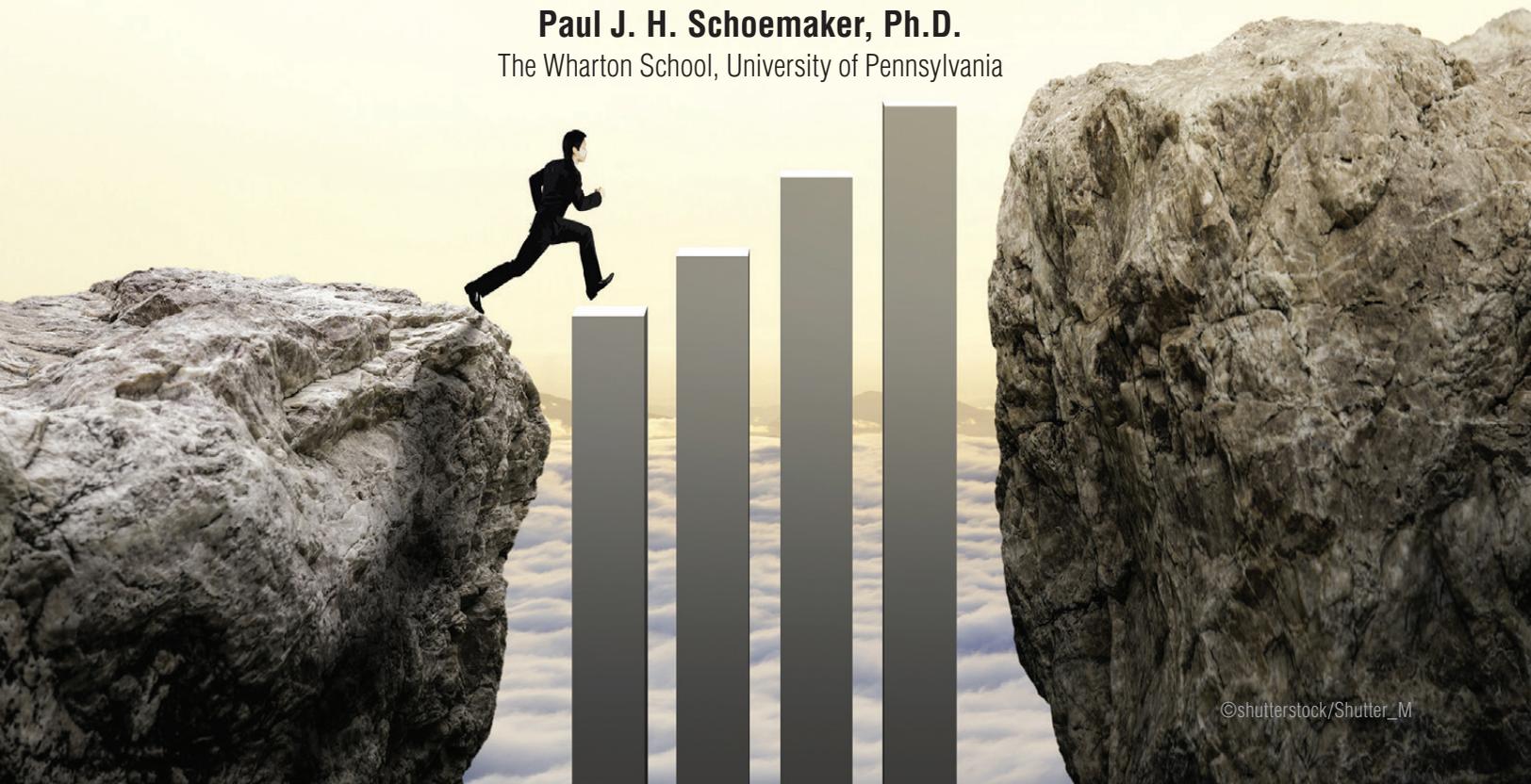


Forget Dumb Luck - Try Smart Luck:

Strategies to Get Lady Fortune on Your Side

Paul J. H. Schoemaker, Ph.D.

The Wharton School, University of Pennsylvania



©shutterstock/Shutter_M

Life entails a great deal of uncertainty, shaping our careers and personal paths in unexpected ways. Paul Schoemaker examines eight complementary approaches which can improve the odds of favorable outcomes, both in business and in life. This strategic road map will help you to increase the number of times luck smiles upon you and to incur risks only when you have a sufficient statistical advantage.

The Oxford dictionary defines luck as “success or failure apparently brought by chance rather than through one’s own actions.”¹ This definition focuses on outcomes in which random factors played a dominant role. At its core, then, luck is about random events occurring by chance, a field that has been extensively studied in statistics as well as decision making, economics, physics, and biology (random variation). Most people view luck as the opposite of determinism, control, or strategic intent. But because we can often influence situations in which chance plays a role, these forces are actually linked. In creative fields like art, science, and business, serendipity – the unintended discovery of beneficial events or occurrences - may be brought on by indirect design as well as by pure luck.² My recommendations reflect academic research on decision making, strategy, and innovation, including some of my own. I also draw on personal experiences in founding and running companies, as well as in advising numerous organizations worldwide. I have long been intrigued by why some people or firms seem so lucky in business, and have always wondered to what extent strategic designs underpinned their good fortune.

Rather than hope for the best and wait for good things to happen, shape your circumstances so that good luck will find you more often.

Dumb vs Smart Luck

The first challenge is to reframe your views about luck and realize that it usually entails much more than random chance. Yes, the

primary force behind luck is the way that probabilities play out, but there are things you can do to shift the odds in your favor. Rather than hope for the best and wait for good things to happen (dumb luck), shape your circumstances so that good luck will find you more often (smart luck). The extent to which success in life is due to luck or skill is in the eye of the beholder and may therefore vary by person, culture, and even language. But whatever your view on luck, there are strategies that will increase the odds that Lady Fortune will smile upon you. This may not work when you are playing games of pure chance like state lotteries³ or roulette, but when the mix of skill and chance is complex and partly under your control, why not try smart luck?

Most business opportunities lie at the fuzzy intersection of luck and preparation, so you need to be ready when the stars align. Without strategic preparation, many random opportunities will pass you unnoticed, just as they did Romanian boxer Serafim Todorov. After beating Floyd Mayweather Jr in the semi-finals of the 1996 Olympics in Atlanta, Todorov was guaranteed either a silver or a gold medal. A group of American boxing promoters offered him a lucrative contract, ready for signing, before the final match. Being unprepared to be favored by such luck, Todorov refused on the spot. He failed to recognize how perfectly the stars were aligning for him, just this one time in his life. He went on to lose the final match (settling for silver) and became embroiled in suspicions that he had fixed the fight.

The promoters, meanwhile, had turned to young Mayweather when Todorov refused them. Mayweather was psychologically ready for breakthrough success. Despite having just lost his semi-final, he had the ambition, analytic smarts, and presence of mind to

seize this golden opportunity. He signed the contract and became the world’s most famous feather-weight boxer. Floyd Mayweather never lost another match and eventually amassed over \$280 million in personal wealth.⁴ Todorov was just not poised to act decisively when opportunity knocked and made a bad snap decision. He still lives in a modest apartment in the small town of Pazardzhik in southern Romania, across from a burned-out coffee hut. He has plenty of winning photos and boxing trophies to keep him company, along with daily regrets about what could have been. Without steady work, Todorov and his wife subsist on a state pension of 400 euros per month.

These contrasting cases of dumb and smart luck demonstrate how, by strategizing and being prepared to seize the moment when it arrives, we can often influence the circumstances in which luck may strike. The meta-strategies described below can help anyone to better play the game of luck so as to have a competitive edge in business and life. Although my focus here is on better managing the upside of luck in business, many of these strategies can be applied to any part of life, to find the good luck and avoid the bad. Figure 1 lays out the eight meta-strategies under a conceptual umbrella of four key phases: creating opportunities, assessing risk and return, refining your strategy and changing your mindset.

1. Position Yourself Better

Most people are unduly constrained by their current location, implicit assumptions, or self-image. If you are toiling thanklessly in a backwater business or organization, it is unlikely that you will encounter many lucky breaks. The place where you happen to start your career is seldom the best place from which to succeed in the long term. For college track star Marilyn King, the key to

smart luck was a fundamental shift in mindset. She stopped thinking ‘I am an average, hardworking athlete and I hope to someday be on the relay team that goes to the national championships’ and adopted the seemingly outrageous thought, ‘I could be in the Olympics.’⁵ In short, if you want to be number one, you must start to think and act like number one. For King, that meant quitting her job, moving to California, and devoting all her time to her sport.

She found herself an excellent coach, a supportive environment, and a stellar twenty-year pentathlon career, earning five national titles, a World Record, and a place on the US Olympic team in Munich in 1972 and Montreal in 1976. Without an Olympic mindset like King’s, it’s hard to design the conditions that produce smart luck. The challenge is to overcome the self-limiting perspectives, parochial views, or critical assumptions that are holding you back. Are you in the right job, business, or social group to be favored by chance? Which of your assumptions are holding you down and how can you test them? In my book *Brilliant Mistakes*, I explored how entrepreneurs and innovative leaders tend

Are you in the right job, business, or social group to be favored by chance? Which of your assumptions are holding you down and how can you test them?

to be unusually willing to test their most deeply held assumptions, even when they are confident that they’re correct.⁶

Practical pointers: Conduct an audit of where you are vs. where you want to be; who do you know that has successfully repositioned themselves and how; how extensively have you deployed the eight strategies in the diagram below?

2. Improve Peripheral Vision

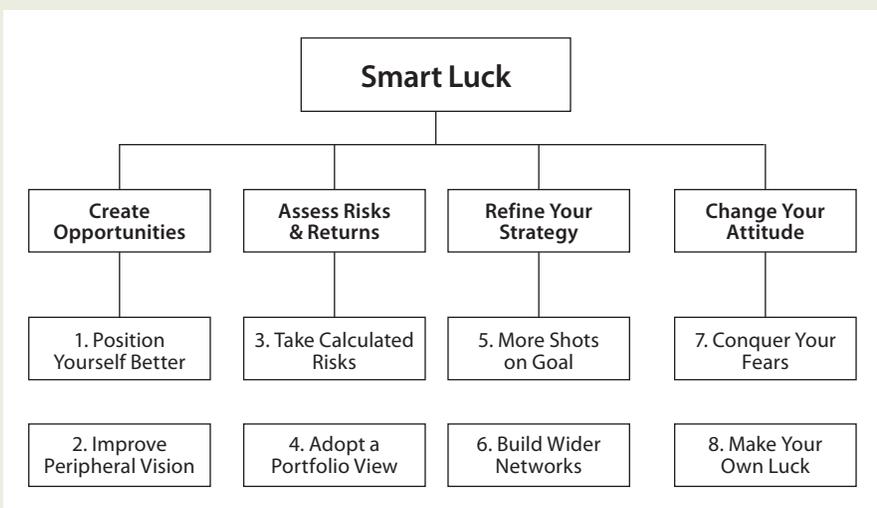
Opportunities are all around us, but we may focus so intently on a specific few that we miss a hundred others. Once you have put yourself in a better environment, physically or mentally, try to become a keener observer. Sometimes luck may actually knock loudly on your door, but most opportunities will not be

presented on a gold platter. Like Easter eggs, you have to find them yourself. If you keep looking in the wrong places, good luck will simply pass you by. In a famous attention study, participants were shown a film of six people and asked to count how many times they passed a basketball. In their focus on passes, half the participants failed to see a person dressed as a gorilla stroll through the game, turn to pound his chest at the camera, and walk away.⁷ Likewise, taking a narrow view of our own opportunities can ruin our peripheral vision. Don’t be the person who looks for their lost keys only near the lamp post, where the light is best; search a wider field, explore the shadows, and hone your peripheral vision.

Andy Grove, former Chairman and CEO of Intel, emphasized that, “when spring comes, snow first melts at the periphery, because that’s where it is most exposed.” Look for new opportunities at the edges of your business, scanning the horizon like the roving beam of a lighthouse. When something catches your interest, zoom in and explore it further. Above all, don’t focus too narrowly. FBI agents are trained to use *splatter vision* when scanning a large crowd for a would-be assassin. They direct their gaze at infinity, looking right through the crowd, which widens their visual field to the maximum. This allows them to spot suspicious motions, objects, or commotions across a wide area. When you go to meetings, for example, try to maintain a wide-angle view rather than being absorbed by your own concerns. What others say may be of great importance, even if it’s beyond your immediate interests. By being able to see, hear, and explore more widely than your colleagues, you will be able to seize chances that they miss.⁸

Practical pointers: Are you often complimented by colleagues for spotting peripheral signals?

Figure 1: Conceptual Structure



Compared to peers, how do you score in being curious? Have you taken note of people who excel at exploring anomalies and asked them how they do it?

3. Take Calculated Risks

The aforementioned strategies will increase your chances of getting lucky by offering you a wider range of options. But how you approach those options is also vital; in most cases, nothing ventured really does mean nothing gained. Still, most people are risk averse, so stepping into the unknown goes against their nature. Taking a risk means accepting the possibility of losing something (time, money, reputation) and, for most of us, losses are more painful than comparable gains are pleasurable. Most people will not agree to flip a fair coin to either win or lose a \$1,000.⁹ Even if the chance of winning is raised to 60 percent by using a weighted coin, many are still reluctant to risk the \$1,000. But people successful in business, sports, and other competitive fields would probably take the 60:40 bet since it offers a positive edge. They play the long game, not looking at risks in isolation, and expect to encounter occasional setbacks.

You must be smart about which risks to take, and when you do, remain ever conscious of the most you can afford to lose.

Most people, however, are too timid to pursue a small probability edge because, on a single toss, the risk seems too high. Though negative outcomes in life are seldom as bad as envisioned, fear often causes us to exaggerate the potential losses in our own minds. Yet overcoming setbacks makes us more resilient, which is important to the pursuit

of smart luck strategies. “What does not kill me, makes me stronger,” Nietzsche famously wrote. In his book *Antifragile*, Nassim Taleb agreed, arguing that when organizations encounter a black swan, they should use it to become more robust.¹⁰ Nonetheless, you must be smart about which risks to take, and when you do, remain ever conscious of the most you can afford to lose. To play a long game well, it is vital to view each individual risk as a small part of a much larger portfolio of risks that you can shape.

Practical pointers: Are you well-versed in statistical thinking, including the law of large numbers, regression toward the mean, Bayesian updating and what order statistics are all about? There is no need to grasp the math but do try to understand the underlying concepts.

4. Adopt a Portfolio View

Consider again that weighted coin you can flip for a 60 percent chance of winning \$1,000 (and a 40 percent chance of losing \$1,000). If you said no to that one flip, would you say yes to tossing this coin 100 times? If so, you could win or lose \$100,000 at most, with a statistically expected net gain of \$20,000 after 100 flips. Although any individual coin toss entails a 40 percent chance of losing money, your chance of losing money is less than 3 percent after 100 independent coin tosses.¹¹ To make the right choices in business and life, it is important to think in portfolio terms and ask how the odds of winning change under repeated plays.¹² Ideally, when considering any given risk, you would need to consider all other risks you face at that time - from financial and health risks to social and reputational ones - plus all future risks you may encounter. This range is nearly impossible to estimate in real life, but just recognizing that your eggs are seldom in a single basket allows you to get

a better fix on your risk exposure while avoiding the isolation trap.

The most important factor in the smart luck game is understanding your overall risk-return exposure. The aim is to look for positive edges in your bets - from sports and investing to networking and startups - and then play these sensible risks out over the long haul. In his excellent book *The Success Equation*, investment strategist Michael Mauboussin examined the role of chance in four professional sports.¹³ He found that random chance plays a lesser role in basketball than in hockey because players attempt more shots during a typical season of basketball than goals during a season of hockey. The better team will win more reliably the larger the sample from which attempts are drawn. Similarly, a golf tournament of four rounds will more accurately identify the best player than one single round. Portfolio analysis explores the means and variances of each individual risk, as well as all interrelations between them, in order to more precisely estimate the overall risk-return balance of the portfolio.

Practical pointers: Do you think in terms of correlations when analyzing risks; avoid the isolation trap by looking at the big picture; don't be fooled by random chance but instead use statistical principles (with help if need be) to better separate signal from noise.

5. More Shots on Goal

A soccer team that makes thirty decent shots at the goal is more likely to win than one with just five shots. If you blindly draw one ball from a bowl containing one hundred numbered balls, each number from 1 to 100 is equally likely to surface. But if you repeat this experiment many times, after each time putting the ball back into the urn, the average of your scores will tend toward 50 (known as the central limit theorem). Now suppose that you can

each time draw two balls at random and pick the higher one; what will the score trend toward on average? Using the best of two random picks per turn, the average score will rise to 77.6. With the best of ten random draws per turn the average will trend toward 90.9. Order statistics such as these are often counterintuitive since the score of the best of n draws climbs exponentially. The formula for uniform draws is $100 * n / (n+1)$. The point here is that smart luck is very much a numbers game associated with outliers. Highly successful people typically give themselves far more opportunities than average in their fields, which increases the chances of producing an outstanding score. For example, while average academics may publish less than fifty articles over their entire careers, Nobel laureates may have more than 300.

To appreciate the kind of statistical edge that comes from numerosness, just consider the full catalog of all Pablo Picasso's works. It includes 1,885 paintings, 1,228 sculptures, 2,880 ceramic objects and more than 12,000 drawings. Even though Picasso is known to most museum visitors for no more than fifty pieces, it took all those 18,000+ creations to produce fifty or so masterpieces. Likewise, when job hunting, if the response rate is below 1 percent, you may have to reach out more than a hundred times to get just one offer. Luck is very much a numbers game, so more shots on goal help, provided they are not just pot shots. In the business of innovation, many companies don't have enough opportunities to score big and so need to increase their chances. Pharma companies, for example, may examine thousands of compounds to produce a single blockbuster drug. Most organizations can widen their innovation pipelines by running internal tournaments among their employees (and others). The basic purpose is to bring all kinds of

ideas to the surface, at first without imposing any filters, then to do some preliminary scoring, combine related ideas, improve the clusters, and further refine them.¹⁴

Practical pointers: Try to find the statistical edge in your strategy; understand the risk of failure through insufficient shots on goal; examine your pipeline of business projects to make sure the innovation funnel is well-diversified across activities and time.

6. Build Wider Networks

Few people shape their lives all alone. Our opportunities often come to us through parents, teachers, coaches, coworkers, bosses, friends, role models, and random interactions at work, home, school, or elsewhere. As Malcolm Gladwell pointed out in *The Tipping Point*, making more connections causes your chance of success to increase exponentially.¹⁵ If you know only twenty people in business, go out and expand it to a hundred. Go to receptions you may not feel like attending or join civic groups and boards that may at first hold limited appeal. Just get yourself out there, mixing oil and water, making yourself vulnerable. Don't judge people at first glance and remember to be patient. Once you have a wide and diverse network, don't forget to scan the edges, rather than just focusing on your closest contacts and comfort zone at the middle. Your position within your network is as important as its breadth.

Are you a boundary spanner with one foot in one world and the other somewhere else? Great innovators often operate at the intersections between fields, as physicist Francis Crick and biologist James Watson did when discovering the double helix structure of DNA. Their work built on other scholars' research in genetics and crystallography and earned them a Nobel Prize.¹⁶ By taking part in a diversity

of networks, even as a fringe player, you will see things that others in your own domain may not. Sociological research has emphasized the strength of weak ties, arguing that, in business, acquaintances are often more important than close friends.¹⁷ These loose bonds offer bridges to alliance partners, distributors, suppliers and other stakeholders in your firmament and the more of them you have, the better. Giving more than you take is a proven way to network, so say yes to most small requests unless there are good reasons not to.¹⁸

Practical pointers: Are you well positioned in your current networks or should some parts be extended; consider both external networks and those within your organization; devise strategies (calls, lunches, meetings) to spot new ideas, talent, or weak signals.

7. Conquer Your Fears

Most people seek identity and acceptance in familiar and well-defined groups, so moving into different worlds is not always comfortable. But there are clear advantages to spreading out and allowing yourself to be vulnerable. Children who have moved from one country to another, for example, are often socially and educationally precocious. At an age when they are naturally inclined to seek security in a small group, their parents' circumstances force them to learn new languages and geography and to make new friends. Those who manage these challenges well tend to develop a core confidence that encourages them to take greater risks later in life. Displacement theory suggests that setbacks early in life, such as moving around, losing a parent early, or getting fired from your first job, can build inner strength.¹⁹ In his 2008 commencement speech at the University of Pennsylvania, Michael Bloomberg mentioned that he had been fired early in his career. Although he

was deeply upset at the time, in retrospect he viewed it as one of the best things that ever happened to him: painful, but also liberating and inspiring.

Smart luck strategies require inner confidence as well as a tolerance for failure and the ability to finding silver linings in dark clouds.

Leaders develop inner strength by balancing risk against safety as they mature. Historian Richard Francaviglia found it “especially revealing that most American heroes, presidents included, have been – and continue to be - from small town America.”²⁰ Presidents Harry Truman, Jimmy Carter, Bill Clinton, and Joe Biden all came from rural backgrounds which helped them build their values, viewpoints, and personal characteristics. Perhaps it helped that they were big fish in small ponds before swimming out into larger bodies of water. Helping out on the farm or in a family business may also have instilled an early sense of responsibility and self-reliance. Whatever the reasons, developing inner confidence is crucial in pursuing smart luck strategies, as well as building a tolerance for failure and the ability to find silver linings in dark clouds.

Practical pointers: How well have you handled past failures and success in terms of learning and resilience; are you skilled at finding silver linings when things go haywire; do you typically frame unsuccessful projects as mistakes or as learning opportunities?

8. Make Your Own Luck

In an uncertain world, we cannot control everything, but we can surely change how we take risks. The

key is to develop a clear strategy and then execute it with discipline and a focus on intelligent process. Although setting your sights high is wise, focusing obsessively on one ultimate goal may actually prevent you from pursuing the right approach. A Spanish soccer coach wanted passionately for his team to win the European cup but guarded against this kind of obsession by telling his players that being anywhere in the top three would be fine. He knew that it would help his team to focus more on passing so they could get stronger and reach the very top, which they eventually did.

John Kay’s book *Obliquity* celebrates the virtues of such indirect approaches, which prioritize mastering the fundamentals over short term outcomes or wins.²¹ He argued that Boeing’s historical focus on ‘excellence in building airplanes’ was the key to its initial success. The company’s field of dreams logic was that if you build the best planes, the money will come. Yet too often companies reward short-term results rather than building excellent process, an approach which may partly explain the fatal crashes of two Boeing 737 Max airplanes and the (pre-COVID-19) subsequent grounding of hundreds of Boeing planes worldwide. Critics have attributed the crisis to the company’s shift from an engineering culture to a short-term profit one, with production speed and cost control its paramount goal.²² Smart luck strategies must be supported by organizational strategies, structures, rewards, and cultures. The eight strategies I recommend reinforce each other and should be used in such a way that the pieces align and form a whole. The aim is to make yourself into a luck magnet and draw scraps of good fortune toward you.

Practical pointers: Score your current performance on each of the eight strategies above and develop plans to shore up weaknesses;

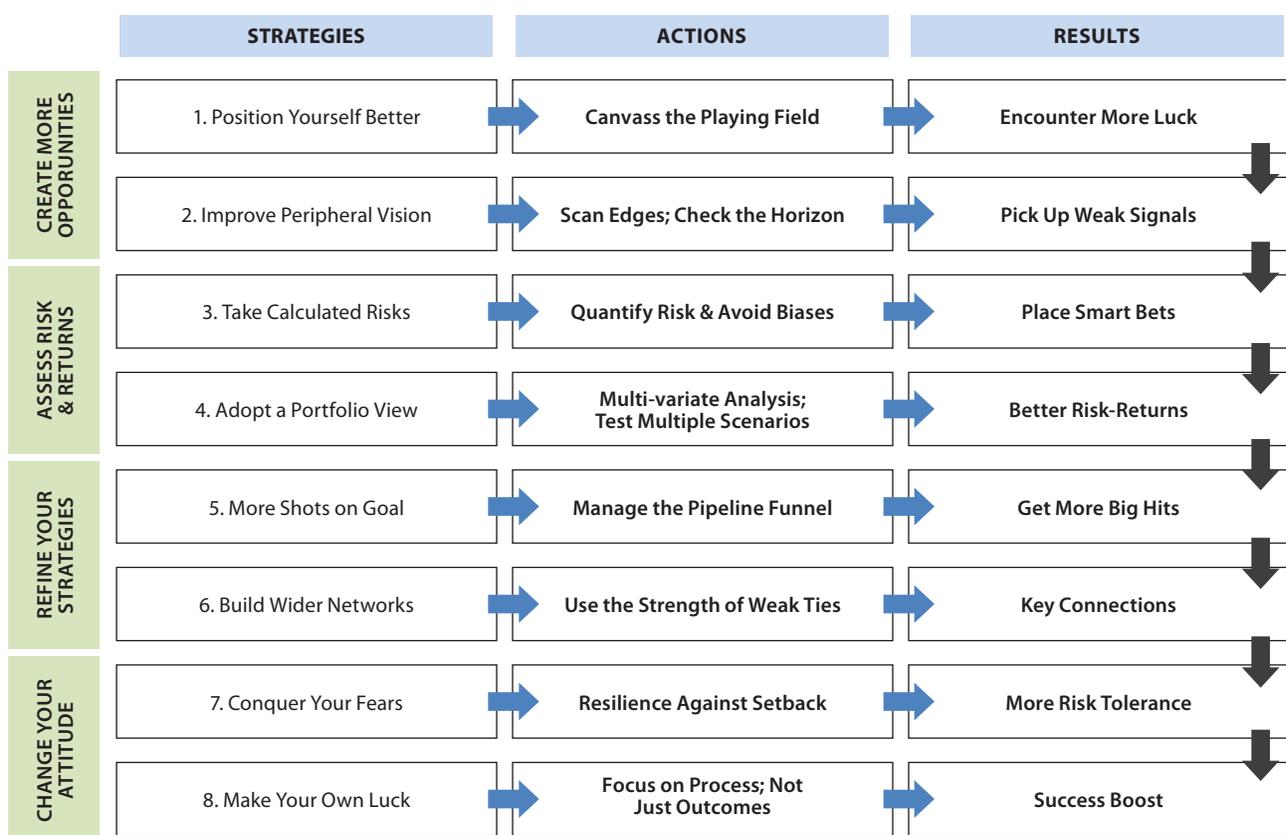
validate your self-audits by asking trusted colleagues and friends; learn from those who have mastered some or all of the strategies discussed.

The Fault Lies Not in Our Stars

Most companies promote managers for hitting designated targets rather than for pursuing the best process strategy. A good plan which fails is seldom rewarded, even if it had evident merit. But some companies do inculcate a smart process mindset in their culture and try to reward it. Susquehanna Investment Group, a Philadelphia options trading firm, for example, uses poker to teach new hires how to make smart process moves. Participants learn that it is not about what hand they were dealt, but about how well they play the cards they have. In the same spirit, Susquehanna determines bonuses based on the merit of the reasons given for a particular trade in advance, rather than by whether the move paid off in the end. Has your organization ever given a performance reward for an excellent plan that happened to fail? Although most companies only reward good outcomes in the short term, good processes yield the best outcomes in the long run.

Too many people settle for dumb luck and hope for the best, when they should be orchestrating smart luck. Although success in work and life often appears to be the result of random events, in truth the lucky ones often managed the broader context better. Some people may attribute their success to a few key breaks, such as a professor who helped them or an introduction that opened a vital door, but others emphasize that they made sure to talk to all their professors and solicited many introductions before the one that really mattered. This more deliberate perspective is crucial to shifting your view from dumb luck to smart luck. Those who get ahead in life tend to understand that there is

Figure 2: Roadmap for Smart Luck



more to luck than pure chance. They appreciate that they can orchestrate circumstances which are more likely to produce successful outcomes.

In closing, Figure 2 summarizes the various keys you can use to unlock the hidden opportunities that surround you. Don't fall victim to negative self-fulfilling prophecies like the belief that you are inherently mediocre or somehow doomed to bad luck. If you have not been very lucky yet, blame yourself, not the stars. If you never reach beyond your grasp, you will never find out how great you can be. Keep in mind that the strategies above are meant as guidelines and avoid overdoing any single one of them. You don't need to move to a new town every year, seek out

reckless risks, or waste time and money on random shots. And don't pin your hopes in life on dumb luck like winning the lottery. Instead, practice these strategies and, step-by-step, create your own *smart* luck. As golf great Gary Player observed after years of winning, "the more I practice, the luckier I get." ■

Test your Smart Luck savvy at www.corpu.com/q2-tech/smart-luck

Acknowledgments: I received valuable feedback on earlier drafts from Karen Andersen, Rob Burns, John C. Hershey, Tom Donaldson, Govi Rao, Jay Russo, Kirsten Sandberg, Tim de Rooij, Toomas Truumees, and five anonymous reviewers. I thank them

all for their wisdom while reserving any blame for myself.



Paul J.H. Schoemaker

has authored twelve books and more than a hundred articles on strategic management. After over a decade on the faculty of

the University of Chicago he moved to Wharton. He founded Decision Strategies International in 1990, serving as CEO for fifteen years and then as Chairman until its sale in 2016. Paul recently founded Q2 Tech, a digital company whose online playbooks help leaders implement team-based methodologies for strategic planning, innovation, decision making, and forecasting. paul@paulschoemaker.com.

Endnotes

1. <https://en.oxforddictionaries.com/definition/luck>
2. Dew, Nicholas. "Serendipity in entrepreneurship." *Organization studies* 30.7 (2009): 735-753.
3. Although even in US state lotteries, some clever players manage to find a systemic weakness at times allowing them to turn dumb into smart luck; see <https://dqydj.com/beat-the-lottery/>
4. <https://www.nytimes.com/2015/04/04/sports/the-last-man-to-beat-floyd-mayweather-jr-still-regrets-it.html?mcubz=1>
5. <http://blog.linkageinc.com/blog/beyond-excited-%E2%80%93-an-olympian-perspective-as-business-takes-its-rightful-place/>
6. Schoemaker, Paul J. H., *Brilliant Mistakes: Finding Success on the Far Side of Failure*, Wharton Digital Press, Fall 2011
7. Chabris, Christopher, and Daniel Simons. *The invisible gorilla: And other ways our intuitions deceive us*. Harmony, 2010.
8. Day, George S., and Paul J. H. Schoemaker. *See Sooner, Act Faster: How Vigilant Leaders Thrive in an Era of Digital Turbulence*. Boston, MA, The MIT Press, 2019.
9. Kahneman, Daniel. "Prospect theory: An analysis of decisions under risk." *Econometrica* 47 (1979): 278.
10. Taleb, Nassim Nicholas. *Antifragile: Things that gain from disorder*. Vol. 3. Random House, 2012.
11. With just 5 tosses, the probability of a net loss drops from 40% to 32%; with 20 tosses to 13%; with 40 tosses to 7%; with 60 tosses to 5%; and with 80 tosses to 3%; <https://www.di-mgt.com.au/binomial-calculator.html>
12. Schoemaker, Paul J. H., and John C. Hershey. "Maximizing your chance of winning: the long and short of it revisited." *Organizational Behavior and Human Decision Processes* 65.3 (1996): 194-200.
13. Mauboussin, Michael J. (2012). *The success equation: Untangling skill and luck in business, sports, and investing*. Harvard Business Press.
14. Christian Terwiesch and Karl Ulrich, *Innovation Tournaments: Creating and Selecting Exceptional Opportunities* (Cambridge, MA: Harvard Business School Press, 2009).
15. Malcom Gladwell, *The Tipping Point: How Little Things Can Make a Big Difference*, Little Brown, 2000.
16. <https://www.nature.com/scitable/topicpage/discovery-of-dna-structure-and-function-watson-397>
17. Granovetter, Mark S. "The strength of weak ties." *Social networks*. Academic Press, 1977.347-367.
18. Grant, Adam M. *Give and take: A revolutionary approach to success*. Penguin, 2013.
19. Shapero, Albert (1984). *The entrepreneurial event*. In C.A. Kent (Ed.), *The Environment for entrepreneurship* (pp. 21-40). Lexington, MA; and C.D. Health.Krueger, N.F. & Brazeal, D.V. (1994). *Enterprise potential and potential entrepreneurs*. *Entrepreneurship Theory and Practice*, 18(3), 91-104.
20. Francaviglia, Richard V. *Main street revisited: Time, space, and image building in small-town America*. University of Iowa Press, 1996.
21. Kay, John. *Obliquity: Why our goals are best achieved indirectly*. Profile Books, 2011.
22. <https://www.newyorker.com/magazine/2019/11/18/the-case-against-boeing>