

Showtime Strategy: Dr. Buss & the Lakers

Timothy J. Ruschell

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Dr. Frank Butler

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Introduction

In 1979, Dr. Jerry Buss purchased the Los Angeles Lakers for \$16 million as a part of a \$67.5 million transaction that included the LA Kings, the Forum, and a large ranch in California (Wharton, 2013). Many bashed this decision as each these investments lacked profitability for some time. (Shelburne, 2013). Fast forward to today. The Los Angeles Lakers are the highest revenue generating team in the NBA. The organization is valued at \$5.5 billion, which is the 3rd most. In the last decade, the team has had an operating income of more than \$100 million 7 times (Forbes, 2021). Since his seemingly ill-advised purchase in 1979, the Lakers have won 11 NBA Championships. So you may be asking yourself, “How did a chemist turned real estate investor develop one of the most iconic professional team in all of sports? How did he create the Showtime Lakers?” The answer... he had one hell of a strategy!

To be fair, it’s not as if Buss inherited a team on life support. The Lakers were the 2nd most successful franchise in the NBA behind their established rival, the Boston Celtics. The organization had 6 NBA Championships and 15 finals appearances. Kareem Abdul-Jabbar, one of the greatest centers of all-time, was wearing a purple and gold. Still, the team had not been in the Finals since 1973, most of their championships came when the team was located in Minneapolis, and attendance was slipping (Camarena, 2021) Dr. Buss turned it around.

Showtime’s Strategy

Hambrick & Fredrickson (2001) define strategy as “a central, integrated, externally oriented concept of how the business will achieves it goals” (p. 50). There are five main elements of strategy, which include: arenas, vehicles, differentiators, staging, and economic logic. Each of these elements will be explained, then I will demonstrate how Dr. Buss used each of these elements to create the Showtime Lakers.

Vision

One of the first steps in crafting a strategy is clearly defining the vision. The two main components of a vision, according to Collins and Porras (1996), include core ideology and envisioned future. Your core ideology never changes and it can never be achieved. It is broken down even further into values and purpose, which again endure the test of time. “Core values are the handful of guiding principles by which a company navigates; meanwhile core purpose is an organization’s most fundamental reason for being” (Collins & Porras, 1996, pg. 43).

According to the Lakers Style Guide (2018), their current values include: “always united, with integrity, in service, and to inspire.” The core purpose, in my opinion, of the Lakers is to provide a fun and unique show that no one wanted to miss.

The second component of a vision is the organization’s envisioned future which is achievable. This consists of two parts – big, hairy, audacious goals and a vivid description of success (Collins & Porras, 1996). In a 2010 interview with ESPN Los Angeles, Dr. Buss revealed his envisioned future when he took the team over in 1979. “My dream really was to have the Lakers and Los Angeles identified as one and the same. When you think New York, you think Yankees. I wanted that to be the case here as well. That when you think LA, you think Lakers. I believe I've accomplished that” (Shelburne, 2013). This is something that took a very long time to achieve, especially considering the many obstacles in his way. The Dodgers were the professional sports team most synonymous with the city of LA and the Boston Celtics were the team to beat in the NBA. Dr. Buss had to think long term and develop a strategy.

Arenas

The first element that a strategist must decide is the arenas in which they will operate. This includes specific categories, geographical areas, segments, and technologies (Hambrick &

Fredrickson, 2001). This was not a difficult decision for Buss. The Lakers are an NBA team, so they would primarily operate in the sports and entertainment category. The team is located in Los Angeles, so Southern California and the West Coast is their primary geographical area, especially in the early stages of Showtime. Eventually, they would expand their reach nationally and globally through their success.

It is important to understand your target customers and create a value proposition specific to them (Johnson, Christensen, & Kagermann, 2008). The primary customers included professional basketball fans, but Buss wanted to expand that to anyone interested in seeing a show. He also wanted as many celebrities and superstars in attendance as possible. These are the people he had to plan his strategy around – basketball addicts, entertainment enthusiasts, and the rich & famous. He had to keep this in mind when crafting the customer value proposition.

Vehicles

The next element Dr. Buss decided on were the vehicles that the organization would use to get where they wanted to go. The initial vehicle that the Lakers used to move forward was internal product development. For his strategy to work, he needed to prove that his product was entertaining and worth the cost of admission. Buss started with a bang by drafting Magic Johnson at No. 1 overall on June 25th, 1979. The Michigan State product was 6'9" point guard with significant speed, spectacular ballhandling skills, and unmatched energy. He was a perfect player and personality to illustrate how Dr. Buss promote change. He wanted a high pace and entertaining product, so he drafted Magic!

Next, Dr. Buss needed to hire a head coach with similar aspirations for the game of basketball. The game was getting boring as many teams would simply pass the ball to the post and let the big man work. This led to the hiring of Jack McKinney, an unknown assistant coach

who endorsed a run and gun style offense perfect for Dr. Buss. In his introductory press conference in July of 1979, McKinney explained his game plan, “We plan to run more and make it a running offense. I don't want the other players standing around watching Kareem Abdul-Jabbar” (Rosen, 1979). Unfortunately, Jack McKinney suffered career ending injuries in a bicycle accident early into a fruitful first season. He was replaced by his apprentice, Paul Westhead, who executed a similar style of play leading to a championship in 1980 (Helin, 2014). After a couple seasons, Westhead was replaced by a young and hungry Pat Riley due to disagreements with Magic over the game plan as he shifted to a more traditional style offence (van Straten, 2022). Buss had to decide which investment would yield greater return, Westhead or Magic Johnson? Dr. Buss adjusted his organizational structure to realign with his vision. Dr. Buss wanted to put on a show, he couldn't run the risk of Westhead slowing it all down.

Another key vehicle that the Lakers used to navigate involved the creation of a cable sports network. In the mid-1980s during the height of the showtime era, Dr. Buss co-founded a regional cable sports network that would televise Lakers' home games (Shelburne, 2013). He used this small regional sports network headquartered in the Forum to expand the Lakers' presence, especially in the Southern California area. This move delivered an even larger audience and, more importantly, customer base. If more people could see the amazing Showtime Lakers and all the fun, then they would rush to purchase tickets and buy merchandise!

Differentiators

Differentiation is another major element in regards to strategy. What will set you apart from your competitors? Many companies distinguish themselves through low cost products, customization, customer service, etc. Dr. Buss invested first in his product to differentiate from one of the five competitive forces, established rivals – Boston Celtics (Porter, 2008). He chose

to differentiate through image and style, something the Celtics lacked. Buss hiked the prices for courtside seats to encourage only those who could afford them to purchase. The rich and famous that he targeted were more than willing to pay the premium and flaunt this status symbol. He also created the “Laker Girls” (Shelburne, 2013). These dancers provided a perfect alternative to the lackluster cheerleading squads that were commonplace among competitors. They even had a live band! Perfect for those entertainment enthusiasts.

Differentiators must satisfy three main characteristics: be mutually reinforcing, consistent with firms resources, and highly valued in the arenas the company has targeted (Hambrick & Fredrikson, 2001). The Lakers’ major differentiators satisfied these characteristics. They all mutually reinforced each other through image and styling. They were consistent with firm resources – premium-priced seating generated higher revenue, dancers effortlessly substituted cheer squads, and internal development delivered exciting play. Finally, each was highly valued in the targeted arenas. Many professional basketball fans love an opportunity to hang with the stars, watch entertaining dance routines, and enjoy exciting basketball. The experience was unique and fun, a show that no one wanted to miss.

Staging

The next step in forming a strategy is staging. This involves planning the “speed and sequence major moves to take in order to heighten the likelihood of success” (Hambrick & Fredrickson, 2001, p. 52). This section will highlight three stages Buss used to pursue his target. Again, his first step was the internal product development. Magic and McKinney/Riley guaranteed that the personnel aligned with his vision. It was important to pursue this relatively easy tasks first. Drafting Magic Johnson and hiring McKinney provided Buss with momentum as they embarked on the next stage.

Once the proper people were in place and the team proved they could win games, Dr. Buss implemented his differentiators. Any NBA team could win, but the Lakers wanted to offer something different. Courtside seating, downtime entertainment, and high paced play proved to be effective as attendance increased consistently from the moment Buss took over (Camarena, 2021). He had proven that his show was worth watching. This helped establish the credibility needed to move onto the next step.

After proving that Lakers could compete for championships and pack a stadium, he began his venture into television. He wanted to get more eyes on his product. That is why he co-founded his regional cable sports network, Prime Ticket, in 1985 (citation). He used this vehicle to expand his reach and eventually enter new arenas.

Economic Logic

The final element for any successful strategy is economic logic, or how profits will be obtained. This is typically done in one of two ways – premium pricing for superior products or lowers costs than competitors through specialization (Hambrick & Fredrickson, 2001). Dr. Buss decided to attack the revenue side of the profit equation by raising prices for courtside seats and focusing on increasing attendance. He also expanded his product offerings by growing the number of events hosted by the Forum. If he could sell event tickets during the NBA and NHL offseason, for example, then he could take advantage of economies of scale. Ideally, there would be an event in the Forum 365 days out of the year.

Conversely, there may have been some consequences to the increased attendance. Vendors and powerful suppliers likely requested a larger piece of the pie. This may have led to increased costs on the supply side which could hamstring profits (Porter, 2008). Clearly, Dr.

Buss had a plan to navigate this dilemma without too much trouble. If it was a show that everyone wanted to be a part of than suppliers would compete for the boosted brand exposure.

Conclusion

Unfortunately, the full depth of the Showtime Strategy would take a significantly more time and pages to write about. However, this is a glimpse into the genius of Dr. Buss. There have been and will continue to be many competitive forces that the organization must battle. The City of Angels is never short of substitutes when it comes to entertainment. The most important takeaway is that all of the elements used to craft this strategy were in perfect alignment and took into effect the landscape ahead. They use the overarching vision to guide decisions and make changes along the way. This a major reason his strategy has found unparalleled success. If the organization wishes to regain continue their winning ways, they should follow his lead.

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