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He's Got Next: David Stern Passes the NBA to Adam Silver

By [Ira Boudway](#)

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Cleaning out his office in December, David Stern found a photo from his first day as commissioner of the National Basketball Association in 1984. Stern, then 41, had a mustache, a full head of dark hair, and eyeglasses as big as windshields. In the photo he rests his right hand on a copy of the *Sporting News Official NBA Guide* for the season. His left is raised to take an oath. Russ Granik, a league lawyer who would become Stern's deputy, holds the book. Seven other guys in suits stand by grinning. "I swore to uphold the NBA constitution, bylaws, and all that's holy," Stern recalls.

On Feb. 1, 30 years to the day later, Stern will retire as commissioner. Adam Silver, who joined the NBA in 1992 as Stern's special assistant and has been deputy commissioner since 2006, will take over the top job. There will be no mock oaths, no ceremony of any kind. "It isn't like I have a key to hand [over] or a staff or a crest of arms," says Stern, sitting next to Silver in the commissioner's meeting room at the NBA's headquarters in New York in December. For Silver, it will be another working Saturday. "It feels seamless," he says. "I feel I'm as prepared as I'll ever be."

Stern likes to make transition sound simple. It's not. A smooth handover of power, especially for a company in the public eye, can be a fraught process. Hewlett-Packard ([HPQ](#)) lost more than half its market value in little over a year as it lurched from Mark Hurd to Léo Apotheker to Meg Whitman from August 2010 to September 2011. Yoga wear maker Lululemon Athletica's ([LULU](#)) stock slid more than 20 percent in two days after the sudden resignation of its chief executive officer last June. It fell again when the company announced a replacement six months later. And last August, Microsoft ([MSFT](#)) CEO Steve Ballmer surprised even his own management team when he announced his retirement after 14 years on the job. The search to fill his seat, accompanied by a buzz of distracting gossip, is ongoing.



Photograph by Nathaniel S. Butler/NBAE Stern gets "sworn in" as NBA commissioner on Feb. 1, 1984

As a privately held company, the NBA doesn't have to deal with activist investors or manage quarterly earnings expectations. Its shareholders are the 30 franchise owners who make up the board of governors and choose a commissioner by private vote. Yet with \$5.5 billion in annual revenue and hundreds of millions of customers across the globe, the league very much resembles a multinational corporation. And the seamlessness of its

executive transition should be the envy of most of them.

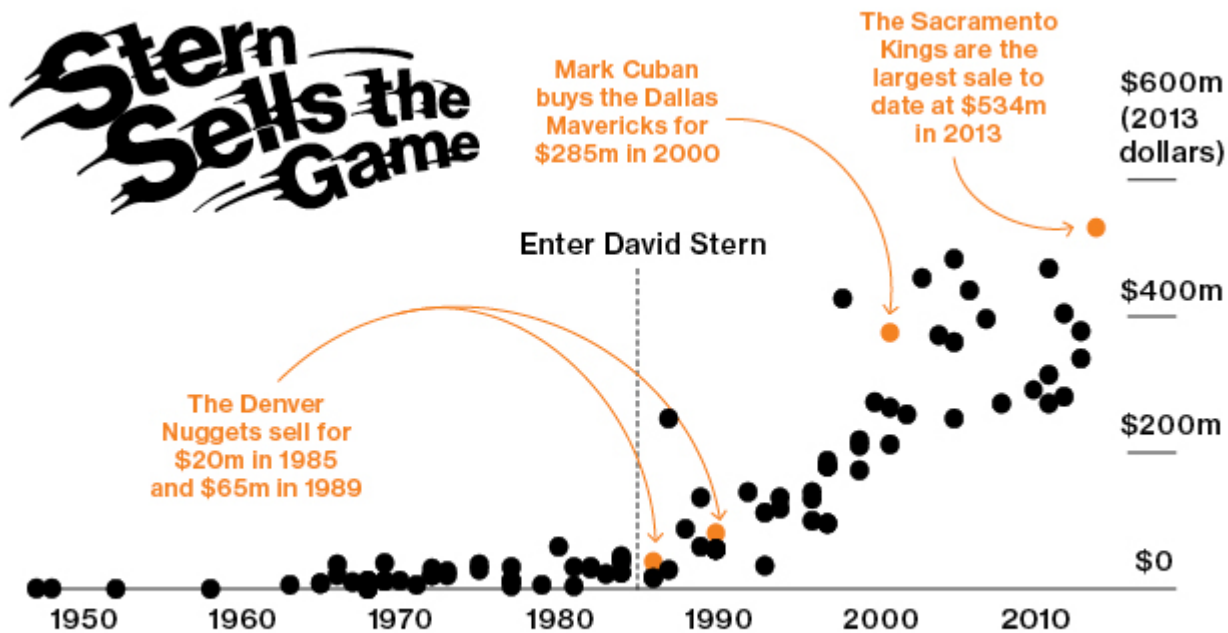
Bob Iger, the CEO and chairman of Walt Disney ([DIS](#)), knows about following in the footsteps of a legend (he took over from Michael Eisner in 2005) and the perils of handing off to the next generation (he's stepping down in 2016). Iger has been counseling Silver while maintaining close ties to Stern. "David deserves a lot of credit for not only developing Adam but for supporting him," he says. "That shouldn't be taken lightly. Adam's got all the talent in the world and deserved to get the job. But David recognizing that was of real significance."

The NBA that Stern took over in 1984 was a glorified 23-city circus. As late as 1981, NBA Finals games aired on tape delay on CBS ([CBS](#)) to make room for more desirable programming such as *The Waltons*. During collective bargaining with the players in 1983, the league claimed \$118 million in revenue for the previous season, about \$5 million per team. It also said that franchises in Kansas City, San Diego, and elsewhere owed former players as much as \$90 million in deferred pay.

Stern, who joined the NBA as general counsel in 1978, remembers franchises on the brink of bankruptcy. "We were going to wash out four teams," he says. By the time he became commissioner, the cavalry was on its way. Larry Bird and Magic Johnson were entering their primes. The Chicago Bulls drafted Michael Jordan in June 1984. But the boom days were still ahead. "Despite Larry and Magic," says Stern, "our brand recognition was very low, our international business virtually nonexistent, our sponsorships at probably zero, our licensing business infinitesimal."

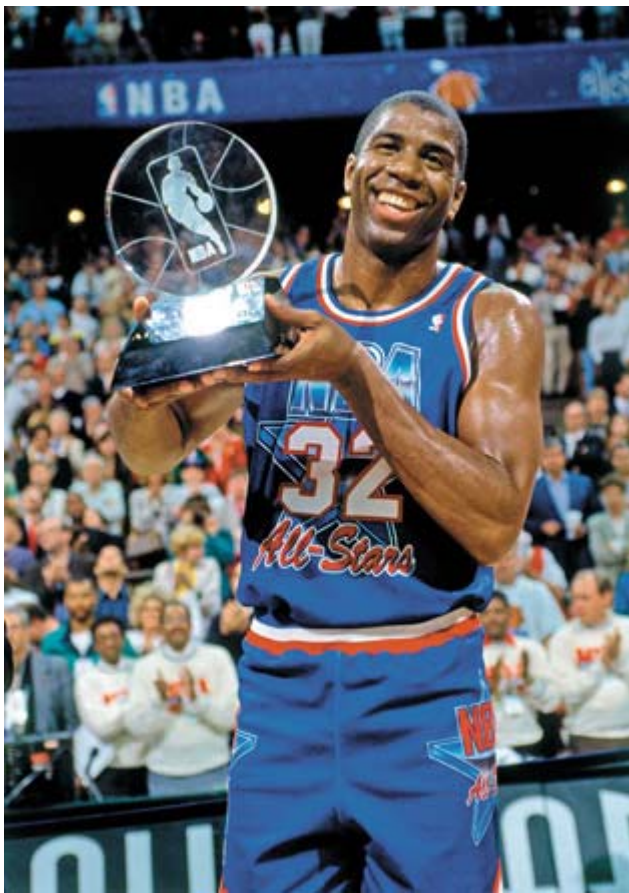
In those days, Stern ran the NBA like a startup, with improvisation and bluff. "The financial planning was, 'What was last year's budget? Let's increase it by 5 percent and hey, we got our new budget,'" he says. The most urgent issue was the league's image. A mostly black league scared sponsors back then, as did drug use. Some of the league's best players, including David Thompson and John Lucas, had publicly struggled with addiction. (The "cocaine era," as it came to be known, culminated when Len Bias, the Boston Celtics' top pick of the 1986 draft, died of an overdose two days after being selected.) Blue-chip brands did not want to be associated with the league. "We were regarded as being somewhere between mud wrestling and tractor pulling," Rick Welts told David Halberstam for his 1999 book *Playing for Keeps*. Stern had sent Welts, then a marketing executive for the league and now president of the Golden State Warriors, to knock on doors along Madison Avenue, where he was told, Halberstam recounts, that the NBA was "too black."

With Welts as his advance man, Stern struggled to convince major brands that America was ready to admire NBA players. At the same time he worked to present NBA players as hardworking, clean-living athletes. Although Larry O'Brien still held the title of commissioner, Stern took the lead in negotiating a new labor pact with players in 1983, the first in U.S. sports to cap salaries. A drug agreement that same year subjected players to testing and the possibility of lifetime bans for recreational drugs.



GRAPHIC BY BLOOMBERG BUSINESSWEEK. DATA: ARAGORN TECHNOLOGIES

As commissioner, Stern lived up to his title. He was the league's chief cop, stamping out behavior that could make sponsors skittish. He was swift with suspensions when a player refused to stand during the national anthem, went into the stands to fight a fan, or choked his coach. (He also hit Dallas Mavericks owner Mark Cuban with almost \$2 million in fines over 13 years, mostly for criticizing referees.) "He was very effective at being the sheriff," says Glen Taylor, owner of the Minnesota Timberwolves and chairman of the NBA board of governors.



As the league has established itself as a stage for global celebrities who make insurance commercials and sit in the front row at fashion shows, the damage control part of the job has become less central. Owners, too, have changed. When Stern took over, an NBA franchise could be had for \$15 million. It takes \$500 million now, at the low end. A buyer at that price doesn't take orders. "I don't think the word is 'sheriff' anymore," Taylor says. "It's a person who can pull people together." Silver, he says, is well suited to the behind-the-scenes consensus building the job now requires.

Photograph by Andrew D. Bernstein/NBAE/Getty Images Winter 1992: Magic Johnson, who had recently

announced he had HIV, accepts the All-Star Game MVP award

“David was very much the protector of that brand and the integrity of the league,” says Silver. “I think the job has very much evolved over the years to more closely align to a CEO position than just the cop-on-the-beat, commissioner notion.” The NBA now employs 1,100 people in 15 offices in a dozen countries. Along with basketball operations, Silver will oversee marketing, finance, legal, security, and merchandising departments, among others. He’ll answer to billionaire owners who run software companies and venture capital firms and manage relationships with Adidas ([ADS:GR](#)), Samsung Electronics, SAP ([SAP](#)), and ESPN.

Stern’s and Silver’s personalities reflect the changing nature of the job. Stern is famous for his disarming wit and flashes of anger; for better or worse, he’s incapable of being anything other than his fulsome self. Silver, 51, is smoother, more corporate. During a joint interview at the NBA offices, Stern leans back as he talks, arms folded, jacket off, tie and collar loosened. Silver sits upright in a gray suit and checked tie, taking notes.

Silver’s ability to deflect attention served him well in his deputy role. As he’s prepared to step up, he’s had to shed old habits. “I gave him a fair amount of advice,” says Iger. “A lot of it came from the experience that I had. And it was, ‘You’ve got to sell yourself.’ ” The delicate task is to set oneself apart without criticizing one’s predecessor. The key, Iger says, is “not talking about the past, only about the future.”

The NBA commissioner’s most public performance comes every June in New York City during the player draft. For the past 30 years, Stern has taken the podium, usually at Madison Square Garden, to announce the picks, shake hands, and, at 5 feet 9—according to his official stats—take consistently hilarious photos with the draftees. And for the past 30 years, rowdy fans have booed Stern nearly every time he stepped onstage. When he gives way to his deputy to emcee the draft’s second round, the fans cheer.

Stern relishes the attention. “That’s the highest form of flattery in New York City,” he says. Last year, with Silver already designated heir apparent, fans greeted him with a smattering of boos. “Somehow I didn’t hear it,” Silver says smiling, “but I was told they were booing.” He’s already bracing for the full treatment this year. “The last thing I’m going to do is ask for the boos,” he says. “I’ll take whatever comes.”

“Oh God, you know, that’s a big difference between us,” says Stern, who would sometimes cup his hand to his ear to egg on the crowd.

In a closed locker room session at the All-Star Game three years ago, with labor negotiations looming, Stern told the assembled players that he knows where “the bodies are buried” in the NBA and that he buried some himself—a not terribly subtle warning in response to the suggestion that players might stage a walkout. Asked about the comments at a joint press conference with Silver last June, Stern said, with a smile, “I have a map. And I’m going to put it in one of the envelopes I’m leaving for Adam.”



Photograph by Mike Powell/AllSport/Getty Images Summer 1992: The Dream Team, the first U.S. Olympic men’s basketball team to field professional players, dominates the competition in Barcelona

Embellishment aside, this is what succession planners call “institutional knowledge.” For Silver, the process of acquiring it began when he started as Stern’s special assistant 22 years ago, though at that point, Stern says, his only thought was, “How could I work him the hardest and pay him the least to improve the fortunes of the NBA?”

Silver, like Stern, started as a lawyer. Before coming to the NBA, he clerked for a federal judge in Manhattan and worked at Cravath, Swaine & Moore. Unhappy with life as an associate assigned to media and antitrust cases, he wrote a letter to Stern in 1992 seeking career advice. (Silver’s father, Edward, and Stern were both partners at Proskauer Rose in the ’70s.) Stern offered to take him on as a special assistant, a job that provided a front row seat to the day-to-day work of the commissioner.

“Over the last 22 years, there’s no one on the planet I’ve talked to more than I have David,” Silver says. “For years and years, I traveled everywhere David went. I even opened his mail when I first started working here.” After a year, Silver became NBA chief of staff. Two years later he moved to the league’s entertainment division, which manages its largest revenue source: television rights. (One of his first tasks as commissioner will be negotiations for new national deals. The NBA’s \$930 million-per-year contracts with ESPN and Turner Sports ([TWX](#)) expire in 2016.) He went on to run the entertainment division for eight years. When Granik stepped down in 2006 after a 22-year run as deputy commissioner, Silver took the No. 2 post. Granik, six years younger than Stern, was seen as too close in age to succeed him. “Had the timing been different, [he] would have become a great commissioner in his own right,” says Silver.



Photograph by Nathaniel S. Butler/NBAE/Getty Images1998: A record 72 million people tune in to watch game six of the NBA Finals between the Chicago Bulls and Utah Jazz, Michael Jordan’s last game with the Bulls

It was around then that succession planning began in earnest. Stern went to a small group of owners and told them, he recalls, that he was “not planning to be the eternal commissioner” and gave Silver a strong endorsement. All but a handful of the NBA’s current owners came into the league under Stern. He’s helped many of them double, triple, or quadruple their investments, and his word carries immense weight. Still, he works for them. And the choice of a successor was theirs to make.

Taylor, a self-made printing and marketing services billionaire who bought the Timberwolves in 1995 and became chairman of the board of governors in 2008, took the lead in making the case for Silver to the other owners. He spoke with them one by one, beginning with those who had been in the league the longest. Most, he says, saw it the way he did: Silver was the logical choice. Some of the newer owners wanted to broaden the search. “The question was asked,” Taylor says, “why wouldn’t we go out and look at five candidates, Adam being one of them?”



Photograph by Chen Xiaowei/NBAE/Getty Images2002: 7-foot-6, Shanghai-born Yao Ming is drafted by the Houston Rockets

When Paul Tagliabue stepped down as NFL commissioner in 2006, the league spent five months searching for a successor and interviewed several outside candidates. On their fifth round of voting the owners picked Roger Goodell, who had spent his entire career with the league. The outside search, even as a token effort, can be taxing for an internal candidate. Iger, who had been through it at Disney, tried to prepare Silver for the possibility. “You can easily become indignant of the fact that they would even consider somebody else,” he says. “And you can’t allow that to get under your skin or consider it an insult.”

While Taylor organized the owners, Stern began giving way to Silver. At the commissioner’s weekly departmental check-ins, Silver would finish Stern’s sentences. When Adidas CEO Herbert Hainer called, or Fox President Randy Freer, or ESPN President John Skipper, they spoke to Silver. And when it came time to choose a chief financial officer last year, Silver held sway, picking Jason Cahilly from Goldman Sachs ([GS](#)). “Adam had a different perspective of a type of person that he wanted to bring in,

and David supported him all the way on that,” says Taylor. “When I saw that, I knew that David wasn’t just mouthing it, that he actually was going to allow Adam to make changes.”

Silver also began speaking with owners directly about his future. They told him, he says, that they needed to hear him speak in his own voice. The opportunity came when Stern put Silver in charge of negotiations with the players union over a new collective bargaining agreement. The process stretched over two years, including a five-month lockout that shortened the 2011-12 season, and ended in a victory for owners, who cut the share of revenue paid to players from 57 percent to 50 percent.

“I really gained a lot of respect for him during that process,” says Dan Gilbert, the owner of the Cleveland Cavaliers, founder of Quicken Loans, and then a member of the NBA’s labor committee. “He keeps a cool head about him. He’s very smart. He can hold a line with owners and with the other side when he needs to.”

In the end, the owners decided to skip the outside search. Taylor convinced them that they would only wind up with Silver. He also reminded them that they have an out: They can terminate a commissioner anytime with a three-fourths majority. On Oct. 25, 2012, the owners voted 30-0 to elect Silver their next commissioner, with a five-year initial contract. That same day, Stern announced he’d retire on Feb. 1, 2014.

When Stern first spoke about stepping down, some owners thought it was a joke. “He’d been making a

little bit of noise about it for a few years, but nobody really totally believed him," says Gilbert. Stern's life, for more than three decades, has been the NBA. "David, like any other hard charger, was afraid of the future," says Taylor. "He was concerned that he hadn't probably formed as many hobbies, as many outside interests." Taylor assured him new opportunities and offers would be forthcoming.

Stern promises not to cast a long shadow. "My feeling of the issue is, when you're gone, you're gone," he says. "So my new office will not be at the NBA. And that's it." His official title will be commissioner emeritus. He doesn't have a plan for what's next, other than more time traveling with his wife of 50 years, Dianne, herself a big basketball fan. "I've decided for the moment to forgo making a decision about some very lucrative, attractive, and time-consuming engagements," he says. "I'll likely be head of a different enterprise." He's at ease, for now, with fading relevance. "I am moving away from the center of the action," he says. "I'll miss it to a degree, but it's a conscious choice."



Photograph by Rich Pedroncelli/AP Photo2013: The Sacramento Kings, a struggling franchise in a middling market, sell for a record \$534 million

Silver says he'll be calling Stern for advice. "I can't imagine a scenario in which we won't be talking on a regular basis," he says. "It would be foolhardy for me not to be constantly checking in with David." He's not concerned about any appearance that Stern is still pulling the strings. Neither is Gilbert: "David will give good, honest, impartial advice, so I don't think that can hurt," he says. "Adam's also made it known to me and others that, as much as he respects David and the way he ran things, he is going to be his own man and there is going to be a different style."

On Friday, Jan. 31, Stern's last business day on the job, the league office will hold a live "town hall" videoconference for all 15 offices. At about 9 a.m. New York time, Stern will open the meeting. "I will say goodbye and Adam will say hello," he says. "And what's better than that?"



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