

Las Vegas: The Houston of the Gaming Industry?

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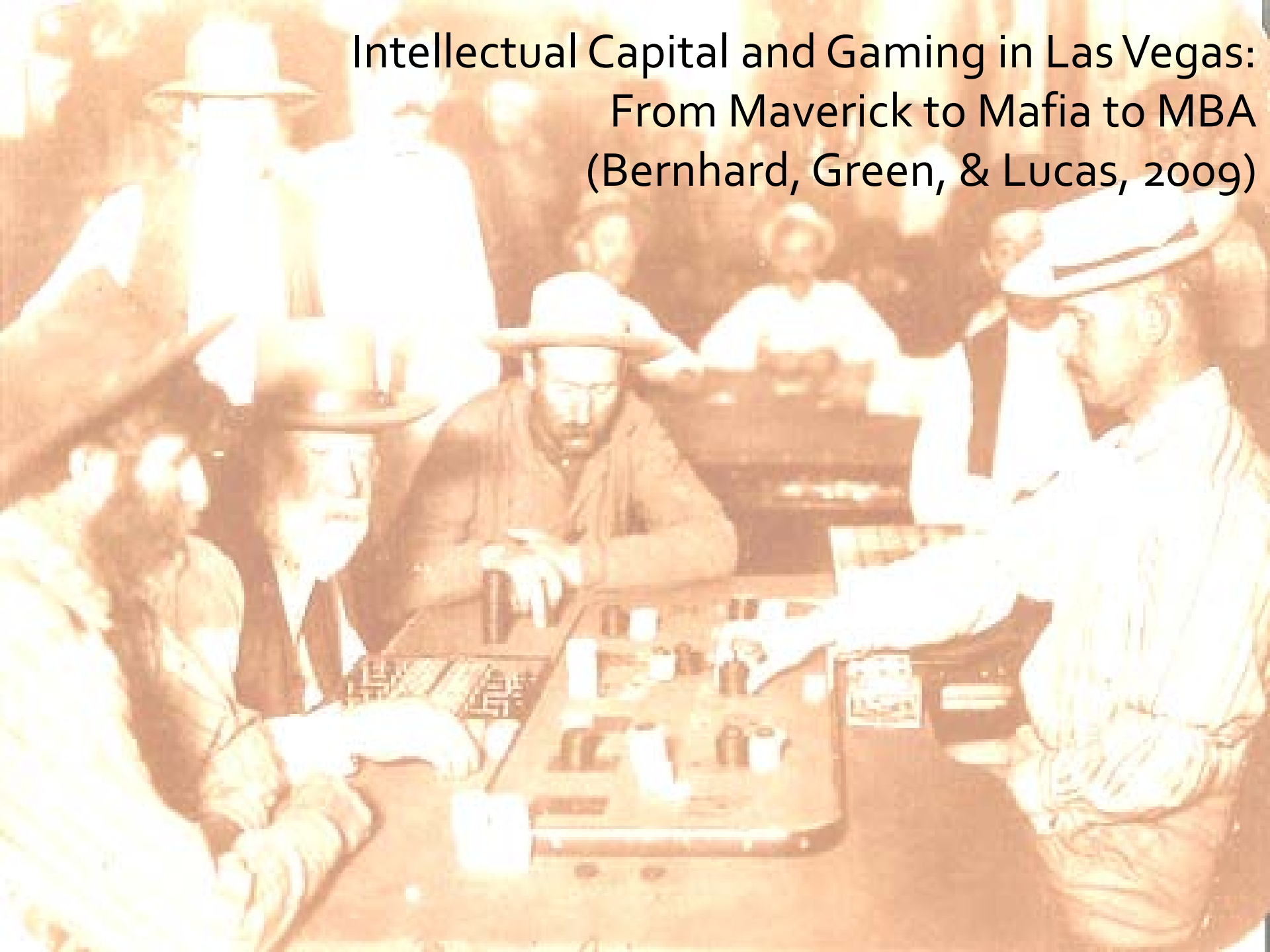


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Intellectual Capital and Gaming in Las Vegas:
From Maverick to Mafia to MBA
(Bernhard, Green, & Lucas, 2009)



The Early Days: Mavericks

- An outpost for outcasts: Las Vegas as “The Australia of the United States”
- *Northern* Nevada was gambling’s intellectual capital in the US until ...





Mafia Management: Fantasies and Realities

- Bugsy fantasies
 - Not the founding father, or even the most influential mobster
- Bugsy realities
 - Beginning of four decades of mob control (who else knew how to run casinos?)
 - Mob Casinos: Sands (1952), Sahara (1952), Dunes (1955), Riviera (1955), Hacienda (1956), Tropicana (1957), and the Stardust (1958).
 - Began to link “Big Entertainment” and Vegas
 - From Sinatra to Ronald Reagan...
 - Cleansing and Corporatization
 - Allowing gaming to “go public” (and go profitable, and go global)

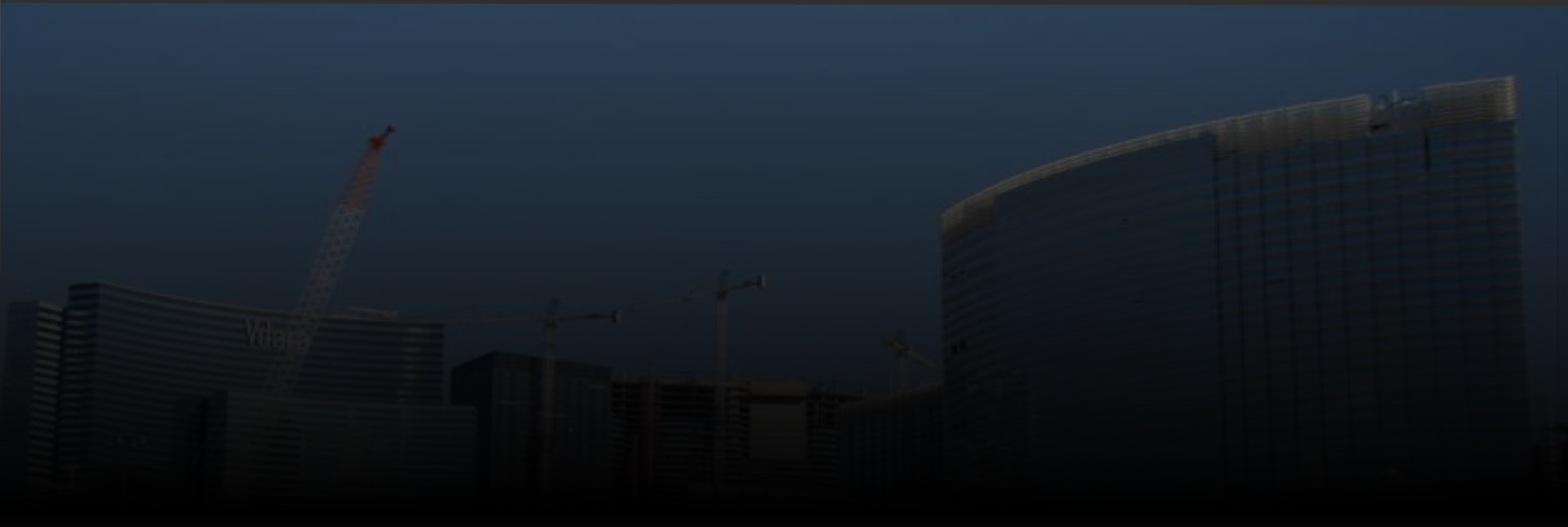


The MBA-ization of Las Vegas Leadership

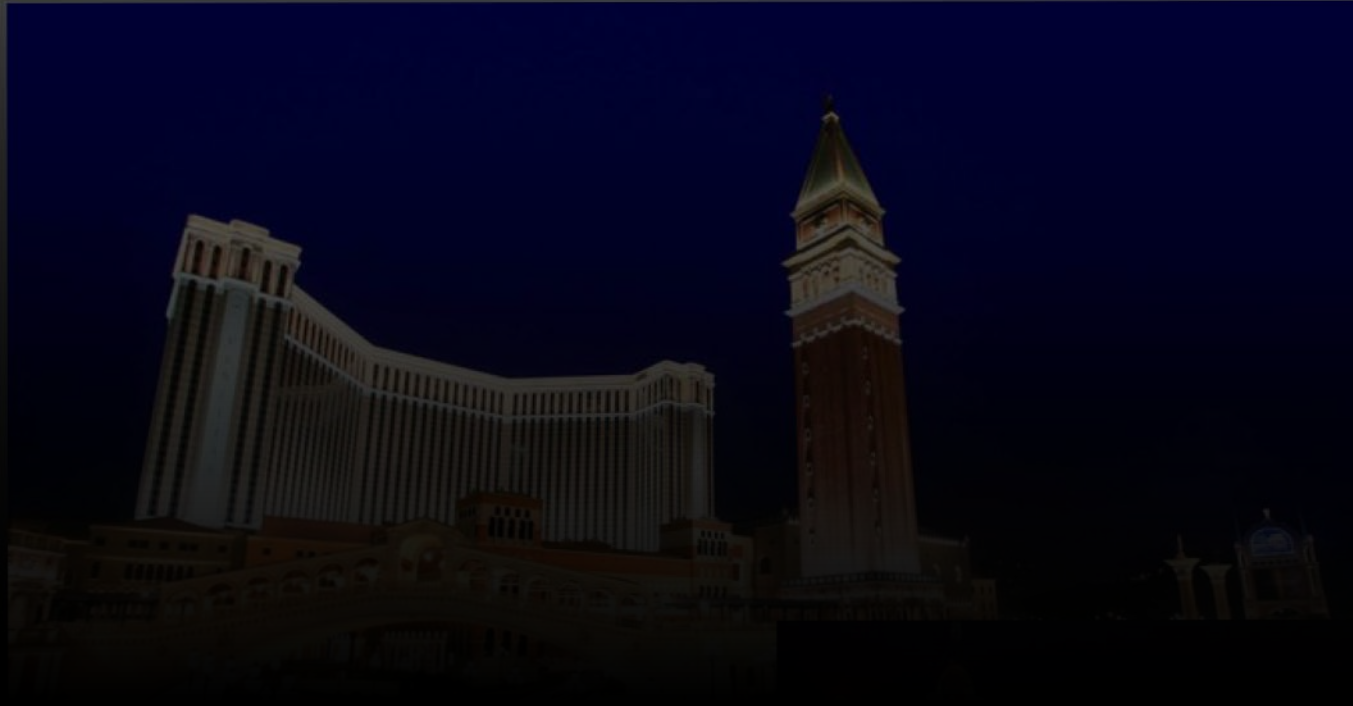
- Research expertise: systematic approaches to management and data analysis
- *A Moneyball* lesson learned



The Great Recession and Gaming: In retrospect, the pace was unsustainable

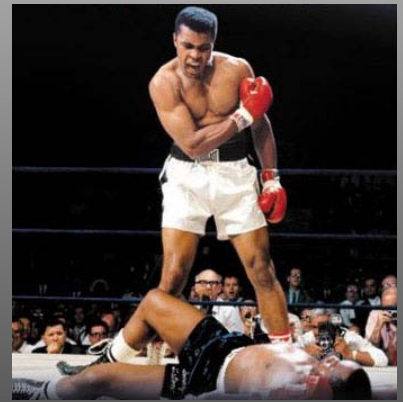


Meanwhile, over in Asia...





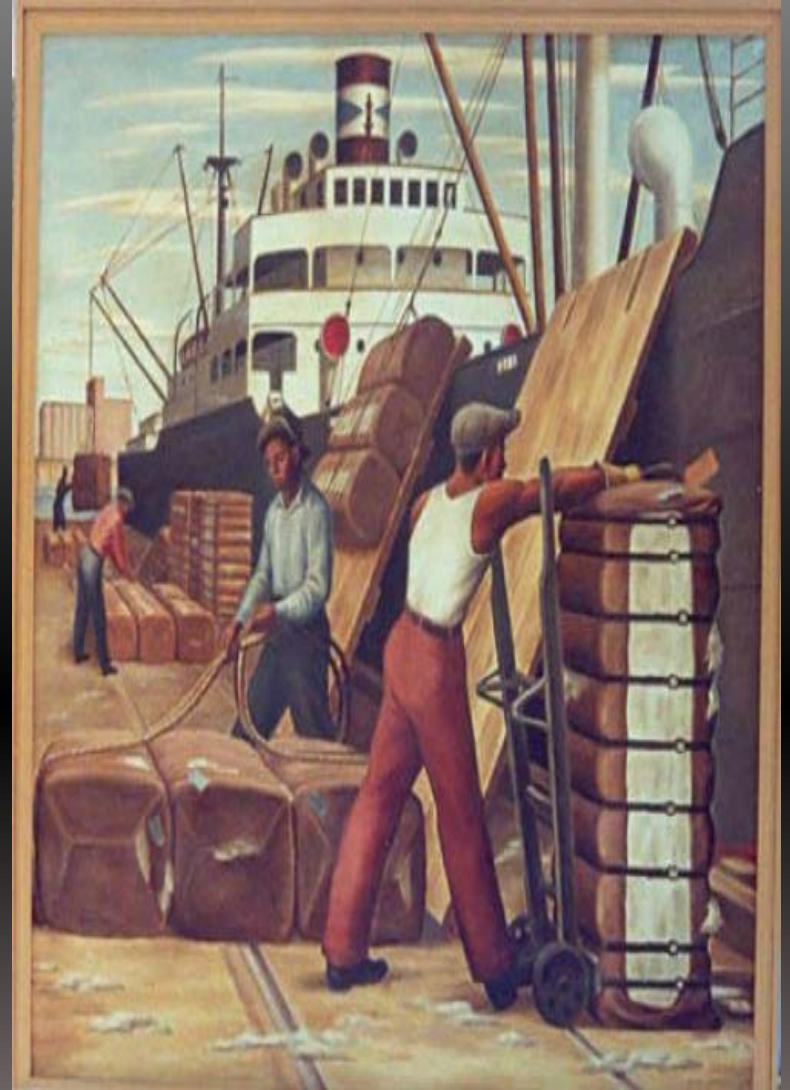
The diagnosis: KO



- Internationally: *The Guardian* pronounces Macao “The Gaming Capital of the World”
- Nationally: “Vegas is about to lose its runner-up position as well” (*Time*)
- Locally: Jon Ralston’s teasing tweets (#gamingcapitalhasmovedeast)
 - ▣ Las Vegas’ third “competitor crisis” seems to be unfolding (for the first time) with a conquering competitor -- rather than a mere threat.

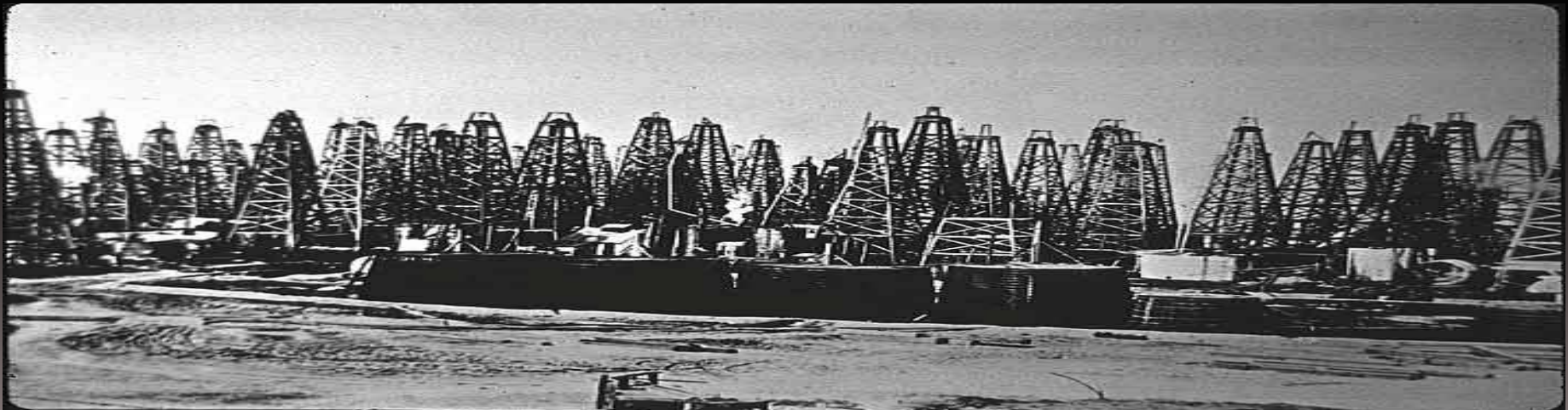
But what if we were missing the point?

- Is Las Vegas the “Houston of the gaming industry,” in that both towns have evolved into global capitals of international business? (Bernhard & Ahlgren, 2011)
- In both, federal government funding provided the foundation:
 - Building the Houston Ship Channel, with hopes for a hurricane-proof harbor



The Eureka Moments

- In 1901, the Spindletop Oil Field was discovered
- By 1929, 40 oil companies maintained headquarters in Houston
 - ▣ Exxon, Texaco, Gulf Oil
- In 1931, gambling was legalized (again!) in NV



Both cities hit rough patches

- By the 1980s, Houston found itself entrenched in hard times, as oil “moved overseas.”
- The city was devastated: unemployment rose and population fell
 - Similar dynamics in LV of late...



Today, Houston is a “miracle city”

- A media and business darling: “Houston was the first of the nation’s 20 largest metropolitan areas to emerge from the recession” and has been “on fire” coming out of it (Greater Houston Partnership, April 2012)
 - And its economic success has driven political success
- How? In a phrase, *intellectual capital*
 - The city invested in getting smarter and more efficient, survived, and then found itself thriving as a global intellectual capital when the world turned.

Why is Houston so special?

“Here’s what makes Houston unique. It is the intellectual capital that exists here across the entire range of energy producers.”

- John Hofmeister, former CEO of Shell Oil



Intellectual capital and the importance of research:

- Prospecting becomes a science: oil's "hit rate" went from 10% to 50% and higher.
- How?
 - Scientific research and intellectual capital
 - Engineering expertise and global problems



Other research impacts: financial analysis becomes a science

- Decisions on how to deploy capital became analytical, and based upon scientific research
 - Old decisions: drill bit size
 - New decisions: capital deployment size
- Researchers provided a foundation that enabled investors to have reduce uncertainty.
 - And in general, reduction of uncertainty → greater investment capital.



Let's return to Las Vegas and the US gaming industry...



- The drama of a toppled Goliath is a powerful storytelling device.
- However, the truth (both more and less sensational) is this: Las Vegas remains a Goliath, but one that operates less from the glittery floors of its casinos, and more from the staid corporate hallways of its international business headquarters.

Macao

- It's easy to forget that until recently, local interests controlled 100% of Macao's revenue.
- Today, American (Las Vegas) companies have achieved a 40+% market share – and this figure is rising.



Singapore

- Here, just over 50% of gaming revenues are traceable to a company with a Las Vegas corporate address.
 - More importantly, in all of the sub-sectors that matter to the government policymakers of Singapore, LVS dominates.



Why the world comes to Las Vegas for gaming expertise...

- This is where the companies that invented these products exist.
- For example, Wynn: inventor of the modern luxury casino resort with the Mirage in 1989



Las Vegas Sands

- Invented the modern convention-centric casino resort (Sands Expo and Venetian/Palazzo)



MGM Resorts International

- Invented the modern “world’s largest” megaresort



Gaming technology/manufacturing

- The portrait is even more dominant in the gaming tech and manufacturing industries
 - The modern gambling box, casino management systems, casino analytics, and on and on and on
 - Nearly all gaming tech revenues in Asia are traceable to a company with a Las Vegas HQ.



Conclusions

Las Vegas *is* and *must become* an intellectual capital of the global gaming industry.

Internet gaming: new threats, new opportunities



Once more, many collaborative, productive partnership models exist here

- Silicon Valley: industry and academe
 - ▣ Stanford, Cal, and many other institutions have supported the explosive growth of a relatively new industry, through academic partnerships that flourish all over the Bay Area.



Finally, another city to consider...



OK, but Las Vegas is no Houston, and it certainly is no Silicon Valley or Boston...

- True. But remember...

"All models are wrong, but some are useful."

- Statistician George Box

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