

The Secret behind the Golden State Warriors' Success

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Abstract: This qualitative and quantitative research study explored Joe Lacob's managerial success and its impact on the Golden State Warriors—driving the Warriors from insignificant to one of the most triumphant franchises in sports history. The thesis that Lacob's management is what ultimately led the Warriors to success will be maintained through a thorough analysis of how Lacob effectively exploits NBA's regulations, his management philosophies as well as his various financial decisions, along with quantitative data to authenticate the analysis. The study also offers a comparison between the management approaches of the Warriors and their competitor, the Los Angeles Lakers, to further substantiate the significance of Lacob's management. The result of the analysis presented a significant relationship between Lacob's management and the Warriors' success.

Keywords: Golden State Warriors, management, Joe Lacob, success.

1. Introduction

The Golden States Warriors, formerly the Philadelphia Warriors before relocating in 1962, is a well-known American professional basketball team based in the city of San Francisco. The team competes in the National Basketball Association (NBA) and is a member of the Pacific Division. Over the years, the Golden State Warriors have grown to become one of the most predominant, commercialized, and valuable sports teams in history. Though successful now, it was not always the case. The team has had a rather laggard evolution process; the Warriors' dynasty did not come until 2015 when they were crowned champions for the first time in 40 years. The team's newfound success was owed to the myriad of alterations and meliorations compiled over the five years leading up to that season under Joe Lacob and Peter Guber's ownership. The pair were the pivotal figures that the Warriors were deprived of. They each brought their unique assets to the team, which were critical to the team's success. Through the combination of the majority owner Lacob's managerial intelligence and the minority owner, Guber's extensive network of connections, the Warriors and its fans were finally freed from the misery that is Chris Cohan.

Before the transfer in ownership, the Warriors suffered a long period of drought from 1994 to 2010 under the ownership of businessman Chris Cohan. Cohan did not have the best of luck with the Warriors, only making it to one playoff during the entirety of his time with the team. On March 22nd, 2010, with Cohan facing legal issues following the sale of his business and the Warriors under constant defeat, he placed the Warriors on the market in which Lacob and Guber outbid Larry Ellison, one of the wealthiest people of that time and purchased the Warriors for \$450 million [1-2]. Many at

the time who knew little about Lacob and Guber thought this to be a ridiculous decision. Little did they know, this purchase marked the start of the Warriors' uprising.

The rise of the Warriors from obscurity to one of the most well-received teams in the NBA fixated the team into the spotlight of studies regarding management and ownership strategies in sports. There are various decisions and actions taken by Lacob that can be applied by other owners in the operation of their sports teams. These measures must be indicated to act as a template for other owners to capitalize on. By wielding the most significant components that led to Lacob's success as a starting point, this paper endeavors to analyze each factor and its contribution to shaping the Warriors' success. A thorough study on qualitative data such as the Warriors' team valuation on Forbes and performance statistics on basketball-reference will be utilized to display Lacob's successes monetarily. Quantitative data such as Bruce Schoenfeld's *What Happened When Venture Capitalists Took Over the Golden State Warriors*, The New York Times article, which explores how Lacob valuably utilized his proficiency in venture capitalism to mold the Warriors' success, will be studied and referenced to substantiate the analysis.

2. Regulatory and Competitive Contexts

Many argue that the key to the Warriors' success was not Lacob's management but their star player Stephen Curry. However, those who hold this assumption are often unaware of the contrast between Lacob's management and those of before. To negate this assumption and evaluate the significance of Lacob's management philosophies to the team, this essay will assess the Warriors' performance before and after Lacob's takeover. Some of Lacob's most influential ownership decisions will be analyzed. A comparison of statistics will be incorporated to validate Lacob's importance, including the team's various performance statistics, valuation, roster and player quality, and so on. Moreover, this paper will also touch on how, despite the various firmly established league regulations, the Warriors' management is able to achieve great heights and make commendable decisions. Furthermore, this essay will simultaneously consider the ownership of the Los Angeles Lakers to substantiate that the prerequisite of a team's success is management and does not solely depend on their players. Much like the Warriors, the Lakers' roster comprises star players like LeBron James and Wenyen Gabriel. Yet they have failed to establish a dynasty as the Warriors have for the lack of sophistication in management. Thus, through comparing the Lakers' ownership with the Warriors', an accurate presentation of Lacob's significance will be divulged.

Like all other leagues, the NBA consists of rules that owners and managers must abide by. These regulations can broadly impact and constrain a team's decision-making. Hence, many owners and managers have built their strategies around these regulations and used these rules to their advantage. the Warriors is debatably one of the teams who exploits these league-wide rules most effectually in a permitted manner. The rule that the team exercises most frequently is the Bird exception. The bird exception, part of the 11 salary cap exceptions, allows teams to increase their salary cap—the limit of the total money every NBA team can spend on players' salaries [3]. The bird exception states that teams can re-sign their free-agent veteran players with more than three years of service to a 1-year league maximum salary, allowing teams to retain their players by paying them a high salary whilst still abiding by the salary cap regulations. The Warriors uses this exception towards many star players such as Stephen Curry, Klay Thompson, and Draymond Green. Together, these three players take up more than 54% of the team's salary cap for the 2022-23 season. However, the bird regulation allows the Warriors to remain competitive and retain ownership over these players by paying them at such a rate.

Player performance analytics has grown to become a significant constitute of team management in the NBA. Teams are becoming increasingly dependent on players' performance metrics as a determinant for decision-making and salary offers, and the Warriors is one of them. The Warriors'

dependence on data and analytics came about in 2010, after Lacob and Gruber's takeover. The team's close relationship with Oracle, an American cloud computing company, has granted them more access to analytics than any other team in the league. The Warriors have been using the Oracle NetSuite since 2015 to assist management, along with various other analytic technologies to enhance their decision-making [4]. What catalyzed the growth of analytics was the growth of SportVU tracking cameras back in 2009. These cameras can provide a three-dimensional view of court action in 25-frames-per-second and supply data that evaluates the impact of each player [5]. The Warriors were one amongst the many teams to initially adopt this technology. Along with SportVU, the Warriors also utilize Estimated Possession Value (EPV). This metric gives an EPV for each player's position on the court, assisting with player placement evaluation. Together with SportVU, through incorporating analytics in drafting, trading, and tactic construction, the Warriors have the ability to effectively combine practice and game metrics to assess players' performance and aid decision-making.

3. Lacob's Management Philosophy

Lacob's management philosophies are arguably what transcended the Warriors from unknown to celebrated. The owners of a team "determine the goals of a franchise and how it will go about attaining them" [2]. Lacob's main endeavor was for the team to win. His prioritization of the team's success over profit set him apart from other owners. To accomplish his goal, many alterations were called for. During Lacob's time in venture capitalism, he often had to restructure companies and management teams in order to make them profitable [2]. Lacob applied the exact mechanism to the Warriors after his takeover. He made controversial hires and drafts that were unpopular amongst the fans but crucial to the team's later success. "We're taking over this team, it's a disaster, it's going to be ugly, all these things will go wrong, we're not going to win for a while," is how Lacob described the process of reconstruction to Schoenfeld.

One of the most significant philosophies that Lacob conveyed was depending and trusting on the judgment of the professionals he hired and letting them lead the team to success [2]. Lacob takes a collective approach, allowing all core executives to provide their input, coming up with the ideal solution before he makes the final decision [6]. He does not desire to assert influence over the team's decisions; instead, he allows those executives he has hired to make the most suitable judgments with their experience and knowledge. Utilizing this philosophy as the foundation, Lacob hired general manager Bob Myers and head coach Steve Kerr. Though these decisions were considered huge gambles on Lacob's behalf, his judgments were proven to be advantageous to the team's success.

All of Lacob's recruits had strategic reasonings behind them. Lacob saw potential and talent in people that others couldn't—Bob Myers was one of them. Myers was promoted to general manager of the Warriors in 2012 after being hired as assistant manager in 2011. Abiding by his philosophy, Lacob granted Myers with full responsibility over player movements; even though he had no experience managing a team, Lacob still took the risk. Myers would then be named NBA executive of the year in 2016. "Promote-from-within" is another of Lacob's primary philosophies [7]. This philosophy prioritizes the success of the team. Rather than drafting the most talented individuals, the Warriors picked those who could benefit and improve the existing players. The same is applied to trading and lineups; regardless of how successful individual players were, Lacob sacrificed their personal success for the team's benefit. Under this philosophy, Myers made his first and possibly the most criticized moves—the trading of Monta Ellis, the team's most popular player of the time, to Milwaukee Bucks for Andrew Bogut, an injured seven-footer who missed half the season, in 2012 [2]. Though controversial at the time, this decision was later proven to be possibly one of the most rewarding trades in NBA history. Not only did Bogut heighten the team's defense and push the Warriors from 27th to 13th on defense, the trade allowed the team to utilize Curry's shooting abilities

most efficiently, no longer having to assist Ellis' [6]. Myers then drafted NBA All-Star Klay Thompson; previous starter Harrison Barnes; former player Festus Ezeli; 2017 NBA defensive player of the year Draymond Green, and 2015 NBA Finals MVP Andre Iguodala all within two years of his arrival. Being given Lacob's trust, Myers constructed an extremely versatile and cultured team by making team-based, "analytics-driven decisions" while drafting and signing free agent players, as he stated at the SSAC19 sports analytics conference. Myers made decisions regardless of the controversies that surrounded him. He drafted players whom he saw potential in and who would fit into the team's dynamic. Through this, Myers built the foundation of the championship roster within two years of his arrival with these key drafts and trades, which he then continuously improved through "mixing in promising rookies to develop with team's superstars" every off-season [8]. Myers' managerial success under Lacob's philosophy eventually led the Warriors to win the first-ever championship in 40 years during the 2014-15 season and another two back-to-back championships from 2016 to 2018.

Working alongside Myers is head coach Steve Kerr who joined the Warriors in 2014. Hiring Kerr was another controversial decision that shocked the basketball world [2]. Though Kerr is a five-time NBA champion, previously general manager of the Phoenix Suns, and a TV analyst, he has never coached a team [9]. Nevertheless, Lacob had a vision for Kerr in the organization's structure and provided Kerr with full support in his ambitious visualizations for the team [2]. With the help of Myers' draft skills and Kirk Lacob's expertise in analytics and statistics, Kerr was able to foster Lacob's promote-from-within philosophy by helping the existing players improve and situating them into the lineup, and assigning positions in ways that will benefit the team and not just the individual players. Similar to Lacob, Kerr's willingness to listen to the suggestions of others has enlarged the team's success. For instance, during the 2015 champion series, the team's video coordinator suggested that Iguodala should replace Bogut in the lineup as he would be better at defending LeBron James. Kerr took his advice, and the Warriors went on to win the championship, and Iguodala was named finals MVP. Kerr's advocacy for Lacob's team-over-individual notion required him to build a strongly bonded team with his players in good terms with one another. Kerr's experience as a player allowed him to resonate with players and acknowledge the importance of establishing a good team relationship. While helping the team build a strong relationship, he himself developed good owner-employee relations with his players. In an episode of "Runnin' Plays," former player Zaza Pachulia conversed about how Kerr's words on the importance of "what you bring for them(teammates) and how you help them(teammates)" changed his mindset and assisted his engagement with the team [8]. The impact of Kerr's prioritization of the team is again presented through Andre Iguodala's sacrifice during the 2014-15 season. Iguodala, who started most games during his seasons with Mark Jackson(previous coach), was given a new role in the 2014-15 season of entering the game off the bench. Kerr decided to start Harrison Barnes, who averaged at 10.1 points/game and 0.7assists/game during his time with the Warriors, over Iguodala, who had slightly lower stats of 7 points/game and 0.5assists/game. It is common for NBA stars such as former Lakers player Antawn Jamison to be displeased with being benched. However, Iguodala was accepting of this shift in roles. Iguodala and many of his teammates' willingness to forfeit their success for the team's not only reflects Kerr's influence on players' mindset as head coach but also the success of Lacob's promote-from-within philosophy. After only a year of Lacob's recruitment of Kerr, he was able to fine-tune the lineup, enhance team coherence, ameliorate the team's defense from ranking 4th in the 2013-14 season to 1st in the 2014-15 season, and win the championship that same year. All through Lacob's appliance of his delegation of responsibility philosophy and Kerr's implementation of the promote-from-within philosophy.

These philosophies of Lacob's were ultimately what set the Warriors apart from other teams. As West notes, "if Lacob's skin had been a little thinner or his need to assert his authority a little greater, the Warriors might still be struggling" [2]. Lacob's ability to hire promising executives and trust them

with decision-making and his prioritization of team performance eventually led to the Warriors winning three championships and increasing their average Win-Lose record to 48.5-29.6 per season from 29.4-48.1 under Cohan's ownership. The Lakers, one of the Warriors' competitors, is often compared with the Warriors in regards to management successes. Though the Lakers have a similar lineup composition to the warriors, both packed with star players, the issues surrounding the organization's management mechanism has prevented them from succeeding as the Warriors have. Since owner Jeanie Buss' takeover in 2013, the Lakers have only progressed to the playoffs twice, while the Warriors have made it eight times under Lacob's ownership. The Lakers' issues stem from the mismanagement on Buss' behalf. Since the takeover, there has been a lack of consistency in coaching styles for the incompetence in appointing a durable head coach. There are not many candidates who are willing to take on the responsibility of being the Lakers' head coach for the accumulated management issues, tension between the team's players, and the criticism casted upon previous coaches for the team's underperformance. Though these managerial issues exist, with the team's value exceeding \$5.5 billion and its revenue exceeding \$400 million, Buss is not enticed to make alterations for the money the team is generating under current management [10]. From this, we see that Lacob's management is the fundamental reason for the Warriors' triumph. Though many star players are on the roster, if it was not for Lacob's management philosophies, they would not be able to thrive. Without Lacob's promote-from-within philosophy and his trust in Myers and Kerr, stars such as Stephen Curry could still be assisting other players and wouldn't have been able to perform to their full abilities.

4. The Team's Finances

Not only were Lacob's management philosophies crucial to the team's success, but so was the amount of money invested into the team. For the Warriors to succeed, Lacob has dedicated much financing to drafting, players' salaries, and renovation projects such as the construction of chase center—the new arena which opened in 2019. Lacob's willingness to subsidize the team irrefutably contributed to the team's success. Through the various financial projects launched since his takeover, Lacob has been able to retain his star players and increase team valuation.

The Warriors are known for their big spending on players' salaries. Even under Cohan's ownership, the Warriors have exceeded the NBA's salary cap. After their first championship under Lacob and Gruber in 2015, salaries started to spike. Moreover, players' salaries continue to grow for the team to remain competitive and continue to win. The Warriors currently have the largest luxury tax receipt of \$159.9 million for the 2021-22 season. The reason for this large bill is the high payrolls which they pay their four max-contract players: Stephen Curry (highest paid NBA player), Klay Thompson, Andrew Wiggins, and Draymond Green. These four players are all crucial components of the roster, each bringing their talents and skills that add to the team's on-court success. The salaries of these four players alone exceed the salary cap of \$112 million in the 2021-22 season by around \$27 million. A vital part of the team's success is the drafting talent of Myers. However, for the Warriors to retain these star players and maintain their success on the court, a high payroll is required. Furthermore, with Lacob's prioritization of winning, it can only be expected that the Warriors pay high amounts of luxury tax. Through the extensive spending on players' salaries, the Warriors have increased their success on the court and ultimately increased team valuation from \$450 million in 2010 to \$5.6 billion in 2022.

Another of Lacob's decisions that increased team valuation was the privately funded, \$1 billion purchase of the new arena—The Chase Center. The Chase Center comprises recreational spaces, retail facilities, and office and lab spaces. The assortment of services that the arena holds makes it a popular site to visit for not only tourists but also locals. Moreover, the new stadium enhances the fan experience, with the elevated game-watching experience and the various facilities on the site, the

arena attracts both Warriors fans coming to root for their team and non-supporters who want to live the most ideal, unparalleled game experience. Through this purchase, the Warriors have generated profit through immense gate revenue, naming rights, sponsorships, and hosting non-basketball events. Around 5.2% of the franchise's value is attributable to its arena, and the stadium generates around an extra \$60 million yearly for the team [10]. Along with the revenue that the Warriors receive from revenue-sharing schemes within the NBA, brand endorsements, etc. The Warriors' team valuation and revenue have seen towering increases since Lacob and Guber's takeover.

Comparably, the Lakers is another team that invests much money into similar projects to the Warriors. The Lakers are ranked third in team valuation, behind the Warriors, who rank second, by Forbes. However, they are not as victorious as the Warriors for owner Jeanie Buss' inability to invest in projects that would strengthen the team's success; instead, she dedicates money to measures that will escalate revenue. After their win in 2020, Buss tore apart the championship lineup for profit. The tragedy was catalyzed by the signing of Russell Westbrook to increase TV ratings and letting go of Alex Caruso to save money but generously offering Talen Horton-Tucker a three-year/\$30,780,000 contract. As seen from the Lakers' poor performance in the 2021-22 season, failing to reach the playoffs, it is evident that significant spending does not correspond to success. It is instead Lacob's perspective and savvy spending that does.

Through Lacob's financial focal points, the team has immensely increased both success and valuation. Not only did Lacob's willingness to grant high salaries allow the Warriors to remain competitive and continuously achieve success, but it also encouraged players to advance their performance. Moreover, the purchase of The Chase Center allows the Warriors to generate more revenue in which they can invest back into the team and improve the composition further.

5. Conclusion

All in all, by considering how Lacob exploits the league regulations, his management philosophies, and his significant financial decisions, and examining these aspects with the support of quantitative data, it is evident that Lacob's managerial abilities are what ultimately led the Warriors to their success. Though many other teams in the league bear similar financial and roster conditions as the Warriors, such as the Lakers, they have failed to achieve what the Warriors have for the lack of capability on the owner's behalf. Hence, it is apparent that Lacob was one of the if not most momentous pieces to the Warriors' success puzzle.

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