

Book Review

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Gennaro, Vince. (2007). *Diamond Dollars: The Economics of Winning in Baseball*. Hingham, MA: Maple Street Press.
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The Foreword in *Diamond Dollars* (DD) is a ringing endorsement of Vince Gennaro and his analytical five-tool approach to baseball management and player evaluations. The author of that two-page piece writes that

Gennaro can evaluate and measure the efficiency of a team's scouting and player development systems...[and he] even shows how to measure the effect that the strength of a team's brand, fan loyalty and an individual player's popularity... can have on the bottom line of a team. (Forward, p. x)

Furthermore, "any owner of a baseball team should make this required reading for all of his employees." And "as you read the pages ahead, you will be given the structure to ask the right questions about baseball decisions."

Then why, when leafing through the book, does this reviewer equate such claims with weekend morning television broadcasts that virtually guarantee that on sending for a \$19.95 book (+S&H) or attending an upcoming "free" seminar at the local Holiday Inn, one can, with no expertise or money, routinely buy and flip real estate properties (or, in today's world, gobble up at foreclosure sales) for a tidy sum, use a here-to-fore undiscovered method to rack up obscene profits in the stock market, or make a bundle by investing in newly minted but somehow still rare gold coins that have been procured for the couch-investor by a firm with a name that sounds like a government entity? Or when killing time at airport terminal bookstore racks, perusing multiple volumes that offer 7-, 10-, or 12-step programs by a CEO to market your products or yourself more effectively, or from a Hollywood celebrity or someone in a white coat on how to shed pounds? There is a reason why such get-rich schemes on television are shown at low-opportunity cost times, and self-help business and diet books are so pathetic as genres.

I confess that I might have been more positive about DD had the Foreword's praise not been from a former general manager of the Orioles and Expos! Or if he had not boasted that "although the Detroit Tigers lost in the World Series this year [2006], they could measure the considerable financial carry-over of a deep run into the 2006 postseason to 2007 and beyond, attributable to this one year of success." Unfortunately, the Tigers did not make the playoffs in 2007 and will not come close in 2008 either. Some carry-over or coat-tails indeed. One-trick ponies, one-hit wonders, and the *Sports Illustrated* cover jinx are standard issue when it comes to making sweeping generalizations from small samples, atypical performances, and compelling but ad hominem stories and situations.

In addition, book-jacket copy and the publisher's promotional literature tout in the opening sentences that "Vince Gennaro is a consultant whose client list includes MLB teams." That does not bode well for the book, nor a volume that reads like a long series of PowerPoint slides that were prepared for a conference presentation—or a promotional pitch by, say, a consultant to, say, Major League Baseball (MLB). And in the end, that is the author's intended audience and the publisher's revenue stream: MLB owners and front-office personnel. It is not a book for baseball fans nor for scholarly audiences, though geeks may derive some pleasure—or frustration—from trying to replicate his results; it will not settle any bar bets either, though it may generate some fights among the beer-sotted clientele.

Endnotes are plentiful but only a handful relate to research by economists who toil in these same fields or to the standard-fare with regard to the sports economics literature, where data and empirical work could buttress—but also refute—some of the author's assertions. There is an index but no references/bibliography or appendices. That latter omission is perhaps indicative of a fault with the book as a whole: The author makes statements that purport to be based on models and empirical findings, but he does not produce those equations, data tables, or regression results that would solidify his case for readers or allow researchers replicate or verify his claims, or to extend the analyses. At every turn and table, one is left with the implicit "trust me" assertion that "estimates [were] generated by the author's model." In addition, virtually none of the more than 70 figures that dot the chapter pages—some are qualitative and subjective representations but many are put forth as the quantitative Gospel—is properly sourced.

The focus—his sales pitch?—in the book is the relationship between winning and financial returns to the franchise owner, which then factors into personnel decisions and molding the preferences of local fans ("building the brand") with a "new management model." *Moneyball* was about strategic decision making on the field for the purpose of winning games on a shoestring; DD is about winning games because it can be a profit-maximizing strategy in some situations. As Jerry Seinfeld or a Chicago economist might add, "not that there's anything wrong with that."

I am largely sympathetic to replacing "intuition" and "instinct" with quantitative analysis and statistical approaches to decision making in the sports industry. But the seemingly ubiquitous presence of mind-numbing percentages, dollar figures, random statistical comparisons, and idiosyncratic DD accounts are poor substitutes for formal models and good data series in books, locker rooms, or broadcast booths. Otherwise, one runs the very real risk of being tripped up by mistakes and "dated data," as happen frequently to Gennaro.

With regard to organization, Gennaro lays out his business model and five-tool formula in chapter 1. "Five tools" in baseball parlance generally refer to a player's arm strength, his speed and defensive skills, and being able to hit for average and for power. For the savvy owner, Gennaro's five-tool analogy breaks down basically as finding an ample but as yet undiscovered flow of homegrown prospects to create

a pool of high talent but low-wage players who together populate an MLB team which then allows the owner to complete the roster by judicious (read: cheap) use of the free agent market to field a competitive but low-wage team with adorable players who do not take drugs or abuse their girlfriends, which then allows the franchise to make the playoffs and maybe the World Series and amass larger net revenues, which are enhanced by winning more games and creating loyalty among lemmingesque fans who love these charming winners, and which increases the value of the franchise. “And they all lived happily ever after” (p. 13—I did *not* make that up). Or, buy low, sell high; or, take two and hit to right. The movie version will be entitled “Major League Winners.”

The remainder of the book is devoted to fleshing out the formula. Chapters 2 and 3 constitute Part I. They treat winning and revenues, and the intersection of the two—what he terms the “win-curve.” For Gennaro, marginal wins (in the mid-80s to mid-90s range in a season) can generate revenues from increased attendance and postseason play for the right team(s). For bottom-feeders, winning another few games does not pay, and the same holds for teams running away with the pennant. Basically, the relationship between winning and net revenues is not linear. This section is perhaps his strongest contribution to the literature and strategic decision making. It makes intuitive sense, though more transparency on the empirical front would allay some concerns.

Chapters 4, 5, and 6 in Part II as well as chapters 7 and 8 of Part III focus on the worth of a given player to pennant contenders versus the also-rans (or never-rans): how to value them, including their “marquee” worth; how to scout and develop individual talent; and how to combine them into an optimal financial roster. Quantifying performance through marginal revenue product or win-shares or wins above replacement player or value over replacement player is complicated but doable; how one measures the value of aura, charisma, and articulateness in a player requires a metric with which I am not familiar. But in many respects, these five middle chapters constitute “the heart of the order” in the book.

The final three chapters, 9 to 11, constitute Part IV and are on brand creation—“deepening the emotional connection between a team and its fans” with the “team brand development pyramid”—and how to market the franchise to these now-loyal fans—“A framework for a strategic plan”—using “a new management model.” Marketing 101 complete with flow charts and clichés, equally applicable to a baseball team owner, a soft-drink distributor, or a presidential candidate’s bevy of war-room strategists.

The first two sections are about baseball; the last one is about what one might get fed in an MBA program. Furthermore, as applied to baseball, creating a brand and brand or team loyalty among fans can, in theory, hike attendance and local television broadcast revenues; it is potentially a positive-sum game for the league as a whole, just as instilling loyalty among Harvard or Ohio State alumni could raise endowments. But when it comes to winning—and Gennaro’s “win-curve” modeling—it is

a zero-sum game: One team's win is another's loss, and your win may depend on your ability to spot and exploit a temporary disequilibrium. Only in Lake Wobegon can everyone be above (a .500) average forever. And thus the age-old question—"If you're so smart, why aren't you rich?" can be converted to the sports-talk-radio equivalent: "If you're so smart, why didn't you win the World Series?" And instead of the generic "consultant to MLB teams," one has to ask of the author: Tell us which teams.

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