

Principles - Ray Dalio - Book Notes + Reflections

- **Becoming a learning organization**
 - 1) Think through your principles for making decisions
 - 2) Write them down
 - 3) Use them to make a decision
 - 4) Back-test them based on the results of the decision. Were they the right principles?
 - 5) Update the principles
 - Create a “log” of activities: observe what happened by simply logging objectively the phenomena, then find the patterns, then turn the patterns into principles, then follow the process above.
 - “Look to the patterns of those things that affect you in order to understand cause-effect relationships that drive them and to learn the principles for dealing with them effectively.”
 - This helps you understand the machinery underneath phenomena and separate the signal from the noise and the patterns across phenomena
 - Everything is a case-study
- **Decision-making:**
 - It's important to make the shift from “I know I am right” to “How do I know I'm right?”
 - Ask yourself: can you point to clear facts that lead to your perspective?
 - Raising the probability of being right is valuable no matter what your probability of being right already is
 - Find the most believable people possible who disagree with you and try to understand their reasoning
 - Consider second-order and third-order consequences, not just first order consequences.
 - Situation: It's raining outside
 - Example of a first-order consequence: Oh no, I need to wear a raincoat and bring an umbrella. Getting to the car is going to be less enjoyable.
 - Example of second-order consequence: My evening event will be cancelled because of the rain and I'll get that time back
 - Example of a third-order consequence: I can use that time to get caught up on reading my book for book club.
- **Machine building:** compare actual results of the thing (the machine) with what you believe/expect the machine to be producing, and then find ways to improve it
 - Compare outcomes to goals...essentially: your organization is perfectly designed to get the results it is getting
 - Everything is a case-study

- **Management + Problem solving:**
 - A great manager is an organizational engineer: regarding their organizations as machines and working to maintain and improve them.
 - How to deal with problems: You need to address them at two levels:
 - The case-at-hand level: for this specific scenario, what do we do
 - The machine level: why did this happen? What are the patterns? Are there principles to integrate going forward? Ask the five why's to get to the root cause.
 - ** The most common problem people do is focus on just the case-at-hand level and don't focus on the machine level beneath.
- **Metrics:** what are the most important questions you need to answer in order to know how things are going and imagine what numbers will give you those answers. Don't look at the numbers you already have and adapt them to your purposes, because you won't get what you need.
 - I need to talk to Paul about this around the key metrics of acceleration.
- **New approaches to thinking:** It's okay to be imprecise. Seeing the forest through the trees is really valuable, especially when so much pressure is on being precise, it's okay to be imprecise.

Qualifications for believable people:

- They have accomplished the thing in question at least three times
- They have sound explanations of the cause-effect relationships that lead to their conclusions
 - Don't pay as much attention to people's conclusions as to the reasoning that led them to their conclusions
 - Press them to express a degree of confidence they are in their perspective
- Questions to ask:
 - What data are you looking at?
 - What reasoning are you using to draw your conclusion?

Questions for Uncharted

- How do we make Uncharted a 1 in 10,000 organization?