

friendship... Both guys are tremendous coaches, period. They're terrific at what they do, and they have a lot in common... They're brilliant."<sup>1495</sup>

## **ADVICE: HEEDING AND IGNORING**

Kenny Rogers says we “gotta know when to hold ‘em and know when to fold ‘em.” Decision-makers must know whom to trust and when to trust them. They must solicit advice but cannot follow it blindly. In other words, they must know when to continue believing in themselves even when everyone else thinks they’re insane.

In 1965, “C” student Fred Smith wrote an undergraduate paper proposing a radical business idea. Though his professor thought little of his idea, “I knew the idea was profound. There wasn’t any doubt in my mind about that. The fundamental forces that were driving it were inexorable.”<sup>1496</sup> As obvious as the idea was to Fred, he had trouble raising capital in 1969. Fortunately, he had inherited millions and was willing to invest it. He eventually raised the rest of what he needed. The day “Federal Express” opened for business in 1973, it handled just seven packages. Virtually without revenue, FedEx was nearly bankrupt. But Smith refused to surrender. He flew to Las Vegas. The \$27,000 he won playing blackjack kept the doors open. Smart move. FedEx is now worth over \$25 billion.

Robert Kraft and Bill Belichick are tough like Fred Smith, so confident in their intuition that they will bet their fortune and reputation on gambles no one else would consider.

### **If you’re an expert, trust your gut**

“When you believe in something, you have to just follow it and do it, even when so-called gurus tell you it’s wrong.”<sup>1497</sup>

– *Patriots owner Robert Kraft*

Robert Kraft earned fellowships to Columbia (where he earned his B.A.) and Harvard Business School before founding The Kraft Group and building it into a successful company. Kraft and his four sons became Patriots season ticket holders—to the chagrin of wife Myra—in 1971. Kraft decided in the early 1970s to someday buy his favorite team. He owns it today only because he repeatedly ignored the advice of his bankers.

### **Kraft buys Patriots against his bankers’ advice**

“In pursuing the team, I probably broke every one of my personal financial rules.”<sup>1498</sup>

– *Patriots owner Bob Kraft*

“My wife was scared I’d lost my marbles.”<sup>1499</sup>

– *Patriots owner Bob Kraft*

In 1985, Bob Kraft purchased a \$1 million/year lease and a ten-year option to buy—for \$18 million—300 acres surrounding Foxboro Stadium. Kraft’s banker disapproved, thinking it a bad investment. On November 23, 1988, Kraft paid a bankruptcy court \$25 million to lease the stadium through 2001. Kraft’s banker again disapproved, thinking it unwise to pay \$25 million to lease a crappy, decrepit stadium built for just \$6.7 million in 1971. Even the Patriots’ then-owner Victor Kiam bid only \$16 million (or \$19 million... I have seen both figures). But Kraft had witnessed Boston University rake in concession stand and parking revenue from the Boston Lobsters tennis team he owned, so he knew he could generate good revenue without owning the team. And he knew leasing the stadium might give him an opportunity to buy the Patriots because the team was locked into a rock-solid stadium lease and had to play in Foxboro: “Some franchises never go up for sale, so I realized I needed a competitive advantage.”<sup>1500</sup>

In 1994, Kraft finally got the chance he craved to purchase his beloved team when the team’s owner decided to move the team to St. Louis. James Busch Orthwein (“Busch” as in beer) offered Kraft \$75 million to escape the stadium lease. Mrs. Myra Kraft was ecstatic: “That’s great. You’re going to take it. You still have the stadium. You’ll find another team.”<sup>1501</sup> But Kraft wanted the Patriots—even though the team had the lowest revenue and attendance in the entire NFL and 19 wins and 61 losses over the past five seasons—because “If you look at teams like the Giants, the Bears, the Steelers, they’ve never changed hands in over 70 years... I always said I had a greater chance of being a starting quarterback in the NFL—of which there are 32—than owning a team in my hometown where it might not ever happen again in my lifetime.”<sup>1502</sup> Twenty-three years earlier, Kraft had endured his wife’s wrath after buying season tickets for the family, something son Jonathan remembers vividly: “It was the only time I ever heard her yell at him.”<sup>1503</sup> Kraft would not be dissuaded from saving his beloved team from being uprooted *and* owning it. Kraft’s investment bankers estimated \$115 million to be a fair price. But instead of taking Orthwein’s \$75 million, Kraft wound up paying Orthwein \$172 million for the team on February 25, 1994 and immediately launched an exhausting three-month campaign to excite New England about the Patriots.

In 1994, \$172 million was “the highest price ever paid for a sports franchise” and “Many people thought I’d made a foolhardy move”<sup>1504</sup> in overpaying for a horrible team. On paper, Kraft got robbed. The Patriots were 5-11 in 1989, 1-15 in 1990, 6-10 in 1991, 2-14 in 1992, and 5-11 in 1993! The team was so horrible that the NFL seriously considered buying it to eliminate a perpetual embarrassment.<sup>1505</sup> Most everyone thought Kraft was either insane or a hopeless Patriots romantic who wildly overpaid for a hopeless team.

But Kraft was also a wise businessman who saw a hidden gem and had a plan to polish off its grime and make it shine again: “The thing on the balance sheet that nobody noticed was the potential fan base. If you understood the passion of the

people.”<sup>1506</sup> Kraft knew the team had drafted quarterback Drew Bledsoe #1 overall in the NFL Draft on April 25, 1993 and legendary head coach Bill Parcells had the team moving in the right direction. The team had won only one of its first twelve games under Parcells but ended 1993 on a four-game winning streak. Jonathan Kraft recalls his dad turning to him—like a shark smelling blood in the water—as the Patriots’ last victory drove the crowd into a mad frenzy: “The crowd was just going nuts. They were just dying to have stability and commitment to a championship. Robert turned to me and said, ‘There’s no way I’m not buying this franchise.’”<sup>1507</sup> Kraft was also convinced he could use his business skills to help build a winner: “That was the dream, to get a system in place where we could be competitive from year to year.”<sup>1508</sup>

A decade later, \$172 million looks like a steal. Even before the Patriots won their third Super Bowl, *Forbes* estimated they were the fourth most valuable NFL team, worth \$861 million.<sup>1509</sup> A year later, *Forbes* estimated its value at an astonishing \$1.04 billion, the world’s fourth most valuable sports team, trailing only the Dallas Cowboys, Washington Redskins and British soccer team Manchester United.<sup>1510</sup> The Patriots generate \$236 million in revenue and \$50 million in gross profit annually.<sup>1511</sup> Kraft has operated like a savvy homebuyer who buys and fixes up a structurally solid but unsexy house undervalued because it requires superficial repairs: landscaping, a fresh coat of paint or a new roof. Kraft didn’t overpay for an inherently dreadful team in a lousy location. He bought an under-performing, poorly managed asset with substantial appreciation potential and has managed it effectively, after early missteps. After reviving the team, he created—for example—80 luxury suites, each bringing in \$165,000 a year.

Bill Parcells’ no-nonsense mindset whipped players into a nearly miraculous 10-6 season in 1994, but the team lost to the Belichick-coached Cleveland Browns in their playoff game. The Patriots suffered a setback in 1995—falling to 6-10—but Parcells hired Belichick as defensive coordinator in 1996 and the Patriots went 11-5 in the regular season and swept through the playoffs to the Super Bowl before Kraft and Parcells parted ways.

## Kraft hires Belichick

“People were calling us from the league office and saying we were crazy. They said that he was a difficult guy and definitely not a head coach candidate.”<sup>1512</sup>

— *Patriots president Jonathan Kraft*

“Harvard Business School doesn’t teach you how to feel something in your gut. [Belichick] had a system and he also understood the economics of football.”<sup>1513</sup>

— *Patriots owner Bob Kraft*

With hindsight, Bob Kraft's hiring of Bill Belichick appears an obvious decision. At the time, however, it was wildly unpopular. As revered as Bill Belichick is today, Belichick was equally reviled by Cleveland fans and reporters after serving as the Browns' head coach from 1991 through 1995. One of Belichick's closest friends, Scott Pioli, noted that Belichick circa 2001 was succeeding on many levels where he had been perceived as failing in Cleveland, but few outsiders appreciated Belichick's success because his Cleveland reputation cast a long shadow: "All the perceptions of Bill based on history—his inability to communicate and handle and deal with people—what he has done here [in New England] is the antithesis of the perception that's out there."<sup>1514</sup>

Many believe, incorrectly, that Belichick's experience in Cleveland was an unmitigated disaster aside from a 1994 playoff appearance. I refuted this myth in Volume 1. Many inferred from Belichick's Cleveland "disaster" that his earlier achievements—two Super Bowl victories while defensive coordinator of the New York Giants and a Super Bowl appearance as defensive coordinator of the Patriots—were tainted... more a reflection on head coach Bill Parcells' genius than on Bill Belichick. Sure, Belichick was defensive coordinator of some great defenses, but was he just in the right place at the right time? How else to explain Belichick's "failure" in Cleveland? Using this logic, many believed Bob Kraft had hired the wrong coach, a lifeless retread whose resume highlights deserve giant asterisks due to his umbilical cord to Parcells. After Belichick severed his lifeline, his Browns floundered, and he scampered back to his "mentor" with his tail between his legs.

Kraft's decision was even worse, in the minds—and words—of many, because the Patriots were forced to surrender a 1<sup>st</sup>-round draft pick to the New York Jets for stealing Belichick, then under contract to the Jets. "Even members of Kraft's family questioned the wisdom of parting with a first-round draft pick to acquire a coach who had failed miserably in his first head coaching job."<sup>1515</sup> Even if Belichick proved a good coach, could he possibly be worth a #1 draft pick? Kraft had no doubt: "For a No. 1 draft choice, we can bring in a man that I feel certain can do something, rather than the uncertainty of a draft choice. And [the decision] wasn't even close when I thought about it that way."<sup>1516</sup>

Many in the media assumed Kraft hired Belichick because they had become buddies during the Parcells era. But Bob Kraft was not hiring a drinking buddy or a weak-willed puppet. Kraft knew Belichick well and believed in him, his unparalleled football knowledge, his deep passion for the game, his desire to win, his ability to coach better after absorbing lessons from his Cleveland experience, *etc.* Kraft knew far better than any sportswriter or fan what Bill Belichick was all about. And, to his great credit, Kraft knew what he knew, trusted his gut, and hired the guy he believed in—at a steep price—though few agreed with his decision.

Kraft knew Belichick's value to Bill Parcells. On January 3<sup>rd</sup>, Kraft fired Pete Carroll and faxed Parcells seeking permission to pursue Belichick. (That same day,

Parcells resigned as Jets head coach, allowing the Jets to retain Belichick, whose contract stated that he automatically became head coach upon Parcells' resignation. Belichick himself then resigned the next morning.) Kraft saw through speculation that Belichick had merely ridden Parcells' coattails to begin his Super Bowl ring collection. If you visit the Pro Football Hall of Fame in Canton, OH, you can view Belichick's defensive game plan the Giants used to shut down the Buffalo Bills' #1 offense—that had scored a league-high 428 regular season points in 1990—in Super Bowl XXV. *Sports Illustrated's* Peter King makes clear the magnitude of Belichick's accomplishment: "That Buffalo team beat its first two playoff foes by about a million to 3. I thought there was no way on God's green earth the Giants would win [the Super Bowl] after Buffalo stomped the Raiders 51-3 in the AFC Championship Game."<sup>1517</sup> But Belichick had cracked the code on the Bills offense: "[Bills quarterback Jim] Kelly, for instance, would say 'Black 33, Monday, Monday.' That meant the ball would be snapped on 1. Or he would say 'Red 85, Wednesday.' He called low numbers for runs and high numbers for passes. When he said 'Wednesday,' the snap was on 3."<sup>1518</sup>

Tales from the Parcells/Belichick years with the Giants make clear Belichick fully deserved his reputation as a defensive genius and even knew a thing or two about Parcells' strength, psychology. Patriots assistant coach Pepper Johnson has written of his years as a Giants defensive player:

"Our front seven [defenders] had so much pride in being able to get the job done that when the coaches would design plays to bring the strong safety down to help stop a runner like Bo Jackson, we would really get mad. . . . No way you're going to bring the damned safety down. . . . Belichick tells me now they used to do it just to make us mad."<sup>1519</sup>

Belichick whipped up his defense to knock the back-to-back world champion Montana-led 49ers out of the playoffs in the NFC Championship Game:

"We were two-touchdown underdogs. I remember Bill making a big deal about that. He told the defensive players, 'Two touchdowns! They didn't even score two touchdowns against us [in our regular season meeting], so how can we be a two-touchdown underdog?' Bill convinced all of the corners that they were going to jam the heck out of those wide receivers and they weren't going to get off the line of scrimmage, and they didn't. It totally disrupted the timing of Montana's passes. Bill had the players sold that it was going to happen, and it happened."<sup>1520</sup>

Belichick later issued the following backhanded compliment to Parcells that implies Parcells had little to do with the Giants' defensive success: "The thing that I really appreciated the most was the latitude that [Parcells] gave me as a defensive coordinator to set up the defensive game plans and make personnel decisions and call the defenses within the framework that he wanted it done."<sup>1521</sup> The dramatic