

▶ PORTFOLIO THE STORY



The lessons and wisdom of Micromanagement

Former NBA Commissioner David Stern and longtime ESPN executive John Kosner have teamed up to focus on the future of sports technology with their young investment firm.

BY ERIC PRISBELL

Patrick McCarthy

SITTING COMFORTABLY in his office high above Midtown Manhattan, David Stern chronicled his typical day at 77 years old — a 6:30 a.m. call to Tel Aviv; 11 p.m. text messages to a Kansas City-based startup founder; and in between a daylong procession of meetings he and investment partner John Kosner have with entrepreneurs — and then concedes the obvious:

“I thought I was stepping down so I could relax a little bit,” said Stern, who retired in 2014 after 30 years as NBA commissioner. “But it’s not happening.”

Not when Stern and Kosner — the 59-year-old former ESPN executive vice president, digital and print media — have formed a robust team three decades after they worked together at the NBA. The two are the leaders of Micromanagement Ventures, which provides counsel to and high-level introductions for sports tech startup founders while investing in and advising a boutique of 15 startups in their portfolio.

This isn’t a case of two accomplished sports guys dabbling in a cool side hobby. Their aim is ambitious: help shape the next generation of media consumption, enhance player health technology and catch the fast-evolving wave of sports gambling innovation.

“The single most exciting thing about all this is that sports always has been the place to demonstrate technology, and as technology expands, so much is possible,” said Kosner. “We have very high expectations, but there is a level of involvement and service throughout the portfolio that is different than if we just had set up as a fund, because it’s not a fund.”

They are personally — and financially — invested with the founders they align with. Each combined investment comes from their own money and is a minimum of \$100,000. And they exhibit complementary skill sets: Stern, the

CONTINUED ON PAGE 18

CONTINUED FROM PAGE 17

grand, strategic thinker with a nuanced understanding of how the worlds of sports, entertainment and investment collide; Kosner, the media executive with a firm grasp of storytelling and the value of crisp messaging. Their contact list rivals that of almost anyone in the sports ecosystem.

Daveyon Ross, co-founder of ShotTracker — which provides in-game basketball analytics data to coaches, fans and television analysts and is one of Micromanagement’s investments — said they are stronger together than they would be apart, adding, “John understands David; he’s the translator. He is the yin to David’s yang.”

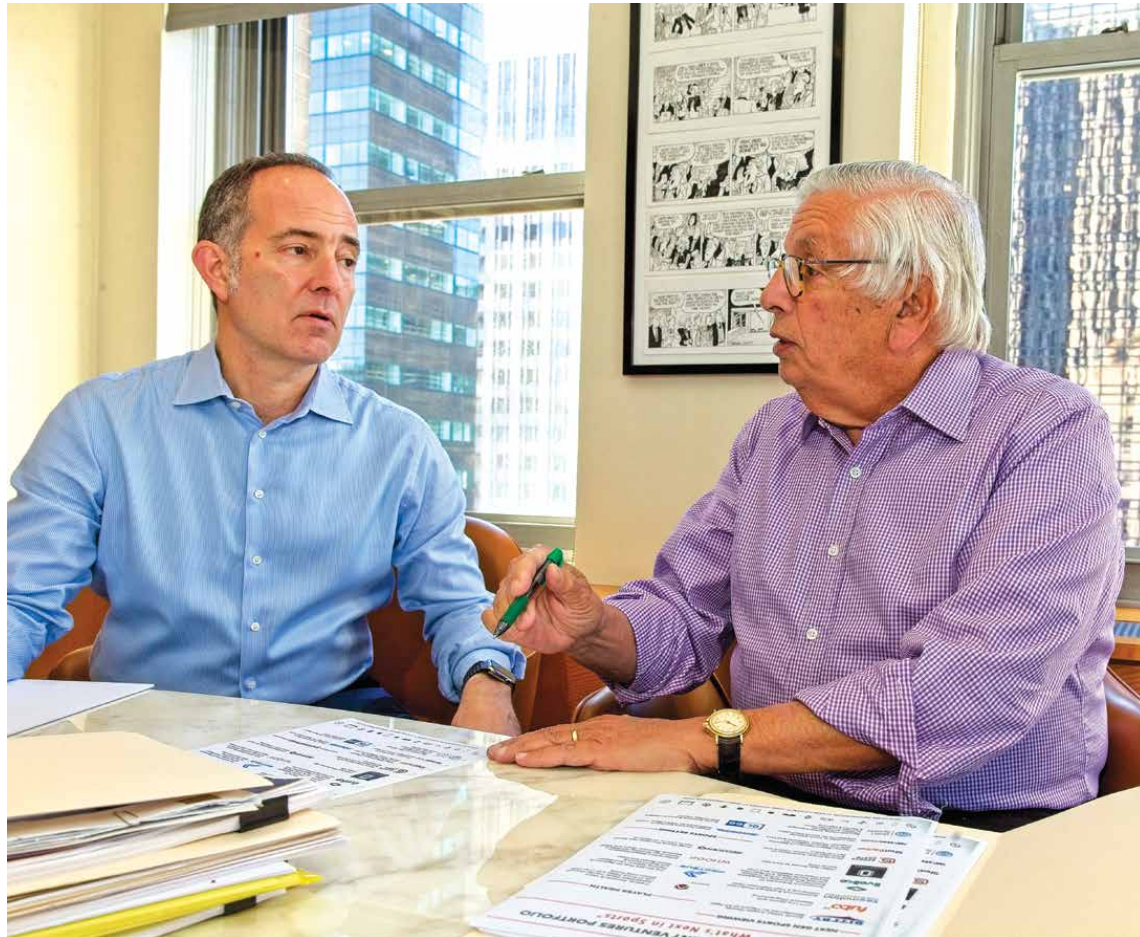
“In many ways,” added Aviv Arnon, co-founder of another investment vehicle, WSC Sports, “they complete each other.”

Consider when Stern and Kosner first met with Tel Aviv-based WSC Sports, which uses artificial intelligence to generate almost real-time highlights for sports leagues and media outlets, saving countless man hours. (“A game-changer,” said Bob Carney, the NBA’s vice president of emerging media.) For Kosner, with a background deep in digital sports highlights, the meeting in Stern’s office in May 2018 with co-founders Arnon and Daniel Shichman was eye-opening because he understood the boundless possibilities. For Stern, he acted as he usually does when introduced to revolutionary technology, marveling like a kid in Willy Wonka’s chocolate factory.

“I have a particular sensitivity to it,” Stern said, recalling the meeting, “because it renders asunder my life’s work of providing each of the NBA teams in 1982 three-quarter-inch VCRs, hooking those VCRs up to broadcast trucks, having a young person earn 25 bucks to FedEx the resulting two-and-a-half tapes to Secaucus (N.J.), logging tapes ... and then digitizing them.”

Stern paused and smiled.

“And these bozos come in here and just say, ‘OK, that’s easy, we’ll give you virtual real-time with AI, computer vision, machine learning and everything else.’ I was, like, mesmerized by it. I told John, ‘You’ve got to see this!’”



Kosner (left) and Stern first worked together at the NBA, and memorabilia from the league is not hard to find at their Midtown Manhattan offices, including the iconic championship trophy.

‘WONDERFUL PUZZLE’

Founders of many of the portfolio’s startups paint Stern as having almost a Yoda-type persona, a revered elder statesman flush with wisdom yet fluent in tech speak. Stern’s curiosity has long been expansive; for years he would notoriously clip out stories in printed publications to save and read.

But to truly grasp his legacy as a visionary and why he is on the Mount Rushmore of all-time sports commissioners, consider the state of the NBA in the early 1980s: Teams were losing money, attendance was dropping and the NBA Finals weren’t far removed from tape-delayed broadcasts. During his tenure from 1984 to 2014, league revenue ballooned from \$165 million to \$5.5 billion; gross retail merchandise sales went from \$35 million to \$3 billion; and the salary cap rose from \$3.6 million to \$58.1 million.

He ushered in a golden era for the league when stars became recognizable by their first names — Magic, Larry, Michael, etc. — not just nationally, but globally. He oversaw the birth of playing exhibition games around the world, the creation of the WNBA and NBA Development League, NBA League Pass and NBA TV. He had such an eye for innovation that he once had the NBA All-Star Game taped for HD viewing so that it could be shown in Japan. The year was 1991.

“The beauty of my 30 years as commissioner, and six years [as general counsel and executive vice president] before that, was that it all was a wonderful puzzle, and the pieces kept changing that you had to learn about,” Stern said. “I made the first cable deal and then the satellite deal and then the Internet was invented — thank you — and then social media became a thing and — picture us as surfers — we were all surfing that. I stepped down and said, ‘Well, there’s no reason to stop learning.’”

Zack Weiner, co-founder of Overtime — a cross-platform startup focusing



Kosner helped build ESPN into a digital giant during a 20-year career at the company.

Patrick McCarthy

on high school and amateur sports video and short-form content — said Kosner possesses both the perspective of an insider as well as a disrupter, and says, “that is an extremely potent combination.”

Kosner received his indoctrination with Stern when he began a seven-year tenure with the NBA in 1987, serving as vice president of programming and leading the league’s broadcasting operations. When he left in 1994 to become vice president of TV programing and development for Sports Illustrated, Stern told him that SI’s television venture would be an abject failure. Kosner now jokes that whatever is below abject failure is what was achieved.

When Kosner left Sports Illustrated in 1996, Stern recommended him to ESPN President Steve Bornstein. Kosner spent 20 years at ESPN — in 2008, Sports Business Journal named him the most influential person in sports digital media — and starting in 2003 he oversaw ESPN.com. He helped build ESPN into a leading digital sports destination, pioneering online video with ESPN3, ESPN Motion and the WatchESPN app and forming valuable partnerships with Apple, Facebook and others. Toward the end of his ESPN tenure, Kosner would take meetings with startups including Overtime and ShotTracker that had been sent his way by Stern, who had become immersed in the tech world after retiring as commissioner.

“The difficulties in starting a new company [now] are not the same as when we were trying to start ESPN.com,” Kosner said. “[Tech founders] were starting quicker. They would come and show me their prototypes for new products, which were done much faster than we could do them. Before I left ESPN, I began to wonder whether

we would be able to keep pace. There was something about the way these companies could operate that made me think that things were changing.”

Kosner left ESPN in 2017 and joined forces with Stern early the next year, and what he’s seen since has only reinforced his belief that there are a “whole set of these companies that operate nimbler, quicker, faster and the pace of technology makes it hard — not impossible — but hard for big companies to operate.”

When asked about mistakes they’ve made in their few years together, Kosner said he makes them every day. Stern took a breath and wondered aloud about two companies that they declined to invest in (he declined to name them publicly). He’s rooting for both to succeed.

For them, investing and advising is about more than becoming enraptured with a product or new technology. It’s also about what they think of the founders as people. Stern said he used to feel he’d fall in love excessively with founders before realizing that there was a “method to my stumbling because John said, ‘Look what you’ve accumulated in the portfolio — the next-gen of television, the player-health issue and sports betting.’ Those are our three points of emphasis, which allows us, with good faith, to say to most of the companies that come over, ‘I’m sorry but we’ve looked at it and wish you good luck, but it doesn’t fit what we are doing currently.’”

“Until the next one, which we will fall in love with and we’ll add another category. But that’s my story and I’m sticking with it.”

STERN ADVICE

Several of the founders said they initially met Stern through venture capital fund Greycroft Partners, for whom Stern is a senior adviser. That was the case for Ross, the ShotTracker co-founder, who recalled a person at Greycroft

recommending that he “talk with David.”

“David who?” Ross said.

“David Stern.”

“The commish?” Ross said.

At the 2016 NBA All-Star Game in Toronto, Ross spoke by phone with Stern, who in an hourlong conversation challenged, pushed buttons and interrogated Ross about why he thought he’d be successful. At the end of the talk came an abrupt pivot: Stern said, “I like you. You should come see me in New York.”

“He tries to punch you in the mouth the first second,” Ross recalled. “That’s just his style, right?”

It always has been. Ask Rick Welts, the president and COO of the Golden State Warriors who worked for the NBA from 1982 to 1999. Welts refers to it as Stern’s “Uncle David” mode. After bristling criticism would make Welts feel as large as an ant, frequent late-night phone calls would do just the opposite.

“He would talk about all the amazing things that were happening, how lucky we were to be a part of this league at this time, how the future was unlimited, and basically how the world was ours to conquer,” Welts said. “You felt you mattered to him, and his amazing leadership just oozed through the phone.”

Stern’s knack for offering blunt criticism is offset by his ability to infuse the founders with unbridled enthusiasm. Kosner is also adept at providing both — minus the Stern-heavy sarcasm and gentle needling. Ask the founders what feedback from Stern and Kosner has resonated the most and answers vary greatly.

For Phil Wagner, founder of Sparta Science — which uses artificial intelligence to help identify potential injury risks — it’s the emotional support because the entrepreneur’s journey is a “very emotional one. You can be at your highest and lowest points almost in the same day. They are almost like parents — they are going to call you out when you need it, and also pick you up when you need it. It’s very important to have that group in your life to say, ‘Hey, that’s bull.’ There’s very few people, especially investors, where I get that direct black and white.”

For Miheer Walavalkar, co-founder of LiveLike — which combines live sports streaming, an immersive technology experience and a social community of friends — it’s sound advice. That could come in the form of line-editing a press release, or not allowing themselves to be spread too thin and going to too many events — Stern has told him, “You’ll go to the opening of an envelope” — or knowing that during negotiations, silence is your friend and even awkward silence is good.

For Arnon of WSC Sports, it was fashion advice from Stern, who criticized him after he wore ripped jeans once to his meeting and was once awakened by a phone call in the middle of the night from Stern, who had thought of

“They are almost like parents — they are going to call you out when you need it and also pick you up when you need it. It’s very important to have that group in your life.”

someone for Arnon to meet.

Kevin April, the founder of SportsCastr, which enables fans to choose or become their own broadcaster for games, was impressed with how Stern and Kosner immediately grasped the concept when it was little more than a napkin idea.

Stern and Kosner go to great lengths to encourage the company’s founders to build relationships with one another, exchange ideas and perhaps integrate concepts. They believe in the technology as well as the founders, and that the future is blooming with possibility.

“When you can pick up the phone and you know your company has the goods, that makes all the difference in the world,” Kosner said. “Our credibility is all we have. We say, ‘You should really sit down with these guys, you will not be disappointed.’ Then they overdeliver on that, which is what happens.”

Sitting in Stern’s office, which is full of memorabilia and pictures that tell the story of the last four decades of the NBA, Kosner said their goal is to be the best advisers the founders can possibly have, because lots of other investors may have more money.

But as Stern quickly interjected, “No one has more fun.”