



Cadence Bank Podcast: In Good Companies

Season 3, Episode 7: A Whole New Ballgame: Jim Crane on Business Transformation

Whether it's because of new leadership, exogenous shock, or a plain old rut, all companies eventually need to change. While there's no single template for how to transform your business, you can learn a lot from those who have done it successfully; and there's probably no better example than Jim Crane and the Houston Astros baseball franchise.

When Jim bought the team in 2011, they were one of the worst teams in baseball. Over the course of the next decade, they became one of the most successful. Under Jim, the Astros have won two championships and become perennial contenders. They've also tripled their revenue. So how did he do it?

On this episode, we'll explore Jim's approach to transformation: how he identifies problems, manages his teams, and creates partnerships with multiple stakeholders, all with an eye toward a winning culture. Find out the reason Jim took a hands-off approach to baseball operations and why he invested heavily in the Astros' charitable foundation. Plus, how Jim applied the same formula to the PGA Tour's Houston Open.

When you transform your business, you have to cover your bases. So join us and get strategies that will help you right off the bat.

Episode Transcript:

[00:00:00] **Jim Crane:** When I bought the team, it was doing \$170 million in revenue and losing \$20 million. This last year, our revenue was up over \$500 million, and we made money. So now we've got it fixed and we have the resources thanks to our great fans to really compete with the big guys: New York, Boston, LA. They're not happy about that. But we're here to stay.

[00:00:21] **Patrick Pacheco:** I'm Patrick Pacheco and you're listening to Season Three of *In Good Companies* from Cadence Bank, the podcast where we share our wealth of knowledge to help you navigate the opportunities ahead. Because that's what Cadence is all about, the expertise



and flexibility to do business on your terms. We're empowered to help, whether it's through our podcast or any of our more than 350 locations across the south and Texas.

[00:00:44] **Patrick VO:** Whether it's because of new leadership, exogenous shock or just a plain old rut, all companies will eventually need to change. Some will need to change drastically. We call that business transformation. But there's no clear template for how to change successfully. The classic transformation is the caterpillar that becomes a beautiful butterfly. But putting yourself in a cocoon and hoping to grow wings isn't what I'd call a strategy. So I think I've got a better example of transformation: the Houston Astros.

When you talk about turnarounds, it's hard to think of one that's more dramatic than what's happened to the Astros. In 2011, they had their worst season in franchise history, losing 106 times. In the decade since, they've had one of the most dominant runs in the history of baseball. They've reached six straight League Championship Series, four World Series, and they've won the whole thing twice. In 12 years, the value of the team has quadrupled. So, what changed? Actually, the better question might be "Who changed?"

[00:01:53] **Jim Crane:** Jim Crane, owner and chairman of the Houston Astros.

[00:01:56] **Patrick VO:** Jim is one of the most successful businessmen in the world. He's led two companies to billion-dollar revenues and helped countless others achieve success. When he purchased the Astros for \$615 million in November of 2011, he completely reshaped the franchise. It was a masterclass in business transformation. But to understand how that happened, we have to go all the way back to 1984. Because Jim didn't start out with the kind of money that can buy an MLB franchise. In fact, to launch his first business, he needed a \$10,000 loan from his sister.

[00:02:34] **Patrick Pacheco:** So the first question I have to ask is what did you say to your sister to let you borrow \$10,000?

[00:02:40] **Jim Crane:** Well, I think my sister was prepared to write it off. But no, I started a small freight forwarding business in the early '80s, '84, and I had worked in the business for a couple of years and learned how it worked, and it was pretty simplistic back then. One of the



companies that I was working for didn't make the payroll of a particular week, so I just decided to do it on my own and started with really one guy answering the phone and went to my customers and said, "Hey, if you don't give me any business, I'm not going to eat." So it gets you a little bit intense on moving quickly. So that's really how I started pretty quickly. And actually the first month I was in business, I made some money and was able to pay her back. I'm still paying her back.

[00:03:22] **Patrick Pacheco:** So your sister never told you that it actually wasn't a loan, it was some type of convertible warrant or something like that?

[00:03:28] **Jim Crane:** Well, I paid her back with interest and she's always been very kind and generous, and so I'm still paying.

[00:03:35] **Patrick Pacheco:** So was that Eagle Global Logistics that was the first company?

[00:03:39] **Jim Crane:** Yeah, we started Eagle in '84 and that business grew to a substantial size, about \$4 billion, and by 2007 with 10,000 employees, about 400 offices around the world. And we tried to take it private.

[00:03:54] **Patrick VO:** By that time, Eagle was public, and had caught the attention of private equity. Jim tried to buy the business out himself, but when the other shareholders opted to sell, he left the company he'd founded and run for almost 25 years.

[00:04:11] **Jim Crane:** I wasn't trying to sell a business. I was pretty upset, but I walked away with a big check and then really just started over with Crane Worldwide in 2008 and have gotten that business back up to \$2 billion already. We're not quite as big, but we're very efficient and we're private, so it's a lot easier to maneuver. So a good journey there. And we're still in the business and making sales calls on a weekly basis.

[00:04:34] **Patrick VO:** Aside from business, Jim has another passion: sports. And he's competitive there, too.

[00:04:39] **Patrick Pacheco:** My understanding is that you still hold a school record at Central Missouri State striking out 18 batters in a game. Is that correct?



[00:04:47] **Jim Crane:** Well, I'm going to play it up and then I'll play it down. That was actually a World Series game in the DII College World Series game. But my friends and the guys I played with a long time ago tell me, "Jim, you did it, but the lights were really bad." So, yeah, I have a few records at the school left and still see my old buddies, so it was a lot of fun.

[00:05:07] **Patrick Pacheco:** That's great. So what are you prouder of? The 18 strikeouts or being ranked as the nation's top CEO golfer?

[00:05:12] **Jim Crane:** Well back then you didn't want that in the book, because you could go into the GHIN System, which is the handicap system, and you could look anybody's handicap up with their name and it was kind of public information. So I think the Bear Stearns guys, they were on the golf course playing golf and somebody looked it up and the place was burning down. So you're running a public company, you really didn't want that on the board. Every time I went in to talk about our stock to the shareholder and they'd say, "Well, how much golf do you play?" And I'd say, "Well, I just hit balls at night, practice a little bit and play on the weekend."

[00:05:48] **SFX:** Music transition

[00:05:49] **Patrick VO:** In 2011, Jim combined his passions, when he became the majority owner of the Houston Astros. But there was a reason the Astros were for sale. They were *bad*.

[00:06:02] **Patrick Pacheco:** So prior to you buying the Astros, they had some pretty hard luck for 50 years, never had a championship. They were at a real low point in 2011 when you purchased them. The worst season in franchise history, lost 106 games, the farm system was a mess. I don't think it's unfair to say that you inherited an organization that was pretty rough around the edges. So why'd you want to own a team that was the worst in baseball? What did you see in them?

[00:06:25] **Jim Crane:** Basically I felt that the franchise was in a bad spot, but we were in a big market here in Houston; they had a nice stadium. So there were variables there that were very favorable, if you could get the team turned around. It's a business and it's not as complex as... It gets a lot more attention of course, but it's not that big of a business. We bought the business, it was \$170 million in revenue, but all the same variables. There were accounting, operations,



sales, some of the stuff we were doing in the logistic business, which was a little more complex, running it around the world with all the different laws and taxes.

[00:07:04] **Patrick VO:** In the Astros, Jim saw a struggling business, but one with potential. And right away, he diagnosed one of their biggest problems: the farm system.

[00:07:14] **Jim Crane:** To have depth in the team, we knew the farm system had to get fixed, so I brought in a guy by the name of Jeff Luhnow who did some consulting work and really knew how to streamline the business and had worked for the Cardinals farm system.

To have depth in the team, we knew the farm system had to get fixed. Basically, they had a lot of bad contracts. So it took a little bit of time and it was difficult those first few years because we were just spinning the wheels and losing a lot of games. It seemed like it took forever, but it happened fairly quickly.

[00:07:45] **Patrick VO:** As Jeff worked to put a great team on the field, Jim created a great team in the office.

[00:07:53] **Jim Crane:** You know, anybody who tells you they've got this totally figured out in the MLB world, they're probably not telling you the truth. So I just hunkered down in the building and I actually brought a lot of the people that were let go from the other company and brought them in here, my best operator, my best sales people, my finance people. And we just started cutting through what we could improve on. I actually played baseball in college, so that gave me a little background on baseball. Then we just started working on improving the baseball operations also.

[00:08:25] **Patrick VO:** Unlike many other owners, Jim took a hands-off approach to baseball operations, which allowed Jeff Luhnow to be more innovative with the roster.

[00:08:34] **Jim Crane:** So he had a very good approach. He had the analytics, which we didn't have. He's the one who really started this shift, now they have eliminated this shift this year. But it did work. The numbers worked. So he was blending analytics and data to the field that had never really been done to that magnitude. So I gave him a lot of rope on that. And the spin rate was another one. He found Gerrit Cole on spin rate. He wasn't pitching that well in Pittsburgh and we were able to sign him for a reasonable amount and some excess players. He



referred to them as converting a player, being able to fine tune a player and pick up that extra 10% that other people couldn't figure out. And so that really paid big dividends.

[00:09:22] **Patrick VO:** When you trust your team to make the right choices, they can also operate more efficiently.

[00:09:28] **Jim Crane:** So along with his analytical process, he was very business oriented, he was cost conscious; he had it maybe a little tight where our baseball operation was the lowest cost in the business and we were the most efficient. So that adds up to some pretty good results at the end. A lot of the times when Jeff was in there, they were so compelling with the information they had, I really didn't overrule many decisions unless it was just a number that we didn't feel comfortable with. I don't recall really squashing any deals at that particular time, but the decision-making process, these guys were good. And at that time I just tried to assist them when they needed help. And if they were uncomfortable with the number, sometimes I had to push Jeff to spend more money, believe it or not, to get the deal done because I felt that the impact of some of those decisions were worth the risk.

[00:10:21] **Patrick VO:** Empowering your team also frees you up to focus on the things you do best . For Jim, that was dealing with people.

[00:10:29] **Jim Crane:** I was comfortable in the locker room because I had been in a locker room. And I tried to get to know the players; I'd take them to dinner and their wives to dinner. Not a lot of owners do that. So they were key people in our organization and I always like to know how they think and what they're doing. I was a little more hands-on on the people element. But, yeah, I didn't really get involved unless it was trying to sign somebody. I called Justin Verlander the night we got him signed. I would get involved at the last minute trying to convince the guys that we knew what we were doing. I did a lot of selling, so I always told people I was a closer and I actually closed in college too, so I like to close. But at the end of the day we had a good story and we started to be able to bring in some players and improve the players once they got here. And I think now what you see is people wanting to play here.



[00:11:23] **Patrick VO:** The changes Jim made weren't just operational--they were cultural.

[00:11:26] **Patrick Pacheco:** So when you do this, did you have some type of culture you were looking to instill in the organization? It seems like that is so important to the success of many organizations, is just what their corporate culture is.

[00:11:38] **Jim Crane:** We really work hard at taking care of our people here and keeping the turnover low, and same thing I did in the other businesses and creating a good place to work and communicating. When you have success, you can share that with the employees and they start to see that coming their way. So they're a part of the team. We try to make everyone part of the team, whether they're on the field or on the business side. I think that creates a lot of success. People will put in the extra work, do a little bit extra here, a little bit extra there, and before you know it, everybody's pulling in the same direction.

[00:12:11] **Patrick Pacheco:** Yeah, that's what I always say. As long as they get to be rowing in the same general direction we should be okay.

[00:12:16] **Patrick VO:** That cultural shift also set the tone in the dugout.

[00:12:20] **Jim Crane:** Then we've created a culture where those key guys in the locker room, when you come in the locker room, there's an expectation that we're going to win. And everyone starts to feel that and it's like when a company's really successful, everybody will put in a little extra effort, everybody's kind of looking over their shoulder. "You training right? You eating right?" Everybody starts buying into the program. And then good coaches, good scouts, good trainers, there's a lot of things that go into it, but we knew once we had it there and the revenues were following, you can't always win every year, certain things happen, but we feel we can keep it very consistent.

[00:12:59] **Patrick VO:** After building such strong connections *internally*, Jim wanted to do the same *externally*, both with businesses and the Houston community. And he found a way to do both.

[00:13:11] **Jim Crane:** We attacked it in all areas. We attacked it from the corporate support. One project we did, which really endeared a lot of the corporate people, is to fix baseball fields



in the community. So we started a program called the Community Leaders. Those corporations spent money at the ballpark, but they also helped us renovate the city parks with a donation, and maintain the fields. Since then we've got 23 city fields that have been renovated, maintained, and over 11,000 kids run through that program. We did some stuff that was the right thing to do for the community. And we really focused on the foundation, which when we came in had \$30,000 and all the revenues were going out the door to various other charities, which was great, but it wasn't really having any impact on the community. So we really went after that. And since then we've raised like \$60 million. And all of this money goes right back into the city. I think getting the corporate people on board was a big plus. Then once we started to win, it even got better.

We're continuing to expand it. I mean basically in the underserved areas, a lot of the kids weren't playing baseball, girls and boys, because they didn't have the facilities, but the facilities were there; they were city parks, but they were dilapidated and not maintained real well. So we just took a couple by chance, and the mayor at the time let us do it and said, "We're going to fix them and we're going to maintain them." We figured out the formula and we started in one park, got a carpet sponsor; the signs you see in left field are all those big companies that donate money to make this happen.

[00:14:40] **Patrick VO:** The Astros Foundation brought the team lucrative corporate partnerships. But more importantly, it strengthened their ties to the community.

[00:14:54] **Jim Crane:** So through that program, we've run 11,000 kids through there, and now we're into 10 years of doing it. Forty kids get scholarships to college baseball and softball and two kids get drafted. Not all of them are going to make it to the major leagues, but it teaches them a lot of great things in life. Teamwork, working hard, showing up, being on time, all of those things that you participate in when you work with people. If I saw a resume with a college athlete or someone that was a volleyball player or swimming in college, I knew two things immediately. One, they had to work hard to stay on the team and to be successful. Whether they were the best in the business or not, they were part of a team, they worked hard, they showed up and they had to get grades. They weren't all A students, but that mechanism that they learned there and those skill sets really transfer well into business. So those are a lot of the people I have that work with me.



[00:15:57] **Patrick Pacheco:** I coached baseball two seasons a year from the times my boys were three until just this last season, 15, 16 years of two teams a year. The one thing I always would tell folks is I said at the start of the season, "This is what's going to happen when you work. You're going to have people you like, people maybe you don't like as much, but you're working together. You're part of a team. So when you go to work, you can't decide, 'I don't like him, so I don't want to talk to him.' You have to do everything it takes to be a good team and be a good teammate." And I feel like that's someplace you can really learn because you have kids that are great and kids that are just hanging in there and they all have to be on the same team, try to go win.

So let's go to 2017. Astros become world champions. Ball's hit to Altuve, fields, throws it to Yuli, game over. What was the feeling right at that second when you knew, "This is it. We've won." How did that make you feel?

[00:16:48] **Jim Crane:** Well, you never thought you'd get there. It was a long road. It seemed like a long road. And then after you got there, it was nice to see the city get behind us. Never had a championship here before. And the hurricane that came through here and the town was beat up, and so it was just very uplifting for the fans and great to deliver a world championship to the team. The night was a long night, nobody wanted to leave. It was a lot of fun and great for the city. The parade was phenomenal.

[00:17:20] **SFX:** Music transition

[00:17:21] **Patrick VO:** In less than a decade, Jim had transformed the Astros, from basement-dwellers to world champs--and it was no fluke. That same transformative approach was on display with another sporting endeavor: the Houston Open.

[00:17:34] **Jim Crane:** The Houston Open had failed. They lost the sponsor that they had for a number of years. And so I checked in with the PGA. I played a lot of golf and know a lot of the people in the business, and I said, "I think we can generate the sponsorship kind of like the Community Leaders."



[00:17:49] **Patrick VO:** The Houston Open is a microcosm of Jim's process. Stop me if you've heard this one before: Jim sees a struggling enterprise that has untapped potential. Then, he diagnoses the biggest problem holding them back.

[00:18:03] **Jim Crane:** It was played in a bad location outside of town, so it didn't draw very well. With the new mayor's help, Mayor Turner, we got the commitment that we could renovate Memorial Park, which is a beautiful park and it's bigger than Central Park, and it was an underutilized asset.

[00:18:21] **Patrick VO:** He builds an efficient team of operators and creates both public and private partnerships for funding and support.

[00:18:28] **Jim Crane:** We run it with five people. When it was run before, it was run by 70. We back it up with our staff here at the Astros from the marketing and the sales side, so we can run it very efficiently. We went in and raised the money with a lot of foundations donating. We spent about \$32 million renovating the park, moving the tennis courts, fixing the driving range. What got the mayor to do it, I said, "Listen, your driving range will make a million more a year." It was making a million. And he said, "Are you kidding me?" And I said, "No." And he said, "Okay, let's try it." So that worked. The course made a million more and we donated a million more to the city parks, and so it's been a big win.

[00:18:51] **Patrick VO:** The lead sponsor of that tournament, by the way? You might recognize them.

[00:19:13] **Jim Crane:** We were able to get Cadence to step in and be the title sponsor last year, which was a big help. So that tournament has been extremely successful and it's still growing. And the fact that Cadence came in and helped; all the excess cash over the top of that—I think we made about four or five million excess—and Cadence was able to direct some of that money to some good causes as they like. That has really worked, and we think we can get it bigger and bigger. So it's been a great success and they've been a great sponsor, and we really appreciate your help. They kind of got it to the next level this last year. And you can play the golf course, it's a public course, championship PGA golf course for \$38. So that's probably one of our biggest projects and most successful projects. Baseball's done well, but this is a really good story.

[00:20:02] **SFX:** Music transition



[00:20:03] **Patrick VO:** Of course, the work's not done once you've transformed the business. Since their win in 2017, the Astros have reached the ALCS Series five straight years and gone on to the World Series three times. And in 2022, they won it all again.

[00:20:21] **Patrick Pacheco:** 2017, you said you're numb, unbelievable feeling. The 2022 win, does the feeling last as long or are you already drawn to, "How are we going to do this next year?" What's the difference, the feeling between those two?

[00:20:34] **Jim Crane:** Well, you don't have much time. We played into November because the season started late, so now we're three months later, almost four months. There's not a lot of rest. We've made a bunch of big changes at the ballpark here. We got new video screens, we got a big new store at center field, so we're always planning. So you get about 30 or 40 days where you can just kind of go, "Oh boy, that was fun." And then it's time to go back to work. There's no rest down here for too long.

[00:21:02] **Patrick VO:** When you're at the top, everybody's aiming for you. To maintain your edge, you've got to keep working.

[00:21:09] **Jim Crane:** Everything is just magnified now. The expectations are set, so we have to keep our head down. It's just consistency. You're not gonna win every single year, but you know, you get there enough—four chances we've had in the World Series, we've won two. But, as we started to win, really, we started generating more revenue, which allowed us to increase the payroll. When I bought the team, it was doing \$170 million in revenue and losing \$20 million. This last year, our revenue was up over \$500 million and we made money. So from there to here was a little journey, but now we've got it fixed and we have the resources thanks to our great fans and our fan base and our corporate support here to really compete with the big guys, New York, Boston, LA. They're not happy about that. But we're here to stay. I'll let the other people figure out whether we're a dynasty or not. It's just fun to be able to deliver a good product for the city. Certainly, I think if we could win one more here shortly, it may be in the breadth of some good teams over a long period of time, but I'll let the other folks deal with that. We'll just keep our head down here and keep working and hope to see everybody at the ballpark here soon.

[00:22:20] **SFX:** Music transition



[00:22:21] **Patrick Pacheco:** So not all of our listeners are running Major League Baseball franchises. So let's think about executives or business owners out there who are listening to the podcast. What could they learn from your business transformation journey with the Astros? What kind of advice can you give and what should they take away?

[00:22:35] **Jim Crane:** The message I would say is set up a good plan, cover all the bases and work your plan, work your plan. Create a good spot to work. Treat your people right and try to outperform your competitors. I always say, if you show up early and leave late, you're going to beat nine out of 10. So working hard is a big part of it, and staying focused and then trusting your instincts and treating your people right, because they're your biggest asset. It sounds complicated, it seems difficult, but you just have to stay focused on those simple things day in and day out. You're never going to make all the decisions right, but you evaluate everything you can possibly get from your entire team and then you try to make the best decision with the information you have at the time. When you're doing that and everyone's communicating well, that makes for good decisions most of the time.

[00:23:33] **SFX:** Outro Music In

[00:23:33] **Patrick VO:** Jim Crane has spent his career creating billion-dollar businesses. But his approach works for companies of any size. To transform a business, figure out the untapped opportunity and have a plan to attack it. Hire a great team and empower them to do great work. That culture will permeate your whole operation. And don't just focus inward--create partnerships with external stakeholders, too. Collaboration will open doors and make you part of the fabric of your community. Any way you slice it, it's a home run.

A big thank you to Jim Crane for coming on the show. Go Astros!

[00:24:13] **Jim Crane:** Appreciate the interview and appreciate your support, and we'll look forward to seeing everybody at the ballpark.

[00:24:18] **Patrick Pacheco:** If you enjoyed the show, we'd appreciate it if you'd write a review in your podcast app or if you're short on time, you can just rate us five stars. It only takes a second. And while you're there, subscribe, we'd love to have you. Because when you're with us, we're in good companies



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[00:24:53] **Outline: Disclaimer (General Disclosure #1)**