



The Success Equation: Untangling Skill and Luck in Business, Sports, and Investing

By Michael J. Mauboussin

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“Much of what we experience in life results from a combination of skill and luck.” — From the Introduction

The trick, of course, is figuring out just how many of our successes (and failures) can be attributed to each—and how we can learn to tell the difference *ahead of time*.

In most domains of life, skill and luck seem hopelessly entangled. Different levels of skill and varying degrees of good and bad luck are the realities that shape our lives—yet few of us are adept at accurately distinguishing between the two. Imagine what we could accomplish if we were able to tease out these two threads, examine them, and use the resulting knowledge to make better decisions.

In this provocative book, Michael Mauboussin helps to untangle these intricate strands to offer the structure needed to analyze the relative importance of skill and luck. He offers concrete suggestions for making these insights work to your advantage. Once we understand the extent to which skill and luck contribute to our achievements, we can learn to deal with them in making decisions.

The Success Equation helps us move toward this goal by:

- Establishing a foundation so we better understand skill and luck, and can pinpoint where each is most relevant
- Helping us develop the analytical tools necessary to understand skill and luck
- Offering concrete suggestions about how to take these findings and put them to work

Showcasing Mauboussin’s trademark wit, insight, and analytical genius, *The Success Equation* is a must-read for anyone seeking to make better decisions—in business and in life.

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Editorial Review

Review

"I just finished reading the most enjoyable business book I've read in a long time - although relegating *The Success Equation*, by Legg Mason Chief Investment Strategist Michael J. Mauboussin to this category would be a grave disservice, significantly understating its sophistication and selling short its achievement." -- *David A. Shaywitz on Forbes.com*

"Really enjoyed reading *The Success Equation* by @mjmauboussin over the last few days. A smart, insightful book. ow.ly/s3KIE" — **As tweeted by Daniel Pink**

"... a fascinating book that forced me to reflect on my decision-making processes for investments." — **Tomasz Tunguz, Inc. magazine**

"Mauboussin's latest, excellent, book attempts to show how to work out what decides the outcome of a given situation. — **James von Simson, portfolio manager at Thurleigh Investment Managers**

"Mauboussin has always been a must-read. His 2013 book is no exception." — **Tadas Viskanta, founder and editor of Abnormal Returns**

"*The Success Equation* makes a valuable contribution to the literature on decision making...thoroughly researched and well written...I highly recommend the book to anyone interested in making better investment choices." — *Financial Analysts Journal*

"With this book, Mauboussin takes an important step in making a case for the role of statistical analysis in decision-making in various contexts, ranging from CEO compensation to child rearing to college rankings and even picking the next musical superstars. It is almost as if the number crunchers heralded in Michael Lewis' *Moneyball* have found their second voice." — *Business World magazine*

"Mauboussin excels at explaining his ideas, many of which are based on complex neuroscience in accessible terms, using case studies and examples from investing decisions, college rankings, and hospital procedures." — *Publishers Weekly*

"... for investors and business executives wishing to minimise the risk of bad luck, this is a book worth reading." — *Financial Times*

"there is a lot of thought-provoking stuff in the book, for sports fans as well as investors." — *The Economist*

"For investors who don't mind wading into some technical weeds, though, Mauboussin suggests some concrete tools." — *U.S. News & World Report*

"Well written and analytical, this book completely changed how I think about success." — **The Motley Fool (fool.com)**

"There are tons of statistics and abstractions, yet there is coherence and precision in Michael J. Mauboussin's

new book, *The Success Equation*. Filled with instances from sports and markets, it's an insightful read." — **Mint (livemint.com)**

"It's always hard to get the balance between detail and readability right when writing a popular book about math. But Mauboussin manages it well." — **MoneyWeek**

"...the clarity of Mauboussin's writing, and the quality of the examples makes the book a worthy addition to the managerial library." — **strategy+business Magazine**

"*The Success Equation* makes a valuable contribution to the literature on decision making when both luck and skill are involved. It is thoroughly researched and well written. I highly recommend the book to anyone interested in making better investment choices." — **CFA Institute**

"an engaging book." — **Choice Magazine**

"In *The Success Equation*, Mauboussin explores the contributions of skill and luck, and discusses how interpreting past results through the 'skill-luck continuum' can help leaders to make better decisions...This can be a useful way to look at business leadership... [He observes that] luck becomes more important and skill less so, as people climb up the hierarchy, which also raises interesting questions about how leaders can continue to grow and enhance their skills... what leaders can do, is to improve their understanding of the impact of fortune on their decisions." — **The Sunday Times**

"...a fine and different approach business readers will find involving." — **The Bookwatch, Midwest Book Review**

"In dealing with success and luck Mauboussin presents a useful model." — **Eric Falkenstein, Seeking Alpha**

"I just finished reading the most enjoyable business book I've read in a long time – although relegating '*The Success Equation*,' by Legg Mason Chief Investment Strategist Michael J. Mauboussin to this category would be a grave disservice, significantly understating its sophistication and selling short its achievement." — **David A. Shaywitz on Forbes.com**

"Fascinating. Michael Mauboussin's insights into the relationship between skill and luck are clearly and simply explained, relentlessly logical and often counter-intuitive. This makes for great reading and provides powerful tools for understanding sports and markets. Anyone who wants to understand sport or business beyond the platitudes and assumptions routinely trotted out as expert analysis should read this book." — **Ivan Gazidis, Chief Executive Officer, Arsenal Football Club**

"If you liked Michael Lewis's *Moneyball*, with its mix of data and great storytelling, you'll very much enjoy Michael Mauboussin's *Success Equation*." — **Jack Covert, 800 CEO READ**

"Michael J. Mauboussin is always worth reading. ... almost everyone will find something in this book that either he hadn't thought about before, or that he thought about incorrectly." — **Brenda Jubin, Seeking Alpha**

ADVANCE PRAISE for *The Success Equation*:

Philip Tetlock, Leonore Annenberg University Professor, Wharton School and School of Arts and

Sciences, University of Pennsylvania; author, *Expert Political Judgment*—

“Mauboussin seems to know everything there is to know about how to skillfully disentangle skill from luck. He also knows how easy it is to botch the job and has great stories—from music studios to baseball dugouts to the New York Stock Exchange—that bring statistical abstractions to life.”

Howard Marks, Chairman and cofounder, Oaktree Capital Management; author, *The Most Important Thing*—

“In *The Success Equation*, Michael Mauboussin helps us understand the difference between skill and luck and, importantly, how to tell how much each contributed to a given outcome. He reminds us that in fields where luck plays a big part, like investing, outcomes are of limited relevance in assessing performance. And, indispensably, he points out how important it is for practitioners ‘to develop an attitude of equanimity toward luck.’ I love that!”

James Montier, GMO; author, *The Little Book of Behavioral Investing*—

“*The Success Equation* is a brilliant and insightful book packed with interesting anecdotes and rigorous analysis. Anyone dealing in fields that blend some combination of luck and skill—which is most of us—will find their understanding enhanced by reading it. The central role of process in such environments is often underestimated. This book helps redress the balance.”

Paul DePodesta, Vice President of Player Development and Scouting, New York Mets—

“Few people acknowledge or care to accept the central role that luck plays in our lives. Michael Mauboussin not only understands the separation between skill and luck, but more importantly, provides a mental framework to deal with the reality. This is an important read.”

About the Author

Michael J. Mauboussin is an investment strategist and has been in the financial services industry for more than twenty-five years. He has also taught at the Columbia Graduate School of Business since 1993, and is on the board of trustees at the Santa Fe Institute.

He is the author of two previous books, *Think Twice: Harnessing the Power of Counterintuition* and *More Than You Know: Finding Financial Wisdom in Unconventional Places* and is coauthor, with Alfred Rappaport, of *Expectations Investing: Reading Stock Prices for Better Returns*.

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