What Every Manager Can Learn From a Legendary Team’s 80-Year Winning Streak

MANAGEMENT WISDOM FROM THE NEW YORK YANKEES’ DYNASTY

THE SUMMARY IN BRIEF

At the heart of the New York Yankees’ dynasty is the organization’s incredible track record in managing talent. The Yankees know how to find, nurture and retain baseball stars and superstars better than anyone else.

Author Lance Berger is a management consultant to Fortune 500 companies and has served as a consultant to Major League Baseball. After looking deeply into the history of the Yankees’ organization, Berger discovered that many of the same principles that made the Yankees great were also driving the success of business clients. These core principles are based on leadership, processes and culture, and have evolved over the past eight decades during the team’s remarkable history.

In this summary, Berger offers time-tested management techniques that can turn any team — in sports or in business — into a long-term winner. He also shows that, contrary to popular belief, the Yankees’ talent management secret isn’t their payroll. In fact, most Yankees superstars — including such greats as Lou Gehrig, Mickey Mantle, Derek Jeter and Bernie Williams — have been developed internally, not bought or traded from other teams. The Yankees’ secret weapon is the sophisticated talent management system Berger describes.

What You’ll Learn In This Summary

✓ How to create a balance among superstars, stars and solid performers.
✓ Ways to set the bar higher than your people have ever seen it.
✓ What it takes to cultivate ownership values from the top down.
✓ Ways to make the superstar the focal point of your organization.
✓ How to hire the best front-line managers you can find.
✓ Better ways to formally recognize your informal leaders.
✓ What you should do to celebrate your history, heroes and legends.
How an Organization Dominated Its Industry for 80 Years

It is rare for a company to dominate an industry for more than a few years. Time changes both customers and technologies, and allows new competitors to rise. This makes the Yankees' record over the past eight decades all the more amazing. Since 1921, the Yankees have been in the World Series 39 times and have won the championship 26 times. There are few American corporations that have been a dominant force for more than eight decades.

No matter whether you love or hate the Yankees, it is clear to anyone who looks at the team in an objective, businesslike manner that it is not just another sports team. There is something special about the team that allows it to win no matter the changing players, managers and owners. The secret is a set of 14 principles that represent the Yankees' best management practices. These principles emerged under the leadership of owner Jacob Ruppert in the 1920s and have been refined by owners and management ever since.

The 14 management principles from the history of the team's success are applicable to any organization. You don't have to be a Yankees fan or even know anything about baseball to benefit from the management wisdom from this sports dynasty. You just need an interest in building a competitive advantage in your company. The Yankees, in the context of this summary, are a metaphor for sustained organizational and business excellence.

The Big Yankee Management Myth

Not everyone agrees that the 14 principles are the basis of the Yankees' eight-decade track record. One common (and misleading) myth is that the Yankees could simply buy superstars. But this is a very simplistic way of looking at Yankee success, and it dismisses many core values and guiding principles of the dynasty. If you don't look beyond the myth that the Yankees simply buy all the best players, you will deprive yourself of powerful management knowledge that could help your organization build its own dynasty.

While it is true that under George Steinbrenner the Yankees have had the biggest payroll in baseball, offering big salaries to lure superstars from other teams is only one component of their overall strategy and culture. The reality is that, with the exception of Babe Ruth and a few others, “buying” superstars has played a small overall role in Yankee history. This is due to the reserve clause, a league regulation that once bound players to their current teams and did not permit any team to buy the services of a player directly from the player. In addition, no other team traded them a superstar or sold them one. Also, the Yankees focused their scouting and player management energies on their extensive farm system, and had no reason to look outside the organization for talent.

However, even if the Yankees wanted to buy enough superstars to fill the team, some superstars have no interest in becoming a Yankee. Also, the supply of available superstars at any time is relatively small. But they haven't needed to buy that talent because, like every other great business, they have an ability to develop great talent from within. Most of the Yankee greats, over the eight-decade history of the dynasty, were homegrown. The reason why the Yankee payroll is so high is that they have to keep great players after the team discovers them and turns them into superstars. The Yankees' recent 10 straight years of postseason play have been powered by home-grown talent.

(continued on page 3)
How an Organization Dominated Its Industry for 80 Years
(continued from page 2)

You don’t need a Yankee-size payroll to build a superstar team. There is a perception that the Yankees’ team is comprised of all superstars. The reality is the Yankees are a superstar team rather than a team of superstars. It is true that organizations need some minimal level of payroll to have any chance of competing on an ongoing basis with Yankee-like opponents, but it’s not necessary to have the highest payroll. The secret to the Yankees’ success is not mythical. It is a result of a set of 14 sound business practices for managing talent that were applied over an 80-year period. A shrewd manager can use the Yankee principles to create a winning tradition in his or her own organization.

The 14 principles described in this summary cover three main themes: leadership, processes and culture. Together, they constitute a road map for building your own dynasty.

PART I: LEADERSHIP ESTABLISHES THE FOUNDATION

Cultivate Ownership Values From the Top Down

The most influential principal Yankee owners have been, in chronological order, Jacob Ruppert, Del Webb and Dan Topping, and George Steinbrenner. And of those owners, Jacob Ruppert was the most important as he built the Yankees’ winning tradition that won the team 10 pennants and seven World Championships under his stewardship. These were owners who were equally at home in traditional corporate boardrooms and in the Yankees’ front office.

Winning owners have characteristics and behaviors that set them apart from their peers. Most Yankee owners brought an opportunistic spirit to the team and added their own special touch to the Yankee tradition. These owners were successful in influencing team results through the selection of a management staff built on ownership principles, and by shaping player behaviors on and off the field. They managed to instill in their employees a desire to win. All employees become an integral part of achieving organizational success; they are “empowered owners.”

Empowered owners focus individual efforts on helping the team win the World Championship, cultivating professional skills, embracing the Yankee citizenship requirements, and constructively influencing and supporting players and management.

All employees of the Yankee organization are expected to embrace the principal owner’s values and competencies, which are passed down through the executive office and field manager.

Hire the Best Front-Line Managers You Can Find

Successful Yankee managers had the superior professional skills necessary to manage the team. Tommy Holmes, Boston Braves pitcher under Stengel in 1942, stated, “Casey Stengel had more baseball brains in his little finger than any other manager I knew had in their whole body.”

Sportswriter Maury Allen gave Stengel credit for an additional skill that enhanced his technical skills in the perception of the baseball world: “He was a brilliant strategist and could play the press like Heifetz played the fiddle.”

During the Yankees’ dynasty, the first-level managers were uniquely suited for winning with the Yankees — but not because they had outstanding prior accomplishments. In fact, most had managed previous teams to sub-500 records. But they understood things about the Yankees that others did not. They shared the values of the Yankees’ organization, of the owner and general manager, and instilled those values in their players.

The field manager, or first-level manager, represents the key formal figure (front-line authority) of an organization’s structure. This person is the face of the organization that each member of the team sees every day. The team’s performance is heavily determined by the operational and strategic decisions made by the field manager. The field manager serves as the bridge from ownership and management to the players.

The first-level manager in your organization is responsible for supervising the employees who develop or sell services or products. With the authority of the owners, the first-level manager plans, organizes and integrates a function or set of employee activities. The first-level manager must possess all the professional, citizenship and leadership competencies exemplified by ownership to help the organization create and sustain excellence.

Formally Recognize Your Informal Leaders

Chris Chambliss, former Yankee first baseman, said of team captain Thurman Munson: “He told me where I should play this hitter, told the center fielder where he should play, and communicated with the pitcher besides. A lot of guys looked up to Thurman’s hard-nosed kind of play. With him, you just thought you were going to win.”

Every company or team should have formally recognized team leaders. They are the individuals who excel (continued on page 4)
At their jobs, who inspire others to excel and who display behaviors that bring credit to the team. There were eight Yankee captains between 1922 and 2004. They were officially designated captain for four reasons:

1. Their accomplishments exceeded the accomplishments of their peers.
2. They inspired others to superior performance.
3. They embodied the core values of the organization.
4. They were recognized and respected as team leaders by their teammates.

Players needed to fulfill all of these requirements before management would bestow the title of captain. At times, there was no Yankee captain as no player on the team at the time lived up to the role. The most inspiring of the team captains are Lou Gehrig, Thurman Munson, Don Mattingly and Derek Jeter, the captain of the current squad.

They are first recognized and respected as leaders by their teammates. Organizations must acknowledge and support these informal leaders. In baseball, the informal leader is designated captain. The captain is a role model who links traditional winning ways to current conditions. Leaders are anointed and not appointed: They are recognized by fellow employees as outstanding workers, great people and role models for the organization’s values. They are respected, revered and emulated.

#### PART II: PROCESSES FOR DEVELOPING AND MAINTAINING A DYNASTY

### Set the Bar Higher

It has often been said that people behave as they are measured. In 1920, Babe Ruth’s first full year with the Yankees, the team failed to win the league title. Although the Yankees’ attendance swelled that year due in part to Ruth’s presence, and profits increased dramatically, owner Jacob Ruppert wasn’t satisfied. Increased profits were obviously appreciated, and the team performed better than it had in the previous year, but such success was not what Ruppert was pursuing.

In 1921 and 1922, the Yankees won league titles, but lost the World Series. Ruppert was pleased with the increased performance of his team and manager, but had set his sights on a World Championship. In 1923, the Yankees won the World Series — but Ruppert was still not content: The next year he expected an even more dominant season. Winning the World Championship was the primary measure of success for the organization, and it remains so today. The bar had been set at the highest possible level, and the Yankees’ dynasty was built on this definition of success.

### High Expectations

To repeatedly achieve this lofty goal, all Yankee players must accept that specific measures of individual accomplishment are subordinate to winning the World Series. Expectations for player performance are high, concrete and linked to the team goal. For the organization and the players, the measures must be unequivocal.

Yankee team success is also measured by the size of the fan base relative to other baseball and sports teams. The owner’s goal is to sell out the ballpark and to dominate the airwaves. Success is also equated with the variety and numbers of Yankee products sold in a multitude of outlets. The size of the fan base is the foundation for financial competitive advantage, which in turn translates into an increased ability to reinvest in the team by securing and paying for the best available talent, which ultimately results in additional fans. The Yankee goal is to put the most competitive team on the field not only to win championships but to attract and retain the greatest number of fans. In the corporate world, customers are equivalent to fans.

### Organizational Competencies

Waite Hoyt, a Hall of Fame pitcher for the Yankees from 1921 to 1930, stated: “When we were challenged, when we had to win, we stuck together and played with a fury and determination that could only come from team spirit. We had a pride in our performance that was very real. It took on the form of snobbery. We felt we were superior people, and I do believe we left a heritage that became a Yankee tradition.”

Competencies are the foundation for winning. The fundamental value at the root of Yankee pride is winning as a team. Yankee pride also refers to the team’s core competencies: the skills, values and behaviors that are deemed critical to the success of each team member and the entire organization. In the corporate world, these are called institutional competencies. They are vital in guiding and sustaining substantial employee contributions to the organization.

Like accomplishments, competencies must have dimensions, measures and standards to ensure that they can be linked to substantial measurable results. They must be explicit, and players must be assessed against these competencies. Management decisions concerning each player must be guided by the assessments. The combination of accomplishment and competency assessment is the basis for player selection, development, career advancement, compensation and recognition.

Competencies are the observable and measurable skills, values and behaviors that contribute to enhanced employee performance and organizational success. Competencies must be clearly defined, articulated and embedded throughout your organization.
Three Benefits of Using Competencies

1. Provide periodic feedback to employees on their measurement against core competencies.
2. Establish organization-wide training, development, coaching and mentoring programs to close employee competency gaps.
3. Evaluate the benefits and costs of keeping employees with outstanding accomplishments but major inadequacies in other competency areas. Consider the long-term cost/benefit effects of such individuals.

Make Everyone on the Team A Talent Scout

One of the major sources of differentiation possessed by the Yankees is their ability to scout and assess talent. The Yankees are able to consistently maintain a high-quality team through their own special approach: Everyone is a scout.

In the Yankee organization, not just the managers identify, recruit and select talent. Everyone on the team realizes the necessity of keeping a steady flow of talent to the major league club. Individual players are always contacting players on other teams whom the Yankees are trying to trade for or sign. When the Yankees were pursuing Alex Rodriguez before the 2004 season, several players called Rodriguez to let him know that the Yankees were a winning organization and one where he would feel at home. Even after A-Rod’s signing, players continued to take personal responsibility for introducing him to the Yankee Way.

In traditional organizations, the conduit for scouting external talent is typically recruiters and headhunters. However, organizations should formalize their scouting process under the human resources department, and all employees should be aware of their role in it. Scouting should be part of every employee’s citizenship competency.

Everyone on the team is a talent scout. Your organization can expand its scouting field beyond the formal conduits by instilling talent assessment and scouting as an organizational value. Employees must understand their potentially critical role in bringing fresh talent into your company.

Create a Balance

You hear it all the time: “The Yankees are a team of all-stars.” “The Yankees just buy other teams’ superstars.” “They have a superstar at every position.” However, despite what many detractors believe to be the key to the Yankee dynasty, there are not enough superstars in the baseball player pool for the Yankees to buy and field a team of only superstars.

The Yankee mystique suggests that it has been a team of superstars (Hall of Fame level players) but the facts do not support this perception. It is impossible for the Yankees or any team to accomplish this feat because, by definition, the pool of superstars is always limited (probably no more than 2 percent to 4 percent of Major League Baseball players at any time), not all positions have available superstars, and not all superstars can or would play for the Yankees.

Superstars, Stars and Solid Performers

The reality is that Yankee success has resulted from skillful development and management of teams that reflect a careful blend of a very small number of superstars, several stars and many solid players. Highly entrepreneurial ownership and adept management have been able to carefully find, using the Yankees’ own de facto competency profile, the required players to successfully fill all positions. The whole Yankee team performs better than the sum of its parts.

Every organization, including the Yankees (despite its reputation to the contrary), has finite dollars to be spent on its work force, so it must use its money wisely.

Establish Your Talent Strategy And Fill in the Gaps

The Yankees use talent classifications (superstars, stars, solid players, oddballs) to build a comprehensive inventory of players inside and outside the organization. The inventory enables the Yankees to implement a unique three-part strategy:

- **Identify and retain superstars in their organization and/or acquire them from competitor organizations.**
- **Ensure the battery (key positions — pitcher and catcher) has at least star and potential star backups.**
- **Make certain that everyone on the team is rated as at least a solid player.**

The Yankees have fielded many great teams over the past 80 years, but the 1998 team had more wins than even the great 1927 team. In fact, to win the World Series, the 1998 team went through two competitive championship series before it could even qualify for the World Series.

Let’s look more closely at this team. This team had one superstar, five stars and three solid players among the starting lineup. It also had a solid pitching staff with several starting pitchers who were stars, and a relief pitcher who was a superstar. The catcher was a star. People might quibble with these evaluations, but this team clearly was not filled with superstars. The 1998 team also had a bench of solid players and potential stars. The team boasted five players from the Yankee farm system in the starting contingent. The leader of the 1998 team was the home-grown Derek Jeter.
Create a Solid Farm System

Historically, the Yankees have used a variety of statistical categories when evaluating the accomplishments of their players. For example, Casey Stengel emphasized hitters who did not hit into double plays, infielders who could make double plays, and home run hitters. This combination made his teams fast, powerful and defensively sound.

The Yankees entered the farm league business in 1929 when they purchased Chambersburg in the Class D Blue Ridge League. Two years later, they purchased Newark, an International League team. The next year, the Yankees made their most significant hire, but it was not a player. It was the appointment of a baseball executive named George Weiss to manage their minor league interests. Weiss laid the foundation for running Yankee farm teams. He was astute at selecting outstanding scouts, giving them ample budgets, and empowering them to sign prospects.

Weiss brought potential talent into the farm system, developed them, retained the best and sold off the surplus to finance later acquisitions. Weiss established the cycle of returning profits from player sales back into their farm system to ensure a steady stream of high-quality talent.

A strong farm system can cost-effectively build an organization’s superstar and star base, and even trade surplus talent to fill its voids. Continual talent development protects a company against competitor raids and makes it less susceptible to being held hostage to excessive salary demands.

Pay Based on Contribution to Organization Success

Babe Ruth said, “Someday every player will be paid his true worth.” Ruth’s words finally rang true with the death of the reserve clause. Today, a player’s salary should be based on his current and projected talent classification as a gauge of his actual and potential contribution to the team. The Yankees use this assessment of contribution as the basis for making decisions on the salaries of players on their major and minor league teams, and prospective players from a myriad of other sources. In order for this approach to be effective, the team must have accurate player assessments and a detailed knowledge of specific talent requirements. The latter typically comes from an organization-wide bench strength summary and talent management plan. Twice in their history, for extended periods of time, the Yankees failed to follow this disciplined approach. The result was a large payroll and mediocre team performance.

Most organizations can’t afford to spend payroll dollars haphazardly. Missteps can lead to an inability to attract star talent or, even worse, loss of your top people to competitor organizations.

Allocate Sufficient Resources

A competitive team must first allocate sufficient resources to attract and retain superstar players. Similarly, star players are also valuable assets, and although they are somewhat more plentiful than superstars, their retention value is sometimes only slightly less significant. The last group to be considered is the solid players. Solid players should be fairly compensated with the remaining payroll budget. Solid players have a lower retention value to the team, are typically less attractive to competitors than superstars or stars, and may be less likely to move from a championship team to one that is less competitive because of small financial incentives. Companies cannot afford to lose, or fail to acquire, stars with superstar potential and superstars who are projected to maintain their superstar accomplishments.

For this reason, your organization must remember that the first principle in compensation management is not spending more than you can afford. The second principle is spending what you can afford wisely. Whatever your budget, wisely spending your money is the key to sustainable competitive success.
Make the Superstar the Focal Point of Your Organization

(continued from page 6)

in turn, spawns higher player compensation.

Hiring your competitor’s superstars weakens the direct competitor’s strength, demoralizes all competitors, great-ly improves your team and creates media focus that heightens fan (customer) interest. And the Yankees are the best in the baseball world at doing exactly that.

Paradoxically, however, the Yankees did not pirate a superstar from a competitor between the early 1920s (Babe Ruth and Waite Hoyt) and 1975 (Catfish Hunter). Since then, they have used superstar acquisition in a high-ly selective mode. When the Yankee farm system started to produce high-quality talent, the Yankees added super-star retention to their strategy of superstar acquisition.

Diversify Your Talent Pool

Diversity is a success principle that evolved under George Steinbrenner. Until the Steinbrenner era, the Yankees lagged in expanding the ethnicity of the team. Baseball talent was what intrigued Steinbrenner, not the color of his players’ skin. He knew that to fully imple-ment the Yankee talent strategy no group of people could be excluded from the pool of available talent.

The Yankees’ Checkered History of Diversity

The Yankees’ dynasty was diminished by its failing to consider quality talent from all sources when its competi-tors were already doing so. Eight years after Jackie Robinson broke the color barrier, Elston Howard became the first African-American Yankee player in 1955.

George Weiss, the person responsible for building the best farm and scouting system in the 1940s, 1950s and 1960s, was shackled by his own bigotry that prevented him from utilizing the Negro Leagues as a source for introducing black players into the Yankee farm system. Weiss believed that black players could never meet all the Yankee appearance standards. To Weiss, being Caucasian was one of the requirements of being a Yankee. He declared, “I will never allow a black man to wear a Yankee uniform.”

The failure of the Yankees to expand their pool of diverse players in the 1940s and 1950s reduced the number of superstars and stars available to the team in the late 1960s and early 1970s. This shortsightedness contributed to the Yankees’ first dark age from 1965 through 1975. Today, the Yankees are a blend of African-American, Latino, Asian and Caucasian players. This diversity has been translated into on-field and box-office success. There are no restrictions on where the team searches for talent. The team knows that it must search even in the most unconventional places to bolster talent at all levels of the organization.

Celebrate Your History, Heroes and Legends

Perhaps no other organization is so filled with myth and legend as the Yankees. The names of the players, their monuments in center field at Yankee Stadium, the retired numbers, the stories, the pinstripe uniform, the World Championship banners, the rings they wear, all of it is part of what people think about when they think about the Yankees. This is not by accident.

Yankee folklore is transmitted through the principal owner, manager, captain, superstars and stalwarts of all types. They share the stories and acknowledge past champions. They are the daily reminders of what it takes to be a champion and the custodians of the Yankee Way. The Yankee Way is enmeshed in the team’s history and every generation of Yankees builds on the Yankee Way template. Winners write history, and the Yankees have written more than their share.

Every organization has a history, values and compe-tencies that set it apart and must be consistently con-
Boldly Promote Your Tradition of Excellence

The Yankees have done an incredible job of promoting the team’s winning tradition to all members of the organization, from batboy to players to management to fans and the media. The Yankees began with two organizational promotional goals: associating the Yankee brand with winning, and becoming an employer of choice.

Branding the Yankee franchise so that the team name and logo are associated with pre-eminence in the sports industry is the primary goal of Yankee management. The Yankee public relations department aims to build a high level of awareness of the Yankees with the players, fans, general public and media as a championship organization and, therefore, a strong and compelling brand with charisma and mystique — one with which people can identify and to which they can be loyal because of its association with a special way of winning.

The Yankee winning way embraces professionalism, citizenship, leadership and accomplishments. This branding helps sell tickets and merchandise, increases viewership and leads to greater advertising revenues. It also increases “share of audience mind” with respect to its baseball and nonbaseball competitors.

Employer of Choice

The Yankees’ second promotional goal is to establish the team as the indisputable employer of choice. As an employer of choice, the team has a better chance of attracting and retaining quality talent than its competitors. The Yankees convey the message to potential players that their team is where you come to win championships.

They accomplish these goals using a four-step strategy: Focus on team accomplishments, focus on the superstar, pick colorful and committed hucksters to spread the message, and package the team image in a classical and epic-evoking environment. The Yankees’ brand was built using these four strategies, and the organization has become one of the most recognizable in the world. People associate the Yankees with winning.

Conclusion

The sustained success of the Yankees is not simply explained by luck or wild spending, although both have affected the evolution of the dynasty. Nor are the conditions that have buttressed Yankee accomplishments solely cloaked in myth and folklore. Yankee dynastic success is explained by a simple formula that consists of three factors that can be further differentiated into 14 principles. The three factors — leadership, processes and culture — had their roots in the Yankee organization that launched the dynasty, while the 14 principles evolved over the team’s successful 80-plus-year history.

Any organization can achieve Yankee-like success and compete with top rivals if it utilizes the three-factor formula more effectively and efficiently than its competitors. Where do you begin?

First, you must establish a strong and pervasive leadership structure, beginning with leaders who can credibly influence employees to achieve a clearly defined goal for competitive success.

Second, the organizational goal of the leaders must be translated into a road map comprised of a set of credible, clear and practical processes the organization must follow to reach its goal.

Third, there must be a conscious effort by leaders to create and sustain a culture where employees are motivated to establish personal goals that derive value from their contribution to organizational success.

Once you achieve success, you must sustain it to become a dynasty. To paraphrase the great Yogi Berra, you must constantly achieve “déjà vu all over again.”