

# SUMMARY OF PRINCIPLES Life and Work

by Ray Dalio

CompanionReads

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*Life and Work by Ray Dalio*

CompanionReads

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*To the curious ones. To the ones who are daring  
enough to take the chance to experience  
something new and make way for new things to be  
created.*

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Thank You



## A NOTE TO THE READER

Dear reader,

This is an unofficial summary & analysis of Author's Referenced Book Title designed to enrich your reading experience. Buy the original book here: [Clickable Original Book Shortened URL](#)

# INTRODUCTION

**Main Idea:** Having a set of principles that you live by will help you be successful in business and relationships.

## **Supporting Ideas:**

- To create a set of principles, think for yourself about what you want and how your desires line up with reality.
- Author Ray Dalio uses “believability decision-making”, where he weighs others’ input against his own, to make more successful decisions.

## **Key Thoughts:**

- “Principles are fundamental truths that serve as the foundations for behavior that gets you what you want out of life.”
- “If you can think for yourself while being open-minded in a clearheaded way to find out what is best for you to do, and if you can summon up the courage to do it, you will make the most of your life.”

## PART I: WHERE I'M COMING FROM

### 1. My Call to Adventure: 1949-1967

**Main Idea:** Dalio struggled in school, but as a child he found success investing in the booming stock market.

#### **Supporting Ideas:**

- As a child, Dalio didn't enjoy school because he had a weak rote memory and didn't feel like school was beneficial.
- Dalio was lucky and made money through his first investment.

#### **Key Thoughts:**

- "As we saw it, the U.S. was rich, progressive, well managed, and on a mission to improve quickly at everything."
- "For me, great is better than terrible, and terrible is better than mediocre, because terrible at least gives life flavor."

## 2. Crossing the Threshold: 1967-1979

**Main Idea:** Dalio spent 1967-1979 discovering how politics and world events can affect the market.

### Supporting Ideas:

- When the value of the dollar plummeted in 1971, Dalio investigated why there was a surge in the market instead of a drop.
- He was surprised when the market dropped in 1973, but he pieced together the reasons why so that he would be able to predict the next drop.
- In 1975, Dalio became serious about his own investing company, Bridgewater Associates. He learned everything he could about the products he was investing in and looked for cause and effect relationships that could help him make investment decisions.

### Key Thoughts:

- “The message that reality was conveying to me was ‘You better make sense of what happened to other people in other times and other places because if you don’t you won’t know if these things can happen to you and, if they do, you won’t know how to deal with them.’”
- “When everyone thinks the same thing—such as what a sure bet the Nifty 50 is—it is almost certainly reflected in the price, and betting on it is probably going to be a mistake.”

### 3. My Abyss: 1979-1982

**Main Idea:** When Dalio publicly and incorrectly predicted an economic depression, his business suffered greatly, but he chose to analyze and learn from his mistakes.

#### **Supporting Ideas:**

- Dalio proclaimed publicly that the rise in inflation and the enormity of foreign debt was going to send the United States into another depression.
- When the market began a bull run instead, Dalio had to lay off everyone from his company because he couldn't afford to pay them.
- Dalio used the opportunity to examine the mistakes he had made: letting emotions get the best of him, not paying attention to history, and mistiming the market.

#### **Key Thoughts:**

- “The most important thing you can do is to gather the lessons these failures provide and gain humility and radical open-mindedness in order to increase your chances of success.”
- “There is almost always a good path that you just haven't discovered yet, so look for it until you find it rather than settle for the choice that is then apparent to you.”

## 4. My Road of Trials: 1983-1994

**Main Idea:** While rebuilding his business, Dalio worked to learn from past mistakes and created innovative new systems of investing.

### Supporting Ideas:

- Dalio worked with a computer program to create a unified system for managing Bridgewater's portfolio of bets so he could compare his own personal analysis to the computer's analysis to discover any inconsistencies in his logic.
- Because of his company's success in helping manage other companies' investments, he decided to move his company towards managing institutional investments.
- Although Bridgewater lost money in 1988, Dalio considers that a successful year for the company because he was able to make improvements by learning from the company's poor performance.
- Dalio and his team uncovered "The Holy Grail of Investing," which is the idea that by having fifteen to twenty reliable, unrelated return streams, an investor can greatly reduce risk without reducing returns.
- Bridgewater's first management tool was an error log in which employees could log any errors they made without fear of retribution.
- Dalio created work principles when a trusted group of employees told him that his brutally honest interactions with the staff were leading to low morale.

### Key Thoughts:

- "I learned that if you work hard and creatively, you can have just about anything you want, but not everything you want. Maturity is the ability to reject good alternatives in order to pursue even better ones."
- "I have come to realize that bad times coupled with good reflections provide some of the best lessons, and not just about business but also about relationships."
- "Making a handful of good uncorrelated bets that are balanced and leveraged well is the surest way of having a lot of upside without being exposed to unacceptable downside."

## 5. The Ultimate Boon: 1995-2010

**Main Idea:** As Bridgewater became more successful, Dalio embraced the challenges of heading a thriving investment business.

### Supporting Ideas:

- Bridgewater created inflation-indexed bonds and risk parity investing.
- As Bridgewater began to grow, Dalio had all meetings taped and available to all workers so that information was transparent.
- Because of employees' disagreements, Dalio had all managers take the Myers-Briggs assessment and used the assessment results to create baseball cards for employees which listed their strengths.
- Because Dalio was able to predict the debt crisis of 2008, his company's investments made money when other companies lost money.
- To combat negative opinions about Bridgewater, Dalio published his *Principles* online.
- At sixty, Dalio decided that it was time to step back from the company to pursue other interests and time with family.

### Key Thoughts:

- "To me, the greatest success you can have as the person in charge is to orchestrate others to do things well without you."
- "People who run companies are faced with important choices every day. How they make those choices determines the character of the company, the quality of its relationships, and the outcomes it produces."

## 6. Returning the Boon: 2011-2015

**Main Idea:** Dalio's main focus during his time transitioning out of his leadership role at Bridgewater was to pass along the principles that had made him successful.

### Supporting Ideas:

- As Bridgewater struggled with the systematic transition plan to ease Dalio out of his leadership position, they realized that Dalio's leaving was creating a gap in "shaping", which is the ability to conceptualize an innovative idea and successfully see it through.
- Dalio recommended that the company systemize management in the same way that it had systemized investing.
- During this time, Dalio also met with several financial leaders in the European Union to advise them on lessening the effects of a debt crisis.
- Dalio is passionate about philanthropy.

### Key Thoughts:

- "A shaper is someone who comes up with unique and valuable visions and builds them out beautifully, typically over the doubts and opposition of others."
- "Over time, the circle of people and things I cared about had broadened from just me when I was young, to me and my family when I became a parent, to my community when I was a bit more mature, to people beyond my community and the whole environment now."



## 7. My Last Year and My Greatest Challenge: 2016-2017

**Main Idea:** Bridgewater was forced to restructure to survive Dalio's departure as CEO.

### Supporting Ideas:

- Dalio's protégé Greg Jensen gave up his co-CEO role to focus solely on his co-CIO role, while Dalio became a temporary co-CEO.
- This was a painful time for both Dalio and Jensen because they had both expected Jensen to be the CEO after Dalio left.
- The company implemented a governance system.

### Key Thoughts:

- "Simply put, governance is a system of checks and balancing ensuring that an organization will be stronger than whoever happens to be leading it at any one time."
- "I had learned that it's wrong to assume that a person in one role will be successful in another role or that the ways one person operates will work well for another."

## 8. Looking Back from a Higher Level

**Main Idea:** Now that he is at the end of his professional journey with Bridgewater, Dalio reflects on what he has learned about happiness and success.

### Supporting Ideas:

- As he encountered different problems, Dalio realized that he could learn from either his own prior experience or others' historical experiences to solve the problem.
- Dalio feels that extraordinarily successful people are not necessarily happier than average people, and in some cases success can cause more stress.

### Key Thoughts:

- “In time, I realized that the satisfaction of success doesn’t come from achieving your goals, but from struggling well.”
- “What I have seen is that the happiest people discover their own nature and match their life to it.”
- The sections on Life Principles and Work Principles are organized with the higher-level principles as the chapter titles. The mid-level principles are located in the chapter and the sub-principles fall under the mid-level principles.

## PART II: LIFE PRINCIPLES

### 1. Embrace Reality and Deal with it

**Main Idea:** Discovering your reality and facing it honestly will lead to a more successful life.

#### **Supporting Ideas:**

- When you combine reality with dreams and determination, you have the formula for a successful life.
- You need to accept and deal with the negative things in your life.
- Being open-minded and transparent will give you the freedom to learn from your mistakes.
- Assume the laws of nature are correct and adjust your biases to fit those laws.
- How much you evolve is determined by your incentives and perspective.
- Working through pain and pushing your limits help you get stronger.
- Embracing pain and learning from it will lead to personal evolution.
- First-order consequences can block you from seeing the benefits of the second- and third-order consequences.
- People who take responsibility for their decisions without complaining about things they cannot control are happier and more successful.
- Looking at yourself objectively will help you learn your weaknesses and decide how to deal with them.

#### **Key Thoughts:**

- “You must be willing to do things in the unique ways you think are best—and to open-mindedly reflect on the feedback that comes inevitably as a result of being that way.”
- “While we don’t like pain, everything that nature made has a purpose, so nature gave us pain for a purpose. So what is its purpose? It alerts and helps direct us.”

- “It’s up to you to connect what you want with what you need to do to get it and then find the courage to carry it through.”

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

**Main Idea:** Following the author's five-step process will help you attain your goals.

### Supporting Ideas:

- Have clear goals and don't limit yourself by aiming only for things that you know you can do.
- No matter how painful it is for you, be honest with yourself about your problems and insist on solving them.
- Spend time figuring out what is actually causing your problems.
- Create a thorough plan, including timelines and responsibilities, to solve your problems and share it with others.
- If you start to feel overwhelmed, remember why you are working so hard to complete your plan.
- Ask for help with whichever parts of the five-part plan are the hardest for you.
- Be a good planner and open-minded to other ideas.

### Key Thoughts:

- "Choosing a goal often means rejecting some things you want in order to get other things that you want or need even more."
- "Though it won't feel that way at first, each and every problem you encounter is an opportunity; for that reason, it is essential that you bring them to the surface."
- "More than anything else, what differentiates people who live up to their potential from those who don't is their willingness to look at themselves and others objectively and understand the root causes standing in their way."

### 3. Be Radically Open-Minded

**Main Idea:** Being radically open-minded is the best way to make quality decisions because you are exposed to all of your options, not just the options that you come up with.

#### **Supporting Ideas:**

- Everyone struggles with two main flaws: ego and blind spots.
- Being radically open-minded to others' ideas will expose you to the best possible ways to achieve your goals.
- The goal of a thoughtful disagreement isn't to convince someone that you are right, but to discover what is really true.
- When you don't know enough about a subject, listen to different experts thoughtfully disagree.
- Close-minded people do not want their opinions challenged because they lack humility; open-minded people believe they could be wrong and want to discover the truth.
- To be open-minded, pay attention to when you feel angry about being challenged and force yourself to calm down and really listen to what another person is saying. Examine facts and make your decisions based on evidence, not feelings.

#### **Key Thoughts:**

- "To be effective you must not let your need to be right be more important than your need to find out what's true."
- "Many people make bad decisions because they are so certain that they're right that they don't allow themselves to see that better alternatives exist."
- "Open-mindedness doesn't mean going along with what you don't believe in; it means considering the reasoning of others instead of stubbornly and illogically holding on to your own point of view."

## 4. Understand That People Are Wired Very Differently

**Main Idea:** People's brains are wired with different strengths and weaknesses; understanding how a person is different from you will help you know what to expect from them.

### Supporting Ideas:

- Understanding how the brain works will make you more patient with people who think differently than you do and help you work better with others.
- The human brain is programmed to crave both significant work and close relationships.
- Your subconscious mind and your conscious mind constantly battle against each other. Examine the feelings that come from your subconscious mind before you act on them.
- Take at least one personality assessments that can objectively tell you how your brain works.
- Match tasks with people who are best wired to complete those tasks.

### Key Thoughts:

- “The better we know ourselves, the better we can recognize both what can be changed and how to change it, and what *can't* be changed and what we can do about that.”
- “Having expectations for people (including yourself) without knowing what they are like is a sure way to get in trouble.”
- “...be aware of your subconscious—of how it can both harm you and help you, and how by consciously reflecting on what comes out of it, perhaps with the help of others, you can become happier and more effective.”

## 5. Learn How to Make Decisions Effectively

**Main Idea:** Follow the author's steps to systemize your decision-making.

**Supporting Ideas:**

- Before you make a decision, learn all of your options by consulting believable people who have different opinions.
- Get an accurate picture of the situation by listening to informed people and taking time to really understand what is happening.
- Decide if the situation is improving at an appropriate pace.
- Make your decisions on the appropriate level.
- Make your decisions with logic, not emotion.
- Consider the probability of your decisions being right and the cost of your decisions being wrong.
- Evaluate the benefit of gathering more information.
- Focus only on the relevant information.
- Use your principles to make decision-making more efficient and successful.
- Consult with believable people.
- Use artificial intelligence.
- Understand the way that artificial intelligence works.

**Key Thoughts:**

- “Failing to consider second- and third-order consequences is the cause of a lot of painfully bad decisions, and it is especially deadly when the first inferior option confirms your own biases.”
- “Using principles is a way of both simplifying and improving your decision making.”



## 6. Life Principles: Putting It All Together

**Key Thought:** “In a nutshell, learning how to make decisions in the best possible way and learning to have the courage to make them comes from a) going after what you want, b) failing and reflecting well through radical open-mindedness, and c) changing/evolving to become ever more capable and less fearful.”

## PART III: WORK PRINCIPLES

Key Thought: “For any group or organization to function well, its work principles must be aligned with its members’ life principles.”

TO GET THE CULTURE RIGHT...

## 1. Trust in Radical Truth and Radical Transparency

**Main Idea:** Radical truth and radical transparency create a culture of integrity and high standards.

### **Supporting Ideas:**

- It is better to know the truth, even when the truth seems scary.
- Speak honestly and hold everyone to the same principles.
- Speak up when you disagree.
- Giving employees all the information helps keep everyone accountable.
- Being able to rely on the people you work with during difficult times makes your relationships stronger, and stronger relationships help you face more challenges.

### **Key Thoughts:**

- “People who are one way on the inside and another on the outside become conflicted and often lose touch with their own values.”
- “When everyone is held to the same principles and decision making is done publicly, it is difficult for people to pursue their own interests at the expense of the organization’s.”
- “Radical transparency forces issues to the surface –most importantly (and most uncomfortably) the problems that people are dealing with and how they’re dealing with them—and it allows the organization to draw on the talents and insights of all its members to solve them.”

## 2. Cultivate Meaningful Work and Meaningful Relationships

**Main Idea:** Meaningful relationships lead to more quality work and a more successful company.

### Supporting Ideas:

- Your loyalty should be to the organization and not to individuals who are against the organization.
- Be clear about how you expect employees to treat each other.
- If your organization grows large, create smaller subgroups so that employees can have personal relationships with each other.
- Watch out for people who are far more concerned about their own interests than they are about yours.
- Value honest people and treat them well.

### Key Thoughts:

- “Meaningful relationships are invaluable for building and sustaining a culture of excellence, because they create the trust and support that people need to push each other to do great things.”
- “We have found that the higher percentage of people who really care about the organization, the fewer the number of bad people there are, because the people who really care protect the community against them.”
- “To have a good relationships, you must be clear with each other about what the quid pro quo is—what is generous, what is fair, and what is just plain taking advantage—and how you will be with each other.”

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

**Main Idea:** Taking responsibility for and learning from mistakes is the best way to improve.

#### **Supporting Ideas:**

- Appreciate your mistakes for pointing you to the right way to do things.
- Instead of worrying about mistakes, worry about learning how to do things correctly.
- Analyzing your mistakes can show you your weaknesses.
- Reflecting on what is causing you pain will help you grow.
- Decide what types of mistakes are acceptable to you.

#### **Key Thoughts:**

- “By creating an environment in which it is okay to safely make mistakes so that people can learn from them, you’ll see rapid progress and fewer significant mistakes.”
- “If you don’t mind being wrong on the way to being right you’ll learn a lot—and increase your effectiveness.”
- “Self-reflectiveness is the quality that most differentiates those who evolve quickly from those who don’t. Remember: Pain + Reflection=Progress.”

### 4. Get and Stay in Sync

**Main Idea:** In successful work relationships, employees are honest with each other and disagree well.

#### **Supporting Ideas:**

- Conflicts that are resolved well foster stronger relationships.
- Move from disagreement to decision making.
- Reasonably consider others’ points-of-view while still explaining your

own.

- Be clear about the purpose and topic of meetings.
- Collaborating with a small group of people is much more effective than working on your own.
- Be with people who share your values.
- Don't stay in relationships with people who do not share your values.

## Key Thoughts:

- “People who suppress minor conflicts tend to have much bigger conflicts later on, which can lead to separation, while people who address their mini-conflicts head on tend to have the best and the longest-lasting relationships.”
- “Wisdom is the ability to see both sides and weigh them appropriately.”
- “In any conversation, there is a responsibility to express and a responsibility to listen.”

## 5. Believability Weight Your Decision Making

**Main Idea:** Give the most credence to the experts who know the most about the topic.

### Supporting Ideas:

- Take advice from the people who know the most about the topic.
- Have believable people disagree with you.
- Decide if you have more to teach or more to learn.
- Make sure you're asking believable people for their opinions and that you understand how they arrived at those opinions.
- Don't waste time disagreeing over small things, and try to be in sync with the group of believable people that you've chosen.
- Give everyone an equal chance to ask questions and understand.
- Remember that having an efficient, effective idea-generating system is more important than being right.

### Key Thoughts:

- "...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."
- "Remember that the quality of the life you will get will depend largely on the quality of the decisions that you make as you pursue your goals."
- "Don't hold opinions about things you don't know anything about."

## 6. Recognize How to Get Beyond Disagreements

**Main Idea:** Once a decision has been made, accept it and move on even if you disagree with the decision.

### Supporting Ideas:

- You have to uphold your principles even if you and the other person don't mind breaking them.
- Challenging the decision-maker doesn't give a person the right to make the decision.
- Don't let small, unresolved disagreements splinter the unity of your group.
- Everyone must respect the final decision.
- Only suspend the idea meritocracy in very extreme cases.
- The people in power must care more about the system than they do about their own interests.

### Key Thoughts:

- "It is the rare dispute that is resolved to both parties' equal satisfaction."
- "Whenever there is a dispute, both parties are required to have equal levels of integrity, to be open-minded and assertive, and to be equally considerate."
- "The group is more important than the individual; don't behave in a way that undermines the chosen path."



TO GET THE PEOPLE RIGHT...

# 1. Remember That the WHO Is More Important than the WHAT

**Main Idea:** Quality employees are integral to a great company.

## **Supporting Ideas:**

The most important staffing decision you will make is appointing your Responsible Parties.

Make your Responsible Parties accountable to someone else.

Remember that individual people, not the company itself, make decisions.

## **Key Thoughts:**

- “A culture and its people are symbiotic—the culture attracts certain kinds of people and the people in turn either reinforce or evolve the culture based on their values and what they’re like.”
- “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.”
- “If you put your goals into the hands of RPs who can execute those goals well, and if you make it clear to them that they are personally responsible for achieving those goals and doing the tasks, they should produce excellent results.”

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

**Main Idea:** Make your hiring decisions very cautiously so that you will have quality employees who are the right fit for the job.

### Supporting Ideas:

- Decide what specific qualities you need for an employee to have to do a certain job, then find someone with those qualities.
- Place people in positions that play to their strengths.
- Although no one on the team can do everything, everyone on the team must be excellent at what they can do.
- Hire principled people who have proven that they can do the job.
- Be honest about all aspects of the job and hire people who you would want to work with long-term.
- Pay employees fairly but not so much that they won't want to improve.
- Treat others with generosity.
- When you have great employees, work hard to keep them.

### Key Thoughts:

- “Ultimately what you need in the people you work with are excellent character *and* excellent capabilities, which is why it's so hard to find great people.”
- “Remember that the only purpose of money is to get you what you want, so think hard about what you value and put it above money.”
- “You don't want people to accept a job for the security of making a lot more money—you want them to come for the opportunity to *earn* it through hard and creative work.”

### 3. Constantly Train, Test, Evaluate, and Sort People

**Main Idea:** Accurately assess your employees so you can ensure that they are in the right roles.

#### **Supporting Ideas:**

- Expect both you and your employees to evolve.
- Give your employees feedback on their strengths and weaknesses.
- When you assess employees, strive to be accurate instead of kind.
- Give people the power to be successful by providing constructive criticism.
- Use different tools to evaluate performance.
- Be open with the person you are reviewing so that both of you can be in sync as you identify that person's weaknesses and areas to work on.
- Judge employees based on their overall performance instead of just one project.
- Assess your employees throughout their career to make sure they're in the right position.
- Decide if employees need more training or if they have a lack of ability; if they have a lack of ability, let them go.
- If an employee is going to transfer to another part of the company, make sure that it is the best thing for the company and that the employee has finished his projects in his current role.
- If an employee cannot live up to the company's standards, the employee must be let go.

#### **Key Thoughts:**

- "Remember that most people are happiest when they are improving and doing the things that suit them naturally and help them advance."
- "While it is important to be clear to people about what they are doing well, it is even more important to point out their weaknesses and have them reflect on them."
- "Knowing what people are like is the best indicator of how well they are likely to handle their responsibilities in the future."

# TO BUILD AND EVOLVE YOUR MACHINE...

## 1. Manage as Someone Operating a Machine to Achieve a Goal

**Main Idea:** Treat your company as a machine and constantly diagnose problems to make it run smoothly.

### **Supporting Ideas:**

- Look at all parts of your machine (aka your company) objectively to diagnose any problems.
- Anytime you deal with a situation, use it as an opportunity to move closer to your goals and test how your employees and machine are doing.
- Manage at the appropriate level.
- Learn about your employees so you know how much confidence you should have in each of them.
- Make sure everyone understands exactly what their job entails.
- Continuously check on your employees' feelings, thoughts, and understandings of situations.
- Handle your managerial responsibilities the way the owner of the business would.
- Have someone ready to replace each key-person.
- Take into account how long you've known employees and what they've done when you're deciding how to deal with infractions.
- Great leaders are open-minded and assertive, as well as honest about their weaknesses.
- Make sure that employees fulfill their responsibilities and welcome questions as to whether you're fulfilling yours.
- Have a clear plan that everyone understands.
- If you can't handle a situation, pass it on to someone else.

### **Key Thoughts:**

- “When managing an area, you need to gain a rich enough understanding of the people, processes, and problems around you to make well-informed decisions.”
- “Allowing small problems to go unnoticed and unaddressed creates the perception that it’s acceptable to tolerate such things.”
- “Thoughtful discussion and disagreement is practical because it stress-tests leaders and brings what they are missing to their attention.”

## 2. Perceive and Don't Tolerate Problems

**Main Idea:** Be vigilant about finding and fixing problems.

**Supporting Ideas:**

- Constantly be on the lookout for problems.
- Have many people looking for problems.
- Name the people who are making mistakes.
- Don't leave a problem unfixed just because you're afraid of it.

**Key Thoughts:**

- “Problems are like coal thrown into a locomotive engine because burning them up—inventing and implementing solutions for them—propels us forward.”
- “If everyone in your area feels responsible for the area's well-being and no one is afraid to speak up, you will learn about problems when they are still easy to fix and haven't caused serious damage.”

### 3. Diagnose Problems to Get at Their Root Causes

**Main Idea:** You won't be able to fix problems until you discover their root causes.

#### **Supporting Ideas:**

- Remember a few main questions when diagnosing a problem.
- Consistently diagnose problems.
- Use the diagnosis to fix the problem.
- Use a drill-down technique to figure out where most problems are coming from.
- Diagnosing problems strengthens your company and your relationships with your employees.

#### **Key Thoughts:**

- “When you encounter problems, your objective is to specifically identify the root causes of those problems—the specific people or designs that caused them—and to see if these people or designs have a pattern of causing problems.”
- “Bad outcomes don't just *happen*; they occur because specific people make, or fail to make, specific decisions.”
- “It is your job as a manager to get at truth and excellence, not to make people happy.”



## 4. Design Improvements to Your Machine to Get Around Your Problems

**Main Idea:** Taking the time to create principles and provide clear goals and responsibilities to each department will cut down on problems.

### Supporting Ideas:

- To build your machine, examine the way you solve problems and derive principles that you can follow in the future.
- Observe the criteria you use to make decisions.
- Make a mental map of your machine through visualization.
- Embrace the “working through it” period.
- Make each department in charge of a goal.
- Make sure each department only does the work it’s responsible for.
- Create “guardrails” by pairing people who are weak in an area with someone who is strong in that area.
- Keep your major goals the same, but change the way you reach those goals.
- Use outside auditors.
- Use technology and principles as leverage to achieve more.
- Plan for everything to be more expensive and slower than you think it will.

### Key Thoughts:

- “If you have good principles that guide you from your values to your day-to-day decisions but you don’t have a systematic way of making sure they’re regularly applied, they’re not of much use.”
- “Bad times that force cutbacks so only the strongest and most essential employees (or companies) survive are inevitable and can be great, even though they seem terrible at the time.”
- “Great people and great technology both enhance productivity. Put them together in a well-designed machine and they improve it exponentially.”

## 5. Do What You Set Out to Do

**Main Idea:** Don't let obstacles stand in the way of completing your tasks.

### **Supporting Ideas:**

- As you work towards exciting goals, line up your tasks with those goals.
- Find creative ways to accomplish your work.
- Use a checklist to remind you of your tasks.
- Give yourself some downtime.
- Celebrate when you achieve your goals!

### **Key Thoughts:**

- “While there might be more glamour in coming up with the brilliant new ideas, most of success comes from doing the mundane and often distasteful stuff, like identifying and dealing with problems and pushing hard over a long time.”
- “If you're focused on the goal, excited about achieving it, and recognize that doing some undesirable tasks to achieve the goal is required, you will have the right perspective and will be appropriately motivated.”
- “There's nothing you can't accomplish if you think creatively and have the character to do the difficult things.”

## 6. Use Tools and Protocols to Shape How Work Is Done

**Main Idea:** Make sure the tools that you use are influenced by your principles.

### **Key Thoughts:**

“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.”

## 7. And for Heaven's Sake, Don't Overlook Governance!

**Main Idea:** A system of governance keeps leaders accountable.

### **Supporting Ideas:**

- Create a system of checks and balances so that one person cannot become more powerful than the system.
- Have a few people share the CEO position.
- Make sure you have good people in positions of power.

### **Key Thoughts:**

- “Because power will rule, power must be put in the hands of capable people in key roles who have the right values, do their jobs well, and will check and balance the power of others.”
- “A company's leaders must have wisdom, competence, and the ability to have close, cooperative, and effective working relationships characterized by both thoughtful disagreement and commitment to following through with whatever the idea-meritocratic process decides.”

## WORK PRINCIPLES: PUTTING IT ALL TOGETHER

Although the amount of principles can feel overwhelming, the main thing to realize is that an idea meritocracy is usually the best way to run a business.

**Conclusion:** Use Dalio's principles to help you along your own life and business journeys.

**Appendix:** Here Dalio explains in greater detail some of the tools he mentions in the book.

# THANK YOU

We hope you've enjoyed your reading experience.

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