Luck: A Key Idea for Business and Society, by Chengwei Liu. New York: Routledge, 2020. 124 pp.

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Conventional views on luck and business hold that luck involves unsystematic variance that cannot be measured or analyzed. Furthermore, top performers, according to conventional wisdom, perform the best because they are the most skilled. It is not a matter of luck that Bill Gates or Usain Bolt is successful; they are among the best at what they do. Along these lines, business schools deemphasize the role that luck plays in outcomes and focus, instead, on topics like skill and leadership. This seems sensible. Focus on what you can control—and luck, by definition, is uncontrollable.

Chengwei Liu argues that conventional views on luck are mistaken; luck is a key idea for business and society. First, luck can be measured via regression to the mean. The basic idea behind regression to the mean is that outlying firm performances are often not indicative of actual skill. As such, we should expect future performance to regress toward the mean. This is because continued streaks of good or bad luck are unlikely to occur. Being lucky is not a repeatable skill. Second, businesspersons can strategize around luck because the ways in which people are fooled by randomness are predictable. Third, in luck-dependent fields (such as business), extreme outcomes are not the result of exceptional skill or the lack thereof but are due to exceptionally lucky circumstances. This is not to say that skill is irrelevant. Top performers are skilled, but conventional views about the relationship between skill and luck only apply for the moderate range of performances. These three claims make up what Liu calls the "unconventional wisdom of luck" and are the main themes of his book.

In chapter 1, Liu highlights the differences between conventional views on luck and his own unconventional approach. He also outlines the plan for subsequent chapters of the book.

In chapter 2, Liu reviews five common ways in which luck is defined in the business management literature, that is, luck as attribution, randomness, counterfactual, undeserved, and serendipity. A strength of this chapter is its interdisciplinary appeal. Psychologists will be interested in Liu's claims regarding cognitive biases and luck attributions. Liu discusses many of the ways in which people are fooled by randomness, for example, via self-serving biases, hot-hand fallacies, halo effects, and ignorance when it comes to regression to the mean. Philosophers who work on the nature of luck will be interested in Liu's discussion of luck as a counterfactual. Liu raises the criticism of modal accounts that "perfect counterfactual analysis is impossible if one cannot specify all of the initial conditions that could have altered the course of history" (15). Liu is on the right track. For the modal account, the extent to which an event is a matter of luck will depend on what initial conditions one holds constant across possible scenarios (Hill 2020). However, modal theorists, such as

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Pritchard (2014), plausibly argue that not all possible worlds are relevant. For example, if we want to know the extent to which Elon Musk's business ventures are a matter of luck, the worlds in which Musk does not exist are irrelevant. Lastly, business strategists will be interested in the summary sections of this chapter, in which Liu outlines areas for future research and the advantages and disadvantages of these five different perspectives on luck.

One question I have regarding chapter 2 and Liu's book in general is whether we should view luck as an objective phenomenon. Liu accepts the definition of luck as "good or bad things that happen to you by chance, not because of your own efforts or abilities" (5). He claims that this definition implies that "luck is a psychological attribution people use to respond to observed events [and] … is subjective" (5). This does not follow. Luck involving claims are typically thought to be subjective in the sense that lucky events are good or bad for a subject, but this does not mean that luck itself is subjective. An event may be good, bad, or chancy for you irrespective of your own or another agent's judgments. Relatedly, it is unclear how the different perspectives on luck that Liu discusses are related to luck itself. Consider that different theories of luck often render different judgments on the extent to which certain events are a matter of luck. For example, some events may be modally robust but completely outside of one's control. This leaves one wondering if there is a unifying concept of luck, or if luck is in the eye of the beholder. Liu does not answer this question. His approach is pragmatic: business strategists should utilize different conceptions of luck to the extent that doing so is advantageous. For example, many organizational disasters are caused by viewing near-misses as successes. But if a small change could lead to a disaster, then such thinking gives leaders a false sense of security. Viewing luck in counterfactual terms is a useful way for managers to avoid such errors and properly assess risk.

In chapter 3, Liu examines the different ways in which social scientists have gone about quantifying luck. First, he reviews the role that luck plays in hypothesis testing. After considering several models of varying complexity, he then develops his own model in which luck and skill interact. This model shows that when dependency is high (that is, when past success largely influences future performance) "extreme results are not that informative mainly because … [such] outcomes are less influenced by skill levels and more impacted by luck" (46). Furthermore, in such conditions, the most skilled performers are actually those who perform second-best, and the least skilled performers are those who perform second-worst. These "less-is-more effects" represent the book's main contribution to the luck and business management literature. Liu then backs up his unconventional view on luck with a great deal of real-world evidence; for example, he considers data on the performances of all active US public firms from 1980–2010 and from team performances in the NFL, NBA, and MLB (US-based professional sports leagues). While Liu makes a strong case that we can measure luck, particularly via regression to the mean, this chapter is rather difficult and aimed at specialists.

In chapter 4, Liu focuses on how businesspersons can strategize with or around luck and how to overcome potential learning barriers to implementing his iconoclastic recommendations. While luck is random and uncontrollable, Liu argues that

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the ways in which people are fooled by luck are not. Thus, one can gain a competitive advantage by properly understanding regression to the mean and other luck-related cognitive biases. Of particular interest, are Liu's claims regarding how we ought to revise our practices of rewarding and blaming business managers for exceptional outcomes. Liu argues that "extreme failures [in business] … are unlikely to be caused by mindlessness alone" and that we tend to be guilty of a kind of "fundamental attribution error in which people wrongly blame the person for outcomes determined by situational factors" (73; 67). The thought is that organizational disasters often result from "a cascade of errors triggered by minor mistakes occurring in inter-dependent systems" (72). Nevertheless, we still wrongly blame those in charge. As such, it can be advantageous to hire those who have failed and are disgraced. Such persons can likely be hired at a discount that does not reflect their actual abilities. Furthermore, one should also avoid hiring stars if doing so comes at a premium cost. This is because their excellent past performance is unlikely to be replicable. Lastly, due to less-is-more effects, it is advisable to hire or retain those who perform second-best and fire or retrain those who perform second-worst. This is because in luck-dependent systems those who perform second-best are the most skilled and those who perform second-worst the least.

While Liu's hiring and firing advice is sound, business ethicists will likely find fault with his use of the word "blame." Having systematic control over all aspects of a business is not necessary for moral responsibility. Consider the Volkswagen emissions scandal as a counterexample to Liu's claims. It is true that no one person can be viewed as the primary cause of Volkswagen's unethical actions and that we should focus on designing systems that prevent such systematic failures from ever occurring. However, this does not mean that Volkswagen's CEO—who knew of the falsification of emissions data and had a great deal of control over the company—is not blameworthy.

In chapter 5, Liu discusses several luck-related issues, for example, cultural beliefs about luck, whether superstitious beliefs can be rational, how belief in luck has an evolutionary basis, and claims about luck and desert. This is the weakest chapter of the book and none of these issues are addressed in enough detail. However, the last paragraph of the book is of some interest. Here Liu makes a normative claim that exceptional winners should imitate the likes of Bill Gates and Warren Buffett because they have "chosen to commit their wealth and success to worthy causes. The winners who appreciate their luck and do not take it all for themselves deserve a large portion of our respect" (95). Liu does not provide an explicit argument for this claim, but if one holds a desert-based account of what constitutes a just wage it is easy to see how such a view follows given Liu's unconventional wisdom regarding luck. Furthermore, if the above is correct, then this would lead to some interesting consequences when it comes to tax policy. This is because when outcomes are heavily influenced by luck and past performance, the relationship between skill and success is non-monotonic.

One last worry is whether Liu's unconventional wisdom of luck really is unconventional. Business strategists and gamblers are aware of regression to the mean. However, less-is-more effects are fascinating and counterintuitive. It should be

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noted though that while luck and regression to the mean are ubiquitous, less-is-more effects only emerge in luck-dependent fields (for example, these effects can be seen in the NFL, where a sixteen-game regular season allows for a great deal of variance, but not in the NBA, which has an eighty-two-game regular season). Nevertheless, sometimes it really is better to be lucky than good.

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