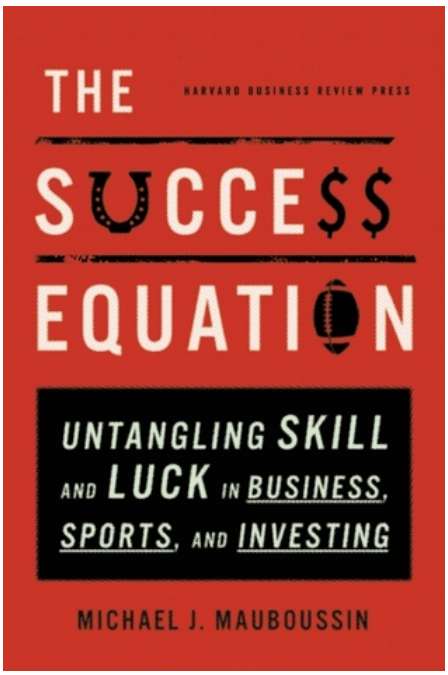

The Success Equation

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The Success Equation Details

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From Reader Review The Success Equation for online ebook

Tyson Strauser says

Mike Mauboussin is one of my favorite authors. In THE SUCCESS EQUATION, he takes us on a ride through the math of sabermetricians, case studies of behavioral psychologists, and through his own investigations to show us that success is a product of the interplay between skill and luck.

The book offers a few new (to me) insights that are worth recalling:

The paradox of skill - in fields where skill is more important to the outcome, luck's role in determining the ultimate winner increases. And in fields where luck plays a larger role in the outcome, skill is also very important but difficult to ascertain without a large enough sample set.

IQ vs RQ - identifies that IQ is an overused talent measure for success because RQ (rationality quotient) is more closely associated with decision making. He argues that many people hide behind "good work product", clearly an IQ outcome, rather than evaluating "good decision making" which is much better associated with RQ.

The Matthew Effect - highlights the idea that the most successful individuals tend to grow more successful and the poor grow poorer due to the endowment effect of early success (which may be due to good luck and not just skill).

Favorites should eliminate complexity on the "battlefield" - if you have superior resources, you should try to concentrate your battles in fewer fields than if you are the underdog. Various studies show that increasing complexity increases the role of luck and gives the underdog an advantage in competition.

The fluid mind vs the crystallized mind - the research shows that our fluid mind, the part of our brain useful for creative decisions when facing problem sets we have not seen, decreases with age an accelerating rate. The crystallized mind, our ability to develop mental models for "problems we have seen before" tends to increase well into our old age. The optimal age for investing, it turns out, is in the late 30s to mid 40s.

Clutch performance - perhaps the one topic I wish MM would have spent more time on. He acknowledges that streakiness does have some empirical support but that this topic hasn't been as well studied from a behavioral perspective as it has been from an observation standpoint. Maybe for his next book...

Bottom line: there is both depressing and hopeful conclusions from MM's latest book. First, the good news. Outperformance due to high skill IS statistically supported in the data. However, good luck is required to turn high skill (the prerequisite) into success, but luck plays a heavy hand in outcomes. The only way to reduce the role of luck in games where luck still plays a dominant role is to understand what it means to be a 6'10" basketball player in your chosen field. It would seem like the prerequisites for success in investing (the 6'10" basketball player equivalent are as follows:

1) a high IQ,
2) an elevated RQ, that has a strong system 1 with great pattern recognition and a non-lazy system 2 with excellent logical processing, with
3) a creative (fluid mind) intelligence that allows the investor to think about investing opportunities through unique, differentiated framing,

4) a well tuned crystallized mind that correctly identify patterns and uses well-developed mental models to make decisions with the information, and
5) clutch instincts that allow the investor to make difficult decisions even under pressure when presented with new, adverse, or fortuitous information.

Vaibhav Gupta says

An extremely interesting book trying to break down the role of skill and luck in life and puts a lot of events that happen around us in perspective. Interesting statistics and an innovative method of untangling the relationship between both. Provides insights as to how you could go ahead and try and improve your chances of being lucky.

Mohammed says

Interesting additionally for whose who are obsessed with the theory of "deliberate practice"

Vedran Karli? says

One thing is certain – author has knowledge about skill and luck to some degree. But that is maximum I'll give to this book, there are so many problems I've encountered.

Empirical data? I would never go that far. The author is citing other people that talked about same thing, or at least aspects of ideas that he is using in this work. Without an explanation of there work, or why is it true for his final work. We have to presume it is. But that is not strange, as we have to presume that whole his work is true. It might be, but there is zero evidence. Graphs with data are here, but how anyone got to that date? Not even a slightest explanation of that.

Repetition didn't help, and I'm not sure how good it is for investment. But sports part was subpar, populistic, and not even a sign of science. Waste of time.

David Ball says

Michael Mauboussin's quantitative thoughts on sports and investing may not be everyone's cup of tea. But having seen him speak a couple of times - I even met him once briefly - I know we share a similar mind set. So I was more excited than most when I stumbled onto The Success Equation. Maybe not as excited as I was when I read Murakami on running or Knausgaard on football, but still pretty excited. I did learn many interesting and useful things such as: which sports rely more on luck (hockey) and which are more skill based (basketball); and where investing falls on the luck-skill continuum (it's more random than we'd would believe). And the more luck plays a role in an outcome, the longer it can take for skill to become apparent. In

hockey for example, the number of scoring chances are few, so a bad team can often beat a good team with a lucky break or a hot goaltender. But over a best-of-seven series though, the luck averages out and the 'better' team should win. Luck also plays an important role in how quickly results return to normal (regress to the mean). In investing, because luck is so influential, good years usually follow bad years and vice versa, which makes it very difficult for an investor to show any sort of performance persistency. Finally, Mauboussin has some interesting things to say about intelligence and aging. For most people fluid intelligence (i.e. problem solving) peaks at 20 then deteriorates, while crystallized intelligence (i.e. knowledge) improves with age. Apparently peak performance for a financial professional is 53, which gives me hope. Old people are better at refining and improving processes, while the young are better suited for new ideas and experimentation. All good stuff; but the problem with this book is that all these ideas are concentrated in the first 100 pages. In the second half, Mauboussin goes into how to build skill, deal with luck, and develop good guesswork. While these may be worthy topics in themselves, I found these chapters to be mainly reworkings other people's writing (Gawande, Kahneman, Tetlock). All worthy ideas, decently presented, but a bit derivative. Overall, although the content is not always original, there is some thought provoking material here, and it's easy to read.

Dariusz says

A fantastic book. It's easy to read, it's thoughtful, it's full of knowledge. Every chapter provides great advices – ready to use in business, sports betting, investing and everyday life – even in raising your children. Author presents a source for practically every fact or information in his book – whether it's a book of an economy professor or author's own analysis. This book really gave me a lot of insight into my life, it made me think differently. You'd be surprised how much luck there is to our lives and how much it can change. Thanks to this book, I started to love statistics.

Tracey Kreps says

Unsurprisingly I quite enjoyed this book. The writing style is superb and creates an approachable framework for a largely statistical and/or quantitative based exercise. In fact, I wish this type of reading were pre-course required reading for statistics classes in order to provide the student with a useful framework for the educational effort they are about to begin.

Gregg says

Success (and failure) are the result of both skill AND luck. Successful people (and outcomes) are not just those with the most skill who work the hardest, but they often benefit from good luck too. Different activities are the result of different mixes of skill and luck; e.g., the outcomes of NBA games and chess are highly reliant on skill, while the outcomes of investing and gambling are highly reliant on luck. The author takes a very statistical, but accessible, approach. I'll never think of elite achievers and dismal failures the same.

James says

Some good clear practical takeaways to frame decisions in business/investments and picking fantasy sports teams! The core premise could be summarized well in a typical HBR article, but the book is still relatively short and includes some good examples across sports, business and investments that support the arguments.

Philski says

Very interesting book - he kept the math simple but explained how events occur on a continuum of skill and luck, and how various sports and activities can be quantified by their components of skill and luck, and how some statistics are more meaningful (more skill than luck).

Lots of examples and the math is easy... good read for just about anyone interested in sports/investing/etc.

Devyn Duffy says

Good introductory book with a few ideas that were new to me. If the book has a main idea, it's an attempt to tease out the differences between skill and luck and then decide what to do based on the results. Mauboussin advises that when skill is predominant in a field, the best course of action is "deliberate practice" with feedback and coaching; when luck is predominant, he advises not to worry over results, because you have little or no control over them, and instead just focus on getting your process right so you can succeed in the long term.

I liked his discussion of a "skill paradox," which I've noticed in places but haven't seen anyone talk about. It's the idea that in a new market or sport, participants will have big differences in ability, so that the most skilled participants will sometimes have extraordinary success, like the .400 hitters in the earlier days of baseball--but in a mature market, more skilled people have joined, and the existing participants have improved their abilities, so even though overall skill has increased, the difference in skill has largely disappeared, so the remaining variation is mostly due to luck. In short, you can have more success with less skill if you're an early entrant into the market. Your best chance of success is to do something that few others are doing, rather than trying to beat the established players at their own game.

I noticed a typo or two in my copy and at least one misleading graphic. The graphic on skill versus luck in sports suggests that American football is more luck-based than baseball (which is highly unlikely to be true), but Mauboussin's work actually suggests only that the results of a season in the National Football League are more luck-based than the results of a Major League Baseball season--because the MLB season has ten times as many games as the NFL season (162 vs. 16), and therefore a bigger sample to cancel out luck.

On the business side, Mauboussin shows that incentives are rewarding factors that are generally luck-based and have little to do with a company's real success. For example, he argues that stock options can reward poor performers when overall market prices rise and can punish good performers when overall market prices drop. And in his section on the value of making simple checklists to avoid preventable errors, he correctly hints at the general principle that ideas from management are far more likely to succeed if they solicit input from the people who will do the actual work. This particular issue seems to be a common and damaging one for U.S. companies at least (that management often tells workers not just what to do but how to do it, when

the managers don't do that work and often never have), and it might have been good for Mauboussin to discuss it in greater depth. Even here, Mauboussin himself makes the mistake of taking for granted that senior executives have greater skill than other employees, when at best they might just have different skills.

All in all, I found The Success Equation to be useful and easy to follow. I've already taken some ideas from it to use in my own work.

Katherine Collins says

Are you convinced your kids are smarter than their SAT scores indicate? Are you frustrated that your obvious genius at work seems underappreciated? Do you have great 3-year investment returns but still wonder if you've "got it"? Then you must, must read this book. Here is a brief interview with some highlights: http://www.wired.com/wiredscience/201...

Amber says

As someone interested in each of sports, business, and investing, I had high hopes for this book but ultimately found it lacking. The connections between the three are often tenuous, the chapters frequently repetitive (this book would have been better as a long essay), and the material often regurgitated from other authors (I've read Thinking Fast and Slow, some Taleb, and tons on sports analytics, so a lot in this book was repetitive).

The author does add some of his own analysis, specifically on which sports and games feature more or less luck--but I found his methodology not especially compelling, and the author far too certain that he had figured out exactly where these games sit on the skill-luck spectrum. Additionally, I thought he over-simplified some of the questions he was trying to address (which, granted, are complicated), for the sake of making a point--particularly in an example he gives about the Yankees, which in my view ascribes to luck what is actually variation in skill.

Two anecdotes I wasn't familiar with that seemed on point--Atul Gawande, a noted surgeon, emphasizing the importance of feedback even for expert practitioners; and the value of checklists in minimizing error in medical procedures, airplane navigation, and other fields.

It's not poorly written, but not distinguished on this front, either ("During the summer, personal ambition often lay dormant, like an animal in hibernation").

Trading Bases, another book I read recently, addresses some of the same topics, in a much more compelling fashion, and with much more thought-provoking analysis.

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loafingcactus says

After the egotistical musings of Taleb (The Black Swan: The Impact of the Highly Improbable) this book was a breath of fresh air. The author provides clear explanations of how intuition and practice mislead one when skill and luck are mixed, and what understandings from reality one can and cannot rely upon. All of

this information is provided at an engaging pace without reverting to the gee-wiz tricks or over-simplification of the TED generation. If something like Taleb built your interest in the topic, this is the book to read to actually understand it.

Matt Asher says

This books is about understanding how to disentangle luck and skill when evaluating performance, and the implications of making predictions in different environments. Lots to think about here, and the author does a good job of introducing a few ways to tease out skill from luck. Unfortunately, most of the interesting action happens in academic papers which are merely alluded to, so he gives conclusions and brief summaries of the studies, but doesn't show their inner workings. How do we know that the studies themselves didn't arrive at their conclusions out of pure luck?

This book is a bit of a mish-mash, and tends to wander off into summaries of well known studies related to cognitive biases, even if the relation to the main subject is minimal. It's also repetitive, especially towards the end once the main points have been made. All that said, as a starting point for understanding skill vs luck it's not bad, and the author clearly has a broad knowledge of the field of research.
