Chapter 1

TURNING FANATICS INTO FANS

You arrive in Bristol, Connecticut, and you think ESPN. This is the epicenter of the known sports universe. The corporate headquarters are approached by highway, but when you near the gate you are greeted rather quietly by a small sign in simple letters reading "Welcome to ESPN." The sign looks as though it hasn't changed much since the organization was founded 30 years ago, utterly subdued compared to ESPN's often boisterous shows, hosts, and guests. Very subtly, this is an important part of ESPN's message to its people every day when they come to work: It's about the fans and the sports, not ESPN.

Inside the gate, there are a myriad of parking lots and sprawling buildings, and a forest of satellite dishes, like a field of giant white mushrooms tilted skyward. Twenty years ago, when I first drove to ESPN, there were only a half-dozen satellite dishes, a couple of finished office buildings, and rows of temporary trailers—everything in flux, everything growing. Now, instead of giving off a corporate vibe, like stalwarts such as IBM or GE, the grounds of ESPN have the big-time aura of an Ivy league campus, but the look of a state-of-the-art high tech company. The rank-and-file employees are dressed casually and look about as young and diverse as undergrad students anywhere, though they are always in a hurry. The managers are often dressed more formally, a bit like professors at a business school, and the older executives could pass for top administrators and deans. There is often an expression of pride and—dare I say it—happiness on the faces you see. I'm not claiming ESPN is a utopia, and I describe its ways of doing business with candor and curiosity in this book, but the giddy energy always strikes me. This is the place to be if you are engaged by sports and television. Just by being here, the young people have achieved something special. The older hands who have been around for many years are noticeably proud of what has been accomplished, the growth of the business reflected in the number of buildings and satellite dishes. Before we get started, it's worth considering how much that accomplishment means.

Now, the achievements of ESPN seem self-evident. Why wouldn't a cable sports channel offering sports news, sporting events, and sports-related entertainment 24 hours a day be an incredible success according to all conceivable measures—spectacular revenue, intense brand awareness and loyalty, market supremacy, and consistently strong year-after-year growth? Sports consumers, after all, are fanatics. Like addicts of less savory fixes, they can't get enough of what they desire. Throw more product their way—additional channels, new formats, a magazine, a web site, even sports they've never cared about before—and those fanatics will continue to consume whatever you're offering while their needs and numbers grow. What business, given such an easy sell to such an eager market, wouldn't be a success?

You could assign the achievements of ESPN to luck—the right place, the right time, the right untapped market—but that only brings to mind a quote from golf-great Arnold Palmer: "The funny thing is, the more I practice, the luckier I get."[1] Certainly, there was luck behind ESPN in terms of timing, opportunity, the right leadership at different stages, and the decisions made at several critical junctures. But nobody who learns the full arc of ESPN's story will evaluate all that and dismiss the amount of stamina, discipline, intelligence, hard work, risk-taking, and blood, sweat and tears that went into generating such luck. That's why the lessons of ESPN's rise to institution status and brand dominance are so rich.

The truth, of course, is that ESPN didn't stumble fortuitously onto an untapped revenue stream and then work like hell to develop its claim. Rather, the market for 24-hour, dedicated sports coverage on television didn't exist before ESPN created it. ESPN's founders, leaders, backers, and key employees generated that market by understanding the desires of people who follow sports like addicts and striving to fulfill those wants. They identified loose and disorganized fanatics—people with an unchanneled passion for the sports experience in many different forms—and turned them into loyal fans—customers focusing their eyeballs, water cooler conversations, and cable dollars on what ESPN is offering.

One reason the people behind ESPN were able to do that successfully is because they are fanatics themselves. That's the two-sided lesson I explore in more depth in this chapter. In my experience, other successful companies have also turned fanatics into fans—on the customer and employee side—but those organizations are as rare as they are noteworthy, and few have done it as well as ESPN.

In the interviews I conducted for this book, it was often said by the people who experienced the ESPN story firsthand that the company has gone through four distinct steps in development. I describe those steps so that ESPN's business decisions and accomplishments can be understood throughout this book in the context of the situation at the time. The nuances and details of the ESPN story are expanded on in later chapters, but here's a brief overview to establish the people, events, and time line we'll be following.

Ready When the Red Light Goes On

Every organization goes through very distinct, and often predictable, stages of development. What many have labeled ESPN's start-up began when it was conceived in 1978 and launched with venture capital funding in 1979. Those early, arduous years could be characterized as a constant scramble to patch holes in a leaky rowboat on a vast and unfriendly ocean while simultaneously endeavoring to discover an actual destination (and pretending all along that the rowboat is an ocean liner.) An ungainly metaphor, I agree, but one that anybody who has ever enjoyed the exciting, raucous, anxious, exhausting, sickening, inspiring, and rewarding time working at a start-up enterprise can probably appreciate, and may even fondly remember.

The vision and early energy for ESPN came from its founder, Bill Rasmussen, his son, Scott, and a few key backers and supporters. Rasmussen was a true sports fanatic who had worked in advertising before landing a patchwork of dream jobs in sports that combined sales, management, and play-by-play broadcasting. While working as the communications director of the WHA hockey team, the New England (Hartford) Whalers, Rasmussen gained experience producing sports television and events. Then, after a falling-out with Whalers ownership, Rasmussen found himself unemployed and anxious to see if the tickle of an idea he'd been carrying around for a couple of years could be transformed into a viable media business.

Rasmussen's original business concept was to fill the need for more local sports coverage in Connecticut. The Whalers had few of their games televised, and NCAA sports involving UConn (University of Connecticut) were popular statewide, but rarely available on TV. Technology, distribution and cost turned out to be problematic. A few conversations with local cable operators gave Rasmussen an awareness of how complicated and expensive it was to distribute original programming in discrete blocks of time. It was through those initial inquiries, however, that he stumbled onto the idea of broadcasting via satellite—still an extremely new and barely understood technology in 1978. Investigating further, Rasmussen learned first that satellite signals could be broadcast all over the country to local cable operators, and that this made more sense than distributing within a single state like Connecticut. The idea began to expand. In addition, Rasmussen was told that it was actually cheaper to broadcast for extended hours than in limited time slots. That data ingested, the opportunity it represented must have jolted Rasmussen with a sped-up heart rate. The vision of a dedicated national sports network was suddenly obvious and tantalizingly possible.

The satellite system Rasmussen encountered (more in Chapter 2) had only been commercially available for a few years but the channels HBO, Showtime, and TBS were offering movies and network TV reruns that way. In discussions with local Connecticut cable operators, Rasmussen learned that cable companies picked up those signals and distributed them to subscribers in a mild and not very effective way of competing for viewership with the big three networks—CBS, ABC, and NBC. Fox, you will recall, was not a player back then. In an example of one of those periodic moments when the dominant power misses the emergence of the next ferocious competitor, executives at the big-three network channels did not see cable or satellite as a threat; indeed, they hardly noticed the existence of this parallel system of broadcasting. Rasmussen made his pitch for an all-sports network to cable operators with all this in mind. Although the cable operators were skeptical of Rasmussen's idea for a dedicated sports channel and indeed skeptical of Rasmussen himself, he believed that if he could get his sports programming onto the air using a satellite, they would be willing to distribute those events to households with cable connections. This viewership was still a small market in 1979—only 20 percent, or 14 million, households in the United States had cable connections then—but the timing was absolutely right. Entrepreneurs who believed in the growth of cable—men like Ted Turner, John Malone, and Charles Dolan—were about to become moguls.

Soon, Rasmussen and his partners entered that feverish phase of a start-up when ideas suddenly begin to become real, and the demands of planning, selling, and building a business tumble together at an ever-increasing speed. They needed a name, financing, satellite access, programming, cable affiliates willing to partner with them, a business location, and experienced television production managers—all at once. They propped up their tent with multiple poles, shoring up one aspect of the venture with the tenuous commitment of a cable operator, satellite signal provider, sports partner, or financial backer, then raced across to bolster the other side before it sagged and collapsed. They did not know what they were doing until they needed to do it. They learned along the way, picking up information, ideas, and strategies when forced by each new crisis to make a decision or change course. They ran out of money, maxed out their credit cards, and avoided bill collectors. They bluffed business partners and cynical journalists, bringing skeptics along until the next deal arrived just in time and allowed the journey to continue. They stretched the truth, and turned difficult and complicated plans into reality by proclaiming confidently, with a salesman's faith, that those plans would come to pass. Most importantly, they began to draw others in—those fanatics I mentioned—who may have doubted Rasmussen's ability to pull it all off, but never doubted the potential and excitement of the idea he was pushing.

The name was inspired. Cable operators, enamored with the success of the movie channels being distributed by satellite, wanted movies to be part of the offering. Rasmussen came up with the word *entertainment* as a compromise that was vague and inclusive enough to capture what they wanted to bring to viewers and still keep cable operators happy. The Entertainment and Sports Network, or ESP Network was the result. Within a few months, this was shortened to ESPN (reportedly by the graphic designer who thought it looked better that way) and the lettering was fashioned into the distinctive logo.

Despite the call for movies and TV shows, Rasmussen remained focused on showcasing sports events that weren't being covered by anyone else. Theoretically, they would be cheaper to run since no one else wanted to show them and would better resonate with niche sports fanatics. For example, Rasmussen and his partners knew that televised NCAA games would be treasured gems among avid college sports fans who had previously been unable to watch them, as they were outside the realm of the traditional channels.

From its original vision, to subsequent ideas, ESPN needed to find funding. Their first infusion of money came from a bizarre source, completely outside the New York—centered media or advertising worlds. Given the extent to which ESPN was violating all rules of conventional television wisdom, perhaps this should not be so surprising. In the search for financing, Rasmussen and his partners ran into Getty Oil, flush with cash and looking for investment opportunities. Rasmussen pitched his business plan to a Getty vice president named Stuart Evey, who was in charge of investments into noncore assets. Evey agreed to an initial $10 million infusion and soon exercised an option to secure ownership over 85 percent of the venture.

Evey was a character, an extreme version of the many strong, volatile, passionate, and excess-oriented personalities that ESPN attracted in its youth. He was a sports fanatic with a secondary craving for the media, show-business, and deal-making drug. Not surprisingly, he gravitated from the staid world of oil production to the flash of a sports television start-up and became fully immersed in ESPN decision making and operations. This generated turmoil in the leadership ranks, a series of power plays, ego fights, and turf wars that somehow managed to seem normal in the rushed day-to-day struggle to get the business off the ground. Rasmussen didn't like being overruled, discounted, and undercut, but money won out. As a result, the founders of ESPN would be evicted within a year.

The Getty money was desperately needed, however. In another nick-of-time event, Budweiser came through with a million-dollar advertising commitment, the largest in the history of cable. This was a cannon shot across the bow of the networks, cable affiliates, Wall Street, and Madison Avenue announcing that ESPN might just be for real. And in fact, between the Getty money, the Budweiser advertising deal, and a freshly inked two-year contract with the NCAA to broadcast games, ESPN *was* for real, just a few short months before it was scheduled to go live at 7 P.M. on September 7, 1979.

Trucks, cameras, a satellite dish, a studio, offices, programmers, and on-air talent—ESPN needed everything that a big network needed, but had almost no resources and no base of experience to draw from. The coup de grace in ESPN's prelaunch struggle was securing the services of Chet Simmons, then president of sports at NBC. Simmons, who had been involved in the launch of ABC's Wide World of Sports 20 years before, was waiting for a contract from NBC, and growing irked about being strung along. So he took a leap at a significant salary offer from ESPN even though he had already publicly dismissed the idea that cable sports could compete with the networks.

As the new president of ESPN, Simmons brought truckloads of sports television experience, big-league credibility, and—most importantly—extensive industry contacts. Starting with Scotty Connal, another sports executive, Simmons lured so many top executives and talent from NBC that ESPN in its early years was known by insiders as NBC North.

One industry hand was Bill Creasy, whose story is a good illustration of how and why talented people were drawn to the venture. Creasy had been one of the first graduates of USC's new telecommunication major in 1953, after which he worked in television, producing or directing sports events. For much of the 1950s, he was employed by a company called Sports Network Inc. located in Midtown Manhattan, in the business of renting production equipment such as trucks, cameras, and facilities. There, he got to know Chet Simmons because Simmons worked across the street for a rival company called Sports Programming Inc., which was later bought by ABC and turned into its sports department. Creasy's career began to soar when he became a producer of note in the CBS sports division, directing baseball games (including the Major League Game of the Week), football games (including the infamous Ice Bowl NFC championship game in Green Bay in 1967 and the first two Super Bowls), the Triple Crown, skiing in Europe, and NHL hockey in Canada.

Creasy took a four-year hiatus from sports production to head operations for the Oakland Seals of the NHL until the team was sold, then worked in horse racing before Simmons called in the summer of 1979 and asked if he wanted to get back into live television as ESPN's head of programming. Creasy felt the bug and was not afraid of working for a start-up with a man as respected as Chet Simmons involved. The offices in Plainville, Connecticut were a shock, however, to anyone who had worked with network budgets. On his first visit to the two-story commercial building where ESPN had set up, he saw that the entire first floor of the building was occupied by United Cable (which was later purchased by Comcast) and filled with rows of audiotape machines, like banks of IBM computers. Upstairs in a glorified attic space he found ESPN headquarters, a series of wooden picnic table-like desks crammed so closely together that one person couldn't stand up without the person behind wiggling out of the way. But it was live sports and it was exciting. ESPN offered Creasy a salary and he moved into the Plainville Holiday Inn in June 1979.

Construction work was ongoing at the site in Bristol, Connecticut where ESPN would set up its permanent campus. At the time, the programming facility amounted to a trailer and an outhouse. As the go-live date approached, Simmons, Connal, and Creasy put their heads together and scoured friendships and connections throughout the sports world to come up with any kind of programming that could fill the Sunday to Saturday grids—seven times the amount of sports programming the major networks were producing combined. At the same time, walls were going up, paint was being applied, a studio set was being built, and equipment was being installed and tested.

Doubts abounded, often in secret, occasionally in the open, and angry outbursts were common, but the pressure just made everyone work harder, obsessively focused on one imperative: Be ready when the red light goes on. A day out, Creasy started rehearsals on a script that wasn't even finished yet. An actual studio rehearsal wasn't possible until half an hour before ESPN was scheduled to begin broadcasting. Finally, with mere minutes to go, the studio was cleared, the first hosts of *SportsCenter*, Lee Leonard and George Grande, took their seats and the countdown began. When the red light went on, the signal was sent into the atmosphere to an orbiting satellite and, seconds later, back to homes across the United States.

ESPN went live with these words from Grande:

> If you're a fan, *if* you're a fan, what you will see in the next few minutes, hours, and days to follow may convince you that you've gone to sports heaven.

It was a message that sports fanatics could understand.

Yes, But We're Also a Business

The start-up stage did not end with the red light going on. The first *SportsCenter* broadcast was awash in technical difficulties, amounting to 30 minutes of amateur night. After *SportsCenter* and an NCAA preview, the signal flipped to a night-time, slo-pitch softball game in Milwaukee. According to Creasy, it *looked* like a night-time softball game in Milwaukee (with the unfortunate irony of being a contest between the Milwaukee Schlitzes and the Kentucky Bourbons, sponsored by Anheuser-Busch). The broadcast was a sign of things to come. The new network limped along through the fall of 1979 showing such noted sporting events as wrestling, hurling, Australian Rules Football, and men's volleyball games between South Korea and Japan. Yet, ESPN, in what was typical of its evolving culture and brand, exhibited a mixture of self-mocking humor and overt passion for sports in attracting viewers to odd events while also attracting attention to the channel. The brand message may have been unorthodox, but it was working: ESPN was serious about sports but not serious about itself—at least not publicly.

The leadership also evolved rapidly. The organization cycled through its first two top executives, taking what it needed from each before moving on. Bill Rasmussen, the founder, who had done so much work conceiving the enterprise, attracting other fanatics, and sacrificing his personal ownership stake to obtain desperately needed financing, was out. The next president, Chet Simmons, a terrific programmer who had lent his name, experience, and connections to a struggling start-up that otherwise would have been lost in the media wilderness, had one too many conflicts with Getty Oil's Stu Evey. Simmons left ESPN to take on what might have been the only other sports job you could imagine being even more daunting: the first commissioner of the United States Football League, launched to compete in the same market space as the mighty NFL.

After Simmons departed, Stu Evey cast about for ideas for the next head of the company. Creasy, in an advisory capacity (a role he would assume more overtly in years to come), along with McKinsey and Company, put together a list of three people. Evey would end up choosing one of them, appointing Bill Grimes, then a senior vice president of ESPN, as the new president in June 1982. Grimes was one of those sports fanatics who understood the ESPN brand well. He also had a way with people that was refreshingly enthusiastic and infectious, helping the culture stay close as the organization grew.

Internally, the imperative was for more programming and distribution. Rapidly, top management built relationships with leagues and cable affiliates. Meanwhile, young programmers were constantly on the phone, calling anyone they could think of for tapes of recent games—softball, lacrosse, badminton, whatever they could get their hands on—struggling to fill those Sunday to Saturday grids. The hard work was paying off and viewership and critical reviews were becoming more respectable if not impressive. From a business standpoint, however, ESPN was in brutal shape. Getty's initial $10 million had long since disappeared, and an additional $20 million was burned through without the warmth of any profit. Something urgently needed to change.

In their understandable concern, Getty retained McKinsey & Company to analyze the enterprise, see if there was the slightest hope for its future, and bring some actual reality into the business plan. From every standpoint, this survival stage was a critical juncture and a turning point for the better. The pressure to perform financially brought the sports fanaticism into a new balance, and a new understanding, embodied in operational discipline and attention to the bottom line. "Yes, we all love sports, but we're a business, too." The message was never overtly part of the vocabulary of the culture, especially with the rank-and-file where ESPN remained all about the sports fan. But if ESPN was going to stay on the air and continue to grow, it needed to achieve the kind of performance levels it praised nightly in the exploits of top athletes and championship teams.

The transition from the survival stage to the ramp up growth stage occurred when the McKinsey plan was operationalized. I talk about the revolutionary character of that change in the next chapter; it put ESPN into a clear leadership role within the cable industry. By the tail end of 1983, four years after the business was launched, ESPN had become the largest of the cable networks, surpassing even the mighty HBO and the upstart CNN. With the promise of future profitability and with potential that was becoming impossible to deny, Getty saw an opportunity to unload the business (and take some profit from its investment) while television industry suitors saw the chance to obtain a valued asset and correct a major mistake in their assessment of the sports viewer market. ABC bought the major share of the business from Getty in 1984, and the remainder from Texaco, and ABC itself was acquired by Capital Cities in 1986.

In the meantime and subsequently, ESPN began to grow in revenue and sway by obtaining valuable programming rights with college football, the America's Cup yachting race, the NFL, MLB, the NBA, the NHL, and NASCAR. The network that had started with softball, badminton, and Australian Rules Football became a significant player, almost overnight, in the very profitable world of mainstream American sports, and a serious competitive threat to the sports offerings of the major networks at the same time.

Roger Werner had been a member of the McKinsey team in the early 1980s when he was in his mid-thirties. Soon after, he was tapped by Bill Grimes to become a senior vice president. He had a brief stint at ABC Sports following the acquisition of ESPN in 1984, then returned to succeed Grimes as president in 1988. His tenure was short—a mere two years—but he continued to build the business aggressively and with strategic acumen, concentrating heavily on the relationships with cable affiliates to create the distribution channels while another top executive, Steve Bornstein, expanded the content offerings. That tag team approach has been a mark of ESPN leadership ever since.

Bornstein took over from Werner in 1990. The next eight years were a story of spectacular growth. In my observations of successful companies over the years, I've seen that kind of trajectory (where it's lasted, unlike the dot-com bubble) only a few times. The enterprise survives an early and sometimes extended period of low growth or outright struggle by sticking to its mission, building its capabilities, and refining its practices. The initial payoff is an uptick in growth that looks promising, but not extraordinary by any means. Nevertheless, beneath the surface of that modest rise, the output of so much hard work, focus, and right-thinking strategy compounds wildly, like the accumulated interest on careful long-term investments, leading to a sudden spike and an extended phase of explosive growth.

Author Seth Godin calls that lull before the rocketship ride "the dip" (see Figure 1.1).

According to Godin, a lot of great business ventures experience the dip before seeing the acceleration of success that emerges when the effort, attention, and investment of resources pays off. This extraordinary leap is so rare because most organizations and individuals give up during that phase when results lack proportion with the effort put in. In the cable industry, ESPN needed to put so many pieces in place that real growth was not possible for many years. Without satellite time, sports partners, cable affiliates, talented hosts, experience in programming, and revenue—all patiently and diligently built up over time—ESPN could never have seen those efforts accumulate and compound. This is another reason why competitors find it so hard to emulate ESPN's success: The dip eliminates those who are unwilling or unable to face an extended period of scarcity and struggle, or impatient shareholders who want quarter after quarter results, factors that often drive short-term focus, and thus organizational fragility that we are all witnessing today. By the time ESPN worked through its dip, it gained so much traction, capability, and revenue that it began to see abundant fruits of its labor.

To the point, during the 1990s, as it finally made money, ESPN blew open its borders in the United States and expanded internationally

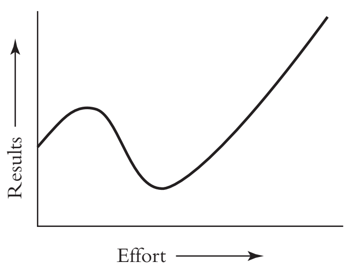

Figure 1.1 The Dip

with over 20 international television networks across 180 countries, tapping global advertising sales in the process. The television experience was replicated on the airwaves as ESPN Radio Network was launched in 1992 and gathered up affiliates to become the largest sports radio network in the country. With revenue, ESPN was suddenly in a position to acquire its own sports assets and market its brand in many different ways, including merchandise. They would purchase Ohlmeyer Communications (OCC) and Creative Sports, and later merge the two to form ESPN Regional Television. Other new programming outlets came next. ESPN2, a second sports channel—in a big flip-off to those who had once questioned a single all-sports channel—was launched in the fall of 1993, as were The ESPYs, a sports award ceremony that recognized sports talent and achievement in an Academy Awards-style celebration. A third channel, ESPNEWS was launched in 1996, providing nonstop news and highlights, while ESPN Classic was purchased and broadcast by ESPN in 1997, proving that not only did the fanatics love sports enough for multiple channels, they even loved watching games that had been over years before.

Concurrent with this growth, ESPN began to market and advertise itself more aggressively and confidently. A web site, sports pagers, home videos, video games, CDs, a credit card, books, a merchandise store, a chain of interactive sports-themed restaurants, and a magazine were some of the offerings that became part of ESPN's effort to utterly lead the mindspace of sports. Popular new shows ranged from the X Games to the Skins Game, which was part of the OCC purchase. Cumulatively, ESPN's programs and channels achieved record numbers in ratings and viewership while generating more advertising revenue than the big three networks, and taking in the additional revenue that a cable channel makes through its affiliate fees.

In 1995, Capital Cities/ABC was acquired by Disney, giving Disney an 80 percent controlling interest over ESPN. The new ownership situation did not end ESPN's growth trajectory by any means, but it signaled the beginning of a different and fourth stage in development. Although ABC was the asset that industry watchers focused on when they debated Disney's strategy and future, Michael Eisner, the chairman and CEO of Disney, saw things a little differently. ESPN, according to Eisner, was the crown jewel in the acquisition, and worth "substantially more" than the $19 billion Disney paid for the entire ABC holdings. While ABC was the trophy and the asset Disney would have to work hard to integrate, ESPN was the desired prize, quite a reversal of the relative standings between network and cable channel.

Digging the Moat

Indicative of the new relationship between ESPN and ABC, Bornstein became head of ABC and chairman of ESPN in 1998, a move that was simultaneously up and out. His hand-picked successor, George Bodenheimer, became the new president of ESPN. Within four years, Bornstein left ABC and the lines of sight between Bodenheimer and Disney were clear.

Disney and ESPN. Two aggressive organizations with extremely powerful brands, highly defined cultures and successful approaches to doing business, each focused on distinct sectors of the demographic spectrum. What could have been a complicated, challenging, threatening, and even crippling period of integration and rebranding simply wasn't. Quite surprising to me as someone who consulted a lot in the post mergers and acquisition space, Disney essentially let ESPN do what it was doing so well. We'll examine that story more fully in Chapter 6. Instead of faltering or retooling, ESPN dug the moat around the sports fan, secured its brand, and entered a market leadership phase without pausing for breath. It has continued to grow in rankings, revenue, viewership, program offerings, networks, and countries.

Yet, the likelihood of stumbling was high. Media empires have had their foundations shaken in the past 10 years. The landscape has been reshaped by new technology, new money, and new visionaries, as well as by the reassertion of "old" visionaries, old technology, and old money. The late 1990s, in particular, were a paralyzing distraction for many organizations. Some media entities were dazed and confused by the need for an Internet strategy, and many top organizations lost talent to Internet start-ups or reconfigured their culture and compensation structure to bribe workers to stay. ESPN remained on course, relying on the passion of its fanatics—inside and outside—to stick to the enterprise and its offerings, while carefully navigating the ups and downs of developing an Internet presence and managing to keep its digital offerings tightly bound to the ESPN brand. Indeed, while there are more ways to access sports information, entertainment, and merchandise than ever from ESPN, there is no confusion or divergence from the brand. Analysts talk in theory about cross-platform opportunities for organizations today, just as they used to talk about the ideal of synergy ten years ago. But ESPN is an unheralded case study that illustrates how such a strategy evolves organically while actually meeting customer needs and turning a profit.

What about competing with ESPN head-on? After all, ESPN had come from nowhere to conquer sports. That was the poetic irony to the ABC purchase of ESPN—the network that labeled itself "worldwide leader in sports" was drawn to the sports brand of ESPN. For years, ABC cobranded sports with ESPN. Following the Disney acquisition, however, there was no longer a reason for political correctness and ESPN's more powerful brand soon swallowed ABC Sports whole. But if ESPN could overwhelm ABC, someone else could surely overwhelm ESPN? And yet, even though TBS, Fox, and Comcast have taken runs at ESPN's market share with various strategies, so far no other network or web-based challenger has come close to replicating ESPN's success. The brand leadership in sports and sports-themed entertainment, the coverage of major events, and the revenue from advertising and cable fees has created a moat within which ESPN sits secure. ESPN has even fought off brand-intense threats to its key male demographic from outside sports and television.

Indeed, no other television network, sports or otherwise, is as profitable as ESPN. Disney does not make the raw numbers public, and it would be unethical for me to report on financial or strategic matters I learned about in confidence as a consultant, but I can quote the public record. ESPN contributed an astounding 33 percent to Disney's total operating income in 2008.[2] ESPN is one of the top recognized brands in the United States. Every day, the average American devotes 54 minutes of his or her time to ESPN offerings, and the combined reach of the organization's various programming outlets has exceeded 100 million. Significantly, ESPN's diverse portfolio of offerings (including 4 channels and 40 business entities) has insured it to the typical risk that a network faces with a single channel or a narrow band of prime time programs. No matter what happens in sports, ESPN is still the delivery vehicle of choice for fanatics.

A recent quote from Don Ohlmeyer, the widely respected television programmer and long-term producer of Monday Night Football, describes the power of ESPN well. According to Ohlmeyer, "ESPN is the most profitable network in the history of entertainment and communications."[3] Not just sports, not just cable, but television. Something about this organization's leadership, culture, ownership, operations, and marketing has enabled it to thrive and grow and imprint its unique brand like few organizations in any industry. It's the GE, the McDonalds, the Wal-Mart of television, and its management and organizational story is largely unknown.

On the Hiring of Fanatics

From the beginning, ESPN offered sports fanatics something they could get nowhere else: round-the-clock and constantly updated highlights, information, sporting events, and sports punditry. In recent years, it has become apparent how good the Internet is at parsing people's interests into distinct niches. Before there was an Internet, the only place sports fanatics could go to get all their sports needs fulfilled was ESPN. And even after the arrival of the Internet, ESPN remains the first access point for most sports fanatics because of the establishment of that brand. Remember, a brand is not a slogan or marketing scheme: It's the organization's values and personality or culture engaging in a relationship with the customer. And that relationship succeeds or fails in the long run based on how well promises are fulfilled.

If ESPN was built to reach the sports fanatic and engage that passion, what about the people drawn to the organization as employees? How direct a link has there been between sports fanatic employees and sports fanatic customers? As so often happens in such matters, there's the legend and there's the truth. The legend makes a great story and an easy bullet point in a presentation. But understanding the truth and its shades of gray is more instructive for how a great business really builds its fanatical brand.

As I stated in the introduction, legend is that ESPN *only* hires people who are sports fanatics, and has done so since the beginning. The story goes that Scotty Connal, Chet Simmons's first right-hand man, was emphatic about it when he interviewed prospective employees. His most important question to a job candidate was: "What part of the newspaper do you turn to first every morning?" Answer anything but the sports section and the interview was effectively over. Give the right answer, and Connal dug in more deeply. What's your favorite team? Give me some stats. What's the most painful sports moment of your life? What's the best memory? Name some bench players on your championship team. Unless you knew sports at the most detailed level, you were not really a fanatic and you didn't belong at ESPN.

When I asked people about the truth of that legend, I got some confirmations and some qualifications. Yes, it happened, Connal really did hire that way and there was even a production manager who continued the Connal tradition. Al Jaffe did much of the campus recruiting for production employees for many years. From early on, ESPN was one of the dominant television distractions of university life, like David Letterman, the Simpsons, *South Park*, or Jon Stewart during various eras. Sports-oriented students watched ESPN, talked about it, and plenty with ambitions for careers in media or television programming wanted to join it. So when Jaffe used questions to assess their degree of fanaticism, those who answered right qualified for the money rounds during which other attributes—intelligence, integrity, passion for work—were evaluated.

Still, when I continued to ask whether ESPN hired only sports fanatics, I got more nuanced answers. Some thought it was a critical part of ESPN's culture, others thought the practice functioned in some departments but not others, while still others viewed it as overblown or off the mark. I thought it was important to dig in because employees constitute culture. If there's not a pure line of sports fanaticism threading the DNA of all ESPN employees and leaders, does that undercut the arguments about the robustness of the culture and brand? Is ESPN just another company where some people are passionate about the product, others temporarily take on the passion to succeed, and still others are indifferent or even cynical? What's the reality and what's the myth?

The distinctions start with the departments. On the financial or administrative sides of the enterprise, the answer is no—being a sports fanatic is not a requirement, although many of the individuals in those departments that I know absolutely love sports. Perhaps their own company transformed them in ways that have yet to reach their consciences? Sports is in the air and it certainly comes up as a topic of interest, but it's not the resounding passion for everyone. This has been true since the beginning. In the early years, those in the trenches of "operations" were just employees who happened to live in northern Connecticut; while the top managers were either finance and accounting types who could have worked in any industry counting widgets, or those with experience in television specifically and sports only incidentally. Similarly, on the sales and marketing side of the business, as in sales and marketing anywhere, product and business relationships are key, and sports are only a passion that some may enjoy and others may be relatively indifferent to.

In production and programming, however, there is a much more blatant sports obsession. Perhaps this shouldn't be too surprising. People who want to be in sports television are naturally drawn to the greatest sports television venture ever. That level of passion is what Scotty Connal and Al Jaffe were testing when they conducted interviews. The results are not surprising. The hallways and cubicles in the production side of ESPN are jammed with sports fanatics. Sports conversations are ongoing. A passion for games and events is palpable. Sports knowledge—details, statistics, memories, analysis, assessments, joys, and sorrows—saturate the air and can be felt in the tingle on the back of your neck.

But even in programming there are degrees of dedication to sports, and many of the top ESPN programmers are sports fans but hardly sports fanatics. They like their own teams, they like some sports more than others, but they wouldn't live and breathe sports as an all-consuming lifestyle if it wasn't for the whirlwind demands of the enterprise. Among the top leaders of the company, that same variation holds true. Founder Bill Rasmussen was an outright fanatic, a man who wanted into sports in any way, shape, or form and when he couldn't find the right means, went out and built it. The critical Getty liaison, Stu Evey, was as much a fan as anyone in the stands at a big game and was suspected by some of the professional TV executives of being a little star struck by the big name athletes, a notion he disputes emphatically. Likewise, Roger Werner, the most cerebral, calculating, and purely business-oriented president of the company, talks calmly and dispassionately about sports in a business call, but others have described how passionate he is about outdoor sports and racing when he lets that other side of himself show. Perhaps it shouldn't be surprising that Werner has been the founding executive of two other sports channels, the Outdoor Life Network and Outdoor Sports.

The presidents who followed Werner had a love for sports, but I never I got the impression that their love reached the level of "fanaticism." Steve Bornstein likes games and competition and the good stories that come from sports, but he likes them through the filter of programming—what's good TV, what would be better TV? I don't know whether Bornstein would follow sports as intensely if he wasn't in the business. George Bodenheimer talks sports with ease and interest as a way of breaking the ice with business colleagues and clients, and he certainly understands the power that sports holds in many lives, but I've never noticed an overwhelming passion for sports in him, other than his intense love of golf, Tiger Woods, and those New York Football Giants.

So, if even the top leaders of ESPN have been a mixed bag when it comes to sports fanaticism, is the overriding theme a myth? In

Bornstein's view, sports fanaticism was never an imperative at ESPN, but was considered to be a given. Chances are, you had some degree of sports love if you wanted to work at ESPN where sports and sports-related entertainment was the brand and the only product, and the hours and the intensity were and remain brutal. In other words, sports fanatics basically self-selected for their fit within the organization. Indeed, Bornstein has always insisted that, rather than an interest in sports, "brains, ambition, and integrity" were the vital components in those hired or promoted because those are qualities you can't educate into people, nor can anyone fake them in the long-run. Like Herb Kelleher at Southwest Airlines, who made a habit of hiring for attitude and training for ability, Bornstein believes you bring your smarts, your hunger, and your personality to work with you every single day regardless of the ups and downs of the business or your personal life.

If Bornstein personally has any fanatical interest outside of day-to-day business, it is for television programming, and that's a love shared by many others. In its first year, ESPN may have looked scrappy and second-rate to the experienced sports producers of NBC, but to Bornstein, coming from an underfinanced public television operation, it was as though he'd arrived in heaven. There was equipment just laying around in hallways that he could only have dreamed about accessing back at his old job. What's more, he'd finally found work in which he got paid to watch television. Bornstein thinks that television itself is the drug that attracts and hooks talented people. "I've never met anyone in the media business who left voluntarily. It's a very exciting and fun business to work in and there's a lot of psychic compensation associated with doing something you enjoy that much."

Those kinds of comments were frequent among both old guard and new guard leaders at ESPN. Geoff Mason, who has been the organizing force behind the scenes of some of the great sports events of the past 40 years, recalls sitting on the porch with Don Ohlmeyer when both were just starting out, newly married with young families, plotting their future careers. Ohlmeyer was a television director and Mason a television producer. They both loved what they were doing and wondered how long they could keep the good times going. The bet was that the television business was not going to get any smaller and somebody would always need programs directed and produced. Looking back, Mason says, "We had no right to be that correct." Both men, primarily in sports, rode the television rocketship to places and experiences they would otherwise have had difficulty reaching. More recently, Mark Shapiro, an extraordinary programmer who launched, while still in his late twenties and early thirties, many of ESPN's most distinctive offerings, experienced the same kind of career trajectory. Television and entertainment are industries that reward talent and ambition. The glamour of the television business as much as the sports product has been the lure for bringing the best and the brightest to ESPN.

And yet, you can't discount the role of fanaticism in ESPN's success. I've never seen an organization over that many years maintain an employee and executive base that has been as driven, as able to sustain brutal schedules, and as eager to take on the latest urgent project as the people at ESPN. That fanaticism is the energy behind ESPN's survival phase in the 1980s, its period of extraordinary growth in the 1990s, and its ability to dig the moat around its brand dominance in the 2000s. But where does the fanatical energy come from? Money hasn't been the motivating factor. When Bill Creasy was hired, few people in television had his kind of experience, but salary was barely discussed because almost no one in television made any money then. That thriftiness still holds at ESPN today, as if the company is still a struggling up-and-comer. Plenty at ESPN earn less than colleagues in similar type organizations. Even the top executives, well paid as they are, do not secure the kind of outsized compensation packages fairly common in high performance organizations today. Given the intense scrutiny around executive compensation today, ESPN perhaps was ahead of it time once again. So what, if not sports fanaticism, is the source of that tremendous energy and drive?

When he talks about the keys to leading a successful organization today, George Bodenheimer often says, "Hire people with passion, they will always over deliver." That's been a core competency at ESPN, where there is a history of hiring bright, ambitious young people on their first, second, or third jobs out of college and giving them more opportunity for having an impact and achieving advancement than is typical in established organizations.

If there has been a typical employee it is someone who is ambitious, extremely aggressive at tackling what needs to be done, and utterly inexperienced in the traditional organization, structure, and hierarchy of a bigger company. The old adage about Type A leaders, that they are the kind to ask for forgiveness, not permission, has held true at ESPN, except rarely is anyone told that forgiveness is necessary.

Each day can bring a crisis. You might come in planning to do one thing, but by the time you arrive at your desk in the morning three more urgent matters have been added to your list. There sometimes seem never to be enough people, but although complaints about this have sometimes been frequent and even bitter, everyone knows that lacking enough people is actually a good thing, because if you have enough people that means the business is stalled.

Most have responded to the demands because of the many-sided leverage ESPN had and has. Sports is a business and a product that is part of the social conversation. Everyone knows ESPN. Your family and friends are curious about it. You get lauded for being part of it. And ESPN offered all that psychic compensation, the center of the universe feel, as well as the rewards of achieving great things. When ESPN was a fast-growing start-up, fanatics came to it because it was on the threshold of becoming the biggest thing in sports. When ESPN really took off, fanatics came to it because it was on the brink of becoming the biggest thing in media. Then, after ESPN achieved all that, fanatics continued to come because ESPN is the only field worth playing on. With all that growth, there have always been clear paths for very fast progression. Even today, the atmosphere is one in which everyone is vying for more responsibility, more recognition, bigger titles, a larger impact on what the organization produces. Success means running faster and faster. Sometimes you pause, take a breath, and question what you are doing with your so-called life, but then comes the next crisis and the next opportunity, and you just run all the harder.

It sounds difficult and stressful, and despite the recent efforts of Bodenheimer to make the atmosphere more conducive to enjoying family life or maintaining some aspect of work-life balance, ESPN is still an extremely demanding work environment. But people are drawn there for the glamour and the opportunity, the lure of television and the addiction of sports, and despite the personal challenges, they tend to love it. More often than not, when I talk to former ESPN employees about their experiences, they're proud of their accomplishments, they marvel at the pace and quantity of work that was required, and they volunteer a wistful comment: "It was the greatest time in my life."

The Astoundingly Simple Principle

In front of the camera, ESPN has made a specialty of featuring enthusiastic sports fanatics as broadcasters, anchors and commentators. Talent like Chris "Boomer" Berman and Dick Vitale exhibit with every word, exclamation, and grimace the infectious, unbridled love of sports typical of the raving sports fan. You get the feeling they're fans first and journalists second. And that seems to be alright with the viewers at home.

On the other side of the television screen, the dedication of viewers has been the result of all the hard work and the good decisions made about the culture, the brand, and the business strategy. Sports fanatics were the network's early ambassadors and long-term torch holders. Through the way it provides its offerings, ESPN has a visceral connection with its customers. What's more, that same connection extends to many of the athletes they cover. Inside a lot of professional athletes and coaches is an obsessed fan, juiced up on competition and the drama of winning and losing. I can think of few other companies that do as good a job of creating an atmosphere of fun and excitement for its people, its customers, and its talent. Maybe Southwest in the airline industry, Starbucks in the consumer goods space, or Apple and Google in high tech. But it's hard to surpass ESPN.

"Serve fans." That's what John Skipper, the founding editor of *ESPN The Magazine* and currently the corporation's Executive Vice

President of Content, calls the "astoundingly simple principle" at the heart of ESPN's success.[4] I believe that "serve fans" is the mission, central value, and critical metric that has allowed ESPN to evaluate all its decisions, charge forward in the changing landscape of communications and entertainment, grow by many magnitudes beyond its original premise, and stay steady through multiple leadership and ownership regimes without the firm hand of a legendary founder.

"Be ready for the red light" is the production discipline behind delivering quality live programming in a professional, entertaining, and moment-capturing way. "Yes, but we're also a business" is the fiscal and operating discipline necessary to restrain costs, generate revenue, fend off competitors, and enable growth. "Digging the moat" is the strategy ESPN used to solidify its brand dominance. And "Hiring fanatics" is the means by which ESPN has identified and channeled the energies of the types of people who are not content to merely serve out time but want to throw their full creative potential into their work and achieve something extraordinary.

But "Serve fans" is the overarching mantra. While that sounds like "customer focus"—a very common bullet point in many corporate mission statements today—I believe it is different at ESPN, where the imperative of serving the fans has a distinct tenor and urgency. I've heard the expression in formal board meetings, intense closed-door office arguments, and reflective discussions on golf courses and yachts. It's the ultimate touchstone when decisions are being made, whether those junctures are about enormous investments of resources and brand equity or relatively minor choices in editing, hiring, or budget allocation. Bodenheimer is known for always asking the question, "How is this going to help us serve fans better?" The question has the effect of cutting through the confusion and the egos and the noise to clarify the priorities and focus everyone on the desired result. The great consulting firm McKinsey and Company, which I've have had the pleasure of serving as long as I served ESPN, refers to this notion as "the central question." Everyone knows the central question at ESPN.

That mantra has been with ESPN since its inception, as part of the corporate DNA, even before it was articulated. Serving fans is the reason ESPN was formed and the mission that people feel when they are drawn to the organization. As I will discuss in subseqent chapters the mission of ESPN is beautifully articulated today:

> To serve sports fans wherever sports are watched,
> listened to, discussed, debated, read about or played.

How much simpler and cleaner can you get than that? ESPN has fashioned its fanatical brand around this clear concept. The organization embodies the passionate sports fan, someone who is joyfully enthusiastic about competition and sports drama, hungry for more information and fun, and eager to watch and relive the moments that make sports special. The enterprise has been successful because there are millions of sports fans out there just like that, and ESPN is incredibly adept at delivering what they want.

CHAPTER ONE KEY POINTS

"Serve fans or customers"
It isn't about the enterprise, it's about the customer. All your business decisions must be genuinely made through the filter of that preeminent consideration.

"Hire fanatics"
You need the energy of true believers to sustain a venture that goes beyond the ordinary. Conventional rewards will not motivate such people. They will be moved by a sense of mission, an us-versus-them mentality, and strong connection to the passionate customer.

"Be ready when the red light goes on"
Fanatical passion helps an original and compelling idea form but the most formidable challenge in launching a new business

is bringing the vision into existence. By making an audacious but attainable commitment to begin operations at a specific deadline, ESPN was able to harness the energy of that urgency and overcome many pitfalls, potential delays, and overwhelming doubts. The organization never forgot the lesson of what urgency can accomplish.

"Yes, but we're a business, too"

Congratulations, you've successfully launched your new venture and your idea has come to life. But can you sustain it? Even the most compelling idea needs to meet the test of reality. Once an achievable strategy is in place, a day-to-day focus on business discipline is required to stick to the plan. No vision is reached in an instant. Many dreary months and years must be endured before the plan proves out. Plenty of organizations and individuals falter and lose their focus during that dry period. The payoff comes to those who keep the discipline.

"Digging the moat"

A fanatical brand is one that establishes an unassailable relationship with customers. That means delivering on the core promise to serve fans in every possible way, while taking up all the open space in a market.