

MoS Rapid Response Transcript – Scott O'Neil

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The biggest difference between this and any other business you'll ever run or own is that we operate in a fishbowl. And when you lose sight of that, it causes pain. Here when you raise prices or trade a player or sign a coach, it is global news around the world. And while sometimes is really difficult, it's also an incredible asset.

We are doing everything we can to make sure that our arenas and stadiums are safe and that there's Purell at every corner and we'll have new ways to get you concessions and new ways to enter so you're not waiting in line and you might go through a heat scanner, all this stuff. "Why are you jumping through these hoops? It's just a game." It's not, because this is the new town square. That's what sports represents.

I happen to be a real glass half full guy and there's no way you let a crisis like this slip by without getting stronger and coming out having learned a few things.

Trust the process.

BOB SAFIAN: That's Scott O'Neil, CEO of the Philadelphia 76ers and the New Jersey Devils. The 76ers franchise has become famous for an adage: Trust The Process. Many things about the process are now up in the air thanks to Covid 19. But others, Scott argues, are clearer than ever.

This is Bob Safian, host of Masters of Scale: Rapid Response.

With sports leagues shut down during the Great Lockdown, Scott's been forced to rethink his business models while also taking into account the needs of his players and employees, and the community role that his teams play.

It's a delicate balancing act and he admits he hasn't always gotten it right.

But he's far from deterred. From lobbying administration officials to collaborating with other teams, Scott continues to be optimistic about the future -- even as he faces new strains and uncertainties.

Let's listen in.

[THEME MUSIC]

SAFIAN: I'm Bob Safian and I'm here with Scott O'Neil, the CEO of Harris Blitzer Sports Entertainment, which also makes him CEO of several of its properties, including the Philadelphia 76ers of the NBA, the New Jersey Devils of the NHL. He's a busy guy.

With sports and the live entertainment suspended this spring, Scott's world has been unexpectedly shifted. His employees have questions, from superstar athletes to front office executives to arena personnel. And the future remains murky. Scott is coming to us today remotely from his home in Pennsylvania, as I ask questions from my home in New York. Scott, thanks for joining us.

O'NEIL: Bob, it's so good to be here with you. It's been quite a while since we've connected, so this is quite a treat for me.

SAFIAN: I wanted to start by asking you if you could go back to the beginning of the lockdown, when Utah Jazz player Rudy Gobert tested positive for COVID-19 and the NBA suspended play on March 11th. Where were you? What did you do? Can you paint the scene for me when that first hit you?

O'NEIL: Sure. So March 11th I was at the Wells Fargo Center in Philadelphia, the Philadelphia 76ers were taking on the Detroit Pistons. Another home win, we had an incredible home record, and late in the game, we started to see the reports on Twitter – it's how a lot of us in sports get the news, it breaks very quickly on Twitter – that Rudy Gobert had tested positive. We quickly put two and two together that the Jazz had very recently played the Pistons, who we were playing against, and we finished the game shortly thereafter.

And I remember Elton Brand and I, who's our general manager, got together and talked for a few minutes. And then we grabbed Dave Schaller and Patrick Reese of our communications team and walked in to talk to Brett Brown, our coach, who we knew would be addressing the media 15 to 20 minutes after the game. And then we all went in to address the team and then shortly thereafter, Brett and Elton sat in front of the media, answered some quick questions, and then we all got out of dodge.

SAFIAN: And the next day or a few days later, the NHL suspended play as well, right? Were you surprised by all this happening? I know you had some plans to China that had been suspended. You had some inkling that some things were coming, not necessarily of this nature.

O'NEIL: I'd get to China about once a quarter, so was tracking COVID-19 relatively closely. And so I had a really good sense of how touchy and dicey it was there, maybe earlier than it hit the radar fully here.

As early as late February we had a task force of 12 people throughout different aspects of the organization – hockey, basketball, business team, ops team – to try to figure out how we could run this company as distributed workforce and make sure we have the right tech in place, the right communication process in place. So to say that we were caught by surprise would not be accurate. We tend to be a hair neurotic and maybe a bit over prepared and in this case, it panned out really well. It was very seamless in the transition.

SAFIAN: So were there things about the planning that you had in place that when it actually hit you were like “Oh, this didn't go down exactly as we had expected it would”? What adjustments did you have to make?

O'NEIL: The most important adjustment was the mental health aspect, which I had not contemplated or anticipated. And so what we learned, a lot of us, is one, spending a lot of time with our families is a lot. Many of our employees, the millennials and GenZers live at home and we encourage them to go home to their parents and their families. We have some folks who are with a partner or a spouse. And we have others with families and children and those situations offer different challenges.

And I think for those of us who are extroverts and need physical touch and physical contact, it's become a challenge. For those of us who are living alone, they might feel isolated at times. That's the one thing I had not contemplated or anticipated.

SAFIAN: You've had some exposed employees, I expect. How do you know what's going on across all the different folks, across all the different organizations that you're part of?

O'NEIL: Yeah, my brother runs a healthcare tech company called the GetWellNetwork and he founded it 20 some odd years ago when he was going through radiation and chemo for Non-Hodgkin's lymphoma. And his mission in life has been to improve the patient experience. And so he created what's called a GetWell Loop that gives you a two minute check on your physical health every day. It's actually led to a couple of our employees to get tested quickly and be diagnosed quickly. And so look, it happens. This is a fast spreading virus and as leaders, we have to make sure that health and wellness of our employees is paramount. So we have one physical check in every day at least and this has been an adventure. It's been an incredible learning experience.

It was time for this pause, for all of us. The world was moving really quickly and for those of us that may have lost touch and find ourselves connecting with people we haven't spoken to in 20 years, I think the world needs this pause and we need this type of connection and reminder and I think we're going to come out stronger for it.

When you see what's happened with the environment too: You see lions roaming in Kruger Park, you see pictures in India where they can see the Himalayas for the first

time, you see dolphins swimming through the channels in Venice and you're like okay, maybe the physical world needed this pause as well. So, I happen to be a real glass half full guy and some might argue that my glass teems over with optimism and hope. But there's no way you let a crisis like this slip by without getting stronger and coming out having learned a few things.

SAFIAN: It's certainly in crisis we prioritize all kinds of things in different ways. Some of the stresses and the priorities that your teams are struggling with are financial as well as emotional. And I'm curious how you're handling that. Early on there were some episodes, I recall, that you cut back on some pay and then it went back and you reversed it.

O'NEIL: Well I'll remind you. No, it wasn't great. I had a good sense of what was happening and I think I might have been too close to it just from a timing end. But seeing what was happening in China and what was rolling through Europe, particularly France and Italy and Spain, I had the sense that we were going to get this tsunami that we have now.

And so I went to our management team and said, "I think this is going to be bad. I think we're going to be shut down for a while. And I think the financial impact is going to be pretty heavy and are you open to some 20% cuts? And I think that'll avoid any furloughs or layoffs." And it's the type of team that there wasn't a hesitation, which was so inspiring as a leader. And so we went out – we were among the first to do that in the sports industry, since then, there've been 50, 70, 100 examples of doing it but we were first out and not of any badge of honor. I was literally trying to be a good steward of the organization and made a mistake.

And I don't think the world was ready to feel and hear that. And the guys I work for were getting beat up pretty good. And their point was why are we doing this? And I said "Well, it's responsible. It's the thing to do." And this is Josh Harris and David Blitzler from Apollo and Blackstone respectively. Amazing guys, wonderful values, that lead with their hearts. And they went to me and said "What are you doing? We're getting killed because of what?" And I said "Well, here's why. Because this, this, this." They're like "No no no no, we're not doing this thing." And so we pulled it back pretty quickly. So it was a 24 hour, 36 hour hell zone for me personally. But in the end I think it was the right decision. I wish I just would've waited. Look it's not the first mistake I've made and it certainly won't be the last.

SAFIAN: It was just the timing. You sort of feel like maybe you hit it too soon.

O'NEIL: This business is different too. When I worked for the NBA league office, I had the good fortune of working for David Stern. Rest his soul. But he would oftentimes send me into teams when there was a new chairman and if someone acquired a new team and I was to give them the talk as to, "Don't make the new partner mistakes" if you will,

new governor mistakes. And generally the biggest difference between this and any other business you'll ever run or own is that we operate in a fishbowl. And when you lose sight of that, it causes pain.

You can have a \$5 billion dollar acquisition. You can create the next version of sliced bread. You can be a darling of Wall Street. You can be the greatest venture capitalist in the world. Those deals get a speck of attention. Here when you raise prices or trade a player or sign a coach, it is global news around the world. And while sometimes is really difficult, it's also an incredible asset. And so I would only pivot and transition to say that same attention, that same difficulty is also the reason that our athletes – Joel Embiid and Ben Simmons and Tobias Harris and Josh Richardson, Al Horford and these guys – have just stepped up and said, "You know what? We'll take the celebrity and all this attention but let's go do some good with it."

You know, the organization with the players probably gave \$8.5 million dollars away. We talked to Mayor Kenney and Mayor Baraka – Mayor Kenney is the mayor of Philadelphia. Mayor Baraka is the mayor in Newark – and Governor Wolf and Governor Murphy. And we're saying, "What is the problem?" And they said, "How are your kids doing?" I said, "My kids are doing great. They're up in the rooms in school." And they said, "Great. Because they have laptops, they have connectivity. And some kids in the disadvantaged areas don't have either."

And so we bought 11,000 Chromebooks to help. And now is that going to change the world? It might for those families. We fed 150,000 families. And so is that going to change the world? When you put food on the table, yeah I think it would. And so I think there's some things that we've seen. We've done a ton for healthcare workers. We had our employees kind of work collaboratively with Legends, our food supplier up in the Prudential Center in Newark, and take the perishable food, package it up and get it to employees that actually needed the food.

To draw back from 10 minutes ago when I said, "Hey, maybe there's something special in the pause," there is. There's a greater level of humanity now than I've seen in some time. And those of us, and I know you're old enough to know this as I am, it's like we've been through 9/11. We were in New York. And so we understand when humanity rises up how powerful that is in this country. And we've been through Sandy and Katrina and we've even been through the economic collapse in '08-'09. And that is when the best parts of humanity, the best parts of this country, seem to come to the forefront. And I think we're seeing more of that today than we ever have.

SAFIAN: Some people have said that the NBA's decision to suspend play sort of influenced state and local governments and businesses and schools to sort of accelerate in some ways and create the lockdown.

O'NEIL: Yeah, I mean, first off, the commissioners make those calls. And so we're very fortunate. I'm in two leagues with two outstanding commissioners, Gary Bettman of the NHL and Adam Silver of the NBA. Those two are not just world-class sports executives, but they're world-class executives that could run any Fortune 100 company in the world. And so do they recognize that the decisions and impact they make will lead and guide the world?

I don't know. But what I do know is this: They're focused on the right things. And that is health, safety, and wellbeing of our fans, our players and our organizations.

I will also say that I don't think there's a moment in history where sports has been more important. And those listening who don't work in the industry or have never been to a Philadelphia 76ers game or a Devils game or whatever their local team is might not fully understand and comprehend how important we are in terms of bringing back and bringing together this group that's been isolated. And so while someone might be saying, "Why are you rushing back?"

We're saying, "We are running to get back." And we are doing everything we can to make sure that our arenas and stadiums are safe and that we have cashless pay systems and doors open automatically and there's Purell at every corner and we'll have new ways to get you concessions and new ways to enter so you're not waiting in line and you might go through a heat scanner, all this stuff. "Why are you jumping through these hoops? It's just a game." It's not, because this is the new town square. That's what sports represents. This is where you come as perfect strangers to come together as one, to root and cheer and dance and sing. And it's like if the world ever needed a community like this, it's now. And we are working like mad to make sure that people can come in and feel comfortable and safe. All that magic, that touch, that feel, that sense of oneness, that's what we need and that's what we're missing. And I hope to be part of a team that provides some of that.

SAFIAN: The business model is got to be totally rethought and remodeled. If you're spending resources on things that you didn't use to have to, how do you model out what the business is going to look like?

O'NEIL: I think it was in Evita when they said, "Don't cry for me, Argentina." Is that from Evita?

SAFIAN: That's right.

O'NEIL: We're going to figure it out. You could imagine that we're a bit on the analytical side and that we've run hundreds, literally hundreds of models and that we have our base case and our aggressive case and our conservative case based on how comfortable consumer confidence is and when a vaccine comes out or when a treatment

could come out – which we think is more likely to be sooner than the vaccine – and what that does to people's comfort level and what the league rules are and what your county rules are and city rules are and state rules are and federal rules are.

And so there are so many macro decisions that are out of our control that of course, do we try to influence them? Yes. We're doing quite a bit of lobbying. So we're on the phone with Mnuchin and McCarthy and Kudlow, McConnell this week. And we're trying to say, "Hey, can you help us?" And we keep hearing the right things, which is, "We know how important sports are. We know we need to get you playing again and we know we have to keep these communities safe." And all that stuff's been to me encouraging and enlightening. Will there be a hit? Of course. Is there going to be a full shift in the business model? I'm not sure. I think there'll be definitely areas of the business where we need to get better and stronger and faster.

I think that the business will shift more to content model, which it was already shifting to, it just accelerated. And more of a direct to consumer model, it was already moving that way so it's just going to be accelerated. I think we're going to have to be different. I was on the phone with a good friend. "Will people buy sponsorships? And I'm like, "Of course." He said, "I know, but the model's going to change." And I said, "Well, I guess it depends on how you see the world." I said, "Can you imagine we open up the NBA season where we have the playoffs for the NBA season and you have a back to business platform and you're taking all the small businesses, season ticket holders, suite holders, club suite holders and sponsors and you're kind of integrating them back together to do business with each other?"

To me that would be really interesting. How about a hero's platform where you're celebrating the great health care workers? Sign me up. And so we're going to have to think more creatively and think very differently and get our buildings okay. But at the end of the day, it's like we are in the business of hope and we're in the business of inspiration and we're in the business of one and community, all that stuff we need. So we have work to do and our business will get hit in the short term. It'll recover because we need this. I need it. I need my sports fix.

SAFIAN: You're a member of the board of governors' meetings for the NBA and the NHL. All of the sort of return to play scenarios you're privy to, are there particular ones that you favor?

O'NEIL: Bob Iger was on a call and he said, "This is not about a date. It's about data," which I loved. I just love the quote. How will it happen, and when will it happen? When the data says so,

SAFIAN: In some businesses, once the pattern is broken, the way things have historically operated, it suddenly opens new conversations for new things. Could there be a different

cadence in the calendar? Like, mini tournaments in the middle of the season? Has all that stuff sort of become more possible to entertain now?

O'NEIL: I think the whole world, yes, our perspective has changed. And will we be more open to new ideas? Of course. Will the temporary impact of the economics of the sport give us a little more impetus to get on our horse, if you will, and take some chances? I do believe that and I think that spurs progress, some change, some different platforms, I think the better.

Now, you have to remember that these are two leagues that have done this repeatedly over time. I mean, you have the NHL, they rolled out the winter classic, which I thought was brilliant. They rolled out the world cup of hockey. The NBA has been, from an international tourist standpoint, opening up a league in Africa, opening up an NBA China office, having games around the world, in India last year. But if the question is will this increase the rate of change? Absolutely.

SAFIAN: Are there particular opportunities that you see, that your organization sees that you're like, "Oh, this is something we should run toward"?

O'NEIL: From a business standpoint, this is go time. This is the time to be looking at businesses to acquire, to invest in. We have a ventures business in the sports, entertainment and media field, we have an innovation lab where we incubate early stage companies, and we obviously look into putting some growth capital work in a business that we are extremely bullish about. And so yes, so we are open for business and looking for opportunities.

SAFIAN: I keep wondering whether I should be asking you a question about trusting the process. Is the process different? Is trust different?

O'NEIL: Yeah, trust the process has always been about having a long term view and making the right decisions over and over and over again, despite pressure you might have from media or fans or your neighbors at a barbecue. We have that long term view, both at the Sixers and Devils. And that's when I talk about being opportunistic. It's not because you can acquire a company now and be successful, it's because our long term view of the U.S. and the global economy in particular as it relates to sports, entertainment and media, we're very bullish.

We're very bullish in terms of the power of live sports and the impact and influence it has on society globally. And so in terms of, yes, that is an absolute, 100% trust in the process.

SAFIAN: I wonder if in this crisis, do you find that your style of leadership is shifting in any ways? I saw another sports figure saying it's hard to lead by consensus in a crisis. I'm just curious how it's impacting the way you go about leading right now.

O'NEIL: Yeah, absolutely. I believe that when there is a crisis, you need to focus on communication, structure, and purpose. So that's the formula, and to move an organization quickly when decisions are flying by left and right, to take an authoritative approach is most effective in this case, first 10 to 14 days, which yes, I did gravitate to. When I was younger in my career, I definitely was a consensus builder almost all the time. And I found that that's very effective in a lot of situations. But as you get a little older and get a few nicks on those bumpers, you learn really quickly that there is no one size fits all and there's no one style that fits all.

And so our jobs as leaders is to adapt and overcome. And in a time where there is uncertainty, people want to see strength. And in a time where there are questions and decisions to be made, people need to see answers. And so part of that is being very visible and being directive and being strong, what the stereotypical strong leader is. And so I think in those first two weeks, if you talked to my team, I think they would say yes, he was authoritative. I mean, we are having town halls once a week, the whole organization. And we are on these Zoom calls all the time.

And so I think from a communication end, we have that. And then the structure of how do you operate from home? I mean, I've never worked from home before, ever. I literally walked into my den and I was finding out what chair I was going to sit in. I have my boxes from when we moved a year and a half ago sitting right in front of me. And so learning and adjusting was good and now we've shifted. We're two months in now and so for now, we're talking a lot about mind, body, and soul. And while that does not sound like a directive finger pointing CEO, I'm far from that at this point. Now, it's about health and wellness and making sure that we are ready and this is a really sophisticated organization, and we have to prepare for three or four different types of opens.

Well, what does that actually look like? How can we be special and different? How are we going to inspire and motivate? If we had to open an arena today with no fans, could we do it and what would it look like? What if it had social distancing? Well, what if it was full? What does a concert look like? How do we protect the artists when they come in? What does the experience look like for players? I mean, the list is 300 long. You could go on and on, but if you don't get energized by that, you picked the wrong business.

SAFIAN: Do you go to the players and say, "Hey, how do you feel about playing in an empty arena?" What do they think about the idea of that?

O'NEIL: I leave that to Tom Fitzgerald and Elton Brand, our general managers. Their outreach to the players, they have an incredible relationship with them and they have

most of those conversations. I can tell you, just knowing the competitive spirit and fire of Jack Hughes or Nico Hischier, two of our star Devils' players. or Joe or Ben from the 76ers – I mean, these guys, they would compete over a game of checkers or on a game of street hockey or in a park playing basketball. Given what's at stake for these teams, they want to be on the court and on the ice as quickly as possible. And again, that's the wonder of these incredible athletes.

SAFIAN: You seem to be optimistic, but I'm sure there's a lot of stress through this time as you talk about the mental health. Are you stressed?

O'NEIL: I don't think I'd use the word stress. I'd say I go up and down, and so we were just talking about it with my team this morning. There are moments where you feel down, and I'm generally a rollercoaster type of emotion person. And so there are days when I have really tough days, or really tough hours, or really tough moments. And what we talk about is just making sure that you're raising your hand if you're struggling. And we have several examples of me tapping out and saying to Hugh Webber, our president, "Hugh, can you cover this meeting? I'm not ready to do this." What I stress to this organization is it is okay to have a tough day. It's going to happen. You are going to be down. You're going to feel like you're not productive; you're going to feel like you're struggling; you're going to feel like you haven't connected with anyone or that you're alone or you're not performing at an A plus level. And that's okay. Other days we're going to wake up, and you're going to see the light and you're going to smile. And what we encourage is to go shine that light. Go reach out to someone because when you help and you serve others, your light is brighter. It doesn't dim your light, it shines your light.

And so you've got to do as good a job as you can identifying kind of where you are emotionally and what the changes are and how you're going to find those good energy people. I actually have a list – I'm going to add you to it – I have a list I keep right next to my chair of high energy people, people that give me energy when I talk to them. And so I know when my energy starts to drop, I literally go down the list and call someone, and I just talk to them. And they have no idea why I'm calling them and it's not because they don't know they're on a high energy list. But for me, I sometimes need an energy boost. And so to have people in my life, in my sphere, that gives me positive energy, that is something that's truly needed now.

SAFIAN: Yeah, I mean, it's funny that it's only been two months. I mean, it feels like it's been years, right?

O'NEIL: There is no end date for us. Life is going to change and we'll go back to some sort of new normal and our offices will be split. In China, they take your temperature when you walk in. You go in on A days or B days, you have face masks in there. There are no meetings greater than six people. And so our world's going to be shifted and it might be until September when we're back to an office. It might be December. We have

to be okay with the uncertainty and we have to focus ourselves on can we serve others? And are we working on a process?

We talked about this morning in our leadership meeting. I said, "For the next 30 days, write down three things that you either want to learn, accomplish or achieve. Can you do that purposefully and intentionally? And are you living each day purposefully and intentionally?"

Now there's some of you listeners that are thinking, "I do not want to hear this gobbledygook, and you're too soft." I tell you what, you can ask anybody that works for me, they will tell you. I am not too soft, but I do care about the person. I do. I do care about the human. I think that the humanity part of this job is more important than ever now as leaders. And I will say that I do think you need to wake up every morning and think about how you're going to live that day and not worry about two months from now, or six months from now, or eight months from now. It doesn't mean you don't plan. It just means today, how can I purposefully and intentionally live today? What am I doing to take care of my mind, body, and my soul? You've got to identify what's most important and not in a metaphorical way, but in an actual way.

SAFIAN: There's some folks who I talk to who say that coming out of this, you're going to have some organizations that are going to be stronger than ever. And some that are just going to tread water, and then others who are just going to fall away and fall apart.

O'NEIL: Yes. I couldn't agree more. And I think that it goes down a little bit to what you value. If you marry that with attracting really smart, incredible people around you on your team, and you put some elbow grease and some hard work into it, it's a formula for success. And I think those companies that have and share those values will be the ones that emerge. And I think it's a lot less, we'll be a lot less indicative in terms of what industry they're in than how they approach the industry they're in.

SAFIAN: Yeah, I mean, it's a terrifying time in many ways, but also a fascinating time because the pressures and the changes and the opportunities that we all have in front of us are so poignant, and so ripe, and so momentous that it makes every day an adventure in hopefully good ways, sometimes bad ways. We have to make our way through the adventure.

O'NEIL: And I just want everyone to be okay with that and to understand it. The world is going to get better. The world will come back to a new normal and this will be over and you just don't want to leave here having not learned a lesson, or accomplished something great. Get out there and get yourself better.

My 16 year old daughter who just started driving, totaled her car the other day. Fortunately she left with a few scratches, some glass in her leg, and the seatbelt marks from when it tightened, all the airbags were deployed, and the windshield was cracked

and she lost her phone. Her phone went flying apparently out the window. And so the guy behind her had given her the phone and she called me.

And so I had the guy's number. So I just texted him. I was like, "Hey, I just want to say thank you for helping my daughter and blah blah blah." And he said, "Hey, that really shook me up. I went home and over dinner that night I talked to my family and I said, you know what? It's a miracle that this young gal walked away from this car accident." Life's too short. We need to do something. We need to be better. And I thought, man, what a great lesson from a terrible accident and an awful outcome. But we have these reminders in life just like the pandemic, and maybe there's a bright side to this pause. I'll end where I started. Maybe this timeout is something that we've been given as a gift. And I want to take that gift and unwrap it.

SAFIAN: Well, Scott, I want to thank you for sharing your time and your insights and your perspective with us, with our listeners, with me.

O'NEIL: I appreciate the time, the energy, and what you're doing and the podcast I know is reaching a lot of people and making a difference. So thank you for that.