Stern also had some magic on his side, when he took over as in Magic Johnson, Larry Bird and the Chicago Bulls’ Michael Jordan. He joined the NBA the same year that David Stern became Commissioner. Sports marketing was just coming into vogue and Stern didn’t miss a trick, capitalizing on it.

He understood before almost anyone else in the sports industry that we were moving into a celebrity driven culture. He recognized that trend and he maximized the value and he knew that what he had to market were players.

Stern also started the WNBA, hoarding a whole new fan base and he’s made the NBA an international phenomenon. Twenty-five percent of all NBA products are sold outside the U.S. and games are seen in 215 countries. Today’s stars like China’s Yho Ming, fit right into Stern’s game plan.

HARRY MATTHEW - FAN

He kinda like I said is riding that wave, you know? He knows that Yho is going to be huge star.

CECI RODGERS

The Commissioner’s job hasn’t always been a slam dunk. In 1998, Stern supported an owner lockout, that canceled more than 400 games. Player image remains an issue. “The NBA does have a big image problem and I think it has the biggest image problem in sports.” Stern’s taking steps, threatening large fines and suspensions for players who go into the stands to confront abusive fans. He put a dress code in place for official events, which some fans like.

FRANK POKROP - FAN

“They took a step in the right direction by requiring the players to wear sports coat and ties”. And he got the union to agree to a new minimum age of 19 before young players can join the big leagues. And in this big league, what Stern says pretty much goes. For CEO Exchange, I’m Ceci Rodgers in Chicago.

JEFF GREENFIELD

Ladies and gentlemen, please welcome the Commissioner of the National Basketball Association, David Stern.

JEFF GREENFIELD

Have a seat. The latest, what should we call it? Edict? Reason decision? Outrageous use or patience of power was the dress code that you have imposed. Cause it ain't voluntary.

DAVID STERN

In this business, you know, you use the word impose. Every business has a dress code or something like it. So that you don't say that IBM imposed a dress code! Or General Motors imposed a dress code.

JEFF GREENFIELD

In all, with respect, CNN doesn't tell me how to dress when I'm not on the air. So, maybe they should, but they don't. But –

DAVID STERN

Yes, I've seen you. I've seen you walk –

JEFF GREENFIELD

All right, but here's my point. I'm sure this didn't surprise you. Almost inevitably, the analysis of this dress code has been, look, it's very simple. White, middle-aged guys buy most of your tickets. Your players are young, black, they're into hip-hop, they're into bling and that's going to turn off that part and so what you're trying to do here, in fact, it's actually been suggested by a couple of players is, you want these players to be less, fairly or not, threatening to your audience. Tell me about that.

DAVID STERN

Yeah, conventional wisdom, once again is wrong. We're a league that three of my owners or investors are Nelly, Jay Zee and Usher. (laughter) I'll hum a couple of bars for you later. (laughter) And, so that's not so. What we found was that in the course of events over the last couple of years, our player reputations have not – have taken a hit and we know that our players are committed to the game, you know, engage with the fans, really, you know? Involved with their communities and they do have a respect for the game and those traditions. But, people weren't buying it and so we said, okay, we're going to dress a little better, so that how you look isn't confusing people. And that's what we decided to do and we talked about, we're talking about khakis, a pair of shoes, and a short sleeved shirt with a collar on. I mean and what we did, which is one of the powers of sports, was that suddenly, it was swept up in a conversation, that had to do with respect, limit and things like that, so it became a hot button, but it was much more innocent than it appears to be.

JEFF GREENFIELD

You know, we've had Mark Cuban on this show, are you going to impose a dress code on your owners?

DAVID STERN

It's hopeless. (laughter) It's hopeless. That's all I would have to do is suggest it and I'd achieve the opposite result.

JEFF GREENFIELD

The game that you now lead, you fell in love with as a kid at the old Garden, the Garden that Rod Steiger asked to be taken to at the end of *On the Waterfront*. With the smell of very old hot dogs and very old cigars. Right?

DAVID STERN

Circus as well.

JEFF GREENFIELD

Oh yes, the circus. Forgot about that. So what got you hooked?

DAVID STERN

Well, when I was like 9 or 10, I was 5'10", so I went from becoming a center to a slow guard, all in the course of several years, but it was a – if you grew up in New York, whether it was Marty Glickman or Les Kider or whatever the announcers were, you listened to the game. And it was an exciting game. Everyone can then recite about Willis Reed, etc., at the Knicks, but I was focusing on Harry Galitan and names that nobody ever heard of.

JEFF GREENFIELD

Oh no, Carl Bruin.

DAVID STERN

Carl Bruin, you know –

JEFF GREENFIELD

We're the two people in this hall, who might conceivably, actually know those names.

DAVID STERN

No, I know. I mean it was an eastern sport back then. In the late 40s, early 50s, you know, maybe we ultimately had a team in L.A., but everything else, we were eight or nine team sport, and that was it.

JEFF GREENFIELD

Right, but it's pretty clear it seems to me that the coming – a few years later, of Wilt Chamberlain and Bill Russell and Oscar Robertson, really pushed the league into a whole new dimension and I'm wondering if that was a lesson you took into the NBA

when you left the law firm that you had worked for that did NBA business and became general counsel, and ultimately Commissioner. That is, that with pro basketball, the stars are critical.

DAVID STERN

You know, I must say that my – my reaction was when I took over was, that this is a great game and it deserves better than it's been getting. There were always stars, I mean, whether it was Couzi or Russell, whether it was Chamberlain or Elgin Bailer, there were always stars, but the reality is, and people forget this, that the games that those people played, were played in comparative anonymity, compared to the way the game is viewed, all games. So that I really think that what happened to us and all sports were changes externally that we navigated, rather than focusing on a star system.

JEFF GREENFIELD

Well okay, perhaps, but let me suggest that one of the most brilliant things you did, when you became Commissioner, you brilliantly arranged for Michael Jordan to come into the league just about the time you became Commissioner. (laughter) And it's a stroke of executive genius.

DAVID STERN

Actually, I'm really here to give you a hard time. There was these couple of guys, I forget their names, I think it's something like Magic Johnson and Larry Bird, who were in in 1979, and there were these guys hanging around while they were there. Dr. J, Khareem Abdul Jabar, McHale, Worthy, I mean you name it. So this league had always been stacked with stars and when Michael came in, it was Michael and a lot of other forces.

JEFF GREENFIELD

Okay so I enjoy this. If the conventional wisdom that I have just spouted is terribly wrong-headed and superficial.

DAVID STERN

True.

JEFF GREENFIELD

Okay. (laughter) I'm giving you this. Then what did propel the league, beside your genius, into the success it had. In other words, what happened in that period in which fans began saying, oh this is something that I want to see. It wasn't Bird and Magic and Jordan.

DAVID STERN

Three things. Number one, since that time, every single building, save the Meadowlands in New Jersey, is new or fully renovated. We went from playing in gyms to playing in entertainment palaces. We've got really 30, 29 new almost – all planned or in big deal suites, luxury seats, great video systems and the like; two,

television. You know, if you wanted to watch our game, there were three networks in the late 70s, and it went from that to cable to satellite, to 500 networks and sports was totally flowing in that. And finally, what Michael Jordan did in conjunction with Nike at that time, was redefined or defined what came to be known as sports marketing and celebrity spokespeople. Before that time, the conventional wisdom was an African-American athlete couldn't make money; America wouldn't buy it, etc. etc... Those three things, sports marketing, arenas, and television caused an entirely different view of sports.

JEFF GREENFIELD

Before we meet our second guest, we've got a couple of questions from the audience here at the Columbia Business School. So please come to the mike and tell us who you are.

FROM THE AUDIENCE

Hi, [...]. I'm a first year MBA student here at Columbia. My question has to do with the influx of high school players and underclassmen into the NBA and how you see that, I guess, playing out in the long term and maybe deterioration of the NBA game, and if not there, definitely into the college game. And the overall basketball product that's out there for fans these days?

DAVID STERN

Well, in our last collective bargaining meeting and that's a good question, we actually negotiated to raise the age of people being eligible to our draft from 18 to 19. And we really – this is not a morality tale or us trying to tell them what's good for them. It was about what was good for us and it was about improving the basketball in our sport. Because not having players sitting on the bench at the age of 18, is good. They get a chance to develop their skills for another year, and frankly, making investments in players when they're 19 rather than 18, will give our GMs and scouts a chance to see them longer. Whether you would feel quite the same way if you were one of the players affected, is another subject and it does cause a certain tension.

JEFF GREENFIELD

Do you put any credence in the notion that this many young players who intend to play individually, rather than follow the more complicated skills has diminished the quality of the game?

DAVID STERN

I – I don't – I don't accept that notion. But I do accept the quality of the game has diminished because many of those players are sitting on the bench, while they learn. And I'm not sure that I would say that Lagrand James has diminished the quality of the game, based upon being good enough to get the minutes that he does get.

JEFF GREENFIELD

Thanks. David Stern is going to rejoining us in a few minutes, after we meet our second guest. For now, thank you David.

DAVID STERN

Thank you.

JEFF GREENFIELD

We'll bring you in for the fourth quarter.

JEFF GREENFIELD

So you've heard of the *Accidental Tourist*. When they write Bud Selig's biography, maybe they'll call it the *Accidental Commissioner*. He made his money in the thriving Milwaukee auto dealership that his father had started, was apparently content to be the owner of the Brewers expansion team, which he helped bring to Milwaukee. But baseball had a crisis, after the owners fired the independent, Fay Vincent, in 1992 and Selig, you'll pardon the expression, "stepped up to the plate." Critics charged that he'd be a weak commissioner, who would simply do the owner's bidding. But by underestimating Bud Selig, they proved to be way off base.

BUD SELIG BACKGROUND PACKAGE

"The great picture of the great Jackie Robinson stealing home..." The first thing you notice about Bud Selig is what a huge fan he is of baseball. "It was actually my mother who got me involved..." She took Bud to minor and major league games around the country beginning at age 6. "I began to be fascinated by the sport itself, and all of its nuances, never dreaming that I'd wind up with a career in baseball." Instead he dreamed of being a history professor, but his dad had other plans. He asked Bud to work at the family auto dealership for a year, and if he didn't like it, he could quit.

Selig was successful. But baseball in his hometown needed him more. Up until last year, Selig owned the Milwaukee Brewers. In fact, he was responsible for bringing the team here, after the old Milwaukee Braves moved to Atlanta. Selig bought the Seattle Pilots out of bankruptcy, in 1970 and the Brewers were born, making him something of a local hero. Among his fellow owners, Selig got to be known as "the go-to guy". So in 1992, when the owners ousted Commissioner Fay Vincent, Selig was their choice until they could find a permanent Commissioner. They never did, and that's when Selig's life got tough.

"Bud Selig has been the most under-appreciated, overly maligned executive in the history of American industry."

An exaggeration perhaps, but Selig has been criticized for almost every move he's made in baseball. Such as introducing wild card teams into the playoffs. And allowing national league teams to play American League teams during the regular season. "You have these great rivalries in the city and one kid on the street is a Yankee fan, and the other kid is a Met fan and the teams can never play each other? If you look back at that, you say, were these guys in remedial education? How could

they not figure this out? You know, so one guy comes along finally and figures this out! And they criticize him for it? I don't even get it."

"One thing about being the Commissioner, particularly baseball commissioner, there's always some controversy." Selig was the messenger when the worst baseball strike in history canceled the 1994 World Series. Selig even got booed in his hometown when he led the 2002 All-Star Game in Milwaukee end in a tie in the 11th inning. But the steroid controversy has been the biggest to hit baseball under Selig. It took a Congressional investigation before owners and players could agree on tough sanctions for steroid or amphetamine use. Many blame Selig for not acting earlier.

He kind of has this Mayberry RFD persona that he lapses into from time to time, and he does that with the steroid issues, like "I didn't know."

But at the end of the day, for Selig, it seems that all the noise and thunder pale against the thrill of baseball's accomplishments. Like his good friend, White Sox owner, Jerry Reinsdorf's World Series win. "25 years ago, buddy, you got me into this game. What am I doing? And for most of those 25 years, I asked you why? I will never ever ask you again." And his own pennant victory, the Milwaukee Brewers in 1982. "I was happy that day." For CEO Exchange, I'm Ceci Rodgers in Milwaukee.

JEFF GREENFIELD

Ladies and gentlemen, please welcome the Commissioner of major league baseball, Bud Selig.

JEFF GREENFIELD

Welcome.

BUD SELIG

Thank you.

JEFF GREENFIELD

So I was reading the newspaper accounts when you became temporary commissioner, and I have a feeling that it required a bit of a thick hide, to get through some of them. I wonder if you had a conscious thought back then, that as our President might put it, they are mis-underestimating me." (laughter)

BUD SELIG

Well, I took over September 9, 1992 in St. Louis and while I had already been in the sport 22 or 23 years, I don't think I quite understood what I had gotten myself into, and what they had gotten into. What became apparent to me, Jeff, early on, is that as much as I've loved this sport, been a part of it, it needed change. It was a sport resistant to change. I describe it as a social institution, and social institutions sort of indigenously are always slow to change. You'll remember when we did the wild card in September of 1993; you would have think I defiled motherhood! People were

having a heart attack. What's he doing? He's ruining the sport. And today, 94 or 95% of our fans love the wild card, and look what it's done?

JEFF GREENFIELD

There were two things you had to change. One was the way the game is played. How we decide who gets into the playoffs. And clearly, baseball way more than any sport, is a sport of tradition and of the past. On the other hand, you also had – you were dealing with two completely different or three different, completely different ranks of owners, directly competing financial notions. Which was harder?

BUD SELIG

The owners, players much tougher. I can tell you that we had a meeting in Kohler, WI in 1993, where the big market clubs were in one building, the medium and small market clubs were in another and the Commissioner was in another building. And, you know what they make in Kohler, and I would have liked to have flushed them all down, but I couldn't. (laughter) But the fact of the matter, it was the bitterest, angriest, nastiest meeting that I had ever been to. And I knew then that if this sport was to go on to the heights that I believe it could, it needed revenue sharing. It needed other rules to change, but convincing them of that, it was – when I look back on it; I'm not so sure how it happened myself.

JEFF GREENFIELD

Clearly, one of the things that I find fascinating in this show is to try to have the audience put themselves in your position as a CEO, facing a crisis and I can't think of any more critical crisis you faced than 1994. So, I'm just trying to imagine what it was like, and I don't have to, because you're here. You're in your office, or you're at the table, and it suddenly becomes absolutely clear to you. There is going to be a strike. There is not going to be a playoff. There is not going to be a world series for the first time, I believe, since 1904. Did you have to have the strike in order to get to where you are now?

BUD SELIG

Well, I'm going to let historians judge that. But I'm afraid the early returns would probably say yes, Jeff. But I remember the night and I remember driving home that night, having dinner and then sitting upstairs in my house, cause I – my wife at that time, was already tired of my moods, I guess, and I replayed every World Series that I remembered, starting in 1944. Cardinals and the Browns. And I did every one and I guess maybe it was therapy for me, but I don't mind telling you, by the end of the night, I was distraught. To think that I had been in this position and people often ask me, what would you have differently? I can tell you today, nothing. There was nothing else. We were still in that mentality where people were fighting. Clubs were fighting with each other. Obviously, this was going to be the 8th work stoppage in a very scarred, painful labor history, and so, you know, your question is a great one. Did you have to go through this? I'd like to think not, but I think history will finally record that we maybe had to. By the way, everything we asked for in the '94 negotiations has become part of our landscape.

JEFF GREENFIELD

Do you think that as you faced the same situation in 2002, came right down to the wire, that what ultimately saved the day, and may have saved baseball, was the memory of that strike? That is, that both sides said, you know whatever our differences are, we just can't do that?

BUD SELIG

Well I believe that. And I think that the players association did too. And the last issue was the steroid issue. Of all the conversations that has existed, and yes, the plan that we were getting was not what I wanted, but I kept saying to myself, 'can't go out again.' Just as the sport was already begun its rise and I mean we were – we already had attendance numbers that baseball had never been at. Today we're far greater. So we settled. Did I get what I wanted? No, but it was the first drug testing program in baseball history.

JEFF GREENFIELD

Now I'm going to test the candor meter here. It seems to me that one of the great benefits you got on the steroid issue, were the Congressional hearings. That is, it put the players union, which it successfully resisted anything with teams on notice that you know what? You're in the cross hairs.

BUD SELIG

In January of that year, last year, we had tightened the program and the players association, to their everlasting credit, did it without having to. And we were applauded, gently and with not a lot of verb, but we were. Then came the Jose Canseco book. And, that set off the March 17th hearings, last year. Not that it made a note, but I can remember the time and the date and everything else about it and I was there to protect the players. And the sport. It was a very painful day. It was painful to watch the players. It was painful to watch my sport get pounded around, but when I got on the plane that night to go home, I said to myself, I believe the new program will work. But today reinforced that there is an integrity issue here. And we need a program that is so tough, that there is no longer even a scintilla of a question, and so, I guess, in a very interesting way, those hearings led to somewhere that I think we would have gotten anyway, but we got there faster this way.

JEFF GREENFIELD

Going to take a couple of questions now for Commissioner Selig, please. Come on up.

FROM THE AUDIENCE

Hi. My name is Calvin [...]. I'm a second year MBA student here at Columbia. Revenue sharing, luxury taxes, the debt service agreement, these are all aimed at improving comparative balance. Come December, what will you seek in the new collective bargaining agreement?

BUD SELIG

Well that's a great question and I, you know, I've been spending a lot of time thinking about that. I don't have an answer yet, but, but let me try to at least tell you where I'm at. Revenue sharing is necessary. In this modern environment, if you want to be a national sport, and have teams from New York to Kansas City, Los Angeles to Pittsburgh, you need to have revenue sharing. So, there is a need for revenue sharing and I think maybe some more of it, but it has to be determined. The luxury tax probably needs to be tightened up. The debt service agreement which, the debt of the sport had grown to very unhealthy proportions. And those need to be tightened up. This year, we're not going to ask for as much as we have in the past. Because I really think we have parody today. I have a theory that I talk to the clubs at every major league meeting. When I was President of the Brewers for years, I used to go around the State of Wisconsin, Iowa and make a speech in which I said, "if we're doing our jobs right, we need to have hope and faith. Your fans have to believe on April 1st, that their team has a chance to be competitive. So it's my job as Commissioner now to make sure that there is many franchises that at least provide hope and faith to their fans. Then I'll know that the economic landscape and the things we have just talked about have worked."

JEFF GREENFIELD

One more question for Commissioner Selig?

FROM THE AUDIENCE

My name is Melinda [...] and I'm the Human Resources Director for Seasonal Retail Service. Commissioner Selig, my question is in every organization, there's the possibility that you may have managers who could be viewed as potentially damaging to the organization, based on the way in which they behave. They may act with an iron fist. They may lead with an iron fist, or they may have – be known to have uncontrollable tempers.

BUD SELIG

Well if I threw everybody out of baseball who has a temper, there would be nobody left. (laughter) But having said that, I have a management style, I've always had, but I really have it now. I try to hire and have the best qualified people in the areas that we do baseball. By the way, for a long time, we had no marketing people. That's a whole different story. Once they're there, they understand that there is rational and reasonable code of conduct. I don't tell them how to act, nor will I tell them how to do their job. But I expect them and what I expect of them is to always represent the sport.

JEFF GREENFIELD

I have to admit when I think about managers with tempers, I don't really think about people who work for major league baseball.

BUD SELIG

No, but I wish I could have – I wish I could bring Earl Weaver here, you know, want to talk about tempers.

JEFF GREENFIELD

That's what I'm thinking, Kelly Martin, Lou Panella –

BUD SELIG

That's right.

JEFF GREENFIELD

David Stern is going to come out and join us again in just a few minutes, but first we're going to take a guided tour of Columbia Business School.

SCHOOL TOUR

Hi, I'm Cabe Franklin, second year student at Columbia Business School. I'm here to show you around our campus in the most exciting city in the world, New York.

Just like the city itself, Columbia combines unbelievable energy with a global perspective. Students from more than 60 countries bring with them an amazing variety of experiences to make the education here like no other.

In addition to diverse nationalities, Columbia Business School works hard to maintain one of the highest enrollments of under-represented minorities and women, amongst top business schools.

From Uris Hall, Columbia Business School's main classroom building, it's clear that bonds among students here are strong. Columbia helps build these bonds from day one, by assigning each entering student to a study group of four, balancing backgrounds and career interests to create hardworking teams which quickly become close friends.

Columbia's world renowned faculty teaches basics like finance, marketing, and management and also has a strong history of emphasizing the need to balance business conduct with the concerns of individuals and society. We like to say Columbia is one of the only places you can go to business school and still live in the real world. When we need a break from academics, we can go and enjoy the great things about the Big Apple. Theater, architecture, museums and the shopping. Thanks for stopping by for a quick tour of Columbia Business School. Enjoy the show.

JEFF GREENFIELD

Let us give a warm round of applause to MBA candidate, Cabe Franklin, who took us on that tour. Cabe?

JEFF GREENFIELD

Now think about legendary sports twosomes. Colfax and Drysdale. Or [...] or Ramirez, Reed and Frasier, Shaq and Kobe, Stern and Selig? We are about to find out. (laughter) David Stern, come on back and join us please.

JEFF GREENFIELD

One of the things that makes you folks different from most CEOs, apart from the fact that you know, people have a relationship with sports that's pretty special, is you guys have to work, each of you, with 30 other CEOs, who are not usually shy, who are not usually self-effacing, who have a great deal often of money and power. And I'm wondering how you're able to exercise authority when you're not dealing with subordinates?

BUD SELIG

I've been on both sides of it, and I often kid and I've said this to David, I hope I didn't act as an owner, like some of the people I have to deal with now, but all kidding aside (laughter), my own style has been to do something that I don't think any of my predecessors, and really build by consensus, because I believe that in the end, they were entitled to play a role in this – in what happens, but in the end, something is going to have to happen, but sometimes people have described it as painfully slow. I don't think, I don't regard it that way, because in the end, if we succeed, whether it took three months or six months was not really very important. As it turns out, I think that that's right. But I do – it's different in the sense that it is amazing the difference. Because after all, when I talked to George Steinbrenner as opposed to David Glass in Kansas City, or Kevin McClatchy in Pittsburgh as opposed to McCorts in Los Angeles. You know, you're going from A-Z so, but I think patience and understanding are very necessary components in that process.

JEFF GREENFIELD

There is a new breed of owner in sports, it seems to me, who's made a billion dollars or two, doesn't that owner come in thinking that he or she, I guess, really knows better than a Commissioner, about how to market, how to sell, how to run a team?

DAVID STERN

I think we've always had such owners in terms of their wealth and their innovation, and etc. I tell ya, I would like it if more – there are other parallels in other businesses. You deal with boards of directors. You deal with important shareholders, who have large blocks or institutions that are now making huge changes by voting their shares to dealing with corporate democracy. We just happened to have all of those sort of rolled up into one. I have found our owners to be amazing malleable and I think they appreciate the fact that what we have tried to do is to say, we have to find something that is good for the league and you know what? We may not even be able to get consensus on that, but we're not sure that consensus is the right idea. One idea or the other might be right, and we put it to the owners. Bu I must tell you that we have a

group of owners who have consistently, in certain categories, voted against what you might view in their own interest, because they do understand as goes the league, so do the individual franchises and their value.

JEFF GREENFIELD

One of the things, it seems to me, that you – again, as special challenges, the players – do you have people who are 19 or 20, maybe in their early 20s, they suddenly come into enormous wealth, enormous fame, enormous adulation, I just picture you sitting with a guy who is, I don't know, 6'11" and he's worth – he's got an \$80 million dollar show contract and he hasn't gone to college. I can imagine him saying, what does this guy possibly have to say that I ought to have to listen to him. I mean, you know, power I guess.

DAVID STERN

Sometimes the door is closed, and you can have a nice chat (laughter), on a one-to-one basis. Remembering you know, some words or the like to indicate that you understand where he might be coming from and what job you have to do. And sometimes, it's a little bit like being a parent and the players are remarkably more receptive and responsive to the overall good of the game, than you might think.

JEFF GREENFIELD

Do you think they know how lucky they are to be doing what they're doing?

DAVID STERN

Well, we remind ourselves and them that there are people out there that really have real jobs, and that this is a great business, in which to work.

BUD SELIG

Yeah, we do. We – they're told that a lot and I think, I think the message gets through. Now sometimes, some places are better than others, but it gets through.

JEFF GREENFIELD

It also strikes me that just based on the news coverage of your leagues, both of you have powers that maybe some of us who are just fans, don't realize.

DAVID STERN

I think that there are lots of roads and most of them intersect at the Commissioner's office and so you can do a fair amount of traffic directing.

BUD SELIG

I would – I agree with that. I think it's really what – how things work out. The only thing that I would say in my own case, in January of 2000 where the sport – we were really struggling, and the economics and lack of competitive bounds were apparent. The owners by a vote of 30 to nothing, which, which is remarkable for a myriad of reasons, gave me unlimited economic power that nobody before me had had and

when I leave, it goes with me. And so, you know, to solve the competitive balance problems. So, but other than that, I agree with David.

DAVID STERN

King Bud is what we're going to – (laughter) That's pretty good. I like that.

JEFF GREENFIELD

I do want to turn to the – broadly to the issue of fans reaction to the league and I was picturing you, David, enjoying a quiet evening somewhere, a nice restaurant, home, I don't know, in late 2004 and the Blackberry jingles or the cell phone rings, and it says, "you know we have this little thing, you know, this Indiana/Detroit game, well you're not going to believe this funny story. (laughter) As Jon Stewart would say.

How – when you hear something like that, it's gotta be not just an ordinary, you know, business thing, your first thought has got to be my God! You know, this is exactly what the league doesn't need?

DAVID STERN

Actually, do we get bleeped in the replay? So I can tell you what I really said?

JEFF GREENFIELD

(laughter) I'm not sure David. It is PBS, so feel free. (laughter)

DAVID STERN

It was 10:45 on a Friday night, and as often happens, we were watching TV in one room and I sort of meandered into the kitchen, put on the TV set, turned to ESPN and there it was. I was watching it. And so I was the one that picked up the phone and called my colleagues and said, "Holy #%%#! Turn on the %##% TV set, you're not going to believe (laughter) what you're going to see. I'll talk to you later." Boom!! And really, I sort of have this credo that we talk about, that we are the sum total of our reactions and responses to circumstances, some of which we couldn't anticipate and some that we couldn't even imagine. And so, let's go. And the tape arrived at 6 a.m. We spent a fair amount of time all day Saturday, all day Sunday, and by 4 o'clock Sunday afternoon, almost figuratively, but almost literally, I said, "okay time for me to get out of my bathrobe and pajamas here, and let's go have a press conference, because I'm ready to do what we have to do. Because in dealing with these things, speed is of the essence.

JEFF GREENFIELD

This may seem like a stretch, but I really don't think it is. We're back to this elephant in the room in a way, about race. At least in part. At least in part, because you have – this was an incident and it happened in a much – to a lesser degree in New York this season, where the fans, particularly in those expensive seats, are white. Players are black. The connection I'm making is, one of the things that's changed in major league baseball, *The New York Times* magazine wrote about this years ago and I haven't seen the changes, the disappearance of the black fan. Maybe in part because

black baseball players seem to have been supplanted by Asians and Hispanics. So what I'm asking here is, is it not at least appropriate or not at least fair, that these conversations about race, ought to happen, if only in the interest of intellectual honesty. That there is a problem here with baseball.

BUD SELIG

I mean we've been very candid in our view, you know, when you think of Jackie Robinson coming here in April of 1947, and what happened after the coming of Hank Aaron, Willie Mays, on and on, Bob Gibson, and sometime in the late 60s, mid to late 60s, into the early 70s, you began to notice that there were very very few African-American fans in ballparks. I know I spent a lot of years trying to figure it out and I know everybody else – it was everywhere. And of course, now, we have 9.9-10% of players are African-American and almost 30% are Hispanic, but we have spent a lot of time talking about it with – with me personally with everybody trying to figure out what happened. But it is a problem and there is question about it.

DAVID STERN

I want to say, in our case, I've been at this for so long, that I see it as an opportunity. In 1979, when we were having issues in our league, in '80 and the like, I was there as Executive Vice President, General Counsel, dealing with reporters who said, "Your league cannot survive. America will not support a sport that is predominantly African-American." And that race was out there, big time. And I guess I would just say, after 25 years later, that it's really a wonderful thing sports. The question is, do you have a game? Skins, shirts, you know, Willis Reed from Grambling, Bill Bradley from Princeton, I don't want to hear about it. If, you know, there used to be this supposed rule that you had to have a white guy at the edge of the bench, now the fans, whatever their color, if Michael Jordan or Julius Irving or Chris Paul or you name it, are producing for the team, it's not an issue of race. Period.

JEFF GREENFIELD

One of the interesting avenues, that both of you are pursuing actively, in terms of fans, is fans from other lands.

BUD SELIG

We were a little slow in terms of international, but as a sport enormously popular in Japan, and you know, a couple of years ago, we opened – we've opened twice there, but I opened it and one day I was out for a walk, and there walking down the street was Derek Cheater and Alex Rodriguez, and they stopped traffic! And I think the world baseball classic this year is a manifestation of how popular the support can be and I would tell you that I am more than optimistic that we have this conversation, Jeff, in five years, you'll be stunned at the progress we've made worldwide.

JEFF GREENFIELD

Can you imagine NBA franchises in Europe? We don't have a Concorde anymore? It takes a long time to get there. Can you imagine that?

DAVID STERN

I could imagine it, if it made business sense. The distance would not be the determining factor. It's as easy to get from Boston to Paris as it is to get from Portland to Miami, for example. So we're used to that. I just don't think that the avidity, arena structure and business model is there yet. We've taken the NBA champions to Europe and entered in tournaments during the exhibition season. And it's been fun.

JEFF GREENFIELD

Bobby Valentine, now managing again in Japan, makes the point that your world series ain't a world series. It's only American teams. World basic classic or not. Think we'll see that some day?

BUD SELIG

I think we will. I do, I know Bobby makes a point now, he did not make it when he was here managing the New York Mets, I mean (laughter). But having said that, the fact of the matter is, our world series is still a true world series. However, yes, I do think even the world series eventually will change in scope.

JEFF GREENFIELD

Let me go to the audience and let them have a crack at this. Sir?

FROM THE AUDIENCE

My name is Michael [...]. I'm with the Executive MBA program at Columbia. My question focuses around decision making with all of the challenges that you've both faced over the last few years, in both organizations, and all the external influences from media to institutions, to owner, could you expand a little bit upon how you go about making decisions in such a complex organizational environment and further, with your current tenure, are your decisions focused around emergencies or have time to do more planning and have more forethought in the future of each organization?

BUD SELIG

Just tell you a quick story, which is I was out for dinner with my wife one night a year or two ago, and I said, "what a lovely quiet night. I wish they were all like that." I walked in my house that night and found the phone was ringing and I grabbed the phone and the voice on the other end who's here tonight, said to me, "you won't believe what happened. Sammy Sousa is going to call you in a half hour. He got caught using a cork bat." So I said to myself, "what did you shoot your big mouth off for, it wasn't a quiet night."

DAVID STERN

Stuff happens and that's part of the job and you ultimately build up a resistance to stress. Otherwise you can't do the job. And I would just say one more thing in answer to the question you asked, and that is, agreeing with Bud with respect to the

game, you really do. That's your product and you better darn well take care of it. But on those other issues, you have to find a way to spend an increasing amount of time when you're in a business where your content is potentially global. You're building new audiences and you're faced with a C change of technological change. If you're not spending a lot of time dealing with those strategic issues, you're not really doing justice to the product.

BUD SELIG

Life is changing, the world is changing, and I don't know how else to say this. I don't want baseball to be as dormant as it was for three or four decades. There's no question that we paid a price for being resistant to change, so the objective now and we've done it for the last decade is, is to continue to try to stay ahead of all these things, as much as we can.

FROM THE AUDIENCE

Hi, my name is Cindy [...]. I'm a second year student at Columbia Business School. I'm just wondering if you could talk a little bit about your organization's marketing efforts towards women spectators and if you feel you've been successful in attracting that female audience?

DAVID STERN

Well I would say that our audience, we know through the Nielson numbers, is about 40% women watching our games. We definitely started 10 years ago, - this is the 10th anniversary of the WNBA, because we think that if we can focus on participation in the long term, we know that if you play the game and more girls are playing than ever before, as they grow into women, they're more likely to watch us on television, purchase our products and attend our games. So we tend to take a much longer term holistic approach to this, by marketing to women. We think it's really the hidden audience because if we can go from 60/40 to 55/45, that swing would be used in terms of all that we attempt to accomplish from a marketing perspective.

BUD SELIG

Women have always been really - the baseball demographic numbers are pretty good, but we have been much more aggressive in marketing to women, including into women's softball and a lot of other things and we're going to do a lot more of that. I believe our last number of women was 46%. I mean it's really been remarkable.

JEFF GREENFIELD

One more question I think from the audience.

FROM THE AUDIENCE

My name is Rebecca [...] and I'm a first year student at Columbia Business School, and my question for you is, given the escalating salaries, I wonder what the leagues are doing to make sure that fans can still connect with the athletes and do you think that connection is still important?

DAVID STERN

I think that connection is critical. I think that we need to have our players engage with their fans and the fans engage with the players. That's why even such simple things as focusing autograph sessions, season ticket holder functions, promotional appearances in the community, our player association willingly engages with us to cause that to happen. With respect to – a little secret I'll tell you is that the average sports fan doesn't go to a game. They consume it on TV. But, or follow it in the newspapers, increasingly follow on the internet. But we do think it's important to not to price those fans out of the market who want to come, and as a result for years, we've required a minimum of 500 tickets at every building to be available at \$10. I think it may have crept up to \$12.

BUD SELIG

There is no question that the interaction between the players and the franchise, the fans, has increased and should. The clubs today, I mean, we could be here all night and have done so much in terms of what they do before games, after games, in the off season, sometimes on off days, far more than they've ever done and that's the way it should be. As for autographs and things and I know all the controversies, but I used to say to my own players years ago, and I've said it – I had a player in the office today talking about it. Should be grateful. After all, these are not only our fans, but running, you know, the player is so busy after the game, that he can't spend five minutes or three minutes signing autographs, is just wrong. And I think our players are better. Hey look, Cal Ripken Jr. was fabulous. He'd stand there all night long and sign autographs and that's the way it's supposed to be.

JEFF GREENFIELD

Thank you. Before we close, we have a short section that we like to call the lightning round. I'm going to ask you a few very short questions. I'd like you to answer quickly with the first thing that comes into your mind. The historical figure, living or dead, that you'd most like to meet?

DAVID STERN

I'd like to revisit John F. Kennedy.

BUD SELIG

Franklin Delano Roosevelt.

JEFF GREENFIELD

What's on your iPod? (laughter)

BUD SELIG

I don't have one and I'm proud of it.

DAVID STERN

America's Poet Laureate, Paul Simon. (laughter)

JEFF GREENFIELD

Your favorite indulged indulgence? (laughter)

DAVID STERN

You mean like an Eau Claire or Napoleon? (laughter)

JEFF GREENFIELD

If that's what it is.

BUD SELIG

Oh I hate to tell you this. About 10 o'clock every night, I can't resist eating some kind of ice cream. And that's my indulgence, every night. Only tonight I'm already looking forward to it. (laughter)

JEFF GREENFIELD

If you weren't doing what you're doing, what do you think you'd be doing?

DAVID STERN

Practicing law and loving it.

BUD SELIG

When I was a kid in college and for a year or two after, I was a history major and I thought I was going to be a history professor and I have often wondered what it would have been like, cause I, I just love history. So I guess, if this all hadn't happened, I'd probably be at the University of Wisconsin being a history professor.

JEFF GREENFIELD

A fine university. I can commend it personally. (laughter) Finish the sentence. Before I get too old to it, I really want to?

BUD SELIG

Teach and write a book.

DAVID STERN

I don't plan to get too old. (laughter)

JEFF GREENFIELD

A perfect closing thought. So unlike sports, you know, we don't have overtime. We don't have extra innings. So I really want to thank our guests, Commissioner Bud Selig, Commissioner David Stern, thanks very much for joining us. Thanks to the Columbia Business School.

JEFF GREENFIELD

And just in closing, if this meeting of the minds has somehow contributed to the world's marketplace of ideas, good. Because that is the whole business of CEO Exchange. I'm Jeff Greenfield. Thanks very much for watching and see you next time. Thank you.

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