



Why You Don't Understand Luck

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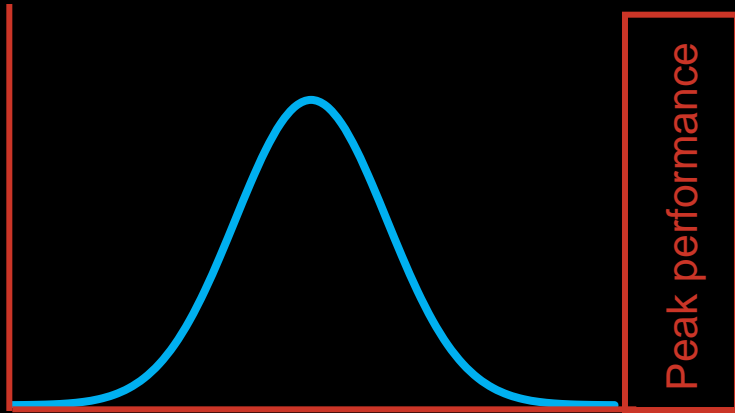
Fourth-and-jackass. That's our name of a now infamous play in New England Patriots history. Each and every week we see bad coaching decisions in the NFL, but never, and I mean never, have I seen one as dumb as the decision Patriots coach Bill Belichick made Sunday night against the Indianapolis Colts. His brain was more frozen than Ted Williams'.

– Pete Prisco, CBSSports.com

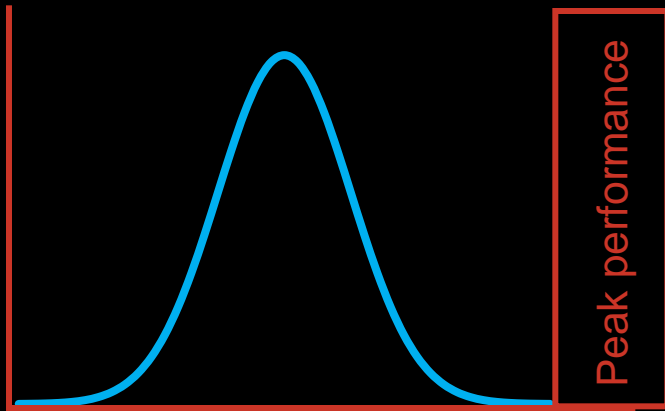
Pure
Luck



Pure
Skill



Past



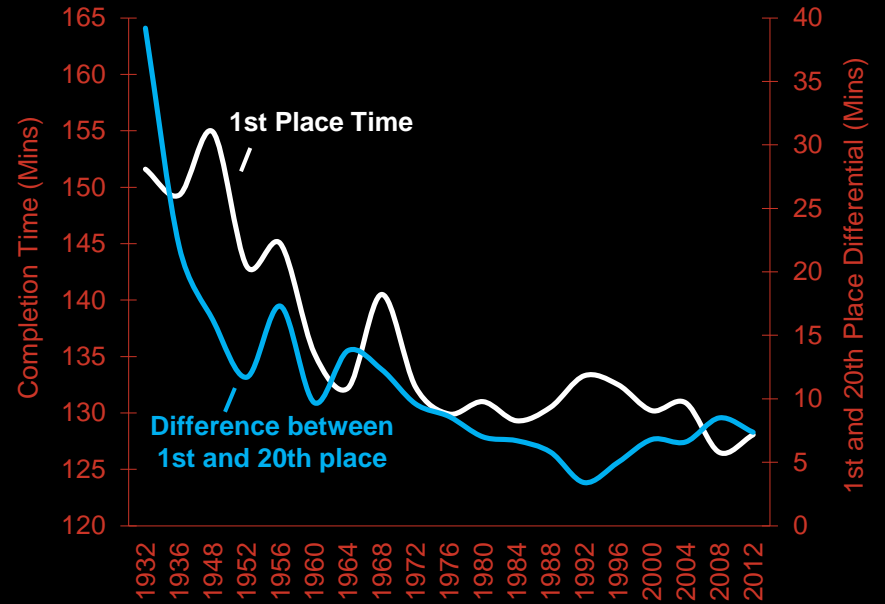
Present



Source: Googie Man.



Olympic Men's Marathon



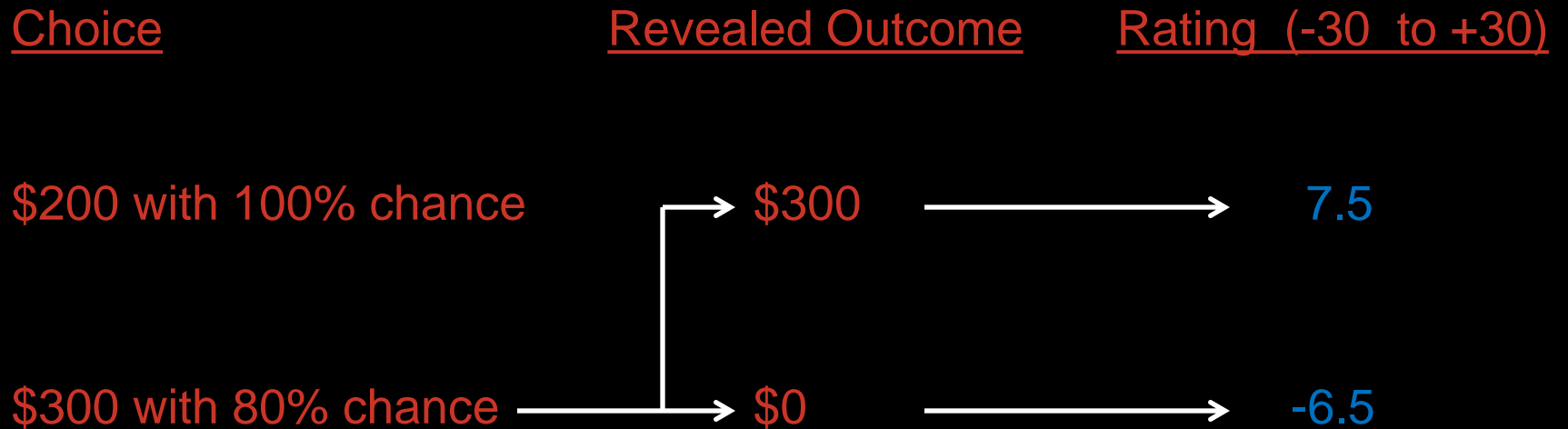
Source: www.olympicgamesmarathon.com.

Core problem: Confuse Process with Outcome

		Outcome	
		Good	Bad
Process	Good	Deserved Success	Bad Break
	Bad	Dumb Luck	Poetic Justice

Source: J. Edward Russo and Paul J.H. Schoemaker, *Winning Decisions* (New York: Doubleday, 2002), 5.

Outcome Bias

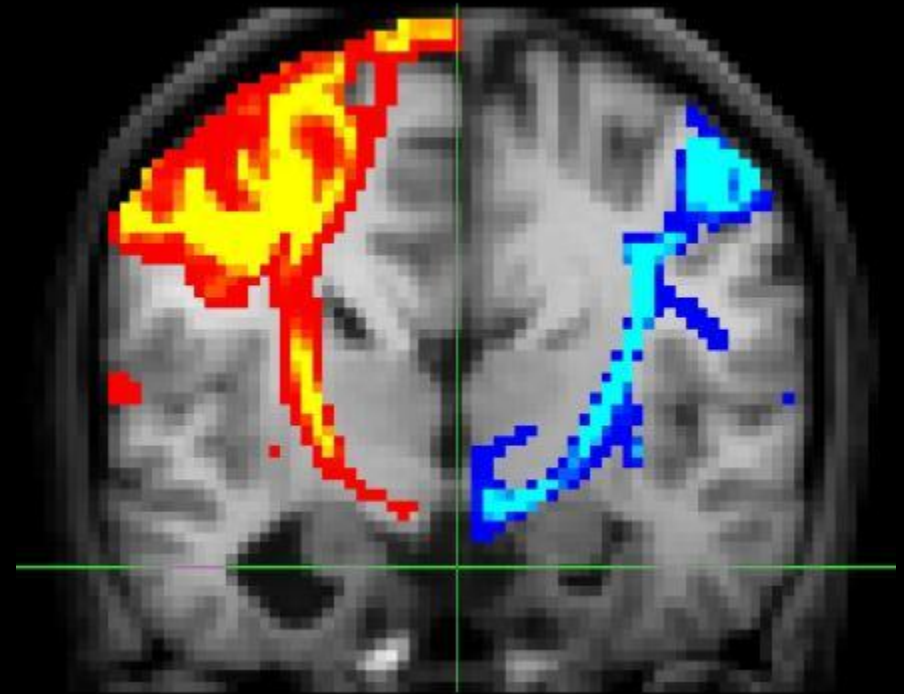


Source: Jonathan Baron and John C. Hershey, "Outcome Bias in Decision Evaluation," *Journal of Personality and Social Psychology*, Vol. 54, No. 4, 1988, 569-579.

The Interpreter



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



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

Anecdotes or Antidotes?

Success rate

90% 30%

Positive anecdote

88 78

Negative anecdote

39 7

Source: Angela K. Freymuth and George F. Ronan, "Modeling Patient Decision-Making: The Role of Base-Rate and Anecdotal Information," *Journal of Clinical Psychology in Medical Setting*, Volume 11, Number 3, 2004, 211-216.

Three Lessons

We overweight recent results



We rely too much on perception



We make risk-averse choices



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