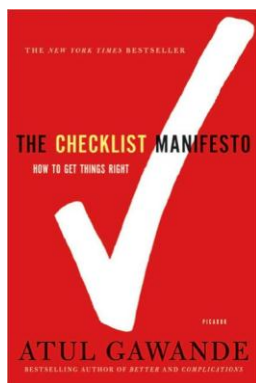


Book Review: *The Checklist Manifesto*



Last November I had the honour of being invited to be a guest instructor at Dr Alexander Elder's Pacific Traders Camp in Macau, China. This had a huge side benefit for me in that I was able to sit in on Dr Elder's own sessions during which I learned a great deal. In the course of one of his sessions, Dr Elder mentioned a book by a surgeon-writer Atul Gawande called *The Checklist Manifesto – How to get things right*.

At first sight this book has nothing to do with investing. However, Dr Elder showed the significant benefits from applying the ideas in the

book to his own trading. I logged on to Amazon and ordered the book. Having read it, I am gradually implementing the ideas in my own investing methods. Members of my website will see examples of it in stock and market case studies which I publish periodically.

While the book is centred on the implementation of checklists in hospital operating theatres, Gawande shows how the same ideas are used in such diverse industries as aviation, restaurants, managing complex building projects, setting up a rock concert venue, the response to hurricane Katrina in New Orleans and of principal importance to me: fund managers making investment decisions.

The main feature involved in all of these activities is the sheer amount of knowledge available and the resulting complexity of the modern world. Our challenge is to manage these complex situations consistently well. This means not overlooking something important. We should all be aiming to perform our investing or trading activities with a high and consistent level of quality. This is where the supremely simple idea of a checklist is so powerful.

Some people feel embarrassed to be seen using a checklist. Others believe that they do not need one because they never forget to carry out all the checks needed. Indeed, when Gawande introduced the checklist system into his operating theatre 20% those who had to use it thought it was difficult to use and took too long. Gawande devised a checklist and gave it to his operating theatre staff to use. He was embarrassed when the checklist caught something he had overlooked in an operation. Interestingly, of the 20% of dissenters, 93% of them still wanted the checklist to be used if they themselves had to have surgery.

Reading this book and applying its ideas have opened my eyes to another area in my investing methods where I thought that I was already very disciplined. Yet sometimes I fall short. So, I will finish with a quote from the book:

... discipline is hard – harder than trustworthiness and skill and perhaps even than selflessness. ... We are built for novelty and excitement, not for careful attention to detail. Discipline is something we have to work at.