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." So how do you determine who is capable at what? 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. When believability weighting is done correctly and consistently, it is the fairest and the most effective decision-making system. It not only produces the best outcomes but also preserves alignment, since even people who disagree with the decision will be able to get behind it.

But for this to be the case, the criteria for establishing believability must be objective and trusted by everybody. At Bridgewater everyone's believability is tracked and measured systematically, using tools such as Baseball Cards and the Dot Collector that actively record and weigh their experience and track records. In meetings we regularly take votes about various issues via our Dot Collector app, which displays both the equal-

weighted average and the believability-weighted results (along with each person's vote).

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. Depending on what type of decision it is, in some cases, a single "Responsible Party" (RP) can override a believability-weighted vote; in others, the believability-weighted vote supersedes the RP's decision. But in all cases believability-weighted votes are taken seriously when there is disagreement. Even in cases in which the RPs can overrule the believability- weighted vote, the onus is on the RP to try to resolve the dispute before overruling it. In my forty years at Bridgewater, I never made a decision contrary to the believability-weighted decision because I felt that to do so was arrogant and counter to the spirit of the idea meritocracy, though I argued like hell for what I thought was best.

To give you an example of what this process looks like in action, during the spring of 2012 our research teams used believability- weighted decision making to resolve a disagreement about what would happen next as the European debt crisis was heating up. At that time, the borrowing and debt-service needs of the governments of Italy, Ireland, Greece, Portugal, and especially Spain had reached levels that far exceeded their abilities to pay. We knew that the European Central Bank would either have to make unprecedented purchases of government bonds or allow the debt crisis to worsen to the point where defaults and the breakup of the Eurozone would probably occur. Germany was adamantly opposed to a bailout. It was clear that the fates of these countries' economies, and of the Eurozone itself, depended on how well Mario Draghi, the president of the European Central Bank, orchestrated the ECB's next move. But what would he do?

Like analyzing a chess board to visualize the implications and inclinations of the different moves of the different players, each of us looked at the situation from every angle. After a lot of discussion we remained split: About half of us thought the ECB would print more money to buy the bonds and about half thought they wouldn't, because breaking with the Germans would threaten the Eurozone even more. While such thoughtful and open exchanges are essential, it's also critical to have mutually agreed-upon ways of resolving them to arrive at the best decision. So we used our believability-weighting system to break the stalemate.

We did that using our Dot Collector tool, which helps us surface the sources of our disagreements in people's different thinking characteristics and work our way through them based on their believabilities. People have different believability weightings for different qualities, like expertise in a particular subject, creativity, ability to synthesize, etc. These dots are determined by a mixture of ratings, both from peers and tests of different sorts. By looking at these attributes, and also understanding which thinking qualities are most essential to the situation at hand, we can make the best decisions.

In this case, we took a believability-weighted vote, with the qualities chosen being both subject-matter expertise and ability to synthesize. Using the Dot Collector, it became clear that those with greater believability believed Draghi would defy Germany and print money, so that is what we went with. A few days later, European policymakers announced a sweeping plan to buy unlimited quantities of government bonds, so we got it right. While the believability-weighted answer isn't always the best answer, we have found that it is more likely to be right than either the boss's answer or an equal-weighted referendum.

Regardless of whether or not you use this kind of technology and structured process for believability weighting, the most important thing is that you get the concept. Simply look down on yourself and your team when a decision needs to be made and consider who is most likely to be right. I assure you that, if you do, you will make better decisions than if you don't.

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

Having a hierarchy of merit is not only consistent with an idea meritocracy but essential for it. It's simply not possible for everyone to debate everything all the time and still get their work done. Treating all people equally is more likely to lead away from truth than toward it. But at the same time, all views should be considered in an open-minded way, though

placed in the proper context of the experiences and track records of the people expressing them.

Imagine if a group of us were getting a lesson in how to play baseball from Babe Ruth, and someone who'd never played the game kept interrupting him to debate how to swing the bat. Would it be helpful or harmful to the group's progress to ignore their different track records and experience? Of course it would be harmful and plain silly to treat their points of view equally, because they have different levels of believability. The most productive approach would be to allow Ruth to give his instructions uninterrupted and then take some time afterward to answer questions. But because I'm pretty extreme in believing that it is important to obtain understanding rather than accepting doctrine at face value, I would encourage the new batter not to accept what Ruth has to say as right just because he was the greatest slugger of all time. If I were that new batter, I wouldn't stop questioning Ruth until I was confident I had found the truth.

a. If you can't successfully do something, don't think you can tell others how it should be done. I have seen some people who have repeatedly failed at something hold strongly to their opinions of how it should be done, even when their opinions are at odds with those who have repeatedly done it successfully. That is dumb and arrogant. They should instead ask questions and seek believability-weighted votes to help them get out of their intransigence.

b. Remember that everyone has opinions and they are often bad. Opinions are easy to produce; everyone has plenty of them and most people are eager to share them—even to fight for them. Unfortunately many are worthless or even harmful, including a lot of your own.

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

Having open-minded conversations with believable people who disagree with you is the quickest way to get an education and to increase your probability of being right.

a. Think about people's believability in order to assess the likelihood that their opinions are good. While it pays to be open-minded, you also have to be discerning. Remember that the quality of the life you get will depend largely on the quality of the decisions that you make as you pursue your goals. The best way to make great decisions is to know how to triangulate with other, more knowledgeable people. So be discerning about whom you triangulate with and skilled in the way you do it.

The dilemma you face is trying to understand as accurately as you can what's true in order to make decisions effectively while realizing many of the opinions you will hear won't be worth much, including your own. Think about people's believability, which is a function of their capabilities and their willingness to say what they think. Keep their track records in mind.

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. Treat those who have neither as not believable, those who have one as somewhat believable, and those who have both as the most believable. Be especially wary of those who comment from the stands without having played on the field themselves and who don't have good logic, as they are dangerous to themselves and others.

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. Keep in mind that you are playing probabilities.

d. Don't pay as much attention to people's conclusions as to the reasoning that led them to their conclusions. It is common for conversations to consist of people sharing their conclusions rather than exploring the reasoning that led to those conclusions. As a result, there is an overabundance of confidently expressed bad opinions.

e. Inexperienced people can have great ideas too, sometimes far better ones than more experienced people. That's because experienced thinkers can get stuck in their old ways. If you've got a good ear, you will be able to tell when an inexperienced person is reasoning well. Like knowing whether someone can sing, it doesn't take a lot of time. Sometimes a person only has to sing a few bars for you to hear how well they can sing. Reasoning is the same—it often doesn't take a lot of time to figure out if someone can do it.

f. Everyone should be up-front in expressing how confident they are in their thoughts. A suggestion should be called a suggestion; a firmly held conviction should be presented as such—particularly if it's coming from someone with a strong track record in the area in question.

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. Too often people flail in their disagreements because they either don't know or don't think about how they should engage effectively; they just blurt out whatever they think and argue. While everyone has the right and obligation to make sense of everything, basic rules for engagement should be followed. Those rules and how you should follow them depend on your relative believabilities. For example, it would not be effective for the person who knows less to tell the person who knows more how something should be done. It's important to get the balance between your assertiveness and your open-mindedness right, based on your relative levels of understanding of the subject.

Think about whether the person you're disagreeing with is more or less believable than you. If you are less believable, you are more of a student and should be more open-minded, primarily asking questions in order to understand the logic of the person who probably knows more. If you're more believable, your role is more of a teacher, primarily conveying your understanding and answering questions. And if you are approximate peers, you should have a thoughtful exchange as equals. When there is a disagreement about who is more believable, be reasonable and work it through. In cases when you can't do this alone effectively, seek out the help of an agreed-upon third party.

In all cases, try to see things through the other person's eyes so that you can obtain understanding. All parties should remember that the purpose of debate is to get at truth, not to prove that someone is right or wrong, and that each party should be willing to change their mind based on the logic and evidence.

a. It's more important that the student understand the teacher than that the teacher understand the student, though both are important. I have often seen less believable people (students) insist that the more believable people (teachers) understand their thinking and prove why the teacher is wrong before listening to what the teacher (the more believable party) has to say. That's backward. While untangling the student's thinking can be helpful, it is typically difficult and time-consuming and puts the emphasis on what the student sees instead of on what the teacher wants to convey. For that reason, our protocol is for the student to be open-minded first. Once the student has taken in what the teacher has to offer, both student and teacher will be better prepared to untangle and explore the student's perspective. It is also more time-efficient to get in sync this way, which leads to the next principle.

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. When you are less believable, start by taking on the role of a student in a student-teacher relationship—with appropriate humility and open-mindedness. While it is not necessarily you who doesn't understand, you must assume this until you have seen the issue through the other's eyes. If the issue still doesn't make sense to you and you think that your teacher just doesn't get it, appeal to other believable people. If you still can't reach an agreement, assume you are wrong. If, on the other hand, you are able to convince a number of believable people of your point of view, then you should make sure your thinking is heard and considered by the person deciding, probably with the help of the other believable parties. Remember that those who are higher in the reporting hierarchy have more people they are trying to sort through on an expected value basis to get the best thinking and more people who want to tell them what they think, so they are time-constrained and have to play the probabilities. If your thinking has been stress-tested by other believable people who support you, it has a greater probability of being heard. Conversely, those higher in the reporting hierarchy must strive to achieve the goal of getting in sync with those lower in the hierarchy about what makes sense. The more people get in sync about what makes sense, the more capable and committed people will be.

5.4 Understand how people came by their opinions.

Our brains work like computers: They input data and process it in accordance with their wiring and programming. Any opinion you have is made up of these two things: the data and your processing or reasoning. When someone says, "I believe X," ask them: *What data are you looking at? What reasoning are you using to draw your conclusion?*

Dealing with raw opinions will get you and everyone else confused; understanding where they come from will help you get to the truth.

a. If you ask someone a question, they will probably give you an answer, so think through to whom you should address your questions. I regularly see people ask totally uninformed or nonbelievable people questions and get answers that they believe. This is often worse than having no answers at all. Don't make that mistake. You need to think through who the right people are. If you're in doubt about someone's believability, find out.

The same is true for you: 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.

Be sure to direct your comments or questions to the believable Responsible Party or Parties for the issues you want to discuss. Feel free to include others if you think that their input is relevant, while recognizing that the decision will ultimately rest with whoever is responsible for it.

b. Having everyone randomly probe everyone else is an unproductive waste of time. For heaven's sake don't bother directing your questions to people who aren't responsible or, worse still, throw your questions out there without directing them at all.

c. Beware of statements that begin with "I think that . . ." Just because someone thinks something doesn't mean it's true. Be especially skeptical of statements that begin with "I think that I . . ." since most people can't accurately assess themselves.

d. Assess believability by systematically capturing people's track records over time. Every day is not a new day. Over time, a body of evidence builds up, showing which people can be relied on and which cannot. Track records matter, and at Bridgewater tools such as Baseball Cards and the Dot Collector make everyone's track records available for scrutiny.

5.5 Disagreeing must be done efficiently.

Working oneself through disagreements can be time-consuming, so you can imagine how an idea meritocracy—where disagreement is not just tolerated but encouraged—could become dysfunctional if it's not managed well. Imagine how inefficient it would be if a teacher ran a large class by asking each of the students individually what they thought, and then debated with all of them, instead of conveying their own views first and taking questions later.

People who want to disagree must keep this in mind and follow the tools and protocols for disagreeing well.

a. Know when to stop debating and move on to agreeing about what should be done. I have seen people who agree on the major issues waste hours arguing over details. It's more important to do big things well than to do the small things perfectly. But when people disagree on the importance of debating something, it probably should be debated. Operating otherwise would essentially give someone (typically the boss) a de facto veto.

b. Use believability weighting as a tool rather than a substitute for decision making by Responsible Parties. Believability-weighted decision making is a way of supplementing and challenging the decisions of Responsible Parties, not overruling them. As Bridgewater's system currently exists, everyone is allowed to give input, but their believability is weighted based on the evidence (their track records, test results, and other data). Responsible Parties can overrule believability-weighted voting but only at their peril. When a decision maker chooses to bet on his own opinion over the consensus of believable others, he is making a bold statement that will be proven right or wrong by the results.

c. **Since you don't have the time to thoroughly examine everyone's thinking yourself, choose your believable people wisely.** Generally speaking, it's best to choose three believable people who care a lot about achieving the best outcome and who are willing to openly disagree with each other and have their reasoning probed. Of course the number three isn't set in stone; the group could be larger or smaller. Its ideal size depends on the amount of time available, how important the decision is, how objectively you can assess your own and others' decision-making abilities, and how important it is to have a lot of people understand the reasoning behind the decision.

d. **When you're responsible for a decision, compare the believability- weighted decision making of the crowd to what you believe.** When they're at odds, you should work hard to resolve the disagreement.

If you are about to make a decision that the believability-weighted consensus thinks is wrong, think very carefully before you proceed. It's likely that you're wrong, but even if you're right, there's a good chance that you'll lose respect by overruling the process. You should try hard to get in sync, and if you still can't do that, you should be able to put your finger on exactly what it is you disagree with, understand the risks of being wrong, and clearly explain your reasons and logic to others. If you can't do those things, you probably should suspend your own judgment and go with the believability-weighted vote.

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

There will come a point in all processes of thinking things through when you are faced with the choice of requiring the person who sees things differently from you to slowly work things through until you see things the same way, or going along with the other person, even though their thinking still doesn't seem to make sense. I recommend the first path when you are disagreeing about something important and the latter when it's unimportant. I understand that the first path can be awkward because the person you are speaking to can get impatient. To neutralize that I suggest you simply say,

“Let’s agree that I am a dumb shit but I still need to make sense of this, so let’s move slowly to make sure that happens.”

One should always feel free to ask questions, while remembering one’s obligation to remain open-minded in the discussions that follow. Record your argument so that if you can’t get in sync or make sense of things, you can send it out so others can decide. And of course, remember that you are operating in an idea meritocracy—be mindful of your own believability.

a. Communications aimed at getting the best answer should involve the most relevant people. As a guide, the most relevant people to probe are your managers, direct reports, and/or agreed experts. They are the most impacted by and most informed about the issues under discussion, and so they are the most important parties to be in sync with. If you can’t get in sync, you should escalate the disagreement by raising it to the appropriate people.[38]

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. Less experienced, less believable people may not be necessary to decide an issue, but if the issue involves them and you aren’t in sync with them, that lack of understanding will in the long run likely undermine morale and the organization’s efficiency. This is especially important in cases where you have people who are both not believable and highly opinionated (the worst combination). Unless you get in sync with them, you will drive their uninformed opinions underground. If, on the other hand, you are willing to be challenged, you will create an environment in which all criticisms are aired openly.

c. Recognize that you don’t need to make judgments about everything. Think about who is responsible for something (and their believability), how much you know about it, and your own believability. Don’t hold opinions about things you don’t know anything about.

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

An organization is a community with a set of shared values and goals. Its morale and smooth functioning should always take precedence over your need to be right—and besides, you could be wrong. When the decision-making system is consistently well-managed and based on objective criteria, the idea meritocracy is more important than the happiness of any one of its members—even if that member is you.

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38 The most appropriate people are either the people you both report to (which we call the point of the pyramid in an organizational chart) or someone you mutually agree will be a good arbiter.