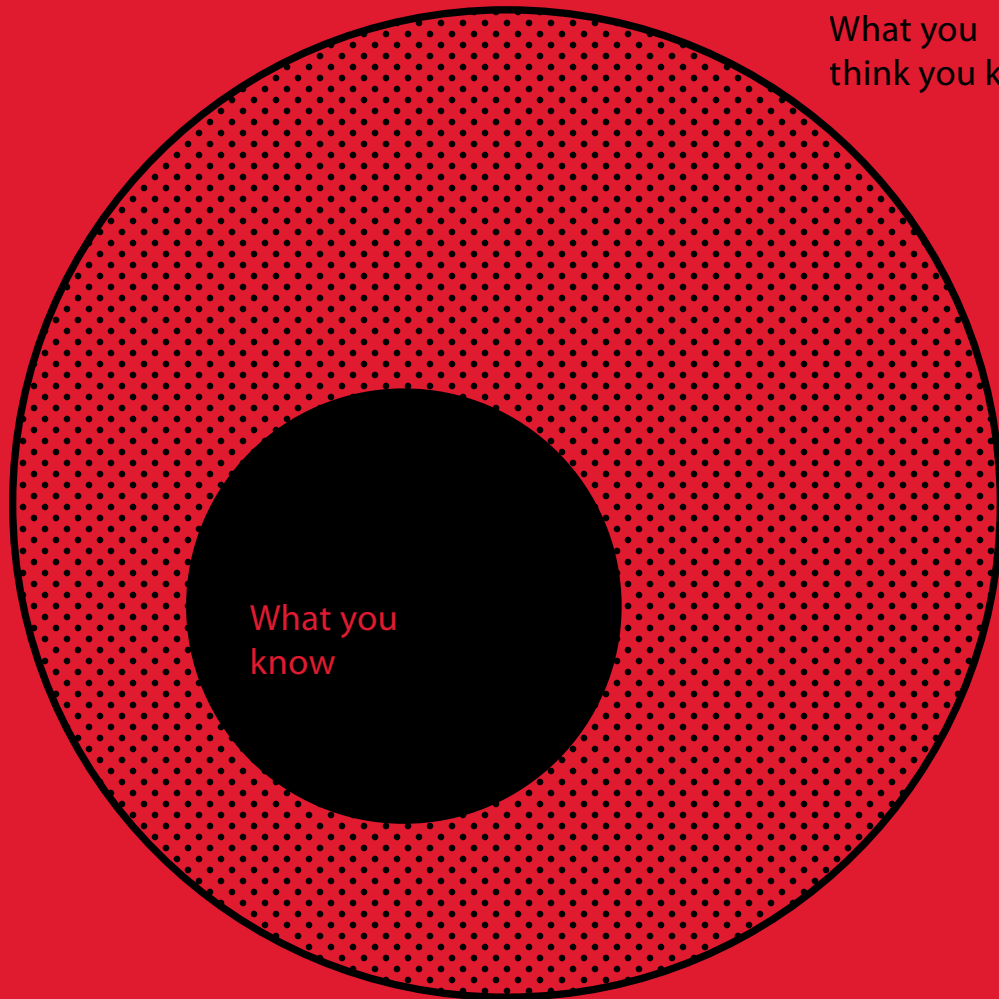


# The Great Mental Models



What you  
think you know

What you  
know

Circle of Competence

**“I’m no genius. I’m smart in spots—  
but I stay around those spots.”  
— Thomas Watson<sup>i</sup>**

<sup>i</sup> Watson, Thomas J., and Peter Petrie. *Father, Son, & Co: My Life at IBM and Beyond*. New York: Random House, 2013.

**W**hen ego and not competence drives what we undertake, we have blind spots. If you know what you understand, you know where you have an edge over others. When you are honest about where your knowledge is lacking you know where you are vulnerable and where you can improve. Understanding your circle of competence improves decision-making and outcomes.

In order to get the most out of this mental model, we will explore the following:

**What is a circle of competence?**

**How do you know when you have one?**

**How do you build and maintain one?**

**How do you operate outside of one?**

**What is a circle of competence?** Imagine an old man who's spent his entire life up in a small town. He's the Lifer. No detail of the goings-on in the town has escaped his notice over the years. He knows the lineage, behavior, attitudes, jobs, income, and social status of every person in town. Bit by bit, he built that knowledge up over a long period of observation and participation in town affairs.

The Lifer knows where the bodies are buried and who buried them. He knows who owes money to whom, who gets along with whom, and who the town depends on to keep spinning. He knows about that time the mayor cheated on his taxes. He knows about that time the town flooded, how many inches high the water was, and exactly who helped whom and who didn't.

Now imagine a Stranger enters the town, in from the Big City. Within a few days, the Stranger decides that he knows all there is to know about the town. He's met the mayor, the sheriff, the bartender, and the shop-

keeper, and he can get around fairly easily. It's a small town and he hasn't come across anything surprising.

In the Stranger's mind, he's convinced he pretty much knows everything a Lifer would know. He has sized up the town in no time, with his keen eye. He makes assumptions based on what he has learned so far, and figures he knows enough to get his business done. This, however, is a false sense of confidence that likely causes him to take more risks than he realizes. Without intimately knowing the history of the town, how can he be sure that he has picked the right land for development, or negotiated the best price?

After all, what kind of knowledge does he really have, compared to the Lifer?

The difference between the detailed web of knowledge in the Lifer's head and the surface knowledge in the Stranger's head is the difference between being inside a circle of competence and being outside the perimeter. True knowledge of a complex territory cannot be faked. The Lifer could stump the Stranger in no time, but not the other way around. Consequently, as long as the Lifer is operating in his circle of competence he will always have a better understanding of reality to use in making decisions. Having this deep knowledge gives him flexibility in responding to challenges, because he will likely have more than one solution to every problem. And this depth increases his efficiency—he can eliminate bad choices quickly because he has all the pieces of the puzzle.

What happens when you take the Lifer/Stranger idea seriously and try to delineate carefully the domains in which you're one or the other? There is no definite checklist for figuring this out, but if you don't have at least a few years and a few failures under your belt, you cannot consider yourself competent in a circle.

**“We shall be unable to turn natural advantage to account unless we make use of local guides.”  
— Sun Tzu<sup>ii</sup>**

For most of us, climbing to the summit of Mount Everest is outside our circles of competence. Not only do we have no real idea how to do it, but—even more scary—should we attempt it, we don’t even know what we don’t know. If we studied hard, maybe we’d figure out the basics. We’d learn about the training, the gear, the process, the time of year, all the things an outsider could quickly know. But at what point would you be satisfied that you knew enough to get up there, and back, with your life intact? And how confident would you be in this assessment?

There are approximately 200 bodies on Everest (not to mention the ones that have been removed). All of those people thought they could get up and down alive. The climate preserves their corpses, almost as a warning. The ascent to the summit takes you by the bodies of people who once shared your dreams.

Since the first recorded attempts to climb Everest in 1922, all climbers have relied on the specialized knowledge of the Sherpa people to help navigate the terrain of the mountain. Indigenous to the region, Sherpas grew up in the shadows of the mountain, uniquely placed to develop the circle of competence necessary to get to the top.

Sherpa Tenzing Norgay led the team that made the first ascent<sup>iii</sup>, and a quarter of all subsequent ascents have been made by Sherpas, with some going as many as sixteen or more times.<sup>ivv</sup> Although the mountain

<sup>ii</sup> Sun Tzu. *The Art of War: With Study Guide*. New York: Hachette Book Group, 2015

<sup>iii</sup> Pierce, Robert. “Tenzing Norgay Sherpa.” From Tenzing Norgay Adventures website. Retrieved from: <http://www.tenzing-norgay.com/pages/tenzingnorgaysherpa.html>

<sup>iv</sup> Schaffer, Grayson. *The Disposable Man: A Western History of Sherpas on Everest*. Outside online. July 10, 2013. (Accessed January 16, 2018)

<https://www.outsideonline.com/1928326/disposable-man-western-history-sherpas-everest>

<sup>v</sup> Roberts, David. “Everest 1953: First Footsteps - Sir Edmund Hillary and Tenzing Norgay.” National Geographic.com. Retrieved from: <https://www.nationalgeographic.com/adventure/features/everest/sir-edmund-hillary-tenzing-norgay-1953/>

is equally risky for everyone, most people who climb Everest do it once. For the Sherpas, working and climbing various parts of the mountain is their day job.

Would you try to climb Everest without their help?

The physical challenges alone of reaching the summit are staggering. It is a region that humans aren't suited for. There isn't enough oxygen in the air and the top is regularly pummeled by winds of more than 150 miles an hour—stronger than a Category five hurricane. You don't get to the top on a whim, and you don't survive with only luck. Norgay worked for years as a trekking porter, and he was part of a team that tried to ascend Everest in 1935. He finally succeeded in reaching the summit in 1953, after twenty years of climbing and trekking in the region. He developed his expertise through lots of lucky failures. After Everest, Norgay opened a mountaineering school to train other locals as guides, and a trekking company to take others climbing in the Himalayas.

Norgay is around the closest someone could come to being a Lifer when it comes to the competence required to climb Mount Everest.

**How do you know when you have a circle of competence?** Within our circles of competence, we know exactly what we **don't** know. We are able to make decisions quickly and relatively accurately. We possess detailed knowledge of additional information we might need to make a decision with full understanding, or even what information is unobtainable. We know what is knowable and what is unknowable and can distinguish between the two.

We can anticipate and respond to objections because we've heard them before and already put in the work of gaining the knowledge to counter them. We also have a lot of options when we confront problems in our circles. Our deep fluency in subjects we are dealing with means we can

draw on different information resources and understand what can be adjusted and what is invariant.

A circle of competence cannot be built quickly. We don't become Lifers overnight. It isn't the result of taking a few courses or working at something for a few months—being a Lifer requires more than skimming the surface.

In Alexander Pope's poem "An Essay on Criticism," he writes: *"A little learning is a dangerous thing; Drink deep, or taste not the Pierian spring: There shallow draughts intoxicate the brain, And drinking largely sobers us again."*<sup>vi</sup>

There is no shortcut to understanding. Building a circle of competence takes years of experience, of making mistakes, and of actively seeking out better methods of practice and thought.

**How do you build and maintain a circle of competence?** One of the essential requirements of a circle of competence is that you can never take it for granted. You can't operate as if a circle of competence is a static thing, that once attained is attained for life. The world is dynamic. Knowledge gets updated, and so too must your circle.

There are three key practices needed in order to build and maintain a circle of competence: curiosity and a desire to learn, monitoring, and feedback.

First, you have to be willing to learn. Learning comes when experience meets reflection. You can learn from your own experiences. Or you can learn from the experience of others, through books, articles, and conversations. Learning everything on your own is costly and slow. You are one person. Learning from the experiences of others is much more

<sup>vi</sup> Pope, Alexander. "An Essay On Criticism." Poetry Foundation, n. d. Retrieved from: <https://www.poetryfoundation.org/articles/69379/an-essay-on-criticism>

productive. You need to always approach your circle with curiosity, seeking out information that can help you expand and strengthen it.

**“ Learn from the mistakes of others. You can’t live long enough to make them all yourself.”**

**— Anonymous**

Second, you need to monitor your track record in areas which you have, or want to have, a circle of competence. And you need to have the courage to monitor honestly so the feedback can be used to your advantage.

The reason we have such difficulty with overconfidence—as demonstrated in studies which show that most of us are much worse drivers, lovers, managers, traders (and many other things) than we think we are—is because we have a problem with honest self-reporting. We don’t keep the right records, because we don’t really want to know what we’re good and bad at. Ego is a powerful enemy when it comes to better understanding reality.

But that won’t work if you’re trying to assess or build your circle of competence. You need to keep a precise diary of your trades, if you’re investing in the stock market. If you are in a leadership position, you need to observe and chronicle the results of your decisions and evaluate them based on what you were trying to achieve. You need to be honest about your failures in order to reflect and learn from them. That’s what it takes.

Keeping a journal of your own performance is the easiest and most private way to give self-feedback. Journals allow you to step out of your automatic thinking and ask yourself: What went wrong? How could I do better? Monitoring your own performance allows you to see patterns that you simply couldn’t see before. This type of analysis is painful for



the ego, which is also why it helps build a circle of competence. You can't improve if you don't know what you're doing wrong.

Finally, you must occasionally solicit external feedback. This helps build a circle of competence, but is also critical for maintaining one.

A lot of professionals have an ego problem: their view of themselves does not line up with the way other people see them. Before people can change, they need to know these outside views. We need to go to people we trust, who can give us honest feedback about our traits. These people are in a position to observe us operating within our circles and are thus able to offer relevant perspectives on our competence. Another option is to hire a coach.

Atul Gawande is one of the top surgeons in the United States. And when he wanted to get better at being a surgeon, he hired a coach. This is terribly difficult for anyone, let alone a doctor. At first, he felt embarrassed. It had been over a decade since he was evaluated by another person in medical school. "Why," he asked, "should I expose myself to the scrutiny and fault-finding?"<sup>vii</sup>

The coach worked. Gawande got two things out of this. First, Gawande received something he couldn't see himself and something no one else would point out (if they noticed it at all): knowledge of where his skill and technique was suboptimal. The second thing Gawande took away was the ability to provide better feedback to other doctors.

It is extremely difficult to maintain a circle of competence without an outside perspective. We usually have too many biases to solely rely on our own observations. It takes courage to solicit external feedback, so if defensiveness starts to manifest, focus on the result you hope to achieve.

<sup>vii</sup>The Atul Gawande story is from: Gawande, Atul. Personal Best. *The New Yorker*, October 3, 2011. <https://www.newyorker.com/magazine/2011/10/03/personal-best> (Accessed January 23, 2018)

**How do you operate outside a circle of competence?** Part of successfully using circles of competence includes knowing when we are outside them—when we are not well equipped to make decisions. Since we can't be inside a circle of competence in everything, when we find ourselves Strangers in a place filled with Lifers, what do we do? We don't always get to "stay around our spots." We must develop a repertoire of techniques for managing when we're outside of our sphere, which happens all the time.

There are three parts to successfully operating outside a circle of competence:

**First, learn at least the basics of the realm you're operating in, while acknowledging that you're a Stranger, not a Lifer.** However, keep in mind that basic information is easy to obtain and often gives the acquirer an unwarranted confidence.

**Second, talk to someone whose circle of competence in the area is strong.** Take the time to do a bit of research to at least define questions you need to ask, and what information you need, to make a good decision. If you ask a person to answer the question for you, they'll be giving you a fish. If you ask them detailed and thoughtful questions, you'll learn how to fish. Furthermore, when you need the advice of others, especially in higher stakes situations, ask questions to probe the limits of their circles. Then ask yourself how the situation might influence the information they choose to provide you.

**And finally, use a broad understanding of the basic mental models of the world to augment your limited understanding of the field in which you find yourself a Stranger.** These will help you identify the foundational concepts that would be most useful. These then serve as a guide to help you navigate the situation you are in.

There are inevitably areas where you are going to be a Stranger, even in the profession in which you excel. It is impossible for our circles of competence to encompass the entire world. Even if we're careful to know the boundaries and take them seriously, we can't always operate inside our circles. Life is simply not that forgiving. We have to make HR decisions without being experts in human psychology, implement technology without having the faintest idea how to fix it if something goes wrong, or design products with an imperfect understanding of our customers. These decisions may be outside our circles, but they still have to get made.

When Queen Elizabeth the first of England ascended to the throne, her reign was by no means assured. The tumultuous years under her father, brother, and sister had contributed to a political situation that was precarious at best. England was in a religious crisis that was threatening the stability of the kingdom and was essentially broke.

Elizabeth knew there were aspects of leading the country that were outside her circle of competence. She had an excellent education and had spent most of her life just trying to survive. Perhaps that is why she was able to identify and admit to what she didn't know.

In her first speech as Queen, Elizabeth announced, "I mean to direct all my actions by good advice and counsel."<sup>viii</sup> After outlining her intent upon becoming Queen, she proceeded to build her Privy Council—effectively the royal advisory board. She didn't copy her immediate predecessors, filling her council with yes men or wealthy incompetents who happen to have the same religious values. She blended the old and the new to develop stability and achieve continuity. She kept the group small so that real discussions could happen. She wanted a variety of opinions that could be challenged and debated.<sup>ix</sup>

In large measure due to the advice she received from this council, advice that was the product of open debate that took in the circles of compe-

<sup>viii</sup> Tudor, Elizabeth. "Wordes Spoken by the Queene to the Lordes." Speech to members of the House of Lords, Hatfield, November 20, 1558. National Archives. Retrieved from: <http://www.nationalarchives.gov.uk/education/resources/elizabeth-monarchy/elizabeths-first-speech/>

<sup>ix</sup> Brimacombe, Peter. *All the Queen's Men: The World of Elizabeth I*. New York: St. Martin's Press, 2000.

tence of each of the participants, Elizabeth took England from a country of civil unrest and frequent persecution to one that inspired loyalty and creativity in its citizens. She sowed the seeds for the empire that would eventually come to control one quarter of the globe.

## Conclusion

Critically, we must keep in mind that our circles of competence extend only so far. There are boundaries on the areas in which we develop the ability to make accurate decisions. In any given situation, there are people who have a circle, who have put in the time and effort to really understand the information.

It is also important to remember that no one can have a circle of competence that encompasses everything. There is only so much you can know with great depth of understanding. This is why being able to identify your circle, and knowing how to move around outside of it, is so important.

**“ Ignorance more often begets  
confidence than knowledge.”**

**—Charles Darwin<sup>x</sup>**

<sup>x</sup>Darwin, Charles. *The Descent of Man, and Selection in Relation to Sex*. New York: D. Appleton and Company, 1882.

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