

Changing the game case study examples

[Business](#), [Management](#)



Billy Beane Case Study: Changing the Game

Oakland A's economic Situation After 1995

Oakland A's economic condition suffered a blow due to high wages. The leaders of the club managed a high compensation strategy for their players yet they did not win many trophies. The club had the highest compensation strategy in baseball prior to 1995. The death of the owner of the club, Haas, in 1995 saw the leadership under the hands of another team. The new owners of the club ordered the general manager, Alderson, to reduce the wage bill. The manager was tasked to field a competitive come back under a very tight and limited budget. This approach by the new ownership changed the compensation strategy of the club since the manager had to work on a low budget. The implication of the new budget meant a reduction on the wages of the players.

In earlier of years of 1980 and 1990, A' s boasted of having the highest payroll within baseball. The owner of the club at the time, Haas, would subsidize the operating losses year after year. The team could hence afford stars like Canseco, Mc Gwire, and Denis on a higher payroll. Things changed dramatically upon the death of Haas in 1995 and the news owners of the club were unwilling to support financial losses just because of wins. The stars moved to other teams awarding higher pay. A's had to sell these players and acquire competent players whom it can afford to pay. This kind of exchange earned the club some sustenance cash in terms of paying other players. Billy would try hard to ensure the existence of a strong team despite the low pay. The general notion in regard to baseball economics required teams to spend heavily if they are to secure a win. This was the case with most teams in the

league. However, Oakland A's seemed to defy this notion as it won 102 games lost only 60 in 2001 with very little budget. This astounding success was attributed to the brash manager, Beane, through the adoption of statistical methodologies in evaluating players.

Billy's staffing strategy was purely based on acquiring undervalued players with the objective of maintaining a low wage strategy adopted after 1995 by his predecessor. Billy focused on college school players rather than high school players. He did not believe in advancing potentiality but in having quality and experienced players in his team. He achieved this by hiring young professionals using statistical and mathematical expertise to identify quality players. Beane together with his assistants, most of who spent most of their time in running regression model rather than travelling and scouting, challenged the conventional wisdom of selecting players in regard to a major team in the league. Their main approach was seeking and exploiting the inefficiencies that existed in the market of baseball players. Their system was based on doing an evaluation to identify players that were greatly undervalued and those who were overvalued. In this respect the A's that had a very low budget was able to compete with the teams that had a very high budget like the Boston Red Sox and the New York Yankees.

The batting philosophy adopted by Beane was on base percentage and it measured the frequency at which the player will reach the base safely. This philosophy was also applied in recruiting players and determining their varied level of pay. The compensation for these players was based on competence determined through sabermetrics. In the selection of players, Beane would approach college school players and declare his interest to sign

them at a low wage. His approach was different from the traditional scouting method. His preoccupation with great players at low wage helped in maintaining the performance of the club. Training was undertaken regularly to maintain and improve talent within the players. This was achieved through statistical analysis and evaluation of hitters. Beane would encourage loyalty among the players and for the club. Loyalty of the players to the club and the fact that they willingly agree to sign for the club at low wage ensured retention of star players. The team's priority of improving players' talent made them to stick to the club; especially those players whose objective is career growth.

Beane had many assistants in the leadership of the team who were instrumental in training development of training strategies. The development strategy of Beane was to ensure his players advanced on the walks. The number of advances in walks determined the extent of the player accessing the base. These players would eventually become better hitters than others. The assistants were also instrumental in identification of talents by undertaking statistical analysis of ensuring they get great players into the team.

Integration of Strategies

The overall HR strategy of Oakland A's organization depends on the proper integration of the various functions of the human resource. Good performance of the team depends on the integration of these strategies. Compensation, staffing, and training strategies of Oakland A's have been integrated into the new system adopted by Beane from Alderson. The sabermetric approach is the overall HR strategy in all the operations of the

club.

The compensation strategy is done through a statistical analysis of identifying undervalued players. This enables the team to maintain a low wage strategy as per the requirement of the club owners. Training strategies also uses the statistical approach as the effectiveness of the players is measured on the extent of a hit. The assistants of the general manager undertake training process along with the general manager through statistical analysis of the performance of the players.

Maintaining the sabermetric strategy requires that the Human Resource functions are integrated. The two strategy work in harmony as achievement of the overall goal depends on the effectiveness of these strategies.

Potential Problems

The HR strategy by Oakland A's is subject to serious problems and threats despite its success. Most teams within the league are associated with bloated budgets to maintain their competitiveness within the league. If there is no clear retention strategy of players, other big and high spending teams may poach A's players. This may result to loss of talents within the team and consequently poor performance. Any performance by a team depends on the quality of its players. Quality players may be attracted by high wages and, therefore, may wish to sign for these rich teams. The compensation strategy needs to be well evaluated to ensure retention of key players and attraction of quality players from other teams.

The other problem faced by A's is the loss of expertise to the competitors. The team relies on the use of sabermetrics in the management of the team. There is a trend by most of the senior officials of the club to move to other

teams. They move with this knowledge which they use in the management of their new teams. Other members of the team share their operation strategy via the internet. This exposes Oakland A's HR strategy to other teams in the league. In this regard, the performance of the team is at jeopardy as the competitors are out to out shine each other. If other teams imitate the strategy, the long-term sustainability of the strategy will be at risk. The team needs to identify other strategies to ensure continued successful performance.

Reference

Roberto, M. A. (2005). Billy Beane: Changing the Game. New York: Havard Business School.