



WHITE PAPER

Moneyball Lessons for Supply Chain Management

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Today's leading supply chain operators are evolving their management practices to meet new challenges. They are proactively embracing new performance metrics and supplier relationship paradigms to compete and succeed.

Are you ready to “Moneyball” your Supply Chain?

“If you challenge conventional wisdom, you will find ways to do things much better than they are currently done.” – Bill James

In 2003, Michael Lewis immortalized Oakland Athletics General Manager Billy Beane in his book “Moneyball”. In the book, Lewis examines the Oakland Athletics and Billy Beane to reveal how they squeezed more from their comparatively meager resources than much larger, more profitable teams. In 2002, the year before the book was published, the largest payroll in baseball belonged to the New York Yankees at \$125,928,583. Oakland had the third lowest payroll at \$40,004,167, a number less than a third of the Yankees total. However, in 2002 both the Yankees and Athletics won 103 games.

Through “Moneyball”, Billy Beane shared how he accomplished that feat. By focusing on analytics, an evidence-based approach, and tapping into the emerging field of sabermetrics the Athletics were able to get more value for their money than their competition did. “Moneyball” is a memorable and even inspirational story, helped by the fact that Brad Pitt played Billy Beane in the movie of the



same name, but it also holds lessons that apply to many fields.

Many of the lessons contained in “Moneyball” can be applied to supply chain management. All organizations, large or small, can benefit from getting more value for every dollar they spend. Following are six principles from the book that can be applied to supply chain management benefiting companies and their customers:

“You can't do the same thing the same way and be successful for a long period of time.” – Billy Beane

DATA-DRIVEN DECISION MAKING:

“Moneyball” emphasizes the power of data and analytics in decision making. In supply chain management, data plays a crucial role in understanding demand patterns, optimizing inventory levels, improving transportation efficiency, and identifying areas for cost savings.

By adopting a data-driven approach, companies can use analytics and insights to make informed decisions and optimize their supply chain operations.

PERFORMANCE METRICS AND KPIS:

“Moneyball” highlights the importance of using performance metrics and key performance indicators (KPIs) to evaluate player performance in baseball. Similarly, in supply chain management, companies can use KPIs to measure and monitor the performance of their suppliers, logistics providers, and other stakeholders.

By tracking relevant KPIs, companies can identify areas for improvement and align supply chain operations with strategic goals.

INNOVATION AND ADAPTABILITY:

“Moneyball” showcases how the Oakland Athletics used innovative and unconventional strategies to gain a competitive edge in a highly competitive industry. Similarly, in supply chain management, companies need to be innovative and adaptable to changing market dynamics, technological advancements, and customer demands

Companies can learn to think outside the box and find creative solutions to supply chain challenges.

COLLABORATION AND TEAMWORK:

“Moneyball” highlights the importance of collaboration and teamwork in achieving success. In supply chain management, collaboration among different stakeholders, such as suppliers, manufacturers, distributors, and retailers, is critical for achieving an efficient and effective supply chain.

Companies must rethink their supplier relationships. Success today is dependent upon developing or fostering a truly collaborative partnership with their critical suppliers working together to achieve common goals to reduce relationship costs.

FOCUS ON TALENT AND SKILLS:

“Moneyball” emphasizes the importance of talent and skills in building a successful baseball team. Similarly, in supply chain management, having the right talent with the right skills is crucial for managing complex supply chain operations.

Companies must invest in talent development, recruitment, and retention strategies to build a skilled and capable supply chain team.

RISK MANAGEMENT:

“Moneyball” discusses the concept of risk management in baseball, such as managing injury risks and player performance risks. Similarly, in supply chain management, companies need to proactively identify and manage risks, such as supply disruptions, transportation delays, and quality issues.

Companies must develop and incorporate risk management strategies and contingency plans to minimize the impact of risks on their supply chain operations.

“Managers tend to pick a strategy that is the least likely to fail, rather than to pick a strategy that is most efficient. The pain of looking bad is worse than the gain of making the best move.”

– David Palmer

Conclusions & Recommendations

While “Moneyball” is a book about baseball, it contains valuable lessons that can be applied to supply chain management. Every company should be seeking an advantage over their competition and looking to accrue higher value for every dollar spent.

Coming out of the pandemic, procurement and supply chain management must be strategic functions for most companies. The last three years bluntly, completely, and rudely introduced the global economy to the realities of supply chain disruption. In the current period of relative calm, companies must take the opportunity to re-imagine and transform supply chains and procurement practices to shore up gaps exposed during the pandemic, better understand and manage risks, and advance these functions to build competitive advantage.

Contact Tim Murphy to learn more about our firm, arrange a discussion with our experts, or explore your supply chain management opportunities.



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