
Decision Making Analysis: Sabermetric-Based Player Evaluation

Sabermetric-based player evaluation is defined as “the search for objective knowledge about baseball” (James, 1980). The use of Sabermetric-based player evaluation is a shock to other executives in baseball because it challenged and defied their conventional wisdom, based on “The Book”, which they had relied on for years. Billy Beane was able to prove that professional intuitions are not as reliable as statistical evidence. He used statistical analysis to challenge traditional measures of evaluation in baseball, such as batting average and pitcher wins. Utilizing Sabermetric meant that Beane examined traditional measures of baseball skill evaluation. Although one of his reasoning was that a good measure of a player's worth is his ability to help his team score more runs than the opposing team, he also argues that the traditional RBI (runs batted in) is an effective metric.

Differences between Beane's Team and Other Executives. Beane ignored the traditional baseball's conventional wisdom because he discovered that many chapters of The Book are wrong. For example, he found out that unless the base stealer is successful at least three quarters of the time, steals were overrated because a player's running efforts had an adverse effect on the scores. He also concluded that Sacrifice bunts are not a good strategy. Beane's method of evaluating players was completely different from other executives because he tried to scientifically figure out how much a player was likely to contribute to his team's chance of winning. His methodology did not rely on just objective evidence, explicitly ignoring anything that could be dismissed as "subjective (Thaler & Sunstein, 2003).

Beane's trust in Bill James, that if people challenge the conventional wisdom, they will find ways to do things much better than they are currently done, gave him the motivation to become a baseball analyst who analyzed future opponent's ability. If he had not done this, and stuck with the status quo by continuing to do what the executives did because that was the norm, a state which Thaler & Sunstein describe as the “Nudge”, he would not have been in a position to turn his team around. Whist the executives made no major distinction between players drafted from high school and college, based on his analysis, Beane found that players drafted out of high school are much less likely to succeed than players drafted out of college, so he decided not to draft players from high school. Beane didn't only rely on his instincts, but found ways to offer support for his decision by working with his assistant, Paul DePodesta to project players' performance. Beane and DePodesta's method of evaluation was very difference form that of the more established experts who worked with the executives. According to Thaler & Sunstein, Beane was able to succeed because of the inefficiency in the market for baseball players.

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Overestimating the Likelihood of Success

Overestimating the likelihood of success is something we do all the time, all in the name of “positive thinking”. I believe this stems from cognitive dissonance, where we know one thing, i.e. the fact, but feel another. According to author, Leon Festinger, “when feeling and fact are in opposition, people will find, or invent a way to reconcile them”. My husband and I like to invest in rental property. Before our first investment a few years ago, we decided to attend a local property auction. We identified a couple of properties we may be interested in, and performed all the necessary due diligence before the auction date, but whilst at the auction, we came across a property in a different city that seemed very attractive. The opening bid was very low, so we decided to bid for it, even though everything was against our rules of making sure we view properties before we bid on them, and only purchase properties within predetermined distance from our home. The facts indicated that this might not be a good property for us to bid on because we did not view the property before hand, plus, it was far from us, as it was in a different city. We proceeded with the purchase even though it could mean losing thousands of dollars.

Our ride to the property that evening was very nerve wrecking. It turned out that the property was in decent shape, but it was not a bargain buy from an investment point of view. We have always wanted to be personally involved in management, but the property was too far for us to show every time a prospective tenant wanted to view it. It stayed vacant for a few months before we decided to sell it. Our capital was tied up for several months, whilst we struggled to sell the property. We spent unbudgeted funds to clean and paint before it was sold. By the time we paid attorney fees, we only managed to break even.

Application of Management Lessons

Moneyball’s management lesson as the authors, Thaler & Sunstein points out, will help in challenging widespread intuitions, or what is deemed common knowledge by combining statistical data about what works and what doesn’t, with performance measures that more accurately reflect reality (Thaler & Sunstein, 2003). This lesson will help me to always aim to pursue objective measures in all aspect of performance measurement, and to base my judgment on facts rather than intuition, or personal experience. Just like the Major symphony orchestra’s example that was cited in the article, where it was discovered that if they conduct auditions with the candidates hidden behind a screen, more women are hired, we should put away our bias, assumptions, instincts, or judgments of people and circumstances caused by subjective evaluations, and instead combine our knowledge of facts in coming to a decision and arriving at a conclusion.

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References:

1. Festinger, L. (1962). A theory of cognitive dissonance. Stanford, Calif.: Stanford University Press.
2. Thaler, R. H., & Sunstein, C. R. (2003). Who's on First. *New Republic*, 229(9), 27. <http://sabr.org/about/bill-james>

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