Introduction
Whether you love the New York Yankees or hate them, it’s clear to anyone who looks at their history from an objective, business perspective that they aren’t just another sports team. Something about the Yankee organization enables them to win decade after decade, despite changing players, changing owners and changing managers.

The reason is a set of 14 principles that represent the Yankees’ best management practices. The principles emerged in the 1920s under the leadership of owner Jacob Ruppert and have been developed and refined by later owners and managers ever since.

To adopt these principles, however, you must move beyond the common myth that the Yankees win because they have deep pockets that allow them to buy the best players from their competitors, dating back to Ruppert’s purchase of Babe Ruth from the Boston Red Sox. While it’s 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.

Beyond Buying Superstars
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. In fact, although they acquired stars from other teams, they purchased no existing superstars from any other major league team after the acquisition of Babe Ruth and Waite Hoyt from the Red Sox in the early 1920s until they outbid their competitors for pitcher Catfish Hunter in 1974, when the era of free agency blossomed.

Over the eight-decade history of the dynasty, most of the Yankee greats were actually homegrown and developed within the organization. The reason the Yankees’ payroll is so large is that high salaries are required to keep great players after the Yankees discover them and turn them into superstars. Mickey Mantle was plucked up by astute scouting right after high-school graduation. Lou Gehrig was signed while playing for Columbia University. More recently, Derek Jeter, Bernie Williams, Mariano Rivera and Jorge Posada came up through the farm system.

As well, dynasties are built on much more than a few superstars. For example, the rosters of highly paid players failed to reach post-season play between 1965 and 1975 and then again between 1982 and 1994. The reason is that the Yankees didn’t follow their own principles during those periods.
The 14 Principles

The Yankees are a superstar team rather than a team of superstars. With a reasonably competitive payroll, your organization can be a top contender in its industry by more efficiently applying the 14 basic Yankee success principles:

1. **Leadership establishes the foundation.** Most Yankee owners brought an opportunistic spirit to the team and added their special touch to the Yankee tradition. In particular, they communicated the importance of being number one. That has been translated through the people they chose to run the team to the players themselves. Interestingly, none of the dominant field managers who operated during the dynasty had previously won a World Series, but collectively with the Yankees they won 24 world championships and 34 league pennants. That came about because they embraced the values of the principal owner.

2. **Hire the best front-line managers you can.** The first-level manager in any organization represents the key formal figure. He or she is the face of the organization that employees see every day. With the authority of the owners, the first-level manager plans, organizes and/or integrates a function or a set of employee activities. The first-level manager must possess all the professional, citizenship and leadership competencies exemplified by ownership to help your organization create and sustain excellence.

Yankee field managers have had a passion for the game, a tenacious desire to win, and the potential for successfully managing the Yankees. They’ve been skillful talent managers and straight communicators. They’ve picked a cohesive, knowledgeable coaching staff to train and develop the players. They’ve been strategic risk takers. They’ve recognized the importance of building their team around a superstar and have focused on cultivating superstars’ contributions.

3. **Formally recognize your informal leaders.** Each company or team should have formally recognized team leaders. For the Yankees, those were the eight captains, chosen because:
   - Their accomplishments exceeded the accomplishments of their peers.
   - They inspired others to superior performance.
   - They embodied the organization’s core values.
   - They were recognized and respected as team leaders by their teammates.

Players needed to meet all of those requirements before management would bestow the title of captain. At times there was no Yankee captain because no player lived up to the role.

4. **Set the bar higher than your people have ever seen it.** Every organization must have clear and established winning standards for the organization as a whole, and for each employee. Everyone must be clear as to what constitutes winning. For the Yankees, winning is equated with a world championship. Team success, of course, is also measured by the size of the fan base relative to other baseball and sports teams, and whether the team is selling out the ballpark, dominating the airwaves and selling its various products. The Yankee goal, therefore, is to put the most competitive team on the field, not only to win championships but also to attract and retain the greatest number of fans.

Baseball is a game where many aspects of player performance are easily measured. The Yankees have measures of individual success based on contribution to team achievement. Employees know the behavior and accomplishments that are expected of them, how that contributes to the organization achieving its goals, and that organizational triumphs take precedence over individual stardom.

5. **Make organizational competencies the heart of your appraisal process.** 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. In busi-

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ness they consist of such factors as an action orientation, communications, creativity/innovation, critical judgment, interpersonal skill, leadership, teamwork and technical job expertise. The minimal standard for all Yankee competencies is “exceeding expectations for the average level of peer players on a competitive team.”

6. Make everyone on the team a talent scout.

The Yankees have a formal global network of scouts, but 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. 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.

7. Create a balance of superstars, stars and solid performers. Although detractors say the Yankees win because they’re a team of all stars, in fact there aren’t enough superstars in the baseball pool — or the talent pool you compete in — to buy and field a team of only superstars. The Yankee dynasties have been developed around a blend of players at varying performance levels: superstars, stars and solid performers. The Yankees continually classify and reclassify players and use those categorizations to create a dynastic team with the right blend of talent. Every organization, including the Yankees, has finite dollars to spend on its workforce, so it must use its money wisely.

8. Establish your talent strategy and fill the gaps.

The Yankees build a continuous inventory of players, inside and outside the organization, which allows them to implement a unique three-point strategy:

- Identify and retain superstars in the organization and/or acquire them from competitor organizations.
- Ensure the key positions of pitcher and catcher — known as the battery — has at least star and potential star backups.

- Make sure everyone on the team is rated as at least a solid player. Every organization should classify its own employees and identify its own key positions, applying a Yankee-like strategy.

9. Create a solid farm system — train and develop your people. Since 1929, one of the primary reasons for the continuation of the dynasty has been the farm system. Through minor league teams, talented young players are developed, their skills are honed, and they learn the values of the Yankee organization. In your own firm, you should view each organizational level as a part of a farm system in which employees are identified early in their careers, developed to their optimal abilities and moved to higher levels as positions become available.

10. Pay your people based on their contribution to organizational success. Babe Ruth said, “Someday every player will be paid his true worth.” With the death of the reserve clause that bound players to a team, their salaries rose, and today a player’s salary should be based on his contribution to the team.

Your organization must remember the first principle of compensation management: not spending more than you can afford. The second principle is spending what you can afford wisely to obtain a sustainable competitive advantage.

11. Make the superstar the focal point of your organization. Superstars are in short supply and their value to the team is immeasurable. The superstar’s presence alone inspires confidence. When he’s absent from the starting lineup due to injury, heads begin to droop in the dugout and mistakes are made on the field.

Make sure your organization has a strategy for courting superior people. Track as many as possible of your competitors’ current and potential superstars and stars, especially in your key positions. Know the best sources of recruitment for superior people. And make absolutely sure you don’t lose any of your superior people.

12. Diversify your talent pool. The failure of the Yankees to expand their pool of diverse players in the 1940s
and ‘50s reduced the number of superstars and stars available to the team in the late ‘60s and ‘70s. This shortsightedness contributed to the Yankees’ first dark age, from 1965 through 1975, when the team failed to compete in post-season play. Today the Yankees are a blend of African-American, Latino, Asian and Caucasian players. There are no restrictions on where the team will search for talent — and the same should hold true for your organization.

13. Celebrate your history, heroes and legends — create traditions of excellence. The Yankee organization has gone to great lengths to promote its history and tradition of excellence. The Yankees tell their stories, publicly celebrate past heroes and legends, and use their past successes to persuade current and prospective players to believe that they’re destined to win.

Take pride in your organization’s past. Every organization has its unique history, values and skills. Your company’s owners, top executives, managers and superstars are transmitters of your company’s “way.” Document your company’s history and tradition in reading materials that are distributed to employees, potential hires and customers. Use employees’ accomplishments, both at work and in the community, to promote employees and, through established goodwill, your organization.

14. Boldly promote your tradition of excellence. The Yankees promote their winning tradition with fans and the media through associating the Yankee brand with winning and becoming an employer of choice. They’ve used colorful and committed hucksters — such as Mel Allen, the voice of the Yankees on radio and television from 1939 to 1964, and the team owners — to spread the message. Know what you’re promoting in your own organization and identify, encourage and turn loose your best hucksters to shout your company’s message and accomplishments.

Conclusion
Those 14 principles cover the three factors that the Yankees use to achieve success: leadership, processes and culture.

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

Second, the organizational goal of the leader must be translated into a road map comprising a set of credible, clear and practical processes that the organization must follow to reach its goal. Perhaps the two critical processes are the talent evaluation system, consisting of well-defined selection criteria and superior talent recruiters, and an organization-wide talent development system that provides a steady stream of high-quality replacements.

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.

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