Thanks very much. Thank you. Thank you very much. Just so I have a sense before I begin, how many of you have actually read the book or seen the movie Moneyball? Wow. Okay. Well, I apologize. I’m not Jonah Hill. Not exactly body doubles either. I can’t tell you how many people in the last ten years have come up to me and said, you don’t look anything like Jonah. And I’ve had to tell them that I think it’s the other way around, but anyway.

Just to give you some perspective. Long before I started working for the Browns, the Mets, the Dodgers, even the A’s, mid 1990s. You know, twenty-five years ago, baseball was really in a time of crisis. Fans were still holding a grudge from the strike. Players’ salaries had begun escalating at an alarming pace, and the small market teams, like the Oakland A’s, had basically disappeared from the competitive landscape.

Now I didn’t realize any of this at the time because, as you see I was the spring training, minor league van driver for the Cleveland Indians. Okay? I wasn’t even the major league van driver. I was the minor league van driver. But that didn’t stop me from thinking I knew a lot about the game. After all, I’d played the game. I’d read about it. I’d studied the history of the game. But it really took me less than a week on that spring training campus down in Winter Haven, Florida to realize that I knew nothing. And what I need to do was open up my ears, open up my eyes, and really absorb as much as I possibly could.

So the one real job that they gave me during that first spring training was to chart the pitches at the major league games, which is to say sit right behind home plate and write down every pitch in terms of pitch type, location, and outcome. Well, this afforded me the opportunity to sit in the scout section. So I began to listen to the lexicon of the scouts and I tried to understand how they went about evaluating players. And what became clear was that they evaluated players based on what they called the five tools, and the five tools are simply this. Can the player hit, hit for power, run, field and throw? And if you could do all five of those things, he’d be a star.

And I remember this one player in particular. The scouts were all raving about him because he had all five tools, and I got really excited to follow this player’s progress through the season, feeling like I now knew something that not every other fan did. But it was really disappointing to see this player really struggling and doing so well, he was still in the minor leagues.

Well, fast forward to the end of that first season in Cleveland. We had our organizational meetings. This is where we brought in all of our top baseball personnel and we discussed every player in the organization. Their strengths. Their limitations. How they fit into the long-term vision of the franchise. And at one point we were discussing a player named Jeff Kent whom we’d acquired just a few months previous from the New York Mets. And I remember this conversation distinctly because I’d graduated from van driver to minute taker, so I was clearly on the fast track with the Indians.

But in any event, at one point one of our senior most baseball people was describing Jeff Kent’s swing, and he said – and I quote – Jeff Kent has the weakest freaking hack I have ever seen. So what do we do? We traded Jeff Kent to the San Francisco Giants, and we watched along with the rest of the baseball as he became possibly the most prolific offensive second baseman of the next decade.

So what became clear to me really, or the big learning at the end of that first year was that subjectivity really ruled the day when it came to evaluating players. Right? Now the problem wasn’t with our scouts. Not then, and not today. Our scouts are actually some of our most passionate, knowledgeable, loyal employees. The problem was with the operating system. You know, College Subjective 1.0. I mean oftentimes we were asking scouts the wrong questions. At other times we were asking them questions that were virtually impossible to answer.

It was right around this time that I ended up taking a weekend in Las Vegas, which let’s be honest, this is good a place as any to have a philosophical epiphany. But here I was. I was down at the Mandalay Bay right down the strip playing blackjack on a Friday night. Absolutely packed casino. I was sitting on the third base side of the table. This other guy sitting on the first base side, he was just playing terribly. I mean, losing money hand over fist. It seemed like every fifteen minutes he was dipping into his pocket for more cash.

Now one particular hand the dealer dealt the first two cards, had dealt him a seventeen. She basically went to deal the next round. She passed right over him so he stopped her. With his hand on the table he said no, no, dealer. I want a hit. She paused. Like almost feeling sorry for him. And she said, sir, are you sure? And he said, absolutely. I want a hit. So she produced the card and sure enough it’s a four. Right? And the place goes crazy. Hooting and hollering and high-fives all around. And the dealer with total sincerity looked at the player and said, nice hit. And I thought to myself, nice hit! I mean, just because it worked it didn’t justify the decision.

Well, I couldn’t get this out of my head. Right? And I basically spent the rest of the weekend wandering around the casino. Largely because I’d lost all my money playing blackjack, so kind of wandering around thinking about how the casino works. And what struck me was that while the casino is strongly concerned with outcomes – I mean, after all, they’re there to make money. The way they achieve those outcomes is with an absolute laser-like focus on process. And it’s not just the rules on the table games that stack the odds in their favor. It’s things like the carpeting or the lighting, or the way you have to navigate through this property. It’s all about process. And they believe that if they’re vigilant about sticking to their process, that in the long run they’re going to win. In case you haven’t noticed, they normally do. So I started thinking about how we could take a similar mindset and bring into in baseball.

Now years later I was sharing this story with a friend of mine. He turned me onto a book calling Winning Decisions. And in it there was a very simple matrix of process and outcome. Each one being either good or bad. So in the upper left-hand corner you’ve got good process, good outcome. Right? This is where we all want to be. It’s where most great individual players are. Where championship teams are. Even where most great companies are. Right? You have a great process. You think of Tom Brady. Rigorous diet. Incredible workout and recovery routine. Watches a ton of film. He gets everything \_\_\_\_\_ with every practice rep during the course of the week. He has a great process. More often than not he’s successful. Gets the great outcome he’s looking for.

Well moving over a box, you have good process, bad outcome. Right? This is what happens to a casino when a player hits on seventeen and actually gets a four, or what happens if Tom Brady, when he throws the perfect pass, but it goes right through the hands of his receiver and ends up as an interception.

In fact just a couple of weeks ago Patrick Mahomes had one of these situations and his mom tweeted that he should not be charged with an interception in that type of situation. I tend to agree with her. Right? But the fact is we don’t always get the outcome we want, even with a great process. So this could be a difficult box to reside in. Right? Because sometimes if you get that bad outcome you’ll question maybe an otherwise good process. So the real difficulty at that point is trying to decide if the outcome is the result of a bad process, or just bad luck from a good process.

So as difficult as that may be, the most difficult place to be in the opposite corner, which is bad process but a good outcome. Right? Player hits on seventeen and gets a four. The reason this is so difficult is because we generally do believe that if we get a good outcome it essentially justifies the process. So oftentimes if we get just one good outcome we’ll tend to repeat the process that got us there over and over and over again until maybe we finally get frustrated we can’t get that same good outcome we got once upon a time, and all we have to show for it is a string of losses along the way. And this is why people who win the lottery continue to play the lottery. Right? So lastly, the last box was bad process, bad outcome, which I think the author has referred to as poetic justice which seems appropriate.

So it was right around this time that the Oakland A’s called Billy Beane in particular, and offered me the Assistant GM job. Now despite the fact that this was a multilevel promotion for me, it actually was a really tough decision at the time. The two organizations, they were just in very different stages. The Cleveland Indians, we’d won five straight division titles, we had been to two World Series. The A’s hadn’t even had a winning season in six or seven years. But to make matters worse, the Indians had a brand new stadium, we were sold out every single night. We had big revenues and consequently one of the top player payrolls in all of baseball. The A’s. Total opposite end of the spectrum. Old stadium. Declining attendance. Declining revenues, and one of the bottom payrolls in the game.

But what they did have was this culture that had been created by a game named Sandy Alderson, and this young General Manager, Billy Beane, who just seemed to have the will to do something different.

I remember I was standing in the lobby of the hotel with Billy after he’d offered me the job, and I was pestering him with questions, and was trying to figure out whether or not I should do this, and I knew there was something I needed to ask him. I just couldn’t figure out a polite way to ask it. So finally I just blurted it out and I said, Billy, with your lack of resources you really think you can win? I mean, at that point no small market team had ever even made the playoffs since the strike. And Billy very calmly looked at me and he simply said, I will never use payroll as an excuse. And it was literally at that moment that I made my decision to go out to the Bay area and join the A’s.

Now Billy wasn’t Pollyanna. He didn’t think we could just go about building a championship team the way everyone else did it. Certainly not the way the big market teams did it. You know, like New York or Los Angeles, what have you. We had to come up with a different way. We used to talk about the fact that putting together a championship team is a lot like cooking the gourmet meal. Right? We have to bring together all these different ingredients in just the right way. The only caveat? Well, we were only allowed to shop at 7-11. Right? So we had to get a little creative with our recipe. Right?

So how do we do that? Well, we took a page out of Peter Drucker’s book and we started asking what he referred to as the naïve question, and the naïve question is simply this. If we weren’t already doing it this way, is this the way we would start? If we weren’t already doing it this way, is this the way we would start? I mean, seems pretty simple, but once you start asking that question you realize just how powerful it is. You realize just how many things we’re surrounded by on a daily basis that are as they are just because that’s the way they’ve always been, or at least as long as anybody can remember.

I mean. Think about it. Why is the workday 9:00 to 5:00? Right? Or the workweek Monday through Friday. You know, Thomas Paine who wrote Common Sense, the seminal work advocating for democracy as a better form of government. Late 1700s. Received a really mixed reception to the book when it first came out. So in the second edition of the book, he wrote a forward, and in it he wrote the following. Remember, this is about democracy.

He says, perhaps the sentiments contained in the following pages are not yet sufficiently fashionable to procure them general favor. And then he went on to write, a long habit of not thinking anything wrong gives it a superficial appearance of being right. Having a long habit of not thinking anything wrong gives it a superficial appearance of being right. We found that not only all over our organization, but all over our industry. Just things as they were because that’s the way they’d always been. And once we started asking the naïve question we started uncovering a lot of these things.

Now as you may imagine, we also started uncovering a lot of obstacles. You know, that naïve question, that could be uncomfortable to ask. It can be really uncomfortable for someone to answer. You know, what were our employees going to think? Were they going to think that we were questioning you know, their expertise, or maybe even the very way they thought about their jobs?

You know, what about our peers in the industry? You know, for us we have to regularly transact with our peers. Was that going to become a much more difficult process if we started doing things completely differently than everyone else? And lastly, maybe most importantly, what about our stakeholders? Our fans. Right? Were they going to be able to buy into the idea that their team, the one they’re passionate about, passionate enough that they spend their own money on tickets and jerseys and concessions and all of that. Were they going to be able to buy into the idea that their team just saw the game differently than everyone else? Maybe even differently than they did. That was a huge issue for us.

Another obstacle for us was just information overkill. Now this was the late 1990s. Right? So I’m talking about for us EPSN, the rise of the internet. You know, sports radio. There was so much out there, and yet so much of it was just noise. And for us to be able to drill down through all that and try to figure out what truly mattered, where the truly causal relationships were, that was hugely challenging. And if we thought that was challenging in 1999, we had no idea how challenging that might be in 2021. Because the amount of information that’s available to all of us regardless of industry has absolutely exploded in the last ten or fifteen years, and it only going to continue to explode going forward.

Now it’s to the point where I know people, it’s sort of backwards. People, rather than looking at data and then trying to create narratives, they now create narratives and look for data to support their narrative. Right? And there’s so much data and information out there that this is easy to do.

As an example, back in 2002 we had the American League most valuable player playing shortstop for us. His name was Miguel Tejada. Now Miguel had one year left on his contract before he was eligible to become a free agent, so in spring training in 2003 Billy and I sat down with Miguel and his agents to see if we could work out some sort of contract extension. Well, after one brief meeting it was very clear there was no way Tejada was going to sign an extension. He wanted to see how much he could make as a free agent, which was his right.

So Billy and I sat around for a couple of days trying to figure out how we were going to deal with this, and Billy finally said you know what? I just don’t want to go through the next eight months of some public song and dance where I’m out there every week saying well, we’re really going to try to sign Tejada when we know it’s not going to happen. It’s going to be a distraction all year long, and ultimately it’s going to be a letdown for everybody. For him. For his teammates. For the organization. For our fans. We just need to come out right now and just say hey, this is going to be Tejada’s last year in Oakland. Sure it’ll upset people, but at least we’ll have a chance to get used to the idea that he’s going to be gone, and maybe they can put it behind them. So, unconventional approach but that’s what we decided to do.

So sure enough, we got roasted in the press for a couple of weeks. You know, we were idiots. We were cheap. We were kicking the MVP out of town, et cetera. But by the time the season started it wasn’t that big of an issue.

Well, six weeks into the season, middle of May, Miguel Tejada, the reigning American League MVP is hitting about 160. He’s the least productive player in the entire league. And the questions are coming every day. Why is Tejada struggling? Why is he struggling? And Billy would say, look, this is such a small sample size. It’s been six weeks. We’ll look up at the end of the year, Tejada will have been as productive as he’s always been. But no one wanted to hear that, and they kept asking the question, why is he struggling? And finally someone asked, do you think he’s struggling because he doesn’t have a contract? And in that moment it’s as if it became causal truth in the public discourse. That Tejada was struggling because, and only because, he didn’t have a contract.

Now Billy ‘til he was blue in the face tried to convince people otherwise, but that’s all anybody would write for weeks. Well, sure enough Tejada started playing better and after the all-star break in early July he just singlehandedly carried our team offensively for about six weeks. Just played out of his mind.

So this brought us into early September. The team was on the road in Baltimore. I was traveling with the team, and sitting in my hotel room, and I get call from one of these same writers. And he said to me, you know, I’ve been looking at Tejada’s stats and they’re almost identical to his career averages, but he’s really been on fire lately. Why do you think that is? You think it’s because he doesn’t have a contract? You know, I desperately wanted to say that’s precisely why. Of course, we didn’t know why. We didn’t know why he was playing great then and why he struggled earlier in the season. And giving an answer like well hey, those are the vague reasons of short-term performance. It just wasn’t satisfying anybody. Right? But we knew after this experience that we had to be careful about these narratives. That people were going to be trying to spin them all around, as we certainly had to be careful not to spin them ourselves and fool ourselves as to maybe what was really going on.

You know, another obstacle that we found, really a whole set of obstacles, were just psychological biases innate to all of us as human beings, and certainly as decision makers. You know, one was just the very simple desire for acceptance. We want our friends to like us. We want our peers to respect us. Here we are asking our scouts who’ve been in the game for decades to go sit in the same scout section next to the same scouts in the same ballparks. You know, guys they’ve known for decades. Go back to this completely familiar environment, but now we want you to look at the game through totally different lenses. We want you to use different language to describe what you’re seeing on the field. We want you to value things completely differently than you ever have before. And I was really uncomfortable for that, and it took a while to get used to, but after a while I will say they made the adjustment. They started walking into the ballparks with their chests out saying you know, we’re the Oakland A’s. You know, we do it differently than everybody else. But there’s no doubt that that process took a while.

You know, another one we found was just emotional decision-making. We like to think we’re all perfectly rational decision makers, but the fact of the matter is that emotions really do play a role in how we view situations. Sometimes even how we approach data, or approach certain decisions. And we don’t necessarily know that it’s happening.

When my wife and I first moved to San Diego we had two young children at the time. We were very anxious to get settled into a new home. We were moving with my in-laws, so maybe I was a little more anxious than my wife was. We woke up one Saturday morning. We had scheduled to see four homes. My wife mentioned she really wasn’t feeling well, but was determined to go out and see these properties. We went to the first one, went to the second one, went to the third one. Just nothing fit us at all. And I got frustrated. I said you know what? You’re not feeling well, we’re not finding anything. Let’s just call it a day. You know, we’ll try again next week. She says no, I really want to go see this last house. So we go over to the fourth property. Walk in the front door, and immediately my wife throws up her arms and says oh my God, I love this house. I love this house. And we started running around to all the different rooms trying to figure out whether or not it was going to fit our family as it was then and what our family might become and she kept saying I love this house. Finally we got to the last bedroom and she again said she really was uncomfortable, not feeling well, and I said all right, that’s it. We got a good feel for this place. I’m going to get you checked out. At this point it was late on a Saturday.

Well fortunately the hospital was right down the street. We took her to the hospital. They ran some tests. The doctor came back in after a while and he said, listen, this isn’t terribly serious but it is something you need to take care of sooner rather than later. My suggestion is you’re here, you should just have surgery tonight. Unexpected. Right? To say the least. My wife is sitting there. She’s getting prepped for surgery and she says, I know this is the most important thing. My health, yadda-yadda-yadda, but I really want that house. I said yeah, we’ll worry about the house a little later.

So she ends up going into surgery a little after midnight. She’s in there for about ninety minutes. Fortunately everything goes great. They wheel her out, they take her to the recovery room and after a while they allow me to be in there with her. So I’m sitting there by her bedside. Must be 3:00, 4:00 in the morning. And I’m just reflecting on what a crazy day this has been, and suddenly out of the darkness all I hear is I want that house. Right? So sometimes we don’t even know why. Right? But something grabs us and makes an impression on us, and there’s nothing we can do about it.

You know, in baseball we would sign amateur players when they’re sixteen, eighteen, twenty years old. Over the course of the next four or five years we see those people mature physically, emotionally. Literally see them become men during the course of those years. For a lot of them it’s the first time they’ve ever been away from home. They’re facing incredible odds in the minor leagues. Competition unlike they’ve ever seen before. And with each passing year unfortunately, more and more of them drop out because they can’t make it. But you know, if we’re lucky, after four or five years a few of them – I mean just a few of them will realize their dream of being a major league player. And somehow through all of that we were supposed to stay completely unemotional about their careers? It was impossible.

You know, with the Browns every year we gather all of our players together. Now we’ve been doing it on Zoom calls, but we have each of our players talk about their four H’s which for us is their history, their heroes, their heartbreaks, and their hopes. All of these players share. And as you can imagine a lot of these players come from really, really tough backgrounds, and this particular Fall there was a player of ours who was on the roster bubble and he gave a really emotional talk about his four H’s. Just all the obstacles he had overcome, both personally and professionally. You know, wasn’t highly recruited. Was expecting to get drafted, never got drafted. Couldn’t find even tryouts with any teams. Ended up doing manual labor. You know, kept emailing coaches. His agent wasn’t helping him so he was just cold calling teams. It was an incredible story. And as soon as it was done, I walked into our general manager’s office and I looked at him and I said, and you’re going to cut that guy. You know? The fact is you know, we’ve acknowledged that emotions really do play a role in how we make our decisions, and we had to understand that that was the case, and actually figure out a way where it wasn’t playing at least big a role in what we were doing.

Another one has been called either confirmation bias or affirmation bias, which is to say once we’ve made up our minds about something, we tend to ignore any facts that come to light that run contrary to what we’ve already decided to believe. We only seek out facts that support the opinion that we already hold fast. This was never more true in baseball than we were in major league spring training and we were in cut meetings, meaning we had to send players back down to the minor leagues.

Now understand, if someone’s been invited to major league spring training, they do something pretty well. In baseball, it’s a pretty rigorous screening process. Starts at T-ball. Little league. You know, junior high, high school. Junior college, college. Rookie ball. The lower minor leagues, the upper minor leagues. All these players have done something well enough across all of these levels to be invited to major league spring training. And yet if they’re not going to make our team, all we would do is talk about what they can’t do. We make it sound like these guys shouldn’t have made their high school team. And if someone’s going to make our team, all we would do is talk about what they can do.

This wasn’t something we did on purpose. It’s just something that naturally flowed during the course of our discussions. And it didn’t matter if you were a scout, front office person, coach. We all fell into the same trap. But it got even worse when we would take a singular attribute and we would describe it very differently really depending on the fate of the player.

So for instance, let’s say someone’s not going to make our team and he happened to move his bat around a lot right before the pitch comes. Someone will say you know what? That’s way too much pre-pitch movement. That’ll never play in the major leagues. And we’ll all say yeah, you know, you’re right. He probably needs to go back down to AAA, work on that. Fifteen minutes later we’ll be talking about another player who’s going to make our team who does virtually the exact same thing with his bat, and if someone’s bold enough they’ll say well geez, what about that pre-pitch movement? And the same guy will say are you kidding me? He likes to stir it up and let it eat. I don’t even know what that means, but that doesn’t stop any of us from saying oh, yeah, you’d better believe it. I mean, this guy’s a hitter. He’s aggressive. He’s going to help us win some games.

The fact is we see what we want to see and we describe it the way we want to describe it and again, in today’s world with the amount of information and data that’s available to us, it’s real easy to do. So we have to be very careful about how we did some of these things and not just picking out things that supported our longstanding beliefs.

Another one we found was just a real focus on the most recent outcomes. I mean the Tejada story is certainly an example of this. I mean here’s a player who’d had five years in the major leagues, he’d had five years in the minor leagues before that. We had a ten-year performance track record on this player and yet we were consumed with what he’d done over the course of six weeks.

Or we see this on CNBC. Right now we’re in earning season, and some company will miss earnings by 2¢. The stock will go way down even though we’ve got ten, fifteen, twenty years’ worth of outperformance of a given company. So we see this all the time. Or even going back out to this casino floor. I don’t know how many of you have spent time at the roulette wheels, but they’re posting like the last ten or twelve numbers that have hit. This might be the most useless information on the face of the planet, but it’s there for a reason. It’s there just because they know that because something happened more recently it really does figure more prominently in our minds and impacts our decision making.

And lastly I’d say we found I guess you’d just call it a physical appearance bias. Now this is professional sports. I mean, this might make some sense. These guys are professional athletes. They’re supposed to be big and strong, and agile. But here we are making multimillion dollar decisions on players and we’re saying things like hey, this guy looks good in a uniform. I mean, he looks like a big leaguer. I mean, think about this for a second. Imagine if you were pitching an investment to someone and you said well, I tell you what. I really like this company, and I really like the CEO. And this guy’s smart. He’s a good leader. He’s got a great body on him. Seems crazy. Right? Well, Malcolm Gladwell pointed out that just about 3% of all adult males are 6’2” or taller. Just about 3%. And yet 30% of Fortune 500 CEOs are 6’2” or taller. So maybe it’s not just football, baseball professional sports where we have this you know, physical appearance bias.

In any event, we’re asking a naïve question. We’re coming across all these different obstacles. We’re learning a lot about ourselves as people and as decision makers. What was the solution? Well, for us the solution really started with just being humble in the face of all of this uncertainty. I mean after all uncertainty was really the foundational principle of our industry. We’re trying to predict the future performance of human beings. Oftentimes in situations that those human beings themselves have never even encountered.

You know, in baseball we go down to Venezuela, scout fifteen-year-old kids. Fifteen years old. Decide whether or not we’re going to sign them. How much we’re going to pay them. Hundreds of thousands into the millions of dollars. At that point we’re making what amounts to an explicit prediction of how that player is going to perform. Not next summer, but how he’s going to perform eight or ten years later when he’s a completely different human being. And now how he’s going to perform in Maracaibo, Venezuela you know, in front of family and friends, but how he’s going to perform in New York City or Chicago or Los Angeles in front of 40,000 screaming fans and against the greatest competition in the world. Competition that at fifteen years old he can’t even fathom. In exact science to say the least. And what we finally admitted to ourselves was but we’re not very good at this – like at all.

You know, Billy used to tell our scouts all the time, he’d say guys, I was a first round draft pick. I was a minor league player. Major league player. Won a world series as a major league player. I’ve been an advanced scout, an Assistant G.M., a G.M. I’ve been in the game over twenty years. I’ve seen it from all these different angles, and yet I still can’t walk into a high school game, point to some kid and say he’s going to be a star. And if I can’t do it given my set of experiences, I don’t think any of us can do it. At least not very well. So we have to come up with a different way.

And for us, the foundation of that different way was data. We said how can data help us make consistently better decisions? Now don’t get me wrong. We didn’t think that data was going to be some perfect crystal ball that would tell us the outcome of every at-bat, or every game, or even every season, but what it could be was maybe a very bright torch you know, through an otherwise very dark cave. Give us a general sense of direction. Keep us from knocking into too many walls along the way.

So what we decided to do was we took everything we thought we knew about the game, everything we thought made a great player, everything we thought made a championship team, all the clichés in our industry we’d grown up to believe and we threw them out the window. We started over. We said we are going to study everything. And unless we can prove a concept’s relevance to today’s game under today’s circumstances then we’re just not going to believe it anymore.

So we went back through every major league game played going back a number of years and we tried to figure out the value of every situation in every one of those games, and then we asked a lot of questions that day. You know, who are the players that put you in the most advantageous situation as often as possible? What was the market for those players? Was it efficient? Did it shift over time? When it was all said and done we had a completely new set of metrics that bore no resemblance whatsoever to anything you’d see on ESPN.com or USA Today. And out of those new metrics were really two key takeaways for us. The first was that although these were the greatest players in the world, a large percentage of them were completely fungible, meaning we could replace really expensive players with other players making the league minimum salary. Now for a team with no money, this was a key insight.

The second was that although we had 100 years of baseball statistics, literally 100 years, we found that those traditional statistics, they didn’t always tell the whole truth. In fact, sometimes they were downright misleading. And with our new metrics it exposed these situations and created real arbitrage opportunities for us, especially when we were dealing with people who relied you know, solely on the traditional metrics.

So how did we implement some of these new systems? How did we manage them? Those are probably two separate talks entirely, but I think there’s a few selling points that are worth mentioning. The first is that we knew we had to have a team of diverse skills both on the field and off the field. You know, on the field, we couldn’t afford those five-tool players. Those individual guys who could just do it all. There were too few of them on the planet, and the ones who did exist were way too expensive for us. But what we did have is we did had a team of twenty-five players. We had a larger roster of forty players. And we could try to make sure that every one of those players did something above average. Something above average that might help us win a game. And then if we put all the pieces together in just the right way, we collectively as a team might be able to do everything above average. But maybe even more importantly we’d be able to cover for each individual’s weakness because they all had them.

We took the same tact off the field, brought it into the office. You know, just between me and Billy we didn’t have all the answers to all of their problems. In fact, between just the two of us we may not have had any of the answers to any of our problems. But what we did have was we had you know, an organization full of people with a wealth of experience and expertise, and we tacked into that as much as we could. And whether those people sort of realized it or not, a lot of our conversations then ended up in our models, or algorithms.

But we also found during this time that it was somewhat limiting for us. Remember, we were at a tremendously disadvantaged position within our industry. If we were just going to try to follow best practices of the Yankees or Braves or some of the other winning teams, that was a losing proposition for us. We didn’t have the resources to keep up with them. We had to figure out a different way. We had to be the one creating best practices. Chasing that next horizon, and hopefully being the first ones to get there. So the only way to do that for us was to look outside of baseball for inspiration.

So we started looking into all these other industries that we thought shared similar characteristics to ours, and we started asking the same questions of them that we asked of ourselves. How do they deal with human capital as a primary asset? How do they deal with uncertainty? How do they deal with portfolios of assets at a very different time horizon, et cetera? And what we tried to do was glean insights from these different industries and then around those insights create novel processes in baseball. Processes that ultimately would give us a competitive advantage within our own industry.

Now this really forced us to be open-minded, which can be difficult to do. Right? Especially once you’ve already become successful. You know, Bill Parcells, famous NFL coach, once had a real quarterback controversy on his hands where for three or four weeks in a row he kept asserting this guy’s my quarterback, he’s my quarterback, and then in one particular game, second half, his team was losing, he changes quarterbacks. They come back, they win the game. And the press in the postgame press conference, they were all over him about it. They were saying well, geez, who’s your quarterback going to be next week? Because you said for four weeks in a row that this guy is your quarterback. And Parcells had had enough. And he stood at the mic and he looked around the room probably as only Parcells could, and he just said, I changed my mind. And the fact is, it’s really hard to change your mind. Right? Especially in the face of such a public stance, or significant investment, but that was something we were determined to do. In fact, we wanted to be the core of what we did. We wanted to be constantly changing our minds, being the first ones to adjust you know, to a changing landscape to try to stay ahead of our competition.

So in the course of doing this one of the things we really struggled with was we’re trying to become this process-oriented organization, but we live in an outcome-driven world. Right? And baseball, 162 times a year. In the NFL, now seventeen times a year, we get charged with a win or a loss. Very black and white. It’s all about outcomes. But what we wanted to do was put blinders onto those outcomes and really focus on our process knowing that ultimately that process would drive the outcomes that we wanted. But how to judge our process. Right? If not by the outcomes.

So what we decided to do is we started keeping what we called a decision diary. This is where we wrote down all the circumstances surrounding our decisions in the moment that we had to make that decision. So it could be something simple like the pros, the cons. Are other options available to us at the time? What we thought our chances of success were. What were the biggest levers in terms of potential success or failure?

And what we found was that once the outcome had been realized which oftentimes for us is three or four years into the future the after-decision, and at that point all the uncertainty is removed, we were terrible at recalling all of those specific circumstances back when we made the decision. Most notably our confidence level when we made the decision.

So as an example. In 1999 we had the number nine pick in the amateur baseball draft. We took a young left-handed pitcher out of southern California named Barry Zito. Now at the time in the baseball industry according to the third party publications, Barry Zito wasn’t a top ten talent. Maybe not even a top twenty talent. But according to our analysis at the time we felt that Barry Zito, health permitting, of all the pitchers available to us at that point in the draft was the closest to pitching in the major leagues. He wasn’t necessarily the best. We thought his ceiling was that of maybe a middle-of-the-rotation starter and a good pitcher. Not a great pitcher, but he’d be that fast. And in 1999 in Oakland after all those losing seasons, we needed someone fast so we took Barry Zito.

Well lo and behold, three or four years later Barry Zito wins the American League Cy Young Award. Best pitcher in baseball. Right? And if you’d asked anyone of us who had been in the draft room, me included, I’d guarantee you we all would have said see? I told you. I told you. Remember when I said he’d be an ace? The fact is not one of us ever thought that Barry Zito would do some of the things he did in his career. But the only way we could check ourselves on that was by having this decision diary.

You know, Billy used to say listen, at the end of a good year I want to be able to look in the mirror and say were we lucky, or were we good? It’s okay to be lucky. It’s just not okay to pass it off as skill, because we’re not going to be able to repeat it time and time again, and ultimately that’s what we were after. Some sort of predictable, repeatable success in an uncertain world which is a tough bang shot.

So ultimately what happened? Well we didn’t win every game, we didn’t win every world series, but over the course of the next four years we won more games than any other team in baseball. Maybe most importantly we did it for about 30¢ on the dollar as compared to the number two team. And really fundamentally changed the way our industry went about valuing players and putting together teams.

So in conclusion I just want to cite one more thing to you. It’s from Thomas Kuhn who wrote the Structure of Scientific Revolutions. Anybody ever read it? Yeah. Okay. It’s a bit of a dry read. It’s actually a terrific book with some great insights, but at one point he writes the proliferation of competing articulations, the willingness to try anything, the expression of explicit discontent, and the recourse to philosophy to debate over fundamentals, all four of these are symptoms of a transition from normal to extraordinary research.

Now as it turns out, and not by design mind you, we had all four of these elements in Oakland, and had them at the \_\_\_\_\_ as well. An expression of explicit discontent. A bunch of losing seasons in a row will do that to you. Right? The willingness to try anything. That came straight from the ultimate leader of our franchise, Billy Beane. And without that strength and will there’s no way we would have tried even half the things we did in Oakland. The recourse, the philosophy and the debate over fundamentals. We threw out everything we thought we knew about the game and we started over.

And lastly, the proliferation of competing articulations. We came up with a lot of different ideas. I mean a lot of ideas. And I can tell you now that twenty years later Billy and I look back we laugh. We laugh at how simplistic some of them were. How extreme some of them were. But the fact is we tried. We tried again and again and again because we knew that with each failure it actually wasn’t a failure at all. We were just getting more information that was getting us closer to a better model or better algorithm, or a better answer.

So at the end of the day the most important things for us. You know, we became aware of all these psychological biases that were really inhibiting our decision-making, and just by being aware of them we were able to sometimes stop them in their tracks.

You know, we became relentless about asking that naïve question. Right? This wasn’t something we did as part of a two-day management retreat one off season. It just became part of our daily DNA where we were constantly questioning our foundational beliefs and trying to figure out a better way of doing things.

In this game of uncertainty we constantly ask ourselves how do we be the house? Right? We know we’re not going to be right all the time, but how can we stack the odds in our favor so that maybe we’re just right a little bit more often than we’re wrong. Or maybe just right a little bit more often than our competitors.

You know, the baseball draft used to have fifty rounds in it. Fifty rounds. And the average draft would produce one every day major league player. One out of fifty. And during one game I remember Billy and I were talking about the draft and he looked and me and he said, could you imagine what would happen if we just got two? Just two. And we did it you know, two, three, four years in a row. It would completely change the trajectory of our franchise, and from that moment forward we became obsessed with stacking the odds in our favor so that we could just get two. And ultimately what ended up happening is we got two, we got three, and we got four. Still nowhere close to fifty, you know, but way better than our competitors.

And lastly, really most importantly, if there’s absolutely nothing else you remember from what I said this morning, just please remember this one thing. Root for the Browns. All right? Thank you very much.

*[End of Audio]*