

Summary of Principles - Ray Dalio (2017)

Every day, each of us is faced with a blizzard of situations we must respond to. Without principles we would be forced to react to all the things life throws at us individually, as if we were experiencing each of them for the first time. If instead we classify these situations into types and have good principles for dealing with them, we will make better decisions more quickly and have better lives as a result. Having a good set of principles is like having a good collection of recipes for success.

To be principled means to consistently operate with principles that can be clearly explained. Unfortunately, most people can't do that.

This book will prompt you discover your own principles and ideally write them down.

It will allow you to refine them as you encounter more experiences and to reflect on them, which will help you make better decisions and be better understood.

We believe that thoughtful, unemotional disagreement by independent thinkers can be converted into believability-weighted decision making that is smarter and more effective than the sum of its parts. Because the power of a group is so much greater than the power of an individual.

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The purpose of this document is to summarize the fundamental concepts of the book, in order to be consulted quickly.

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LIFE PRINCIPLES

1. Embrace Reality and Deal with It

1.1. Be a hyperrealist

Being hyperrealistic will help you choose your dreams wisely and then achieve them.

1.1.a. Dreams + Reality + Determination = A Successful Life.

1.2. Truth—or, more precisely, an accurate understanding of reality—is the essential foundation for any good outcome.

It is important to understand and deal with the bad stuff since the good stuff will take care of itself.

1.3. Be radically open-minded and radically transparent.

1.3.a. Radical open-mindedness and radical transparency are invaluable for rapid learning and effective change.

Learning is a continuous real-time feedback loop in which we make decisions, see their outcomes, and improve our understanding of reality as a result.

Being radically open-minded enhances the efficiency of those feedback loops.

The more open-minded you are, the less likely you are to deceive yourself.

It can also be difficult because being radically transparent rather than more guarded exposes one to criticism.

1.3.b. Don't let fears of what others think of you stand in your way.

You must do things in the unique ways you think are best.

Learning to be radically transparent is like learning to speak in public: While it's initially awkward, the more you do it, the more comfortable you will be with it.

1.3.c. Embracing radical truth and radical transparency will bring more meaningful work and more meaningful relationships.

1.4. Look to nature to learn how reality works.

1.4.a. Don't get hung up on your views of how things "should" be because you will miss out on learning how they really are.

Need to be analytical rather than emotional.

1.4.b. To be "good" something must operate consistently with the laws of reality and contribute to the evolution of the whole; that is what is most rewarded.

1.4.c. Evolution is the single greatest force in the universe; it is the only thing that is permanent and it drives everything.

Evolution consists of adaptations/inventions that provide spurts of benefits that decline in value.

Perfection is a goal that fuels a never-ending process of adaptation.

So rather than getting stuck hiding our mistakes and pretending we're perfect, it makes sense to find our imperfections and deal with them.

1.4.d. Evolve or die.

This evolutionary cycle is not just for people but for countries, companies, economies—for everything.

1.5. Evolving is life's greatest accomplishment and its greatest reward

1.5.a. The individual's incentives must be aligned with the group's goals.

1.5.b. Reality is optimizing for the whole—not for you.

1.5.c. Adaptation through rapid trial and error is invaluable.

1.5.d. Realize that you are simultaneously everything and nothing—and decide what you want to be.

1.5.e. What you will be will depend on the perspective you have.

1.6. Understand nature's practical lessons

1.6.a. Maximize your evolution.

1.6.b. Remember "no pain, no gain."

1.6.c. It is a fundamental law of nature that in order to gain strength one has to push one's limits, which is painful.

1.7. Pain + Reflection = Progress

1.7.a. Go to the pain rather than avoid it.

1.7.b. Embrace tough love.

What I want to give to people, is the power to deal with reality to get what they want. This can be difficult for people emotionally, even if they understand intellectually that having difficulties is the exercise they need to grow strong and that just giving them what they want will weaken them and ultimately lead to them needing more help.

1.8. Weigh second- and third-order consequences

because first-order consequences often have opposite desirabilities from second-order consequences.

For example, the first-order consequences of exercise (pain and time spent) are commonly considered undesirable, while the second-order consequences (better health and more attractive appearance) are desirable.

1.9. Own your outcomes

Whatever circumstances life brings you, you will be more likely to succeed and find happiness if you take responsibility for making your decisions well instead of complaining about things being beyond your control.

1.10. Look at the machine from the higher level

1.10.a. Think of yourself as a machine operating within a machine and know that you have the ability to alter your machines to produce better outcomes.

I call the way you will operate to achieve your goals your machine.

1.10.b. By comparing your outcomes with your goals, you can determine how to modify your machine.

It means looking at how to improve or change the design or people to achieve your goals.

1.10.c. Distinguish between you as the designer of your machine and you as a worker with your machine.

1.10.d. The biggest mistake most people make is to not see themselves and others objectively, which leads them to bump into their own and others' weaknesses again and again.

1.10.e. Successful people are those who can go above themselves to see things objectively and manage those things to shape change.

If you as the designer/manager discover that you as the worker can't do something well, you need to fire yourself as the worker and get a good replacement.

You shouldn't be upset if you find out that you're bad at something— you should be happy that you found out, because knowing that and dealing with it will improve your chances of getting what you want.

When encountering your weaknesses you have four choices:

- You can deny them (which is what most people do).
- You can accept them and work at them in order to try to convert them into strengths (which might or might not work depending on your ability to change).
- You can accept your weaknesses and find ways around them.
- Or, you can change what you are going after.

The worst path you can take is the first.

The second is probably the best path if it works. But some things you will never be good at and it takes a lot of time and effort to change. The best is whether the thing you are trying to do is consistent with your nature (i.e., your natural abilities).

The third path is the easiest and typically the most viable path.

The fourth path though it requires flexibility on your part to get past your preconceptions and enjoy the good fit when you find it.

1.10.f. Asking others who are strong in areas where you are weak to help you is a great skill that you should develop no matter what, as it will help you develop guardrails that will prevent you from doing what you shouldn't be doing.

1.10.g. Because it is difficult to see oneself objectively, you need to rely on the input of others and the whole body of evidence.

1.10.h. If you are open-minded enough and determined, you can get virtually anything you want.

There are many paths that will suit you, so don't fixate on just one.

Should a particular path close, all you have to do is find another good one consistent with what you're like.

2. Use the 5-Step Process to Get What You Want Out of Life

- Have clear goals.
- Identify and don't tolerate the problems that stand in the way of your achieving those goals.
- Accurately diagnose the problems to get at their root causes.
- Design plans that will get you around them.
- Do what's necessary to push these designs through to results.

You will need to do all five steps well to be successful and you must do them one at a time and in order.

It is essential that you approach this process in a clearheaded, rational way, looking down on yourself from a higher level and being ruthlessly honest. If your emotions are getting the better of you, step back and take time out until you can reflect clearly. If necessary, seek guidance from calm, thoughtful people.

Pretend that your life is a martial art or a game, once you accept its rules, you'll get used to the discomfort that comes with the constant frustration.

2.1. Have clear goals

a. Prioritize: While you can have virtually anything you want, you can't have everything you want.

Choosing a goal often means rejecting some things you want in order to get other things that you want.

b. Don't confuse goals with desires.

Goal is something that you really need to achieve.

Desires are things that you want that can prevent you from reaching your goals.

Typically, desires are first-order consequences.

c. Decide what you really want in life by reconciling your goals and your desires.

d. Don't mistake the trappings of success for success itself.

e. Never rule out a goal because you think it's unattainable.

There is always a best possible path.

What you think is attainable is just a function of what you know at the moment.

Once you start your pursuit you will learn a lot, especially if you triangulate with others; paths you never saw before will emerge.

f. Remember that great expectations create great capabilities.

g. Almost nothing can stop you from succeeding if you have a) flexibility and b) self accountability.

h. Knowing how to deal well with your setbacks is as important as knowing how to move forward.

2.2. Identify and don't tolerate problems

- a. View painful problems as potential improvements that are screaming at you.**
- b. Don't avoid confronting problems because they are rooted in harsh realities that are unpleasant to look at.**
- c. Be specific in identifying your problems.**
- d. Don't mistake a cause of a problem with the real problem.**
- e. Distinguish big problems from small ones.**
- f. Once you identify a problem, don't tolerate it.**

2.3. Diagnose problems to get at their root causes

a. Focus on the "what is" before deciding "what to do about it."

A good diagnosis typically takes between fifteen minutes and an hour, depending on how well it's done and how complex the issue is.

It involves speaking with the relevant people and looking at the evidence together to determine the root causes.

b. Distinguish proximate causes from root causes.

Proximate causes are typically the actions (or lack of actions) that lead to problems.

Root causes run much deeper.

You can only truly solve your problems by removing their root causes.

c. Recognize that knowing what someone (including you) is like will tell you what you can expect from them.

2.4. Design a plan

a. Go back before you go forward.

Replay the story of what you have done that led up to where you are now, and then visualize what you and others must do in the future so you will reach your goals.

b. Think about your problem as a set of outcomes produced by a machine.

c. Remember that there are typically many paths to achieving your goals.

You only need to find one that works.

d. Think of your plan as being like a movie script in that you visualize who will do what through time.

Sketch out the plan broadly at first and then refine it.

Go from the big picture and drill down to specific tasks and estimated time lines.

e. Write down your plan for everyone to see and to measure your progress against.

f. Recognize that it doesn't take a lot of time to design a good plan.

2.5. Push through to completion

- a. Great planners who don't execute their plans go nowhere.**
- b. Good work habits are vastly underrated.**
- c. Establish clear metrics to make certain that you are following your plan.**

2.6. Remember that weaknesses don't matter if you find solutions

- a. Look at the patterns of your mistakes and identify at which step in the 5-Step Process you typically fail.**
- b. Everyone has at least one big thing that stands in the way of their success; find yours and deal with it.**

2.7. Understand your own and others' mental maps and humility

3. Be Radically Open-Minded

3.1. Recognize your two barriers

Your ego and your blind spots. Together, they make it difficult for you to objectively see what is true about you and your circumstances and to make the best possible decisions by getting the most out of others.

a. Understand your ego barrier.

Subliminal defense mechanisms that make it hard for you to accept your mistakes and weaknesses. Amygdala is an area of your brain not accessible to your conscious awareness.

It oversimplifies things and react instinctively. It craves praise and respond to criticism as an attack. Higher-level consciousness resides in your neocortex, more specifically in the part called the prefrontal cortex. This is where you experience the conscious awareness of decision making as well as the application of logic and reasoning.

b. Your two “yous” fight to control you.

Those lower-level selves are like attack dogs—they want to fight even when their higher-level selves want to figure things out.

Let’s look at what tends to happen when someone disagrees with you and asks you to explain your thinking. Because you are programmed to view such challenges as attacks, you get angry, even though it would be more logical for you to be interested in the other person’s perspective, especially if they are intelligent. When you try to explain your behavior, your explanations don’t make any sense. That’s because your lower-level you is trying to speak through your upper-level you.

c. Understand your blind spot barrier

Areas where your way of thinking prevents you from seeing things accurately.

The end result of these two barriers is that parties in disagreements typically remain convinced that they’re right—and often end up angry at each other.

3.2. Practice radical open-mindedness

a. Sincerely believe that you might not know the best possible path and recognize that your ability to deal well with “not knowing” is more important than whatever it is you do know.

b. Recognize that decision making is a two-step process: First take in all the relevant information, then decide.

c. Don’t worry about looking good; worry about achieving your goal.

d. Realize that you can’t put out without taking in.

Most people seem much more eager to put out (convey their thinking and be productive) than to take in (learn).

e. Recognize that to gain the perspective that comes from seeing things through another’s eyes, you must suspend judgment for a time—only by empathizing can you properly evaluate another point of view.

To be radically open-minded, you need to be so open to the possibility that you could be wrong that you encourage others to tell you so.

f. Remember that you're looking for the best answer, not simply the best answer that you can come up with yourself.

g. Be clear on whether you are arguing or seeking to understand, and think about which is most appropriate based on your and others' believability.

If one person is clearly more knowledgeable than the other, it is preferable for the less knowledgeable person to approach the more knowledgeable one as a student and for the more knowledgeable one to act as a teacher.

Concept of **believability**. I define believable people as those who have repeatedly and successfully accomplished the thing in question — who have a strong track record with at least three successes — and have great explanations of their approach when probed.

3.3. Appreciate the art of thoughtful disagreement

Your goal is not to convince the other party that you are right — it is to find out which view is true and decide what to do about it.

To do this well use questions rather than make statements. Conduct the discussion in a calm and dispassionate manner, and encourage the other person to do that as well.

Observe a “two-minute rule” in which neither interrupts the other, so they both have time to get all their thoughts out.

Important is that you prioritize what you spend time on and who you spend it with. There are lots of people who will disagree with you, and it would be unproductive to consider all their views. Spend your time exploring ideas with the most believable people you have access to.

Most people are instinctively reluctant to disagree.

You need to teach yourself the art of having exchanges in ways that don't trigger such reactions in yourself or others.

3.4. Triangulate your view with believable people who are willing to disagree

a. Plan for the worst-case scenario to make it as good as possible

3.5. Recognize the signs of closed-mindedness and open-mindedness that you should watch out for

Surround yourself with open-minded ones.

Closed-minded people	Open-minded people
<p>Don't want their ideas challenged. They feel bad about getting something wrong and are more interested in being proven right than in asking questions.</p>	<p>Are more curious about why there is disagreement. They are not angry when someone disagrees. They understand that there is always the possibility that they might be wrong and that it's worth the little bit of time it takes to consider the other person's views in order to be sure they aren't missing something or making a mistake.</p>
<p>Are more likely to make statements than ask questions. While believability entitles you to make statements in certain circumstances, truly open-minded people, even the most believable people I know, always ask a lot of questions. Nonbelievable people often tell me that their statements are actually implicit questions, though they're phrased as low-confidence statements. While that's sometimes true, in my experience it's more often not.</p>	<p>Genuinely believe they could be wrong; the questions that they ask are genuine. They also assess their relative believability to determine whether their primary role should be as a student, a teacher, or a peer.</p>
<p>Focus much more on being understood than on understanding others. When people disagree, they tend to be quicker to assume that they aren't being understood than to consider whether they're the ones who are not understanding the other person's perspective.</p>	<p>Always feel compelled to see things through others' eyes.</p>
<p>Say things like "I could be wrong ... but here's my opinion." It's often a perfunctory gesture that allows people to hold their own opinion while convincing themselves that they are being open-minded. If your statement starts with "I could be wrong" or "I'm not believable," you should probably follow it with a question and not an assertion.</p>	<p>Know when to make statements and when to ask questions.</p>
<p>Block others from speaking. If it seems like someone isn't leaving space for the other person in a conversation, it's possible they are blocking.</p>	<p>Are always more interested in listening than in speaking; they encourage others to voice their views.</p>

To get around blocking, enforce the “two-minute rule” I mentioned earlier.	
Have trouble holding two thoughts simultaneously in their minds. They allow their own view to crowd out those of others.	Can take in the thoughts of others without losing their ability to think well —they can hold two or more conflicting concepts in their mind and go back and forth between them to assess their relative merits.
Lack a deep sense of humility. Humility typically comes from an experience of crashing, which leads to an enlightened focus on knowing what one doesn’t know.	Approach everything with a deep-seated fear that they may be wrong.

3.6. Understand how you can become radically openminded

No matter how open-minded you are now, it is something you can learn.

a. Regularly use pain as your guide toward quality reflection

Mental pain often comes from being too attached to an idea when a person or an event comes along to challenge it.

This kind of mental pain is a clue that you are potentially wrong. First calm yourself down.

b. Make being open-minded a habit

Consistently use feelings of anger/frustration as cues to calm down.

c. Get to know your blind spots

Record the circumstances in which you’ve consistently made bad decisions because you failed to see what others saw.

Write a list.

If ever you find yourself about to make a decision in one of these areas without consulting others, understand that you’re taking a big risk.

d. If a number of different believable people say you are doing something wrong and you are the only one who doesn’t see it that way, assume that you are probably biased.

e. Meditate.

f. Be evidence-based and encourage others to be the same.

When you’re approaching a decision, ask yourself: Can you point to clear facts leading to your view? If not, chances are you’re not being evidence-based.

g. Do everything in your power to help others also be open-minded.

h. Use evidence-based decision-making tools.

i. Know when it’s best to stop fighting and have faith in your decision-making process.

4. Understand That People Are Wired Very Differently

4.1. Understand the power that comes from knowing how you and others are wired

Many of our mental differences are physiological.

As with our bodies, some parts of our brains cannot be materially affected by external experience while other parts can be strengthened through exercise.

a. We are born with attributes that can both help us and hurt us, depending on their application

For example, a highly creative, goal-oriented person good at imagining new ideas might undervalue the minutiae of daily life.

A task-oriented person who is great with details might undervalue creativity—and worse still, may squelch it in the interests of efficiency.

These two people might make a great team, they're complementary.

Having expectations for people (including yourself) without knowing what they are like is a sure way to get in trouble.

4.2. Meaningful work and meaningful relationships aren't just nice things we chose for ourselves— they are genetically programmed into us

The meaningful relationships we get from social cooperation make us happier, healthier, and more productive; social cooperation is also integral to effective work.

4.3. Understand the great brain battles and how to control them to get what “you” want

a. Realize that the conscious mind is in a battle with the subconscious mind.

Accomplish more is to cram more into the conscious mind and make it work harder, but this is often counterproductive.

Creativity comes to me when I relax.

When thoughts and instructions come to me from my subconscious, rather than acting on them immediately, I have gotten into the habit of examining them with my conscious, logical mind.

It's helpful to write down the results of this process.

b. Know that the most constant struggle is between feeling and thinking.

c. Reconcile your feelings and your thinking.

d. Choose your habits well.

Habit is driven by ganglia at the base of the cerebrum.

Good habits are those that get you to do what your “upper-level you”.

Habit is essentially inertia, the strong tendency to keep doing what you have been doing.

If you stick with a behavior for approximately eighteen months, you will build a strong tendency to stick to it nearly forever.

e. Train your “lower-level you” with kindness and persistence to build the right habits.

f. Understand the differences between right-brained and left-brained thinking.

The left hemisphere reasons sequentially, analyzes details, and excels at linear analysis.
The right hemisphere thinks across categories, recognizes themes, and synthesizes the big picture.

g. Understand how much the brain can and cannot change.

4.4. Find out what you and others are like

Because of the biases with which we are wired, our self-assessments (and our assessments of others) tend to be highly inaccurate. Psychometric assessments are much more reliable.

Four main assessments: Myers-Briggs Type Indicator (MBTI), the Workplace Personality Inventory, the Team Dimensions Profile, and Stratified Systems Theory.

a. Introversion vs. extroversion

Introverts focus on the inner world and get their energy from ideas, memories, and experiences while extroverts are externally focused and get their energy from being with people. Introversion and extroversion are also linked to differences in communication styles. If you have a friend who loves to “talk out” ideas (and even has trouble thinking through something if there isn’t someone around to work it through with), he or she is likely an extrovert. Introverts will usually find such conversations painful, preferring to think privately and share only after they’ve worked things out on their own. I’ve found that it is important to help each communicate in the way that they feel most comfortable. For example, introverts often prefer communicating in writing (such as email) rather than speaking in group settings and tend to be less open with their critical thoughts.

b. Intuiting vs. sensing

Some people see big pictures (forests) and others see details (trees).

c. Thinking vs. feeling.

Some people make decisions based on logical analysis of objective facts, considering all the known, provable factors important to a given situation and using logic to determine the best course of action.

Other people—who prefer feeling—focus on harmony between people. They are better suited to roles that require lots of empathy, interpersonal contact, and relationship building, for example HR and customer service.

d. Planning vs. perceiving.

Some people like to live in a planned, orderly way and others prefer flexibility and spontaneity. Perceivers work from the outside in; they see things happening and work backward to understand the cause and how to respond; they also see many possibilities that they compare and choose from—often so many that they are confused by them. In contrast, planners work from the inside out, first figuring out what they want to achieve and then how things should unfold. Perceivers see new things and change direction often.

e. Creators vs. refiners vs. advancers vs. executors vs. flexors.

Test called the “Team Dimensions Profile” (TDP) to connect people with their preferred role.

- **Creators** generate new ideas and original concepts. They prefer unstructured and abstract activities and thrive on innovation and unconventional practices.
- **Advancers** communicate these new ideas and carry them forward. They relish feelings and relationships and manage the human factors. They are excellent at generating enthusiasm for work.

- **Refiners** challenge ideas. They analyze projects for flaws, then refine them with a focus on objectivity and analysis. They love facts and theories and working with a systematic approach.
- **Executors** can also be thought of as Implementers. They ensure that important activities are carried out and goals accomplished; they are focused on details and the bottom line.
- **Flexors** are a combination of all four types. They can adapt their styles to fit certain needs and are able to look at a problem from a variety of perspectives.

f. Focusing on tasks vs. focusing on goals.

Some people are focused on daily tasks while others are focused on their goals and how to achieve them.

These goal-oriented people can step back from the day-to-day and reflect on what and how they're doing.

They are the most suitable for creating new things (organizations, projects, etc.) and managing organizations that have lots of change. They typically make the most visionary leaders because of their ability to take a broad view and see the whole picture.

Those who tend to focus on daily tasks are better at managing things that don't change much or that require processes to be completed reliably. Task-oriented people tend to make incremental changes that reference what already exists. They are slower to depart from the status quo and more likely to be blindsided by sudden events. They're typically more reliable.

g. Workplace Personality Inventory.

Test anticipates behavior and predicts job fit and satisfaction.

Twenty-five to fifty attributes can pretty well describe what a person is like. Each one comes in varying degrees of strength (like color tones).

If you know what they are and put them together correctly, they will paint a pretty complete picture of a person.

Use test results and other information to try to do just that.

Do it in partnership with the person being looked at, because it helps us be more accurate and at the same time it's very helpful to them to see themselves objectively.

h. Shapers are people who can go from visualization to actualization.

Shaper = Visionary + Practical Thinker + Determined.

Tend to share attributes such as intense curiosity and a compulsive need to make sense of things, independent thinking that verges on rebelliousness, a need to dream big and unconventionally, a practicality and determination to push through all obstacles to achieve their goals, and a knowledge of their own and others' weaknesses and strengths so they can orchestrate teams to achieve them.

4.5. Getting the right people in the right roles in support of your goal is the key to succeeding at whatever you choose to accomplish

a. Manage yourself and orchestrate others to get what you want.

Having your thoughtful higher-level you manage your emotional lower-level you.

To that consciously develop habits that will make doing the things that are good for you habitual.

Managing others: the person in charge is the shaper-conductor who doesn't "do" as much as visualize the outcome and sees to it that each member of the orchestra helps achieve it.

5. Learn How to Make Decisions Effectively

5.1. Recognize that 1) the biggest threat to good decision making is harmful emotions, and 2) decision making is a two-step process (first learning and then deciding)

Learning must come before deciding.

Deciding is the process of choosing which knowledge should be drawn upon and then weighing them to determine a course of action, the “what to do about it.”

This involves playing different scenarios through time to visualize how to get an outcome consistent with what you want.

To do this well, you need to weigh first-order consequences against second- and third-order consequences, and base your decisions not just on near-term results but on results over time.

Ask myself questions: Am I learning? Have I learned enough yet that it's time for deciding?

LEARNING WELL

Being able to synthesize accurately and knowing how to navigate levels.

Synthesis is the process of converting a lot of data into an accurate picture.

To synthesize well, you must 1) synthesize the situation at hand, 2) synthesize the situation through time, and 3) navigate levels effectively.

5.2. Synthesize the situation at hand

- a. One of the most important decisions you can make is who you ask questions of.
- b. Make sure they're fully informed and believable.
- c. Don't believe everything you hear.
- d. Everything looks bigger up close.
- e. New is overvalued relative to great.
- f. Don't oversqueeze dots.

5.3. Synthesize the situation through time

You must collect, analyze, and sort different types of information.

- a. Keep in mind both the rates of change and the levels of things, and the relationships between them.
- b. Be imprecise. Good at approximations
- c. Remember the 80/20 Rule and know what the key 20 percent is.

You get 80 percent of the value out of something from 20 percent of the information or effort.

- d. Be an imperfectionist.

Perfectionists spend too much time on little differences at the margins at the expense of the important things. There are typically just five to ten important factors to consider when making a decision.

5.4. Navigate levels effectively

Example:

1 The High-Level Big Picture: I want meaningful work that's full of learning.

1.1 Subordinate Concept: I want to be a doctor.

- Sub-Point: I need to go to medical school.
- Sub-Sub Point: I need to get good grades in the sciences.
- Sub-Sub-Sub Point: I need to stay home tonight and study.

a. Use the terms “above the line” and “below the line” to establish which level a conversation is on.

b. Remember that decisions need to be made at the appropriate level, but they should also be consistent across levels.

1. Remember that multiple levels exist for all subjects.
2. Be aware on what level you're examining a given subject.
3. Consciously navigate levels rather than see subjects as undifferentiated piles of facts that can be browsed randomly.
4. Diagram the flow of your thought processes using the outline template shown on the previous page.

DECIDE WELL

5.5. Logic, reason, and common sense are your best tools for synthesizing reality and understanding what to do about it

5.6. Make your decisions as expected value calculations

- a. Raising the probability of being right is valuable no matter what your probability of being right already is.
- b. Knowing when not to bet is as important as knowing what bets are probably worth making.
- c. The best choices are the ones that have more pros than cons, not those that don't have any cons at all.

5.7. Prioritize by weighing the value of additional information against the cost of not deciding

- a. All of your “must-dos” must be above the bar before you do your “like-to-dos.”
- b. Chances are you won't have time to deal with the unimportant things, which is better than not having time to deal with the important things.
- c. Don't mistake possibilities for probabilities.

Anything is possible. It's the probabilities that matter.

SHORTCUTS FOR BECOMING A GREAT DECISION MAKER

5.8. Simplify!

5.9. Use principles

- Slow down your thinking so you can note the criteria you are using to make your decision.
- Write the criteria down as a principle.
- Think about those criteria when you have an outcome to assess, and refine them before the next “one of those” comes along.

5.10. Believability weight your decision making

In case of a disagreement with others, start by seeing if you can agree on the principles that should be used to make that decision.

5.11. Convert your principles into algorithms and have the computer make decisions alongside you

5.12. Be cautious about trusting AI without having deep understanding

WORK PRINCIPLES

For any group or organization to function well, its work principles must be aligned with its members' life principles.

Spell out their principles and values clearly and explicitly and to operate by them consistently. Those principles and values aren't vague slogans, like "the customer always comes first" or "we should strive to be the best in our industry," but a set of concrete directives anyone can understand, get aligned on, and carry out.

An organization is a machine consisting of two major parts: culture and people.

Each influences the other, because the people who make up an organization determine the kind of culture it has, and the culture of the organization determines the kinds of people who fit in.

a. A great organization has both great people and a great culture.

b. Great people have both great character and great capabilities.

Radically truthful, radically transparent, and deeply committed to the mission of the organization. They have the abilities and skills to do their jobs excellently. People who have one without the other are dangerous.

c. Great cultures bring problems and disagreements to the surface and solve them well, and they love imagining and building great things that haven't been built before.

Do that by having:

- **Meaningful work:** work that people are excited to get their heads into.
- **Meaningful relationships:** those in which there is genuine caring for each other (like an extended family).
- **Tough love is effective for achieving both great work and great relationships**

a. In order to be great, one can't compromise the uncompromisable.

Putting comfort ahead of success produces worse results for everyone.

Conflict in the pursuit of excellence is a terrific thing. There should be no hierarchy based on age or seniority. Power should lie in the reasoning, not the position, of the individual. The best ideas win no matter who they come from.

Criticism (by oneself and by others) is an essential ingredient in the improvement process, yet, if handled incorrectly, can be destructive. It should be handled objectively. There should be no hierarchy in the giving or receiving of criticism.

Teamwork and team spirit are essential, including intolerance of substandard performance. This is referring to 1) one's recognition of the responsibilities one has to help the team achieve its common goals and 2) the willingness to help others (work within a group) toward these common goals. Our fates are intertwined. One should know that others can be relied upon to help. As a corollary, substandard performance cannot be tolerated anywhere because it would hurt everyone.

- **A believability-weighted idea meritocracy is the best system for making effective decisions**

Players must be independent thinkers who could bang around their different points of view and reach better conclusions than any one of us could come up with on our own.

RADICAL TRUTH AND RADICAL TRANSPARENCY

Radical truth: not filtering one's thoughts and one's questions.

Radical transparency: giving most everyone the ability to see most everything. It reduces harmful office politics and the risks of bad behavior.

Idea Meritocracy = Radical Truth + Radical Transparency + Believability Weighted Decision Making

By being radically truthful and radically transparent, we could see that we all have terribly incomplete and/or distorted perspectives.

At first most people remain stuck in their own heads, stubbornly clinging to the idea that their views. But when they repeatedly face the questions "How do you know that you're not the wrong one?" and "What process would you use to draw upon these different perspectives to make the best decisions?" they are forced to confront their own believability and see things through others' eyes as well as their own.

Bringing everything to the surface 1) removes the need to try to look good and 2) eliminates time required to guess what people are thinking. In doing so, it creates more meaningful work and more meaningful relationships.

WHO'S CRAZY?

Which approach do you think is crazy and which one is sensible?

- One where people are truthful and transparent, or one in which most people keep their real thoughts hidden?
- One where problems, mistakes, weaknesses, and disagreements are brought to the surface and thoughtfully discussed, or one in which they are not forthrightly brought to the surface and discussed?
- One in which the right to criticize is nonhierarchical, or one in which it primarily comes from the top down?
- One in which objective pictures of what people are like are derived through lots of data and broad triangulations of people, or one in which evaluations of people are more arbitrary?
- One in which the organization pursues very high standards for achieving both meaningful work and meaningful relationships, or one in which work quality and relationship quality are not equally valued and/or the standards aren't as high?

Which kind of organization do you think will enable better development for the people who work there, foster deeper relationships between them, and produce better results? Which approach would you prefer to see the leaders and organizations that you deal with follow? Which way of being would you prefer the people who run our government to follow?

- **Make your passion and your work one and the same and do it with people you want to be with**

1. Trust in Radical Truth and Radical Transparency

Understanding what is true is essential for success, and being radically transparent about everything, including mistakes and weaknesses, helps create the understanding that leads to improvements.

1.1. Realize that you have nothing to fear from knowing the truth

Are scarier than truths

1.2. Have integrity and demand it from others

People who are one way on the inside and another way on the outside lack integrity; they have “duality”.

a. Never say anything about someone that you wouldn't say to them directly and don't try people without accusing them to their faces.

Criticism is welcomed and encouraged, but there is never a good reason to bad-mouth people behind their backs. It is counterproductive and shows a serious lack of integrity, it doesn't yield any beneficial change, and it subverts both the person being badmouthed and the environment as a whole.

b. Don't let loyalty to people stand in the way of truth and the well-being of the organization.

In some companies, employees hide their employer's mistakes, and employers do the same in return. This is unhealthy and stands in the way of improvement.

1.3. Create an environment in which everyone has the right to understand what makes sense and no one has the right to hold a critical opinion without speaking up.

a. Speak up, own it, or get out.

Openness is a responsibility, what you're not allowed to do is complain and criticize privately.

b. Be extremely open.

Discuss your issues until you understand each other's positions and can determine what should be done.

c. Don't be naive about dishonesty.

1.4. Be radically transparent

Radical transparency isn't the same as total transparency. It just means much more transparency than is typical.

Keep some things confidential, such as private health matters or deeply personal problems, sensitive details about intellectual property or security issues, the timing of a major trade, and at least for the short term, matters that are likely to be distorted, sensationalized, and harmfully misunderstood if leaked to the press.

a. Use transparency to help enforce justice.

When everyone can follow the discussion leading up to a decision justice is more likely to prevail.

b. Share the things that are hardest to share.

If you don't share them you will lose the trust and partnership of the people you are not sharing with.

c. Keep exceptions to radical transparency very rare.

Most common reasons to limit broad transparency are:

- Where the information is of a private, personal, or confidential nature and doesn't meaningfully impact the community at large.
- Where sharing and managing such information puts the long-term interests of the community, its clients, and our ability to uphold our principles at risk (for instance, our proprietary investment logic or a legal dispute).
- Where the value of sharing the information broadly with the community is very low and the distraction it would cause would be significant (compensation, for instance).

d. Make sure those who are given radical transparency recognize their responsibilities to handle it well and to weigh things intelligently.

People cannot be given the privilege of receiving information and then use the information to harm the company, so rules and procedures must be in place to ensure that doesn't happen.

e. Provide transparency to people who handle it well and either deny it to people who don't handle it well or remove those people from the organization.

f. Don't share sensitive information with the organization's enemies.

1.5. Meaningful relationships and meaningful work are mutually reinforcing, especially when supported by radical truth and radical transparency.

2. Cultivate Meaningful Work and Meaningful Relationships

2.1. Be loyal to the common mission and not to anyone who is not operating consistently with it

Loyalty to specific people who are not in tight sync with the mission and how to achieve it will create factionalism and undermine the well-being of the community.

2.2. Be crystal clear on what the deal is

- a. Make sure people give more consideration to others than they demand for themselves.**
- b. Make sure that people understand the difference between fairness and generosity.**
- c. Know where the line is and be on the far side of fair.**
- d. Pay for work.**

2.3. Recognize that the size of the organization can pose a threat to meaningful relationships

Having groups (departments) of around a hundred (give or take about fifty) that are bound collectively by our common mission was the best way to scale the meaningful relationship.

2.4. Remember that most people will pretend to operate in your interest while operating in their own.

2.5. Treasure honorable people who are capable and will treat you well even when you're not looking.

3. Create a Culture in Which It Is Okay to Make Mistakes and Unacceptable Not to Learn from Them

You'll see rapid progress and fewer significant mistakes. This is especially true in organizations where creativity and independent thinking are important.

Mistakes will cause you pain, but you shouldn't try to shield yourself or others from it. Pain is a message that something is wrong and it's an effective teacher that one shouldn't do that wrong thing again.

3.1. Recognize that mistakes are a natural part of the evolutionary process

- a. Fail well.
- b. Don't feel bad about your mistakes or those of others. Love them!

3.2. Don't worry about looking good—worry about achieving your goals

- a. Get over "blame" and "credit" and get on with "accurate" and "inaccurate."

3.3. Observe the patterns of mistakes to see if they are products of weaknesses

Write down your mistakes and connecting the dots between them. Then write down your "one big challenge," the weakness that stands the most in the way of your getting what you want.

3.4. Remember to reflect when you experience pain

- a. Be self-reflective and make sure your people are self-reflective.
- b. Know that nobody can see themselves objectively.

It is everyone's responsibility to help others learn what is true about themselves by giving them honest feedback, holding them accountable, and working through disagreements in an open-minded way.

- c. Teach and reinforce the merits of mistake-based learning.

Managers need to foster a culture that makes this normal and that penalizes suppressing or covering up mistakes.

3.5. Know what types of mistakes are acceptable and what types are unacceptable, and don't allow the people who work for you to make the unacceptable ones

4. Get and Stay in Sync

For an organization to be effective, the people must be aligned on many levels—from what their shared mission is, to how they will treat each other, to a more practical picture of who will do what when to achieve their goals.

4.1. Recognize that conflicts are essential for great relationships ...

... because they are how people determine whether their principles are aligned and resolve their differences.

a. Spend lavishly on the time and energy you devote to getting in sync, because it's the best investment you can make.

In the long run, it saves time by increasing efficiency.

4.2. Know how to get in sync and disagree well

a. Surface areas of possible out-of-syncness.

List their disagreements in order of priority so I/we can more easily direct them to the right party at the right time.

b. Distinguish between idle complaints and complaints meant to lead to improvement.

c. Remember that every story has another side.

4.3. Be open-minded and assertive at the same time

a. Distinguish open-minded people from closed-minded people.

b. Don't have anything to do with closed-minded people.

Closed-minded people will waste your time.

c. Watch out for people who think it's embarrassing not to know.

They're likely to be more concerned with appearances than actually achieving the goal

d. Make sure that those in charge are open-minded about the questions and comments of others.

e. Recognize that getting in sync is a two-way responsibility.

The parties involved should always consider the possibility that one or both of them misunderstood. Repeating what you're hearing someone say to make sure you're actually getting it. Start by assuming you're either not communicating or listening well instead of blaming the other party.

f. Worry more about substance than style.

I often hear people complaining about the style or tone of a criticism in order to deflect from its substance. If you think someone's style is an issue, box it as a separate issue to get in sync on.

g. Be reasonable and expect others to be reasonable.

If either party to a disagreement is too emotional to be logical, the conversation should be deferred. Pausing a few hours or even a few days in cases where decisions do not have to be made immediately is sometimes the best approach.

h. Making suggestions and questioning are not the same as criticizing, so don't treat them as if they are.

Asking questions to make sure that someone hasn't overlooked something isn't the same thing as saying that he or she has overlooked it.

4.4. If it is your meeting to run, manage the conversation

a. Make it clear who is directing the meeting and whom it is meant to serve.

That person is the one responsible for the meeting and decides what they want to get out of it and how they will do so.

b. Be precise in what you're talking about to avoid confusion.

c. Make clear what type of communication you are going to have in light of the objectives and priorities.

Debating takes time, and that time increases exponentially depending on the number of people participating in the discussion, so you have to carefully choose the right people in the right numbers to suit the decision that needs to be made.

The worst way to pick people is based on whether their conclusions align with yours.

d. Lead the discussion by being assertive and open-minded.

What happens when someone inexperienced offers an opinion?

You should be weighing the potential cost.

Exploring the views of people who are still building their track record can give you valuable insights into how they might handle various responsibilities.

Time permitting, you should work through their reasoning with them so they can understand how they might be wrong.

e. Navigate between the different levels of the conversation.

Two levels of discussion: the case at hand and the relevant principles that help you decide how the machine should work.

f. Watch out for "topic slip."

Topic slip is random drifting from topic to topic without achieving completion on any of them.

One way to avoid it is by tracking the conversation on a whiteboard.

g. Enforce the logic of conversations.

h. Be careful not to lose personal responsibility via group decision making.

Be clear in assigning personal responsibilities.

i. Utilize the “two-minute rule” to avoid persistent interruptions.

You have to give someone an uninterrupted two minutes to explain their thinking before jumping in with your own.

j. Watch out for assertive “fast talkers.”

If you’re feeling pressured, say something like “Sorry for being stupid, but I’m going to need to slow you down so I can make sense of what you’re saying.”

k. Achieve completion in conversations.

The main purpose of discussion is to achieve completion and get in sync, which leads to decisions and/or actions.

Where further action has been decided, get those tasks on a to-do list, assign people to do them, and specify due dates. Write down your conclusions, working theories, and to-do’s in places that will lead to their being used as foundations for continued progress.

To make sure this happens, assign someone to make sure notes are taken and follow-through occurs.

l. Leverage your communication.

It is helpful to identify easy ways of sharing, like open emails posted on an FAQ board or sending around videotapes or audio recordings of key meetings.

4.5. Great collaboration feels like playing jazz

a. 1+1=3.

Two people who collaborate well will be about three times as effective as each of them operating independently, because each will see what the other might miss—plus they can leverage each other’s strengths while holding each other accountable to higher standards.

b. 3 to 5 is more than 20.

4.6. When you have alignment, cherish it

4.7. If you find you can’t reconcile major differences —especially in values— consider whether the relationship is worth preserving

5. Believability Weight Your Decision Making

In typical organizations, most decisions are made either autocratically, by a top-down leader, or democratically, where everyone shares their opinions and those opinions that have the most support are implemented. Both systems produce inferior decision making. That's because the best decisions are made by an idea meritocracy with believability-weighted decision making, in which the most capable people work through their disagreements with other capable people who have thought independently about what is true and what to do about it.

It is far better to weight the opinions of more capable decision makers more heavily than those of less capable decision makers. This is what we mean by "believability weighting."

The most believable opinions are those of people who 1) have repeatedly and successfully accomplished the thing in question, and 2) have demonstrated that they can logically explain the cause-effect relationships behind their conclusions, not just luckiness.

The criteria for establishing believability must be objective and trusted by everybody.

Believability is tracked and measured systematically, using tools such as Baseball Cards and the Dot Collector.

In meetings take votes via our Dot Collector app, which displays both the equal-weighted average and the believability-weighted results.

Typically, if both the equal-weighted average and the believability-weighted votes align, we consider the matter resolved and move on. If the two types of votes are at odds, we try again to resolve them and, if we can't, we go with the believability-weighted vote.

5.1. Recognize that having an effective idea meritocracy requires that you understand the merit of each person's ideas

- a. **If you can't successfully do something, don't think you can tell others how it should be done.**
- b. **Remember that everyone has opinions and they are often bad.**

5.2. Find the most believable people possible who disagree with you and try to understand their reasoning

- a. **Think about people's believability in order to assess the likelihood that their opinions are good.**
- b. **Remember that believable opinions are most likely to come from people 1) who have successfully accomplished the thing in question at least three times, and 2) who have great explanations of the cause-effect relationships that lead them to their conclusions.**
- c. **If someone hasn't done something but has a theory that seems logical and can be stress-tested, then by all means test it.**
- d. **Don't pay as much attention to people's conclusions as to the reasoning that led them to their conclusions.**
- e. **Inexperienced people can have great ideas too, sometimes far better ones than more experienced people.**

Because experienced thinkers can get stuck in their old ways.

f. **Everyone should be up-front in expressing how confident they are in their thoughts.**

5.3. Think about whether you are playing the role of a teacher, a student, or a peer

...

... and whether you should be teaching, asking questions, or debating.

If you're more believable, your role is more of a teacher.

a. **It's more important that the student understand the teacher than that the teacher understand the student, though both are important.**

b. **Recognize that while everyone has the right and responsibility to try to make sense of important things, they must do so with humility and radical open-mindedness.**

5.4. Understand how people came by their opinions

When someone says, "I believe X," ask them: What data are you looking at? What reasoning are you using to draw your conclusion?

a. **If you ask someone a question, they will probably give you an answer, so think through to whom you should address your questions.**

If someone asks you a question, think first whether you're the right person to answer it. If you're not believable, you probably shouldn't have an opinion about what they're asking, let alone share it.

b. **Having everyone randomly probe everyone else is an unproductive waste of time.**

c. **Beware of statements that begin with "I think that ..."**

Just because someone thinks something doesn't mean it's true.

d. **Assess believability by systematically capturing people's track records over time.**

5.5. Disagreeing must be done efficiently

a. **Know when to stop debating and move on to agreeing about what should be done.**

b. **Use believability weighting as a tool rather than a substitute for decision making by Responsible Parties.**

c. **Since you don't have the time to thoroughly examine everyone's thinking yourself, choose your believable people wisely.**

d. **When you're responsible for a decision, compare the believability-weighted decision making of the crowd to what you believe.**

5.6. Recognize that everyone has the right and responsibility to try to make sense of important things

- a. Communications aimed at getting the best answer should involve the most relevant people.
- b. Communication aimed at educating or boosting cohesion should involve a broader set of people than would be needed if the aim were just getting the best answer.
- c. Recognize that you don't need to make judgments about everything.

5.7. Pay more attention to whether the decision-making system is fair than whether you get your way

6. Recognize How to Get Beyond Disagreements

6.1. Remember: Principles can't be ignored by mutual agreement

Principles are like laws—you can't break one simply because you and someone else agree to break it. Remember that it's everyone's obligation to speak up, own it, or get out. If you don't think the principles provide the right way to resolve a problem or disagreement, you need to fight to change the principles, not just do what you want to do.

- a. **The same standards of behavior apply to everyone.**

6.2. Make sure people don't confuse the right to complain, give advice, and openly debate with the right to make decisions

- a. **When challenging a decision and/or a decision maker, consider the broader context.**

6.3. Don't leave important conflicts unresolved

- a. **Don't let the little things divide you when your agreement on the big things should bind you.**
- b. **Don't get stuck in disagreement—escalate or vote!**

6.4. Once a decision is made, everyone should get behind it even though individuals may still disagree

- a. **See things from the higher level.**

Look down on yourself and others as part of a system.

You must get out of your own head, consider your views as just some among many, and look down on the full array of points of view to assess them in an idea-meritocratic way rather than just in your own possessive way.

- b. **Never allow the idea meritocracy to slip into anarchy.**

- c. **Don't allow lynch mobs or mob rule.**

6.5. Remember that if the idea meritocracy comes into conflict with the well-being of the organization, it will inevitably suffer

- a. **Declare "martial law" only in rare or extreme circumstances when the principles need to be suspended.**
- b. **Be wary of people who argue for the suspension of the idea meritocracy for the "good of the organization."**

6.6. Recognize that if the people who have the power don't want to operate by principles, the principled way of operating will fail

TO GET THE PEOPLE RIGHT

WHO Is More Important than the WHAT.

Most organizations are bad at recruiting. It starts with interviewers picking people they like and who are like them instead of focusing on what people are really like and how well they will fit in their jobs and careers.

To hire well, one needs a more scientific process that precisely matches people's values, abilities, and skills with the organization's culture and its career paths.

The ability to objectively self-assess, including one's own weaknesses, is the most influential factor in whether a person succeeds.

Your goal should be to hire people who understand this, equip them with the tools and the information they need to flourish in their jobs, and not micromanage them.

7. Remember That the WHO Is More Important than the WHAT

People often make the mistake of focusing on what should be done while neglecting the more important question of who should be given the responsibility for determining what should be done. My ultimate goal is to create a machine that works so well that I can just sit back and watch beauty happen.

What you need to do is simple:

- Remember the goal.
- Give the goal to people who can achieve it or tell them what to do to achieve it
- Hold them accountable.
- If they still can't do the job after you've trained them and given them time to learn, get rid of them

7.1. Recognize that the most important decision for you to make is who you choose as your Responsible Parties

a. Understand that the most important RPs are those responsible for the goals, outcomes, and machines at the highest levels.

Someone who can be responsible for an entire area—someone who can design, hire, and sort to achieve the goal.

Senior managers must be capable of higher-level thinking, and understand the difference between goals and tasks.

7.2. Know that the ultimate Responsible Party will be the person who bears the consequences of what is done

When putting someone in a position of responsibility, make sure their incentives are aligned with their responsibilities and they experience the consequences of the outcomes they produce.

a. Make sure that everyone has someone they report to.

7.3. Remember the force behind the thing

So who are the people in your organization behind the results and culture that make it special? Think about who they are and how they work together to make it what it is.

8. Hire Right, Because the Penalties for Hiring Wrong Are Huge

Look for people who:

- think independently
- argue openmindedly and assertively
- pursuit of truth and excellence
- wants rapid improvement of themselves and the organization
- with generous natures and high standards of fairness.
- They must be able to put their egos aside and assess themselves candidly.

8.1. Match the person to the design

Start by creating a spec sheet so that there will be a consistent set of criteria that can be applied from recruiting through performance reviews.

Same bank of qualities as our Baseball Cards.

Don't design jobs to fit people

a. Think through which values, abilities, and skills you are looking for (in that order).

We value people most who have character, common sense, and creativity.

The key shared values that maintain our culture are meaningful work and meaningful relationships, radical truth and radical transparency, an openminded willingness to explore harsh realities including one's own weaknesses, a sense of ownership, a drive for excellence, and the willingness to do the good but difficult things

b. Make finding the right people systematic and scientific.

You need to have a people-hiring machine in which the goals are clearly stated.

Organizations typically hire people by having job candidates' resumes reviewed by semi-random people based on semi-random criteria, which leads them to invite in candidates to have semi-random groups of people ask the candidates semi-random questions and then make their choices of whom to offer jobs based on the consensus of how they liked them.

c. Hear the click: Find the right fit between the role and the person.

d. Look for people who sparkle, not just "any ol' one of those."

e. Don't use your pull to get someone a job.

The most you can do in this respect is to provide a reference for someone you know well enough to endorse.

8.2. Remember that people are built very differently and that different ways of seeing and thinking make people suitable for different jobs

a. Understand how to use and interpret personality assessments.

b. Remember that people tend to pick people like themselves, so choose interviewers who can identify what you are looking for.

If you're looking for a visionary, pick a visionary to do the interview.

If you are looking for a mix of qualities, assemble a group of interviewers who embody those qualities collectively.

c. Look for people who are willing to look at themselves objectively.

d. Remember that people typically don't change all that much.

8.3. Think of your teams the way that sports managers do: No one person possesses everything required to produce success, yet everyone must excel

Where different skills are required to play different positions.

8.4. Pay attention to people's track records

Do they have a track record of excellence in what you're expecting them to do? Have they done the thing you want them to do successfully at least three times? If not, you're making a lower-probability bet.

Doesn't mean you should never allow yourself or others to do anything new.

But do it with appropriate caution and with guardrails.

a. Check references.

Don't rely exclusively on the candidate for information about their track record: Talk to believable people who know them, look for documented evidence, and ask for past reviews from their bosses, subordinates, and peers.

b. Recognize that performance in school doesn't tell you much about whether a person has the values and abilities you are looking for.

Memory and processing speed tend to be the abilities that determine success in school.

School performance is also a good gauge of a person's determination to succeed, as well as their willingness and ability to follow directions.

But common sense, vision, creativity, or decision-making abilities, school records are of limited value.

c. While it's best to have great conceptual thinkers, understand that great experience and a great track record also count for a lot.

d. Beware of the impractical idealist.

e. Don't assume that a person who has been successful elsewhere will be successful in the job you're giving them.

f. Make sure your people have character and are capable.

The person who is capable but doesn't have good character is generally destructive.

Most organizations overvalue the abilities piece and undervalue the character piece because of a shortsighted focus on getting the job done.

The person with good character and poor abilities also creates problems.

You need people with excellent character and excellent capabilities.

8.5. Don't hire people just to fit the first job they will do; hire people you want to share your life with

Hire the kind of people you want to share a long-term mission with. You will always have uses for great people.

a. Look for people who have lots of great questions.

Great questions are a much better indicator of future success than great answers.

b. Show candidates your warts.

That way you will stress-test their willingness to endure the real challenges.

c. Play jazz with people with whom you are compatible but who will also challenge you.

8.6. When considering compensation, provide both stability and opportunity

Pay people enough so that they're not under financial stress, but not so much that they become fat and happy.

a. Pay for the person, not the job.

b. Have performance metrics tied at least loosely to compensation.

c. Pay north of fair.

d. Focus more on making the pie bigger than on exactly how to slice it so that you or anyone else gets the biggest piece.

8.7. Remember that in great partnerships, consideration and generosity are more important than money

a. Be generous and expect generosity from others.

8.8. Great people are hard to find so make sure you think about how to keep them

9. Constantly Train, Test, Evaluate, and Sort People

Your part in an employee's personal evolution begins with a frank assessment of their strengths and weaknesses, followed by a plan for how their weaknesses can be mitigated either through training or by switching to a different job that taps into their strengths and preferences.

Remember that most people are happiest when they are improving and doing the things that suit them naturally and help them advance. So learning about your people's weaknesses is just as valuable (for them and for you) as is learning their strengths.

Helping people acquire skills is easy—it's typically a matter of providing them with appropriate training. Improvements in abilities are more difficult but essential to expanding what a person can be responsible for over time.

9.1. Understand that you and the people you manage will go through a process of personal evolution

a. Recognize that personal evolution should be relatively rapid and a natural consequence of discovering one's strengths and weaknesses; as a result, career paths are not planned at the outset.

They should be given enough freedom to learn and think for themselves while being coached so they are prevented from making unacceptable mistakes.

Typically it takes from six to twelve months to get to know a new employee in a by-and-large sort of way, and about eighteen months for them to internalize and adapt to the culture.

b. Understand that training guides the process of personal evolution.

c. Teach your people to fish rather than give them fish, even if that means letting them make some mistakes.

d. Recognize that experience creates internalized learning that book learning can't replace.

9.2. Provide constant feedback

For it to do so, the employees you supervise must meet expectations, and only you can help them understand whether they are stacking up. As their strengths and weaknesses become clearer, responsibilities can be more appropriately tailored to make the machine work better and to facilitate personal evolution.

9.3. Evaluate accurately, not kindly

a. In the end, accuracy and kindness are the same thing.

b. Put your compliments and criticisms in perspective.

c. Think about accuracy, not implications.

d. Make accurate assessments.

e. **Learn from success as well as from failure.**

f. **Know that most everyone thinks that what they did, and what they are doing, is much more important than it really is.**

9.4. Recognize that tough love is both the hardest and the most important type of love to give (because it is so rarely welcomed).

Compliments are easy to give but they don't help people stretch. Pointing out someone's mistakes and weaknesses is harder and less appreciated, but much more valuable in the long run.

a. **Recognize that while most people prefer compliments, accurate criticism is more valuable.**

Problems require more time than things that are going well. They must be identified and understood and addressed, while things that are running smoothly require less attention. Instead of celebrating how great we are, we focus on where we need to improve.

9.5. Don't hide your observations about people

a. **Build your synthesis from the specifics up.**

Converting a lot of data into an accurate picture. Too many people make assessments of people without connecting them to specific data.

b. **Squeeze the dots.**

c. **Don't oversqueeze a dot.**

d. **Use evaluation tools such as performance surveys, metrics, and formal reviews to document all aspects of a person's performance.**

It's hard to have an objective, open-minded, emotion-free conversation about performance if there is no data to discuss. It's also hard to track progress.

9.6. Make the process of learning what someone is like open, evolutionary, and iterative

a. **Make your metrics clear and impartial.**

b. **Encourage people to be objectively reflective about their performance.**

c. **Look at the whole picture.**

In reviewing someone, the goal is to see the patterns and to understand the whole picture.

d. **For performance reviews, start from specific cases, look for patterns, and get in sync with the person being reviewed by looking at the evidence together.**

e. **Remember that when it comes to assessing people, the two biggest mistakes you can make are being overconfident in your assessment and failing to get in sync on it.**

f. Get in sync on assessments in a nonhierarchical way.

Your reports have to believe that you're not their enemy—that your sole goal is to move toward the truth; that you are trying to help them and so will not enable their self-deception, perpetuate a lie, or let them off the hook.

g. Learn about your people and have them learn about you through frank conversations about mistakes and their root causes.

h. Understand that making sure people are doing a good job doesn't require watching everything that everybody is doing at all times.

i. Recognize that change is difficult.

j. Help people through the pain that comes with exploring their weaknesses.

Emotions tend to heat up during most disagreements, especially when the subject is someone's weaknesses. Speak in a calm, slow, and analytical manner to facilitate communication. Put things in perspective by reminding them that their pain is the pain that comes with learning and personal evolution—and that knowing the truth will put them on the path to a much better place. Consider asking them to go away and reflect when they are calm, and have a follow-up conversation a few days later.

Let them see their failures so clearly that they are motivated to change them, and then show them how to either change what they are doing or rely on others who are strong where they are weak.

9.7. Knowing how people operate and being able to judge whether that way of operating will lead to good results is more important than knowing what they did

a. If someone is doing their job poorly, consider whether it is due to inadequate learning or inadequate ability.

A weakness that is due to a lack of experience or training can be fixed, while a weakness that is due to a lack of ability can't be.

b. Training and testing a poor performer to see if he or she can acquire the required skills without simultaneously trying to assess their abilities is a common mistake.

9.8. Recognize that when you are really in sync with someone about their weaknesses, the weaknesses are probably true

a. When judging people, remember that you don't have to get to the point of "beyond a shadow of a doubt."

Work toward developing a mutually agreed-upon, by-and-large understanding of what someone is like that has a high level of confidence behind it.

- b. It should take you no more than a year to learn what a person is like and whether they are a click for their job.**
- c. Continue assessing people throughout their tenure.**
- d. Evaluate employees with the same rigor as you evaluate job candidates.**

9.9. Train, guardrail, or remove people; don't rehabilitate them

Rehabilitation is an attempt to create significant changes in people's values and/or abilities. Since values and abilities are difficult to change, rehabilitation is typically impractical.

If you are expecting people to be much better in the near future than they have been in the past, you are probably making a serious mistake. People who repeatedly operate in a certain way will probably continue to operate that way

a. Don't collect people.

It is much worse to keep someone in a job unsuitable for them than it is to fire or reassign them. Consider the enormous costs of not firing someone unsuited for a job: the costs of bad performance; the time and effort wasted trying to train them

b. Be willing to "shoot the people you love."

c. When someone is "without a box," consider whether there is an open box that would be a better fit or whether you need to get them out of the company.

d. Be cautious about allowing people to step back to another role after failing.

9.10. Remember that the goal of a transfer is the best, highest use of the person in a way that benefits the community as a whole

a. Have people "complete their swings" before moving on to new roles.

9.11. Don't lower the bar

TO BUILD AND EVOLVE YOUR MACHINE

10. Manage as Someone Operating a Machine to Achieve a Goal

10.1. Look down on your machine and yourself within it from the higher level

a. **Constantly compare your outcomes to your goals.**

b. **Understand that a great manager is essentially an organizational engineer.**

They see their organizations as machines and work assiduously to maintain and improve them. They create process-flow diagrams to show how the machine works and to evaluate its design. They build metrics to light up how well each of the individual parts of the machine (most importantly, the people) and the machine as a whole are working.

They don't do this randomly. They do it systematically, always keeping the cause-and-effect relationships in mind. And while they care deeply about the people involved, they cannot allow their feelings for them or their desire to spare them discomfort to stand in the way of the machine's constant improvement.

c. **Build great metrics.**

d. **Beware of paying too much attention to what is coming at you and not enough attention to your machine.**

e. **Don't get distracted by shiny objects.**

There will always be things that come out of nowhere and look like the most important or urgent or attractive thing to focus on. That will distract you from thinking in a machinelike way.

10.2. Remember that for every case you deal with, your approach should have two purposes ...

... 1) to move you closer to your goal, and 2) to train and test your machine (i.e., your people and your design).

a. **Everything is a case study.**

b. **When a problem occurs, conduct the discussion at two levels: 1) the machine level (why that outcome was produced) and 2) the case-at-hand level (what to do about it).**

c. **When making rules, explain the principles behind them.**

d. **Your policies should be natural extensions of your principles.**

e. **While good principles and policies almost always provide good guidance, remember that there are exceptions to every rule.**

10.3. Understand the differences between managing, micromanaging, and not managing

- a. Managers must make sure that what they are responsible for works well.**
- b. Managing the people who report to you should feel like skiing together.**
- c. An excellent skier is probably going to be a better ski coach than a novice skier.**
- d. You should be able to delegate the details.**

10.4. Know what your people are like and what makes them tick, because your people are your most important resource.

Develop a full profile of each person's values, abilities, and skills.

- a. Regularly take the temperature of each person who is important to you and to the organization.**
- b. Learn how much confidence to have in your people—don't assume it.**
- c. Vary your involvement based on your confidence.**

10.5. Clearly assign responsibilities

a. Remember who has what responsibilities.

So make sure that people remember how the team is supposed to work and play their positions well.

b. Watch out for "job slip."

When a job changes without being explicitly thought through and agreed to, generally because of changing circumstances or a temporary necessity.

Often leads to the wrong people handling the wrong responsibilities.

10.6. Probe deep and hard to learn what you can expect from your machine

Probing shouldn't just come from the top down. The people who work for you should constantly challenge you, so that you can become as good as you can be.

a. Get a threshold level of understanding

You need to gain a rich enough understanding of the people, processes, and problems around you to make well-informed decisions.

b. Avoid staying too distant.

You need to know your people extremely well, provide and receive regular feedback, and have quality discussions.

c. Use daily updates as a tool for staying on top of what your people are doing and thinking.

Ask each person who reports to me to take about ten to fifteen minutes to write a brief description of what they did that day, the issues pertaining to them, and their reflections.

By reading these updates and triangulating them, I can gauge how they are working together, what their moods are, and which threads I should pull on.

d. Probe so you know whether problems are likely to occur before they actually do.

e. Probe to the level below the people who report to you.

f. Have the people who report to the people who report to you feel free to escalate their problems to you.

g. Don't assume that people's answers are correct.

Occasionally double-check them.

h. Train your ear.

i. Make your probing transparent rather than private.

j. Welcome probing.

It's important to welcome probing of yourself because no one can see themselves objectively.

k. Remember that people who see things and think one way often have difficulty communicating with and relating to people who see things and think another way.

l. Pull all suspicious threads.

1) Small negative situations can be symptomatic of serious underlying problems;

2) Resolving small differences of perception may prevent more serious divergence of views

m. Recognize that there are many ways to skin a cat.

10.7. Think like an owner, and expect the people you work with to do the same

Make sure you structure incentives and penalties that encourage people to take full ownership of what they do and not just coast by.

This includes straightforward things such as spending money like it's their own and making sure their responsibilities aren't neglected when they're out of the office.

a. Going on vacation doesn't mean one can neglect one's responsibilities.

It's your responsibility to make sure nothing drops. You can do that via a combination of good planning and coordination before you go and staying.

b. Force yourself and the people who work for you to do difficult things.

10.8. Recognize and deal with key-man risk

Every key person should have at least one person who can replace him or her.

10.9. Don't treat everyone the same—treat them appropriately

Because people and their circumstances are different.
Treat people according to the same set of rules.

a. Don't let yourself get squeezed.

b. Care about the people who work for you.

10.10. Know that great leadership is generally not what it's made out to be

Is more practical to be honest about one's uncertainties, mistakes, and weaknesses than to pretend they don't exist. It is also more important to have good challengers than good followers. Thoughtful discussion and disagreement is practical because it stress-tests leaders and brings what they are missing to their attention.

One thing that leaders should not do, in my opinion, is be manipulative. Sometimes leaders will use emotions to motivate people to do things that they would not do after reflecting clearly.

It is essential that one always appeal to their reason rather than their base emotions.

The most effective leaders work to 1) open-mindedly seek out the best answers and 2) bring others along as part of that discovery process. That is how learning and getting in sync occurs. A truly great leader is appropriately uncertain but well equipped to deal with that uncertainty through openminded exploration.

a. Be weak and strong at the same time.

Asking questions to gain perspective can be misperceived as being weak and indecisive.

It's necessary in order to become wise and it is a prerequisite for being strong and decisive.

Always seek the advice of wise others and let those who are better than you take the lead. The objective is to have the best understanding to make the best possible leadership decisions. Be open-minded and assertive at the same time.

b. Don't worry about whether or not your people like you and don't look to them to tell you what you should do.

Just worry about making the best decisions possible, recognizing that no matter what you do, most everyone will think you're doing something—or many things—wrong.

So, if you're leading well, you shouldn't be surprised if people disagree with you. The important thing is for you to be logical and objective in assessing your probabilities of being right.

If you don't have better insights than them, you shouldn't be a leader—and if you do have better insights than them, don't worry if you are doing unpopular things.

Encourage them to bring their disagreements to the surface and work through them so openly and reasonably that everyone will recognize the relative merits of your thinking.

c. Don't give orders and try to be followed; try to be understood and to understand others by getting in sync.

10.11. Hold yourself and your people accountable and appreciate them for holding you accountable

Holding people accountable means understanding them and their circumstances well enough to assess whether they can and should do some things differently, getting in sync with them about that, and, if they can't adequately do what is required, removing them from their jobs.

a. If you've agreed with someone that something is supposed to go a certain way, make sure it goes that way—unless you get in sync about doing it differently.

b. Distinguish between a failure in which someone broke their “contract” and a failure in which there was no contract to begin with.

Don't assume that something was implicitly understood.
Common sense isn't actually all that common—be explicit.

c. Avoid getting sucked down.

When a manager is pulled down to doing the tasks of a subordinate without acknowledging the problem. Signal that a part of the machine is broken and needs fixing.
Happens when a manager chronically fails to properly redesign an area of responsibility to keep him or herself from having to do the job that others should be capable of doing well.

d. Watch out for people who confuse goals and tasks, because if they can't make that distinction, you can't trust them with responsibilities.

e. Watch out for the unfocused and unproductive “theoretical should.”

A “theoretical should” occurs when people assume that others or themselves should be able to do something when they don't actually know whether they can.

10.12. Communicate the plan clearly and have clear metrics conveying whether you are progressing according to it

People should know the plans and designs within their departments.

a. Put things in perspective by going back before going forward.

Before moving forward with a new plan, take the time to reflect on how the machine has been working up till now.

10.13. Escalate when you can't adequately handle your responsibilities ...

... and make sure that the people who work for you are proactive about doing the same.

Means saying you don't believe you can successfully handle a situation and that you are passing the Responsible Party job to someone else.

The person you are escalating to can then decide whether to coach you through it, take control themselves, have someone else handle it, or do something else.

11. Perceive and Don't Tolerate Problems

11.1. If you're not worried, you need to worry—and if you're worried, you don't need to worry.

Because worrying about what can go wrong will protect you and not worrying about what will go wrong will leave you exposed.

11.2. Design and oversee a machine to perceive whether things are good enough or not good enough, or do it yourself

a. **Assign people the job of perceiving problems, give them time to investigate, and make sure they have independent reporting lines so that they can convey problems without any fear of recrimination.**

b. **Watch out for the “Frog in the Boiling Water Syndrome.”**

People have a strong tendency to slowly get used to unacceptable things that would shock them if they saw them with fresh eyes.

c. **Beware of group-think: The fact that no one seems concerned doesn't mean nothing is wrong.**

If you see something that seems unacceptable to you, don't assume that the fact that others also know about it and aren't screaming means it's not a problem.

d. **To perceive problems, compare how the outcomes are lining up with your goals.**

e. **“Taste the soup.”**

Think of yourself as a chef and taste the soup before it goes out to the customers

f. **Have as many eyes looking for problems as possible.**

g. **“Pop the cork.”**

It's your responsibility to make sure communications from your people flow freely, so encourage it by giving them plenty of opportunities to speak up. Don't just expect them to provide you with regular and honest feedback—explicitly ask them for it.

h. **Realize that the people closest to certain jobs probably know them best.**

11.3. Be very specific about problems; don't start with generalizations

a. **Avoid the anonymous “we” and “they,” because they mask personal responsibility.**

Things don't just happen by themselves—they happen because specific people did or didn't do specific things.

Since individuals are the most important building blocks of any organization and since individuals are responsible for the ways things are done, mistakes must be connected to those individuals by name.

11.4. Don't be afraid to fix the difficult things.

In some cases, people accept unacceptable problems because they are perceived as too difficult to fix.

Not fixing them will lead to more stress, more work, and chronic bad outcomes that could get you fired.

a. Understand that problems with good, planned solutions in place are completely different from those without such solutions

b. Think of the problems you perceive in a machinelike way.

Three steps to doing this well:

- note the problem
- determine who the RPs to raise it to are
- decide when the right time to discuss it is.

What, who, when.

12. Diagnose Problems to Get at Their Root Causes

First mistake people make is dealing with their problems as one-offs rather than using them to diagnose how their machine is working so that they can improve it.

Second mistake people make is to depersonalize the diagnosis. Not connecting problems to the people who failed and not examining what it is about them that caused the failure will not lead to improvements of the individuals or the machines.

Third mistake people make is to not connect what one is learning in one diagnosis to what was learned in prior ones.

Nobody is perfect; everyone makes mistakes. So it is important to look at people's track records and their specific strengths and weaknesses in doing a diagnosis.

12.1. To diagnose well, ask the following questions:

- Is the outcome good or bad?
- Who is responsible for the outcome?
- If the outcome is bad, is the Responsible Party incapable and/or is the design bad?
- How should the machine have worked?
- Did the machine work as it should have? Yes or no
- If not, what didn't go as it should have? What broke?
- Why didn't things go as they should have?
- Is the root cause a pattern? (Yes or no.)
- How should the people/machines evolve as a result?

a. Ask yourself: "Who should do what differently?"

b. Identify at which step in the 5-Step Process the failure occurred.

c. Identify the principles that were violated.

d. Avoid Monday morning quarterbacking.

Do this by asking yourself, "What should a quality person have known and done in that situation?"

e. Don't confuse the quality of someone's circumstances with the quality of their approach to dealing with the circumstances.

f. Identifying the fact that someone else doesn't know what to do doesn't mean that you know what to do.

g. Remember that a root cause is not an action but a reason.

Are described in adjectives, not verbs, keep asking "why" to get at them.

Example:

- The problem was due to bad programming.
- Why was there bad programming?
Because Harry programmed it badly.
- Why did Harry program it badly?

Because he wasn't well trained and because he was in a rush.

- Why wasn't he well trained?

Did his manager know that he wasn't well trained and let him do the job anyway, or did he not know?

To distinguish between a capacity issue and a capability issue, imagine how the person would perform at that particular function if they had ample capacity.

h. Keep in mind that managers usually fail or fall short of their goals for one (or more) of five reasons.

- They are too distant.
- They have problems perceiving bad quality.
- They have lost sight of how bad things have become because they have gotten used to it.
- They have such high pride in their work (or such large egos) that they can't bear to admit they are unable to solve their own problems.
- They fear adverse consequences from admitting failure.

12.2. Maintain an emerging synthesis by diagnosing continuously

12.3. Keep in mind that diagnoses should produce outcomes

- a. Remember that if you have the same people doing the same things, you should expect the same results.**

12.4. Use the following “drill-down” technique to gain an 80/20 understanding of a department or sub-department that is having problems

Is a process that allows you to gain an understanding of the root causes of the biggest problems in a department or area so you can design a plan to make the area excellent.

If done well can be done in about four hours.

Step 1: List the Problems.

Quickly inventory all the core problems. Be very specific.

Don't generalize or use the plural “we” or “they.” Name the names of the people experiencing the problems.

- Have all the relevant people from the area under scrutiny participate in the drill-down; you will benefit from their insights and it will drive their ownership of the solution.
- Don't focus on rare events or the trivial problems—nothing is perfect— but be sure they are not symptoms of systematic machine problems.
- Don't try to find solutions yet. Your focus in this step is strictly on listing the problems.

Step 2: Identify the Root Causes.

To get at the root cause, keep asking “Why?”

Step 3: Create a Plan.

Visualize who will do what through time to achieve the goals.

Allow the key people involved to discuss the plan thoroughly. Not everyone needs to agree on the plan but the Responsible Parties and other key people must be in sync.

Step 4: Execute the Plan.

12.5. Understand that diagnosis is foundational to both progress and quality relationships

13. Design Improvements to Your Machine to Get Around Your Problems

Having systematic ways of tracking issues (the Issue Log) and what people are like (the Dot Collector) is so useful: Instead of just relying on your best guesses of what might go wrong, you can look at data from prior “at bats” for yourself and others and come to the design process with understanding rather than having to start from scratch.

13.1. Build your machine

Build a machine by observing what you’re doing and why, extrapolating the relevant principles from the cases at hand, and systemizing that process. It typically takes about twice as long to build a machine as it does to resolve the task at hand, but it pays off many times over because the learning and efficiency compound into the future.

13.2. Systemize your principles and how they will be implemented

Have good principles, have a systematic way of making sure they’re regularly applied.

It’s essential to build your most important principles into habits and help others do so as well.

a. Create great decision-making machines by thinking through the criteria you are using to make decisions while you are making them.

Human managers process information spontaneously using poorly thought-out criteria and are unproductively affected by their emotional biases. These all lead to suboptimal decisions.

Have a machine that processes high-quality data using high-quality decision-making principles/criteria.

13.3. Remember that a good plan should resemble a movie script

Visualize who will do what when and the result they’ll produce. This is your mental map of your machine.

Put yourself in the position of pain for a while so that you gain a richer understanding of what you’re designing for.

a. Visualize alternative machines and their outcomes, and then choose.

b. Consider second- and third-order consequences, not just first-order ones.

c. Use standing meetings to help your organization run like a Swiss clock.

d. Remember that a good machine takes into account the fact that people are imperfect.

13.4. Recognize that design is an iterative process. Between a bad “now” and a good “then” is a “working through it” period.

a. Understand the power of the “cleansing storm.”

13.5. Build the organization around goals rather than tasks

- a. Build your organization from the top down.**
- b. Remember that everyone must be overseen by a believable person who has high standards.**
- c. Make sure the people at the top of each pyramid have the skills and focus to manage their direct reports and a deep understanding of their jobs.**
- d. In designing your organization, remember that the 5-Step Process is the path to success and that different people are good at different steps.**

e. Don't build the organization to fit the people.

You can always search outside to find the people who click best for a particular role.

First come up with the best workflow design, then sketch it out on an organizational chart, visualize how the parts interact, and specify what qualities are required for each job. Only after all that is done should you choose the people to fill the slots.

f. Keep scale in mind.

g. Organize departments and sub-departments around the most logical groupings based on "gravitational pull."

h. Make departments as self-sufficient as possible so that they have control over the resources they need to achieve their goals.

Because we don't want to create a bureaucracy that forces departments to requisition resources from a pool that lacks the focus to do the job.

i. Ensure that the ratios of senior managers to junior managers and of junior managers to their reports are limited to preserve quality communication and mutual understanding.

Should not be more than 1:10, and preferably closer to 1:5.

j. Consider succession and training in your design.

To ensure that your organization continues to deliver results, you need to build a perpetual motion machine that can work well without you.

k. Don't just pay attention to your job; pay attention to how your job will be done if you are no longer around.

l. Use "double-do" rather than "double-check" to make sure mission-critical tasks are done correctly.

Which is having two different people do the same task so that they produce two independent answers. This not only ensures better answers but will allow you to see the differences in people's performance and abilities.

Use double-do's in critical areas where large amounts of money are at risk.

m. Use consultants wisely and watch out for consultant addiction.

When evaluating whether to use a consultant, consider the following factors:

- **Quality Control.**

When the person working for you works for another company, you're operating by their standards, so it's important to know whether their standards are as high or higher than yours.

- **Economics.**

- **Institutionalization of Knowledge**

- **Security.**

And monitor whether they follow proper precautions, like not leaving sensitive documents on their desks.

13.6. Create an organizational chart to look like a pyramid, with straight lines down that don't cross

Number of layers should be limited to minimize hierarchy.

- Involve the person who is the point of the pyramid when encountering cross-departmental or cross-sub-departmental issues.**
- Don't do work for people in another department or grab people from another department to do work for you unless you speak to the person responsible for overseeing the other department.**
- Watch out for "department slip."**

13.7. Create guardrails when needed—and remember it's better not to guardrail at all

Guardrailing it's intended to help good people perform better, not to help failing people reach the bar.

If you're trying to guardrail someone who is missing the core abilities required for their job, you should probably just fire them and look for someone else who will be a better click.

- Don't expect people to recognize and compensate for their own blind spots.**
- Consider the clover-leaf design.**

13.8. Keep your strategic vision the same while making appropriate tactical changes as circumstances dictate

- Don't put the expedient ahead of the strategic.**
- Think about both the big picture and the granular details, and understand the connections between them.**

13.9. Have good controls so that you are not exposed to the dishonesty of others

Don't assume that people are operating in your interest.

When offered the choice of being fair with you or taking more for themselves, most people will take more for themselves.

- a. Investigate and let people know you are going to investigate.**
- b. Remember that there is no sense in having laws unless you have policemen (auditors).**
- c. Beware of rubber-stamping.**
- d. Recognize that people who make purchases on your behalf probably will not spend your money wisely.**
Because 1) it is not their money and 2) it is difficult to know what the right price should be.
- e. Use “public hangings” to deter bad behavior.**
So when you catch someone violating your rules and controls, make sure that everybody sees the consequences.

13.10. Have the clearest possible reporting lines and delineations of responsibilities

- a. Assign responsibilities based on workflow design and people's abilities, not job titles.**
- b. Constantly think about how to produce leverage.**
You're looking for ways to achieve more with less.
50:1 leverage, meaning that for every hour I spend with each person who works for me, they spend about fifty hours working to move the project along.
Typically between 10:1 and 20:1
To make training as easy to leverage as possible, document the most common questions and answers through audio, video, or written guidelines, and then assign someone to organize them and incorporate them into a manual, which is updated on a regular basis.
- c. Recognize that it is far better to find a few smart people and give them the best technology than to have a greater number of ordinary people who are less well equipped.**
- d. Use leveragers.**
Are people who can go from conceptual to practical effectively and do the most to get your concepts implemented.

13.11. Remember that almost everything will take more time and cost more money than you expect.

14. Do What You Set Out to Do

**14.1. Work for goals that you and your organization are excited about ...
... and think about how your tasks connect to those goals.**

a. Be coordinated and consistent in motivating others.

The main advantage of working in groups is that it's easier to design a group to include all the qualities needed to be successful than to find all those qualities in one person.

b. Don't act before thinking. Take the time to come up with a game plan.

c. Look for creative, cut-through solutions.

When people are facing thorny problems, they often think that they need to work harder. But if something seems hard, time-consuming, and frustrating, take some time to step back and triangulate with others on whether there might be a better way to handle it.

14.2. Recognize that everyone has too much to do.

Other than working harder for longer hours, there are three ways to fix the problem: 1) having fewer things to do by prioritizing and saying no, 2) finding the right people to delegate to, and 3) improving your productivity.

a. Don't get frustrated.

14.3. Use checklists

a. Don't confuse checklists with personal responsibility.

14.4. Allow time for rest and renovation

14.5. Ring the bell

Celebrate!

15. Use Tools and Protocols to Shape How Work Is Done

15.1. Having systemized principles embedded in tools is especially valuable for an idea meritocracy

- a. To produce real behavioral change, understand that there must be internalized or habituated learning.
- b. Use tools to collect data and process it into conclusions and actions.
- c. Foster an environment of confidence and fairness by having clearly-stated principles that are implemented in tools and protocols so that the conclusions reached can be assessed by tracking the logic and data behind them.

Tools designed to help us achieve our goals of

- learning what people are like,
- sharing what people are like,
- providing personalized training and development,
- offering guidance and oversight in specific situations,
- helping managers sort people into the right roles or out of the company based on what they are like and what is required.

16. And for Heaven's Sake, Don't Overlook Governance

16.1. To be successful, all organizations must have checks and balances

Checks: means people who check on other people to make sure they're performing well.

Balances: means balances of power.

- a. Even in an idea meritocracy, merit cannot be the only determining factor in assigning responsibility and authority.**
- b. Make sure that no one is more powerful than the system or so important that they are irreplaceable.**
- c. Beware of fiefdoms.**
Loyalty to a boss or department head cannot be allowed to conflict with loyalty to the organization as a whole.
- d. Make clear that the organization's structure and rules are designed to ensure that its checks-and-balances system functions well.**
- e. Make sure reporting lines are clear.**
- f. Make sure decision rights are clear.**
- g. Make sure that the people doing the assessing 1) have the time to be fully informed about how the person they are checking on is doing, 2) have the ability to make the assessments, and 3) are not in a conflict of interest that stands in the way of carrying out oversight effectively.**
- h. Recognize that decision makers must have access to the information necessary to make decisions and must be trustworthy enough to handle that information safely.**

16.2. Remember that in an idea meritocracy a single CEO is not as good as a great group of leaders

One person produces too much key-man risk, limits the range of expertise (because nobody is good at everything), and fails to establish adequate checks and balances.

16.3. No governance system of principles, rules, and checks and balances can substitute for a great partnership

To Sum-Up Work Principles

If you want to accomplish your mission, you will be better off having quality relationships with people committed to that mission and financial resources to put behind it.

If you want to have a great work community, you will need a shared mission and financial resources to support you.

If you want to make the most money possible, you will need clear goals and tight relationships to achieve them.

Idea-meritocratic decision making is better than traditional autocratic or democratic decision making in almost all cases.

An idea meritocracy requires people to do three things:

- Put their honest thoughts on the table for everyone to see,
- Have thoughtful disagreements where there are quality back-and-forths in which people evolve their thinking to come up with the best collective answers possible,
- Abide by idea-meritocratic ways of getting past the remaining disagreements

TOOLS AND PROTOCOLS FOR IDEA MERITOCRACY

COACH

Because there are too many principles for anyone to keep top of mind enough to apply appropriately to whatever situation they face.

Coach's platform is populated with a library of common situations, or "ones of those" (e.g., disagreeing with an assessment someone made, someone lied or did something unethical, etc.), which are linked to the relevant principles to help people handle them.

People give feedback on the quality of advice it provides.

DOT COLLECTOR

App used in meetings that allows people to express their thoughts and see others' thoughts in real time.

- Participants continuously record their assessments of each other by giving them "dots," positive or negative, on any number of several dozen attributes.
Dots are laid out in a grid that updates dynamically, so that everyone in the conversation can see one another's thinking as the meeting progresses.
This helps people shift their perspectives from being stuck in their own heads with their own opinions to looking down on everyone's views.
In this way it promotes open-minded, idea-meritocratic, collective decision making.
- By taking data on what everyone in the room is like, the app is able to give people individualized coaching.
- Highlights: "nubby questions"—cases where the pattern of answers and attributes of people on different sides of an issue suggest that there's an important disagreement to be resolved. It will alert you automatically if you disagree with the believability-weighted majority on a given issue and give you guidance on the appropriate steps to take to resolve that disagreement in an evidence-based way.
- It enables believability-weighted voting.
There is a polling interface where people can vote yes or no (or provide a numerical rating). A back-end system of believability weighting, allows us to look at vote results on both equal-weighted and believability-weighted bases.
It's simply a way of helping people keep track of believability without having to remember who is more believable at what.

BASEBALL CARDS

In meetings, we collect data on our people in numerous other ways (reviews, tests, the choices people make, etc.).

All these dots are analyzed via computerized algorithms based on stress-tested logic in order to create pointillist pictures of what people are like.

Cards are useful in meetings, where they allow people to assess the qualities of whoever is expressing a point of view to determine the merit of that opinion.

Another tool called the **People Profile**, which takes all the data from Baseball Cards (which have grown complex over time) to provide a simple, text-based summary of what each person is like.

In order to match people to jobs, there is the **Combinator**, which takes the data from the Baseball Cards and allows one to look at people based on their key attributes and compare them to one another.

ISSUE LOG

Tool for recording our mistakes and learning from them.

We use it to bring all problems to the surface, so we can put them in the hands of problem solvers to make systematic improvements.

Anything that goes wrong must be “issue logged” with the severity of the issue and who is responsible for it specified.

PAIN BUTTON

Pain is an important signal that there is something to be learned, and if you reflect on your pain well, you will almost always learn something important.

The moment someone experiences pain is the best time for them to record what the pain is like, but it’s a bad time to reflect because it’s hard to keep a clear head.

So the app is designed to let people record the emotions they are feeling (anger, disappointment, frustration, etc.) as they feel them and then come back at a later time to reflect on them using guided reflection questions.

The tool prompts the people who experienced the pain to specify what they will do to deal with that situation, so that the pain is mitigated in the future.

There is a part of the app that shows the frequency of the pain and the causes of the pain and whether the actions were followed through and productive.

DISPUTE RESOLVER

Provides paths for resolving disagreements in an idea-meritocratic way.

It asks a series of questions used to guide the people through the resolution process.

It locates believable people who can help determine whether a disagreement is worth taking up at a higher management level.

DAILY UPDATE TOOL

Each person who reports to me to take about ten to fifteen minutes to write a brief email of what they did that day.

The software application that pulls these updates into a dashboard, which makes them much easier to track, record metrics, and respond to than dealing with dozens of separate email threads.

CONTRACT TOOL

Let people make and monitor their commitments to each other. It helps both the people who requested things, and those who are required to provide those things, to easily stay on top of them.

PROCESS FLOW DIAGRAM

Help visualize the organization as a machine. It might have references to an organizational chart that shows who reports to whom.

Allows you to both see things simply at a high level and drop down to lower levels of detail as needed (e.g., when looking at a person in the diagram, one can click into their Baseball Card and view other info about them).

We've created process maps for every department in the company that show us clearly all the roles and the responsibilities for each role and how the work flows among them to reach intended outcomes.

POLICY AND PROCEDURES MANUALS

Compendium of policies and procedures that people can consult as one would an operating manual.