

THE

SUCCESS\$S

EQUATION

UNTANGLING SKILL
AND *LUCK* IN BUSINESS,
SPORTS, AND INVESTING

Michael J. Mauboussin



«**NAVIDAD**»

Natividad. Roger van der Weyden, siglo XV.
Tabla perteneciente al tríptico del Retablo
de la Virgen. Capilla Real de Granada.



LOTERÍAS Y APUESTAS DEL ESTADO

3
TRES

3
TRES

1
UNO

4
CUATRO

8
OCHO

LOTERÍA NACIONAL

Décima parte del billete
para el sorteo del día

22 de diciembre de 2007

EL DIRECTOR GENERAL

1021



102/07

36^a

SERIE

7^º

FRACCIÓN

PRECIO

20

EUROS

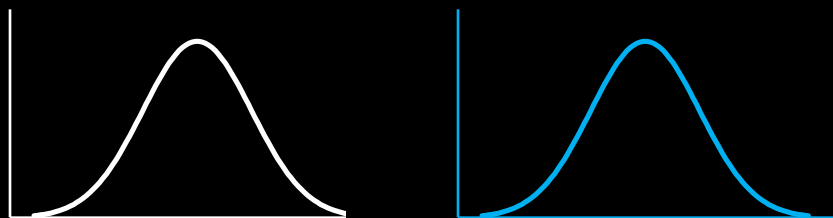
RCM-FNMT

■ 5 102707036 > 03 14 16 1021 ■

Pure
Luck



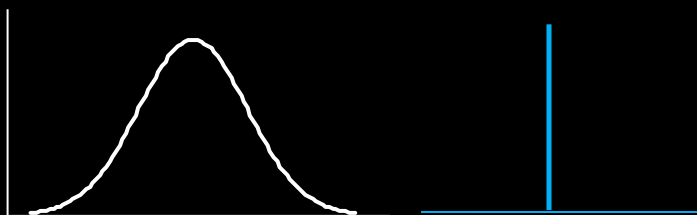
Pure
Skill



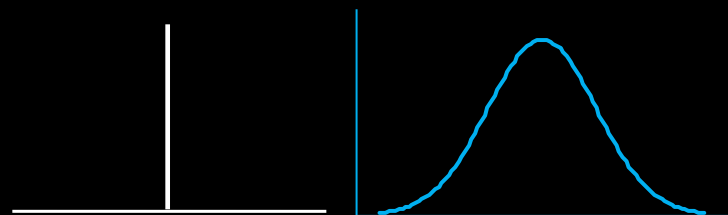
Blend of luck and skill

Pure
Luck

Pure
Skill



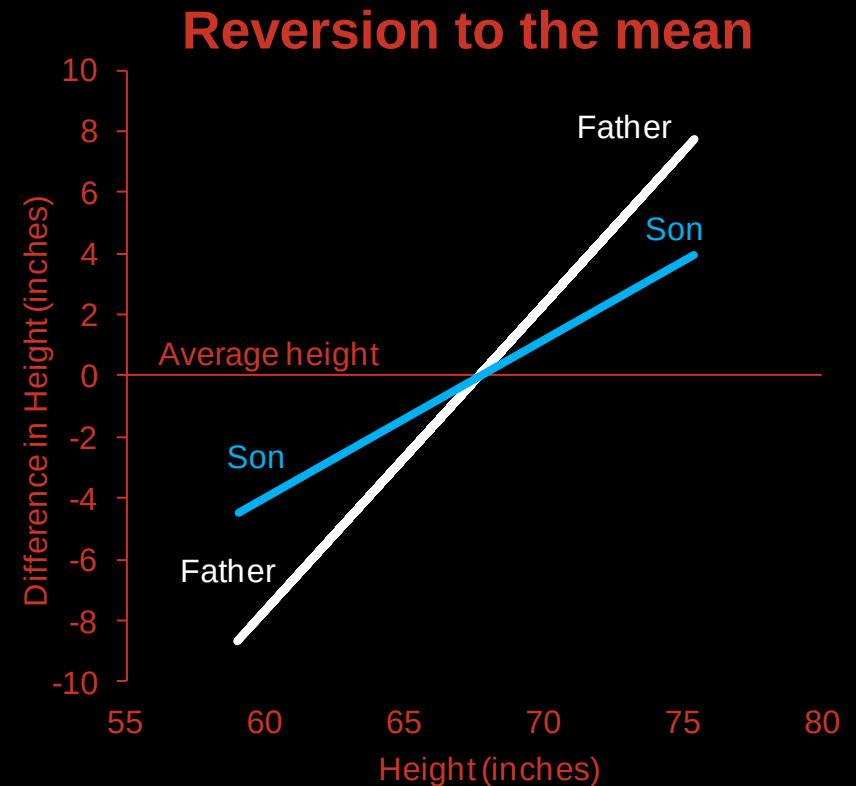
Pure luck and no skill



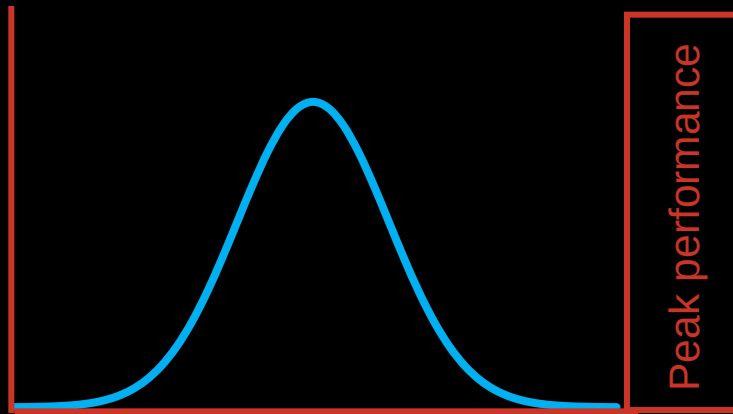
No luck and pure skill

Three Easy Lessons

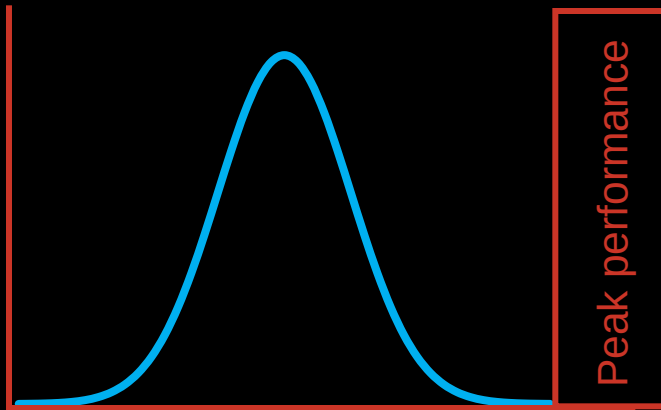
Outliers = extreme skill and luck



Contribution of skill versus luck . . .



Past



Present



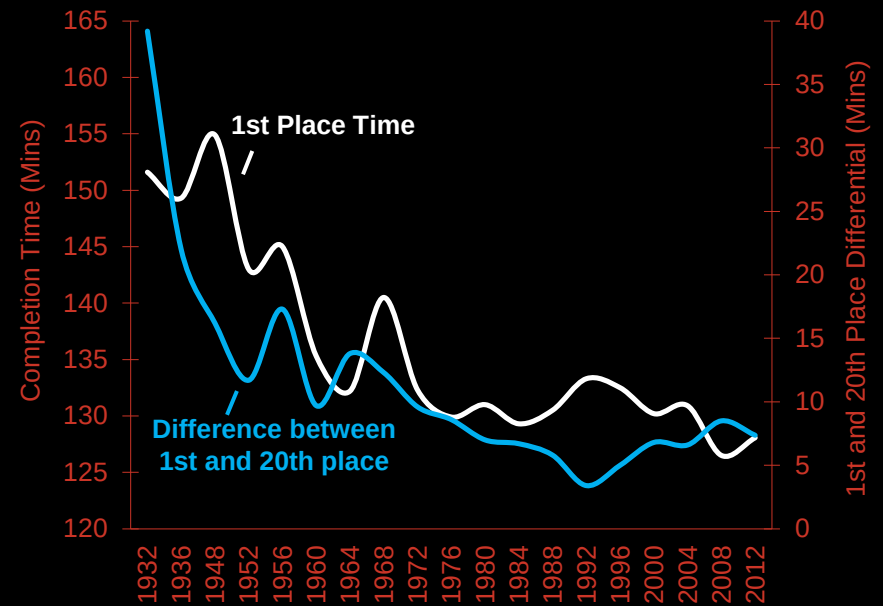
http://en.wikipedia.org/wiki/File:Ted_Williams_BBall_Digest_May_1949_raw.jpg.



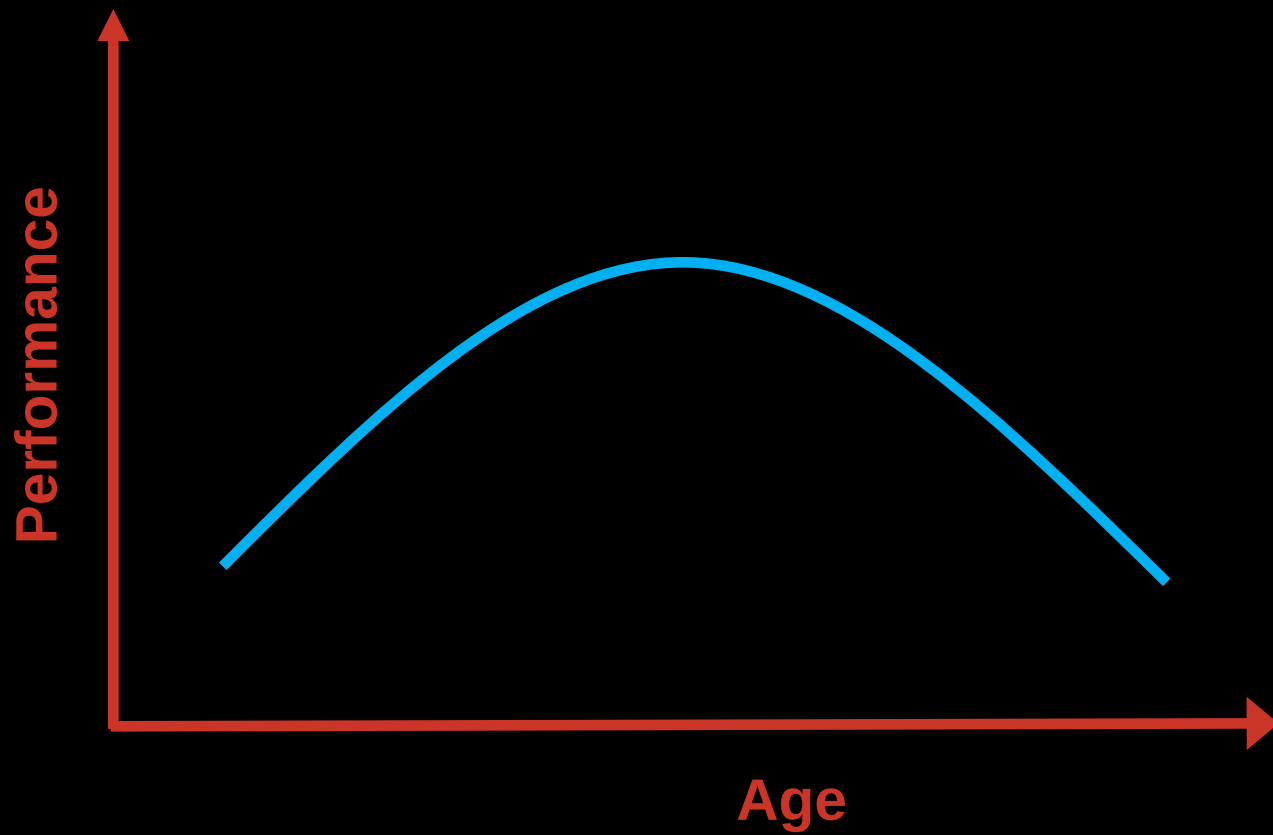
Source: Googie Man.



Olympic Men's Marathon

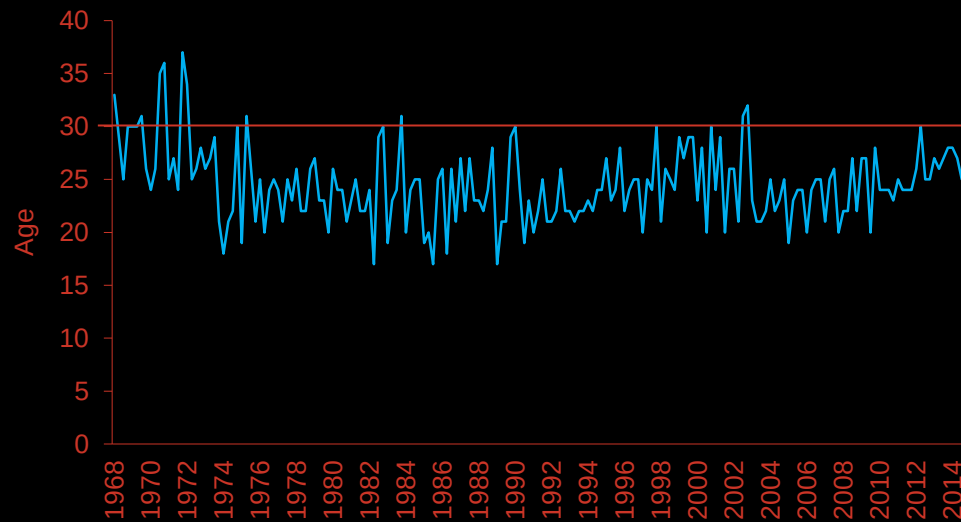
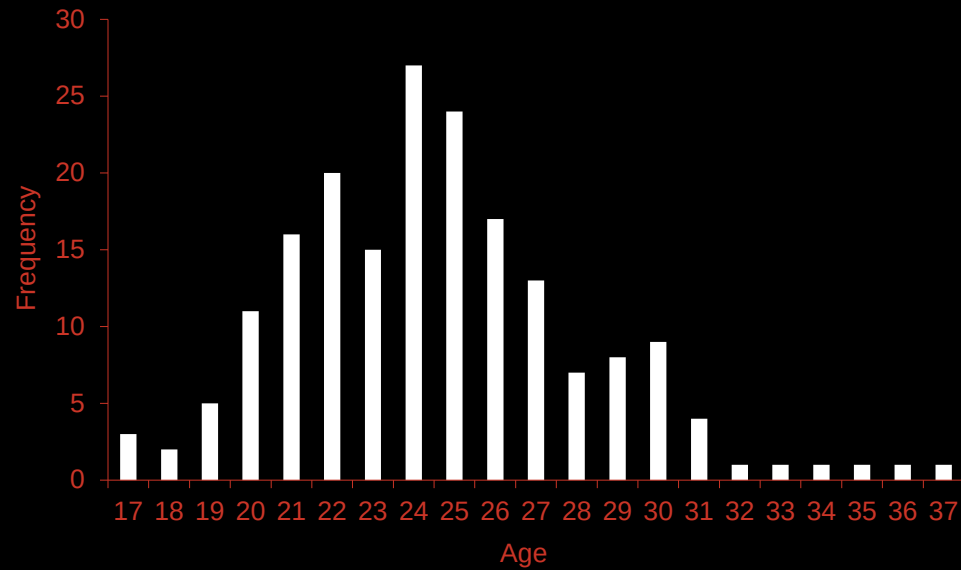


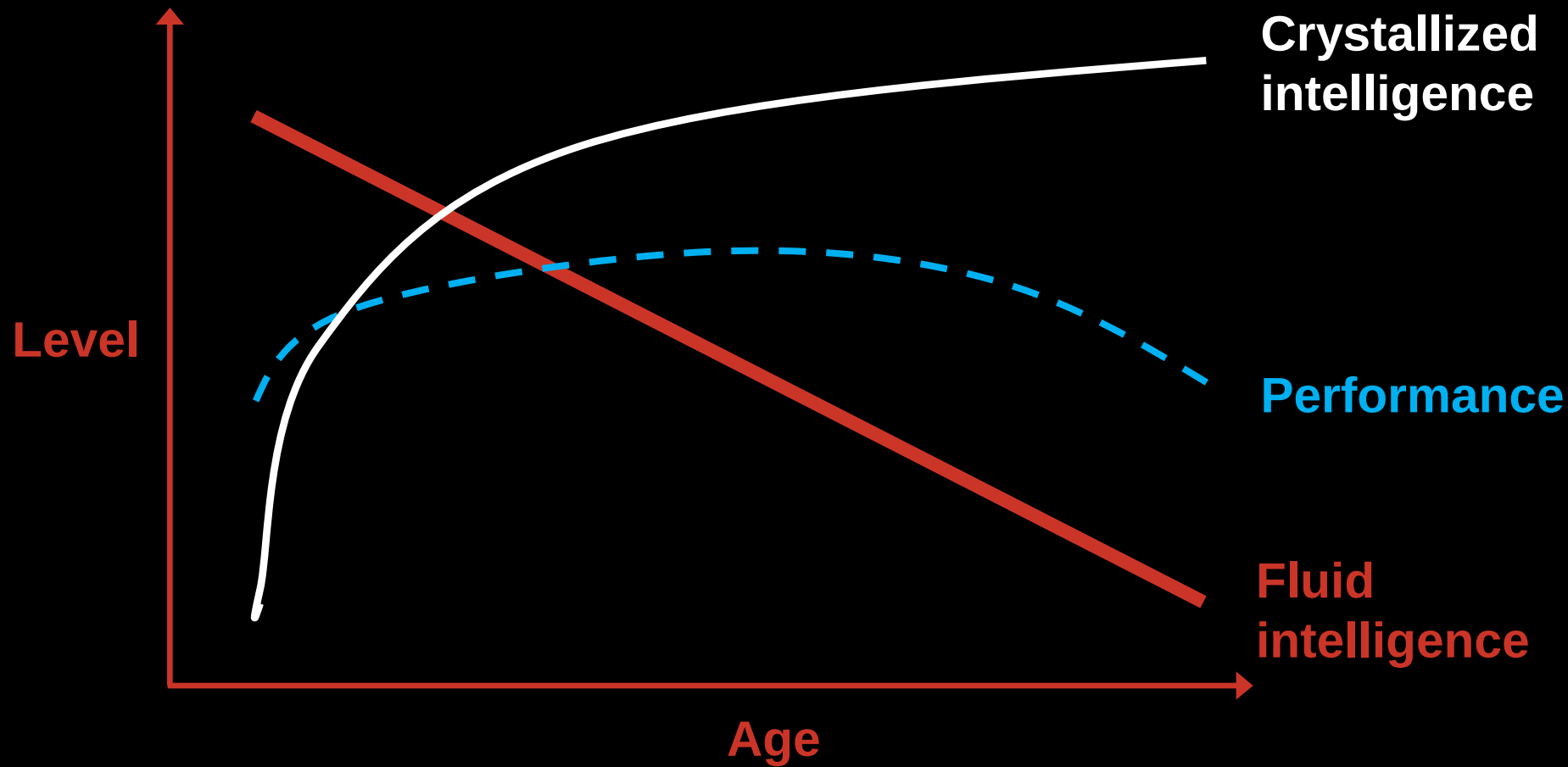
Source: www.olympicgamesmarathon.com; Michael J. Mauboussin, *The Success Equation: Untangling Skill and Luck in Business, Sports, and Investing* (Boston, MA: Harvard Business Press, 2012); iStockphoto.



Source: James Phelps.

Tennis Grand Slam Winners, 1968-2014





Source: Based on Sumit Agarwal, John C. Driscoll, Xavier Gabaix, and David I. Laibson, "The Age of Reason: Financial Decisions Over the Life Cycle and Implications for Regulation," *Brookings Papers on Economic Activity*, Fall 2009, 51-117.



Jack
Married



Anne

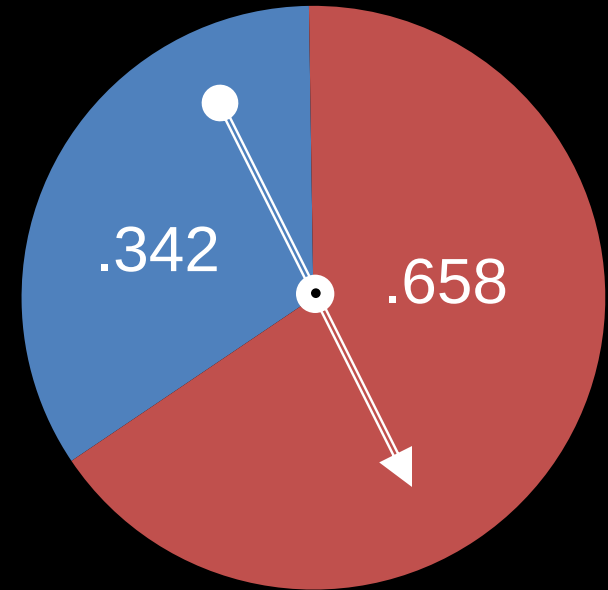


George
Unmarried

- A. Yes**
- B. No**
- C. Cannot be determined**



Source: Library of Congress, Prints & Photographs Division [LC-USZ62-98072].







Source: Musée du Louvre.

Estimate of Market Value in 1849



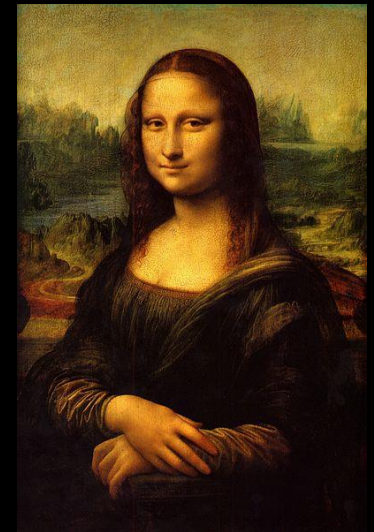
*La Sainte Famille
de François I*
Raphael
600,000 francs



La Belle Jardinière
Raphael
400,000 francs



La Vierge aux Rochers
Leonardo da Vinci
150,000 francs



La Joconde
Leonardo da Vinci
90,000 francs





Source: Used by permission.

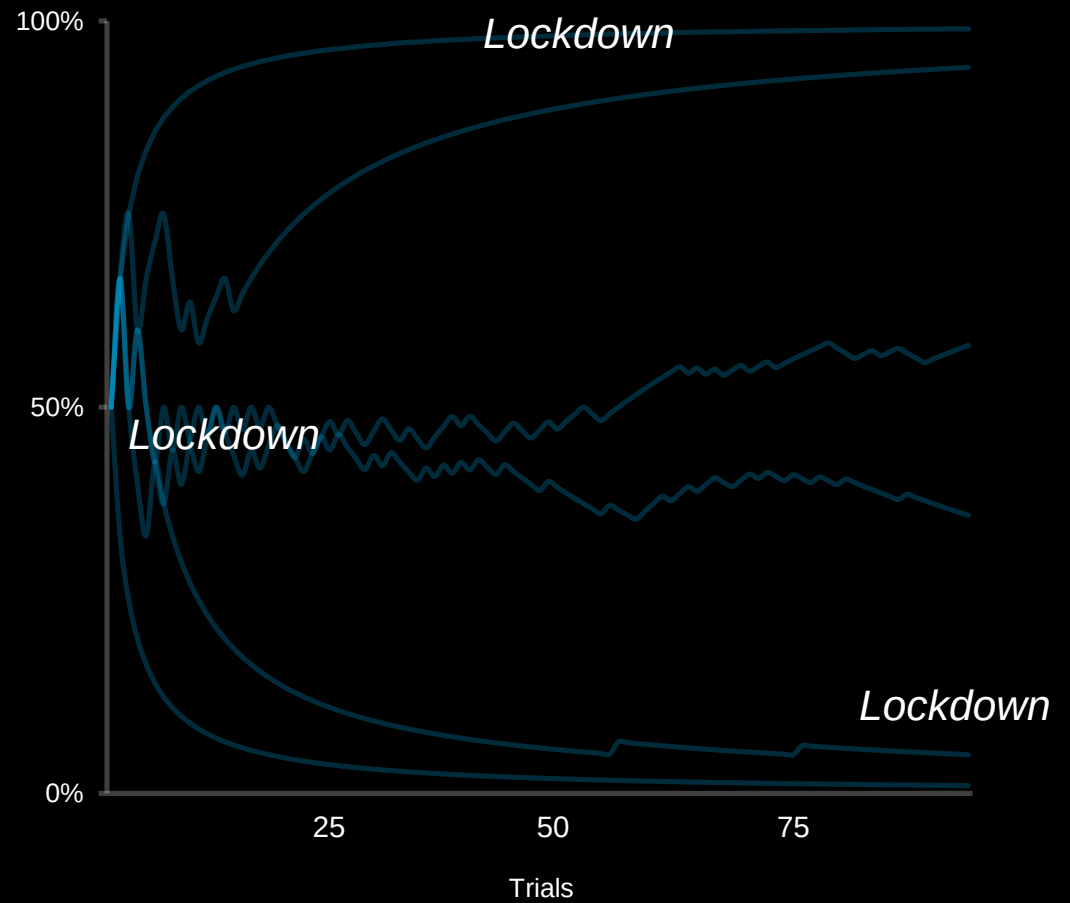
#1

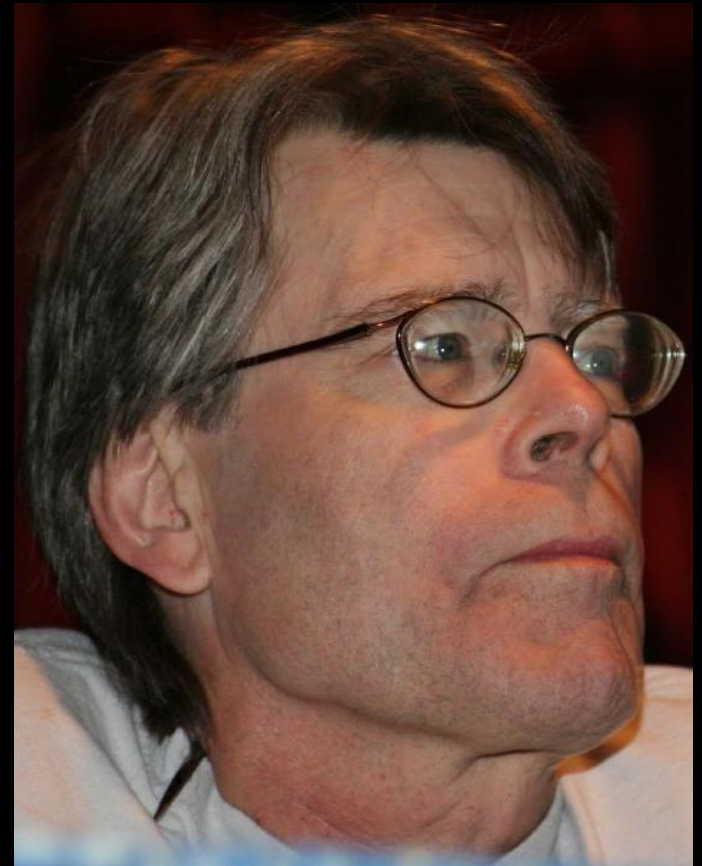
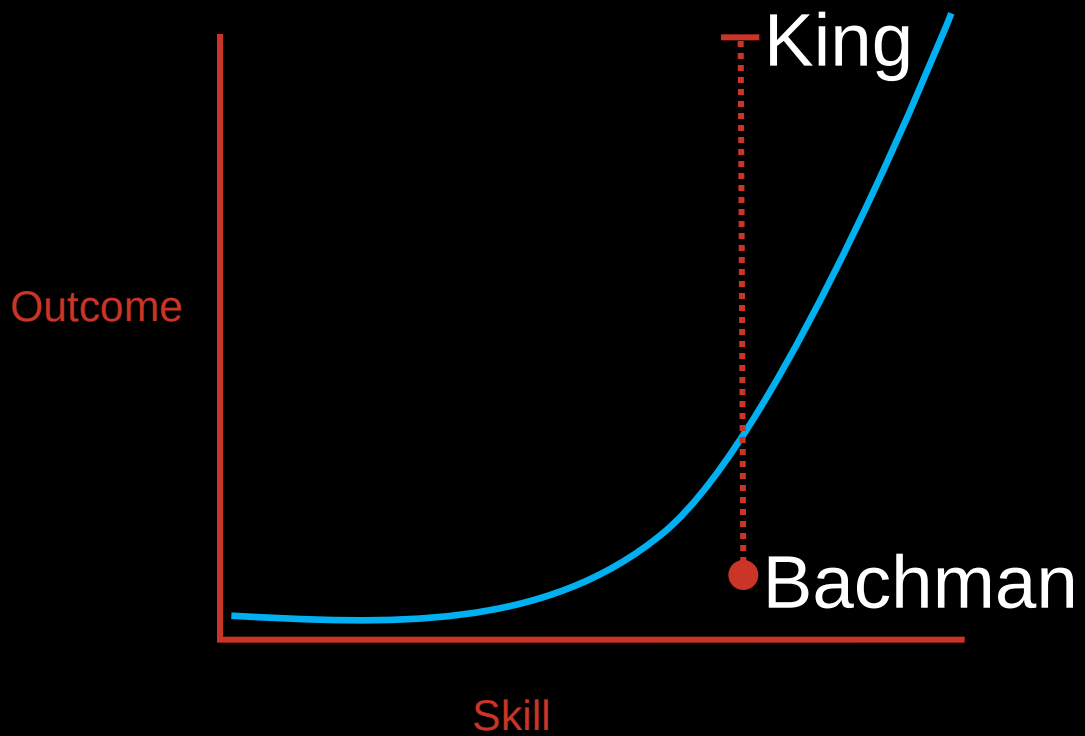
#48

Independent

Social World A

Social World B



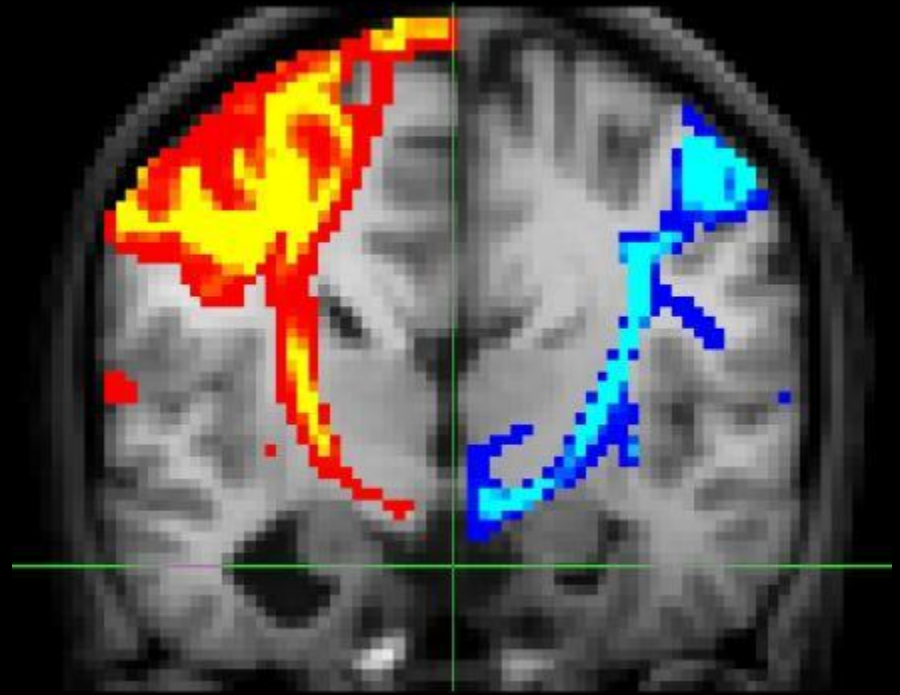


Source: Pinguino's flickr account.

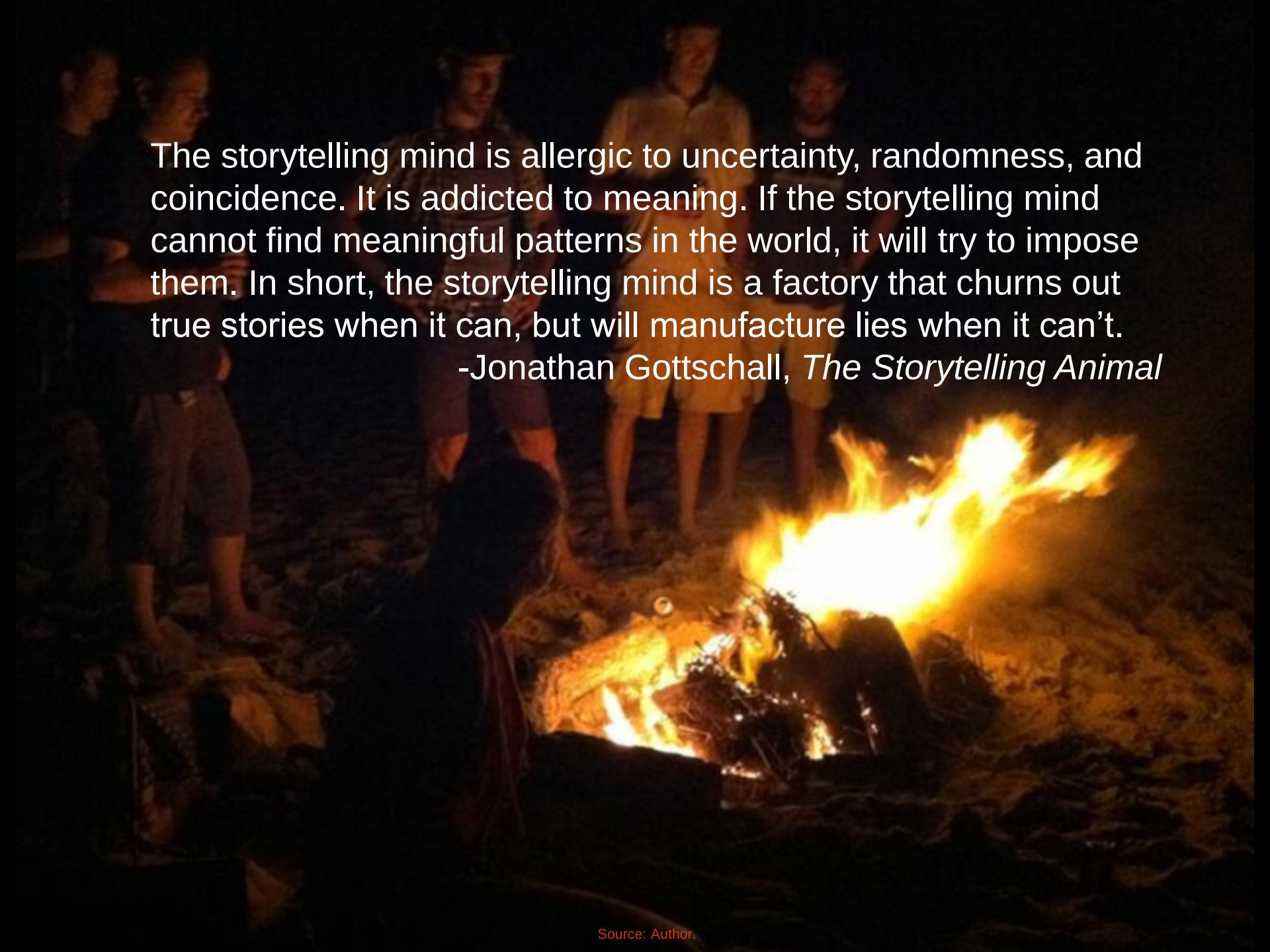
The Interpreter



Source: <http://www.charlierose.com/view/interview/451>.

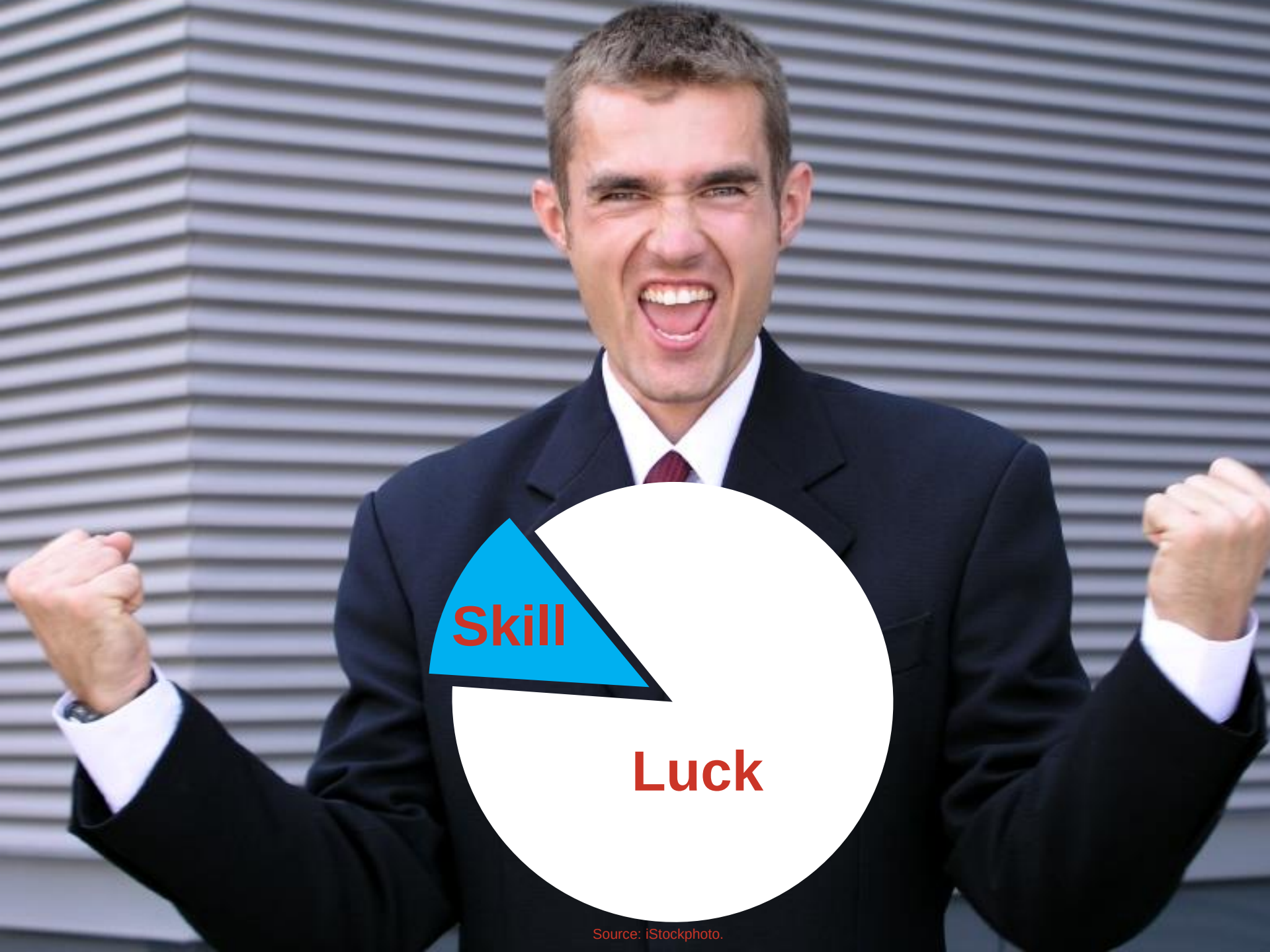


Source: <http://emotion.caltech.edu/agcc/images/structuralConnectivity.jpg>.

A group of people are gathered around a campfire at night. The fire is bright and central, illuminating the scene. Several people are standing in the background, and one person is sitting in the foreground, looking towards the fire. The background is dark, suggesting a nighttime setting outdoors.

The storytelling mind is allergic to uncertainty, randomness, and coincidence. It is addicted to meaning. If the storytelling mind cannot find meaningful patterns in the world, it will try to impose them. In short, the storytelling mind is a factory that churns out true stories when it can, but will manufacture lies when it can't.

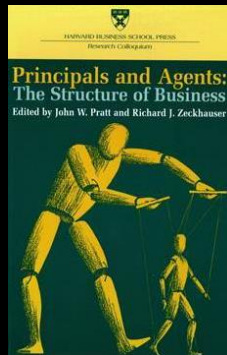
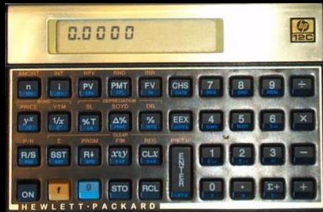
-Jonathan Gottschall, *The Storytelling Animal*



Skill

Luck

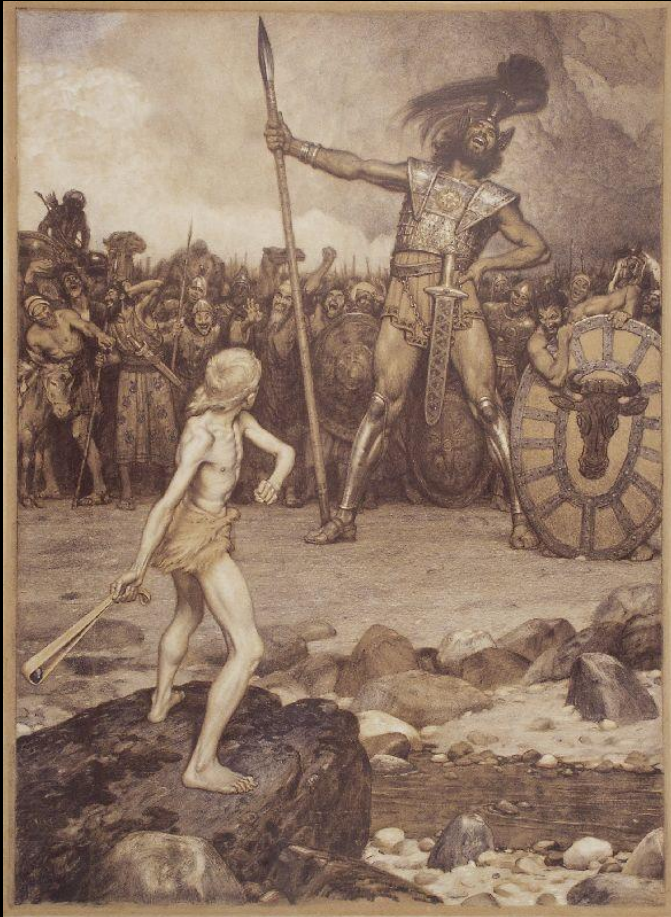
Process



Deliberate practice



Favorite: Simplify
Underdog: Complicate



Little bets



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