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Context to the nugget

Amit discusses how people get better at judgment calls over time. In an industry where the lead time to feedback is long, this is a significant differentiator over the long-term. He also discusses how, in order to drive disproportionate returns, it is critical to walk the tight-rope between seeking all the inputs required for a decision but at the same time have the courage of conviction to stick your neck out to avoid a consensus evaluation.

Transcription

Deepak Jayaraman (DJ): One element I am curious about is this notion of judgment, business judgment is sort of a fuzzy term but in investing given your experience how do you build good judgment? What's been your learning cycle in getting better at judgment?

Amit Chandra (AC): I don't know whether I can give you a three bullet point answer to this question because at the end of the day this is about something that you get a sense and feel of, when you get into situations and you assess and overlaid of people you interacting with and the framework in which that situation exist because the fact is sometimes even the same set of people in two different situations you could have very different outcomes but I think my own sense is that when you are actually going and assessing investments, what you have to do and I think what you do get better with in terms of overtime is you start probably using inputs in a better way and I think where I look back I had areas where we have gone wrong versus right, I think what we have got better at is using external inputs in a more thoughtful way to make the same judgment calls now I can also tell you that sometimes there have been certain judgment call that we have made which the inputs that we have got would have told us never make these calls but yet the judgment we made was to go ahead and those call have been landed up being awesome I won't name the situations but they were actually been great calls because actually in this market consensus drives you to consensus evaluation and to make disproportionate returns sometimes you have to go against the grain and that is what great judgments calls can often be about, so sometimes that is what great judgment is about but we never the less what we got better at is actually getting those inputs in and then in a very thoughtful manner making those judgment calls so I have overtime started getting more better and better at getting external inputs and the one area that we definitely never override is inputs relating to integrity character because I think that is where we look back where maximum mistakes suddenly got made in the industry per se. it's when calls have got made despite issues relating to that.

DJ: Back to the theme about apprenticeship and a learning curve of a professionals in this industry, if you look at industry as a whole and look at people who have really driven themselves towards excellence are there some patterns around how they have manage to scale up? I am not looking for

a process or a three bullet answer but I am curious about how does one ramp up the learning in an investing context?

AC: What you do, which is what we do is you relentlessly analyse the results of your own action and the results of other are, and so we do that endlessly and then you tend to see whether that analysis is teaching you something so we try to do as much of that as possible, you don't force yourself to conclude, sometimes people just force learnings from staff and but often that data does throw up interesting set of learnings so we tend to do a lot of that

DJ: and is that collective reflection or individual reflection?

AC: Well that's collective, we believe a lot in collective learning we tend to function a lot as a group we believe a lot in in the group challenging itself and in having a counter point of view in seeing what a group can throw up as an outcome and so we tend to do these things as a group.

Reflections from Deepak Jayaraman

DJ: This piece reminds of my days from EgonZehnder where there was significant emphasis on seeking data from the right sources before making a judgment call on a CEO hire. Candidates often give you a list of people to talk to. But you really want to talk to the people that you know well who happen to have a nuanced insight on the leader in question. It is such a simple step but most people don't seek that data.

This also reminds of my chat with Venture Investor – Avnish Bajaj (AB). He is an investor at Matrix Partners and has been a banker at Goldman Sachs and an entrepreneur at Baze.com before he sold it to Ebay and got into Investing. When I asked him about how he built the judgment muscle in his trade, here is what he said.

AB: *“you have to have that self-learning loop because if you have to wait till exit or right off before factoring those new learnings in your next investment, Warren Buffett I was just reading from this some thing it was been covered in the number of papers I mean he man Charlie, Charlie is I think 93 and this guy is whatever 86 or 90 they still say they makes mistakes and they love and I have seen enough 28 years old in this business who think they know everything , and I am not talking about the Matrix because if they hear it they will think it's them but I have seen enough of that, so I think it's come back to are you taking that learning loop? So how do I look at it? One of the early indicators of the success of a company again as you think it's a great founder, but how do you determine whether it's a great founder? Is I would say the best people meet or beat their commitment consistently now, in early stage that doesn't mean that you have to hit every quarter it's impossible but the best guys is that we have backed, there is an element I would say in life, in success, in businesses which are more ambiguous, which is investing as well as start-ups of I don't know if you have read this book Super Forecasting, it's a great book, you should read it, it talks about anticipating issues and then kind of taking actions and then low and beyond everybody says wow this guy is such a visionary, figured it out, but they are able to match patterns and do that”*

DJ: I read the book Super-forecasting subsequently and the book talks about the metaphor of a dragon fly which is able to look at an object through multiple prisms. The book says that people whose beliefs are in perpetual beta and amenable to change based on data do a much better job of predicting the future than people who are off the charts intelligent but might be rigid in their world view.

I guess each business context is unique but the key question is what is the nature of the feedback loop or learning loop you want to set for yourself to improve your judgment capability over time.

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End of nugget transcription

Nugget from Avnish Bajaj that is referenced: [Sharpening investing skills](#).

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About Deepak Jayaraman

Deepak seeks to unlock human potential of senior executive's / leadership teams by working with them as an Executive Coach / Sounding Board / Transition Advisor. You can know more about his work [here](#).

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