

Principles



by Ray Dalio

2017

<https://www.principles.com/>

His story



Part I

Life principles



Part II

1. Embrace Reality and Deal with It

1.1 Be a hyperrealist.

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

1.3 Be radically open-minded and radically transparent.

1.4 Look to nature to learn how reality works.

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

1.6 Understand nature's practical lessons.

1.7 Pain + Reflection = Progress.

1.8 Weigh second- and third-order consequences.

1.9 Own your outcomes.

1.10 Look at the machine from the higher level.



GOALS → **MACHINE** → **OUTCOMES**



DESIGN ↔ **PEOPLE**

BAD

AVOID FACING HARSH REALITIES

WORRY ABOUT APPEARING

MAKE YOUR DECISIONS
FIRST-ORDER CONSEQUENCES

ALLOW PAIN TO STAND
PROGRESS

DON'T HOLD YOURSELF AND OTHERS
ACCOUNTABLE



GOOD

FACE HARSH REALITIES

FOCUS ON ACHIEVING THE GOAL

BASE YOUR DECISIONS ON THE BASIS OF
SECOND-, AND THIRD-ORDER
CONSEQUENCES

UNDERSTAND HOW TO MANAGE PAIN TO
MAINTAIN PROGRESS

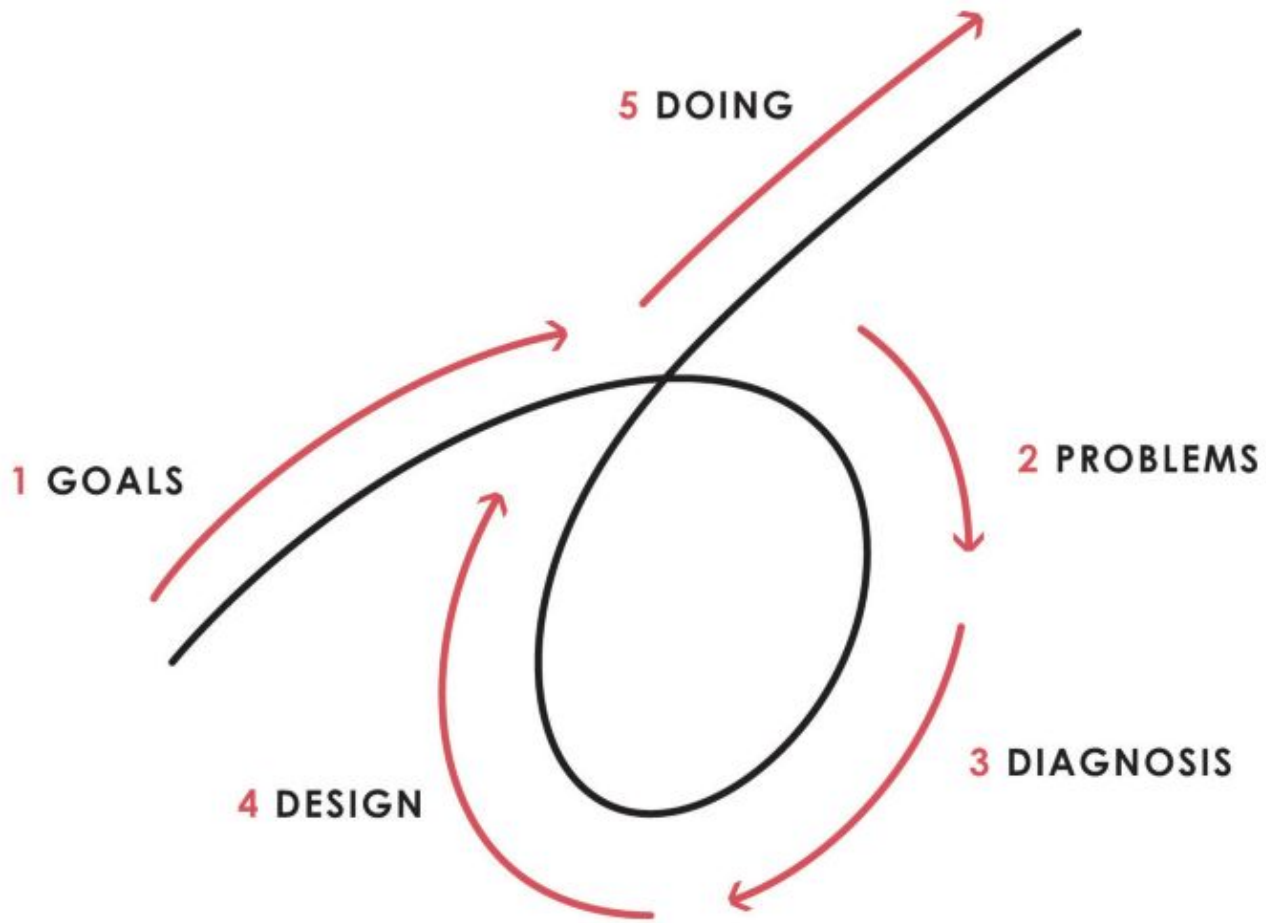
HOLD YOURSELF AND OTHERS
ACCOUNTABLE

2. Use the 5-steps process to get what you want in life



The 5-step process

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



3. Be radically open-minded

3.1 Recognize your two barriers (ego & blindspot)

3.2 Practice radical open-mindedness

3.3 Appreciate the art of thoughtful disagreement

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

3.5 Recognize the signs of closed-mindedness & open-mindedness that you should watch for

3.6 Understand how you can become radically open-minded

CLOSED-

OPEN-

MINDED PEOPLE

DON'T WANT THEIR IDEAS CHALLENGED

MAKE STATEMENTS, NOT ASK QUESTIONS

FOCUS ON BEING UNDERSTOOD THAN ON UNDERSTANDING OTHERS

"I COULD BE WRONG, BUT HERE'S MY OPINION"

BLOCK OTHERS FROM SPEAKING

CAN'T HOLD 2 THOUGHTS SIMULTANEOUSLY

LACK A DEEP SENSE OF HUMILITY

CURIOUS WHY THE DISAGREEMENT EXISTS

BELIEVE THEY COULD BE WRONG

FEEL COMPELLED TO SEE THINGS THROUGH OTHER'S EYES

KNOW WHEN TO MAKE STATEMENTS AND WHEN TO ASK QUESTIONS

INTERESTED IN LISTENING

CAN HOLD 2 (+) CONFLICTING CONCEPTS

DEEP-SEATED FEAR THEY MAY BE WRONG

4. Understand that people are wired very differently

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

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

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

4.4 Find out what you and others are like

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.

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)

5.2 Synthesize the situation at hand

5.3 Synthesize the situation through time

5.4 Navigate levels effectively

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

THINKING



PRINCIPLES



ALGORITHMS



GREAT DECISIONS

5. Learn how to make decisions effectively (part 2)

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

5.8 Simplify

5.9 Use principles

5.10 Believability weight your decision making

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



Part III

THINKING ABOUT ORGANIZATIONS

- An organization is a machine consisting of two major parts: culture and people.
- Tough love is effective for achieving both great work and great relationships.
- A believability-weighted idea meritocracy is the best system for making effective decisions.

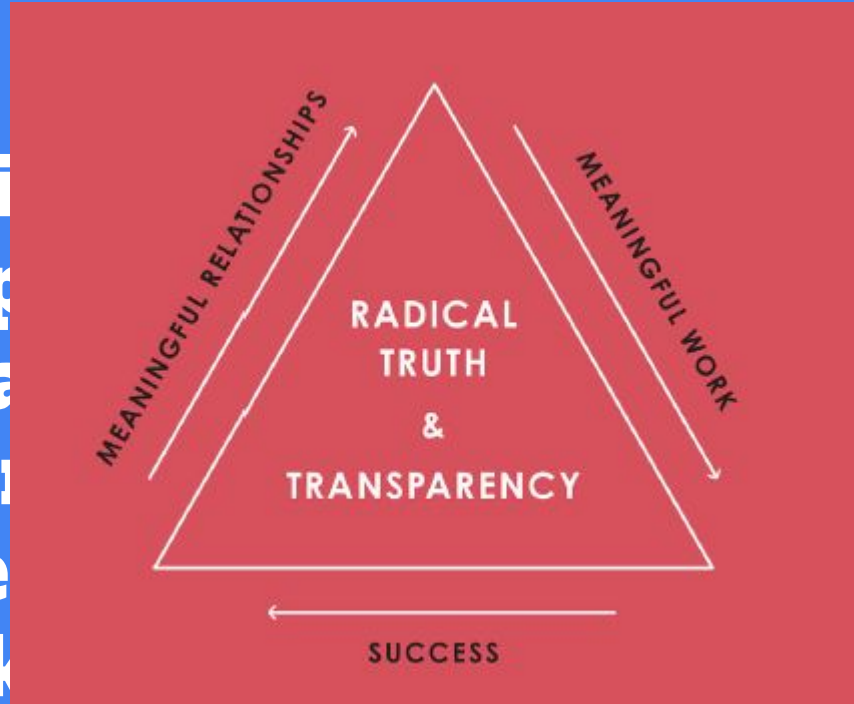
Radical Truth + Radical Transparency + Believability-Weighted Decision Making

=

Idea Meritocracy

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

1. Trust in
2. Cultiva
3. Create
4. Get and Stay in Sync



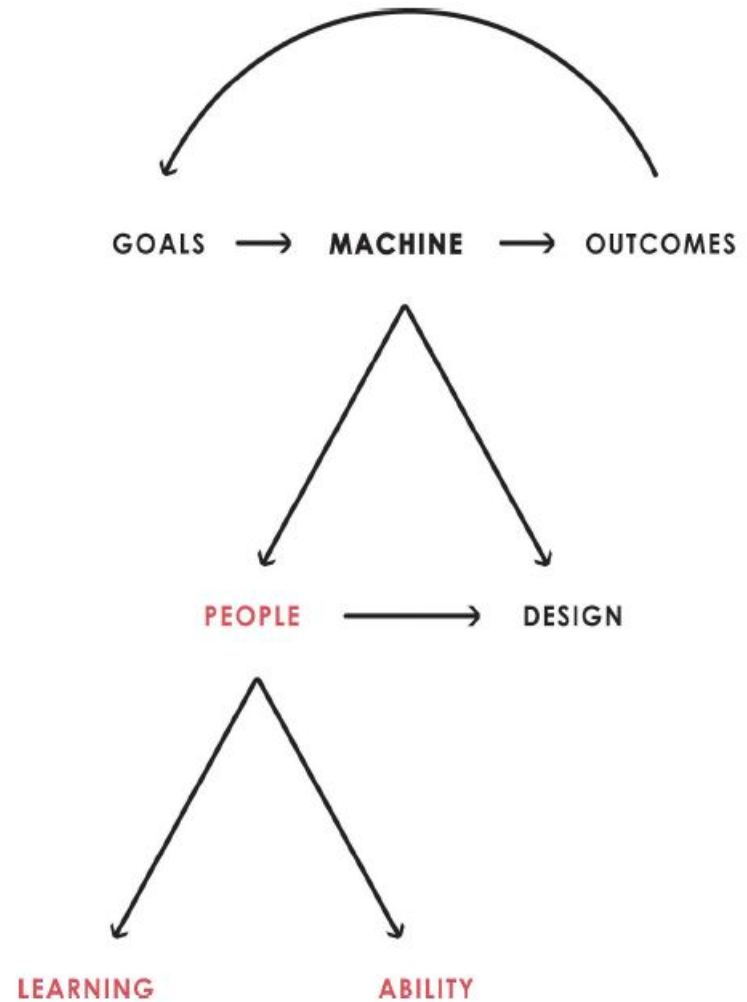
Radical
k and
It Is Okay
cceptable

5. Believe
Making
6. Recogn
Disagree
7. Remen
More Im
8. Hire R
Hiring W



Decision
nd
s
AT
alties for

**9. Constantly Train, Test
Sort People**
**10. Manage as Someone
Machine to Achieve a Go**
11. Perceive and Don't To
**12. Diagnose Problems to
Root Causes**



**13. Design Improvements to Your
Machine to Get Around Your Problems**
14. Do What You Set Out to Do
**15. Use Tools and Protocols to Show
Work Is Done**
**16. And for Heaven's Sake, Don't Over-
Governance!**

We work with
others to get three
things:

- 1) Leverage to accomplish our chosen missions in bigger and better ways than we could alone.
- 2) Quality relationships that together make for a great community.
- 3) Money that allows us to buy what we need and want for ourselves and others.

List of useful tools

COACH

DOT COLLECTOR

BASEBALL CARDS

ISSUE LOG

PAIN BUTTON

DISPUTE RESOLVER

DAILY UPDATE TOOL

CONTRACT TOOL

PROCESS FLOW DIAGRAM

POLICY AND PROCEDURES MANUALS

METRICS

DUNNING-KRUGER EFFECT

MYERS-BRIGGS TYPE INDICATOR (MBTI)
ASSESSMENT

<https://principlesyou.com/>

Here's to the crazy ones. The misfits. The rebels. The troublemakers. The round pegs in the square holes. The ones who see things differently.

They're not fond of rules. And they have no respect for the status quo.

You can quote them, disagree with them, glorify or vilify them.

About the only thing you can't do is ignore them.

Because they change things. They push the human race forward.

And while some may see them as **the crazy ones, we see genius. Because the people who are crazy enough to think they can change the world, are the ones who do.**

https://www.youtube.com/watch?v=Wl8MjAoCos8&ab_channel=sirkikis



Thank you

Monica Somandriou
Hayek Global College MBA
Sept 2021
<https://cutt.ly/Dalio>