

Paul DePodesta – Moneyball: The Art of Winning an Unfair Game

In the 1990s, baseball was in a time of crisis. But Paul didn't know it at the time.

Subjectivity ruled the day in baseball. The problem was with the operating system. Scouts were asked the wrong questions or questions that were impossible to answer.

Just because something works... doesn't mean it justifies the decision. You have to focus on outcomes and have a laser-like focus on process.

This is the mindset that I brought to baseball.

We don't always get the outcome we want even, with a good process. And it's tempting to throw out a good process in the face of a bad outcome. But the worst place in the world to be is with the bad process but a good outcome.

This is why people that win the lottery continue to play....

When I went to the A's, it was because they had a cultural willingness to do something different. No small market team had made the playoffs since the strike. So they had to get creative.

Here's what we did...

Start by asking naive questions. If we weren't already doing it this way... is this the way we'd start? Things are as they are because that's how they've always been.

That mentality was all over the A's. And there were a lot of obstacles as a result.

Next, we had to deal with data overload. So much noise... Information overkill.

Finding the truly casual relationships is so challenging. We have so much data. And these days, people just create narratives and bolt data onto them.

Make the hard decisions now. Even if that means making an unconventional decision today. "We do it differently" can be a source of pride.

Emotions really do play a role in how we approach different situations. And staying unemotional is simply impossible.

So you have to find a process that minimizes it. You can pretend you don't have emotions.

Next, let's look at confirmation bias. Folks bend singular attributes depending on how they feel about the person or investment they're looking at.

"The fact is we see what we want to see, and we describe it the way we want to describe it."

We also over focus on the most recent outcomes. Just look at earnings season.

So, what is the solution to all these biases?

First, be humble in the face of all this uncertainty. In baseball "we were trying to pick the future performance of human beings."

We had to admit to ourselves "heck, we're not very good at this." Then you have to come up with a different way. And the foundation of that is data.

We took everything we thought we knew about the game and we threw it out. We started over...

And we came away with a completely new set of metrics.

Two key takeaways:

1: A large percentage of players were easily replaceable

2: The traditional stats didn't always tell the whole truth. And we found an arbitrage opportunity.

Find players that can do something above average rather than the unicorn players that do everything near perfectly.

In conclusion, you need to have the willingness to try anything. And be able to come up with a lot of ideas.

We know we're not going to be right all the time. But the goal is to use the data to beat the house... and stack the odds in your favor. Become obsessed with stacking the odds in your favor, and you will outperform your competitors