



# “The Cubs Way”:

Lessons in Leadership, Cultural Change and Performance Improvement

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By David Johnson, CEO



Any team can have a bad century! The Chicago Cubs define ineptitude. They haven't won the World Series since 1908. They haven't even played in a World Series since 1945.

Legendary columnist George Will is a life-long Cubs fan from downstate Illinois. Central Illinois fans split equally between

the Cubs and the powerhouse.

According to Will, choosing between the Cubs and Cardinals changes lives. Cardinal fans are naturally optimistic, always see the glass as "half full" and have faith in the future. By contrast, Cub fans are paranoid, see danger lurking everywhere and distrust everyone.

Perhaps that explains Will's own sour demeanor. He said this in a 1990 USA News interview, "All I remember about my wedding day in 1967 is that the Cubs lost a double-header."

In October 2011, the Cubs hired Theo Epstein as President of Baseball Operations to right the ship. Since taking over, Epstein has engineered a complete makeover of Cubs baseball. After last-place finishes his first three years, the 2015 Cubs won 97 games and had baseball's third-best record. They're now playing the hated Cardinals in the National League playoffs.

Like the Cubs in 2011, health company leaders must transform their organizations to prosper in a more competitive marketplace. Winning in post-reform healthcare is a daunting challenge. The Cubs turnaround offers several lessons for managing organizational change.

## "The Cubs Way"



Only 42, Theo Epstein has already produced one miracle turnaround. As baseball's youngest general manager, he overcame the "curse of the Bambino" in orchestrating Boston Red Sox World Series victories in 2004 and 2007.

Epstein inherited a Cubs organization in disarray. The team was terrible. A "me-first" player attitude dominated the dugout. Scouting and player development were broken.

The facilities were crumbling – Wrigley Field had nets to catch falling concrete. The small front-office staff worked in trailers and processed group ticket sales with carbon paper. Performance reviews were largely non-existent.

Epstein immediately raised expectations and began preaching "The Cubs Way". The Cubs set three goals: 1. Be a good neighbor; 2. Preserve historic Wrigley Field and 3. Win the World Series. Cub fans reacted cynically. They'd heard it all before. One graphic parodied Epstein's new guidelines, suggesting managers can't be morons and outfielders must catch better than bleacher fans.

During 2012 spring training, Epstein distributed massive staff manuals detailing every facet of "The Cubs Way" doctrine – "from code of conduct to which foot to plant on the bag while making your turn around a base." For Epstein, "The Cubs Way" is a "living, breathing thing". Here's how he described it in early 2012,

*"The Cubs Way" really boils down to the people. The players, obviously, but then all the scouts, all the people in the minor leagues, here in the big leagues. It's more than words on a page. It comes down to how deep we dig to get connected to players, to teach the game the right way, how much we care, how committed we are, how we treat each other in the front office, the coaches, the players, how hard we work."*

In other words, organizations, not players, win championships. With the President of Business Operations (Crane Kennedy), Epstein began building a championship-caliber organization.

## Action Steps

Clearly, the Cubs needed to improve both their baseball and business operations. Epstein and Kennedy attacked the task with vigor and did the following:

- Set Big Goals: top to bottom in both baseball and business operations, the Cubs have a unified, selfless commitment to winning a World Series.
- World-Class Facilities: the Cubs are undertaking a massive \$575 million Wrigley Field renovation and building a trendy professional office building. They've already completed new training facilities in Mesa, Arizona and the Dominican Republic. Where appropriate, the Cubs use partnership arrangements to fund facility development costs and mitigate operating risk.
- Talent Acquisition: the Cubs hired difference-makers to turbocharge organizational transformation. Sensing the

team's potential, Epstein convinced baseball's best manager (Joe Maddon) and premier pitcher John Lester to join the Cubs. Kennedy hired senior GE executive Bryan Robinson to run HR and a seasoned consumer goods executive (Alison Miller) to upgrade marketing.

- Building the Base: it took patience, persistence and new leadership to transform the Cubs underperforming farm system into one of baseball's best. The emergence of young "home-grown" stars has driven this year's success. Expect the Cubs to be championship-caliber for the foreseeable future. The business office has more than doubled and hired recent college graduates. The professional "home-grown" talent also perform in accordance with "The Cubs Way."
- Specialization: Just like the baseball team develops "specialists" to enhance execution, the Business Office seeks and develops deep expertise for specialized functions. The former "generalists" in Sales are now "specialists" in ticketing, customer service, sales and operations.
- Accountability and Development: each member of the Cubs organization has firm goals tied to clear definitions of success. "The Cubs Way" for assessing and enhancing personal performance is identical for athletes and professionals. Each person has clear development goals and a program for achieving them. The Cubs contract with Northwestern's Kellogg School of Management to guide organizational learning and development.
- Baseball and Business Office Alignment: Aligned baseball and business operations is essential to achieving superior on-field performance. Managing Baseball and Business Offices "The Cubs Way" helps achieve that objective, but it's not enough. Senior baseball and business executives participate in multi-day Kellogg retreats to assess progress and fine-tune strategies.

## Lessons for Health Companies

While baseball is figuratively life or death for diehard fans, healthcare delivery can literally be a life or death experience. Too many people die unnecessarily in hospitals. Too many Americans suffer from debilitating chronic disease. As the healthcare industry transitions toward value-based delivery and population health, health companies can learn from other industries. "The Cubs Way" offers the following insights:

- Pick the Right, Big Goals: In healthcare delivery, achieving the best outcomes at the lowest prices is the obvious goal. Better population health is dependent on more effective monitoring and interventions.
- Act with Both Patience and Urgency: organizational transformation cannot happen overnight, but health

company executives must lead with a sense of urgency. Creating selfless, team-oriented cultures that pursue constant performance improvement can be the difference between success and failure.

- Align Business Operations with Medical Operations: too often medical and business operations fail to harmonize. The two must be as one. Healthcare mirrors baseball in that front-line caregivers can only excel when supported by talented and aligned business professionals.
- Specialize: find and cultivate the professional talent needed to differentiate organizational performance. Steal skilled people from other industries. Build a great base of young professionals. As healthcare goes retail, health companies must have professionals with deep consumer experience shaping marketing and strategy.
- Develop Talent: find professional schools like Kellogg or build internal "universities" to guide organizational learning. Take advantage of advanced systems for assessing performance. Help professionals become exceptional team players.
- Appropriate Facilities: align facility investment with forward-looking market trends. Emphasize customer convenience and operating efficiency. Run facilities harder to reduce per-unit operating costs. Reduce reliance on and investment in high-cost facilities requiring premium reimbursement for financial sustainability. Consider shifting ownership and operating risks to third parties.
- Create "The Way": Professionals thrive in business cultures that give them autonomy, encourage skill mastery and provide a deep sense of purpose. Articulating, reinforcing and living organization-wide goals and values differentiates winning companies.
- Never Stop Improving

## It Takes an Organization

There are many excuses Cubs fans have for the team's abysmal performance: the Billy Goat curse of 1945; the black cat in 1969 and the Bartman incident in 2003. While entertaining, folk lore obscures the larger truth. The Cubs have had good baseball teams, but they've never built a great organization. The hyper-competitive world of professional sports requires great organizations to win championships. The challenges in post-reform healthcare are enormous. Winner health companies must create championship-caliber organizations. Only great organizations can develop the capabilities necessary to deliver high-value services tailored to customer needs. Many, perhaps most, health companies must step-up their games or lose market relevance. The future is very bright for those companies that rise to the challenge.

and financial assets that health systems must employ to deliver quality patient outcomes and achieve optimal financial performance. For Craneware to succeed, the company's solutions must become essential components within larger ecosystems that discover, convert and optimize value potential. Craneware wins when health companies and their patients/customers win.

## The Oracle Speaks

Warren Buffett is affectionately recognized as the "Oracle of Omaha." Buffett's common sense, value-focused approach toward investment has generated enormous wealth and returns for his shareholders.



Buffett once observed, "Only when the tide goes out do you discover who's been swimming naked."

Real value in healthcare delivery is delivering the best outcomes at the lowest prices. As the fee-for-service tide recedes, America will discover which health companies are prepared for the value-driven demands of the post-reform marketplace.

Winning health companies will employ a new playbook that emphasizes quality, embraces transparency, optimizes performance and, most importantly, embraces customers. Health companies that follow the value rules will rule their markets