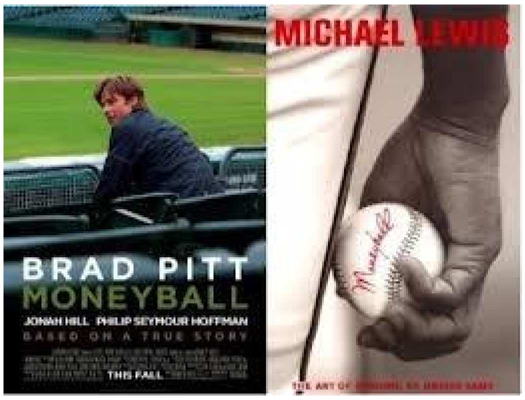
Better Metrics with Moneyball



As a student of business, I really enjoyed seeing the movie Moneyball, after I read the book back in 2004. It has been out a while, and I saw it at the movie theater, then again on DVD. The story is very intriguing as it relates to success with numbers. That is what we try to do with business and this story is a good example of digging deeper than the obvious to get real meaning with your numbers, stats or metrics.

So what is Moneyball? If you are not familiar, it is a term used to describe the use of stats to analyze players to tell which players will have the most success, rather than the typical subjective scout formula often used by people with so-called baseball experience. Billy Beane, the manager of the Oakland A's, was the stud player coming out of high school and everyone wanted him. He didn't have success in the big leagues. This nagged at him to understand why all these people thought so highly of him and he didn't meet those expectations.

Beane met a nerd-type that had all these details of numbers to reveal someone's actual ability to get on base. He thought there had to be a better way and decided to give this a try. He did this at the expense of a lot of criticism and breaking the mold of what has been *the way it is done* for more than a century. By following on-base percentage and slugging percentage, Beane could find these undervalued players and pull together a high performing team with a low budget ($41 million vs. $125 million for Yankees). He took the Oakland A's to the playoffs in 2002 and 2003, and they won 20 consecutive games – a first in more than 100 years of baseball.

A lot of time with business, we look at metrics that show us where things are going, but may not reveal how we got there. We may look at changes in revenue and profit, without really knowing what activities are causing those changes. The traditional baseball measures of batting average and runs were not revealing enough to distinguish the players. The IT hosting company, Rackspace, measured its fanatical support brand with the promise of all calls answered by three rings and only one transfer. Making customers happy with service like that is one of the things that actually get you to increase revenue and profits.

Are you digging deep enough with your metrics to get to the true meaning of what you are trying to measure? Is it getting you where you are going? I have found that some of my metrics are not giving me the info I am really trying to obtain. I have found that one way that is helpful to dig deeper is to use the magic of *why*. When you establish a metric ask “why” five times, *after* you ask “why is this number useful?”

The metrics we use can create a lot of insight and open up new meaning into our business. Are your metrics telling you what you really want to know?