
----- WHAT'S UP, DOC? -----

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"Creating Leadership Solutions for Profit and Growth"

THIS MONTH'S THEME: LEVERAGE IN NEGOTIATION

You know, all my life, I've been early for things. When I was a kid, I would show up to the park to meet my friends fifteen minutes early. They would show fifteen minutes late, and I would angrily tell them, "You're late!" They would then ask, "How long have you been waiting?" "Half an hour," I would say. "It's your own fault," they'd respond. "It should only have been fifteen minutes!" . . . So, I've always been early, Heck, I was BORN a month premature. . . So, it is with a fullness of regret that I apologize for getting this month's newsletter out so late. The good news is, I've been very busy – but I'm learning my lesson. I'll do what I can to reserve more time at the beginning of each month to get this newsletter out during the first week on the calendar, as has been my habit. In the meantime, I wish all of you who celebrate religious or other holidays this month all the best, all my warmest wishes. I'm proud that the subscribers of this newsletter span the globe, and no doubt represent all the world's major religious traditions. I like that this little virtual community represents a place where we can all more or less come together. Let's all hope, and even pray, that we can all come together more, all over the world, during the coming year . . . And oh yeah, this month's theme deals with "leverage" in negotiation. Don't forget to pass this issue along if you like it, and know anyone who may share your interest. Thanks!

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THIS MONTH'S QUOTES:

"Level with your child by being honest. Nobody spots a phony quicker than a child." - Mary MacCracken

"Do not fear greatness. Some men are born with greatness, some men achieve greatness, and some men have greatness thrust upon them."
- William Shakespeare

"Our truest life is when we are in dreams awake." - Henry David Thoreau

1. TEN KEY POINTS ABOUT LEVERAGE IN NEGOTIATION

LEVERAGE IS NOT THE SAME AS POWER

Power comes from social capital and financial capital. But a poor old widow with title to a property that Donald Trump wants to build a casino has more leverage than he: she can stay put as long as she wants. What's the moral of the story? Leverage is not power. If negotiation is an interactive communication process that may take place when we want something from someone else, or when someone wants something from us, then whoever wants "it" more, generally speaking, has less leverage.

LEVERAGE IS DYNAMIC

During the course of a negotiation, the leverage situation changes. Leverage is dynamic. If you begin a negotiation with less leverage, your strategy will be to increase your leverage, even to create momentum as you increase your leverage, which if left unchecked takes on a logic of its own in the negotiation process. For example, if I have a time critical need to get some post cards printed in order to promote a speech, but the printer delays so much that the value of the post cards diminishes as a means to generate interest in the program, then the leverage situation changes over time. At the outset, I'm the one with the greater need. But once the printer misses the first deadline, I gain leverage – he has failed to live up to an initial agreement. And as I come closer to the event and become more willing to walk away from the post cards altogether – since they have no value if they go in the mail to late – then I gain more leverage, and the printer has to rush to get me to persuade me to pay some reduced figure for the postcards he has already begun to produce, in order to recoup his sunk production and labor costs. In that situation – a real one – the leverage situation swung dramatically from the beginning to the end within the span of one week. Leverage is dynamic.

HOW TO MEASURE LEVERAGE AT THE START OF A NEGOTIATION

This is simple: whoever wants to change the status quo more has less leverage. Whoever is more content to change nothing has more leverage. If you go to buy a car and you really need one more than the dealer needs to sell you one, the dealer has more leverage (unless you increase your leverage by generating more options – more on that later).

USING THREATS CAN BE LIKE PLAYING WITH FIRE

If you can take some action to make the other party's situation worse or less comfortable, this means you have the power to exercise negative leverage. If you let the other party know you have this power – however diplomatically you choose to do so – this amounts to a threat. For example, the printer who promised me the world when I was stuck with a short deadline was vulnerable to some negative leverage from me. I could have said to him, “Look, these post cards are less valuable to me the later we get in the schedule. I'd appreciate it if you would work with me more on the price now that we're behind schedule, since I have so many contacts here in the community, and I'd like to tell them good things about how you turned a bad situation around to help me out.” That would have been a veiled threat – if he did not drop the price, I would have been implying that I would say negative things about his company within my network. But using threats is playing with fire during negotiations – and if you have any interest in maintaining a relationship with the other side (for future business or whatever), then you should be very cautious about employing threats, however gently. Threats may force the immediate issue but they can also backfire, engender resentments and burn bridges. Though I was upset when my printer failed his deadlines, I did not make any veiled threats. I'm not above a little tough negotiating when necessary, but in this case I did not see the point. Cooler heads prevailed!

TIME AND LEVERAGE

Sometimes, the passage of time itself alters the leverage situation. Think again of my situation with the printer and the post cards. As time passed, and we got closer to my seminar event, the cards became less valuable or interesting to me as a way to generate demand and publicity. After all, if they arrive the day before the event, then people will already have made their plans and won't sign up – making the investment in the cards and the postage a waste of resources. Be aware, as you examine negotiation situations, that time itself can alter the leverage situation.

CREATING MOMENTUM TO CHANGE LEVERAGE

Let's say you're in a negotiation deadlock, at least temporarily. If you begin to examine the other party's interests and find small ways to sweeten the deal and concede on issues not critical to you, the more you can create some momentum for the other side to give a little. For one thing, by giving some smaller things, they may become dependent on you (some negotiators need you to give something that at least has symbolic

value to allow them to save face). For another thing, the natural law of reciprocity (“you do for me, I do for you”) can begin to work in your favor. In some negotiations, if the other party is at all motivated to maintain some relationship with you or at least to appear to be reasonable to an outside audience, then a bit of giving creates pressure for the other side to give back in reciprocal fashion. Police negotiating a hostage situation exercise this kind of leverage strategy all the time – give on non critical issues, create a dependence on the part of the hostage takers (food, electricity, etc.) and play for time while the leverage situation evolves in their favor.

THE THREE BASIC TYPES OF LEVERAGE

The first kind of leverage comes from having what someone else wants (the widow who owned the Atlantic City real estate that Donald Trump wanted). The second type of leverage come from relationships and reciprocity, as mentioned above. That is, there is a basic human dynamic that when someone does something for you, you tend to feel obligated to return the favor at some point. This law of reciprocity is hard wired into us and can be seen across cultures. Not everyone will operate this way at all times, but most people do, most of the time. You can gain some leverage through the law of reciprocity. The third kind of leverage is described above: it’s negative or “threat based” leverage, or the ability to make the other party’s situation worse. As you examine the dynamics of leverage in any negotiating situation, pay attention to all three types of leverage and how they may change.

HOW TO ASSESS LEVERAGE OVER TIME

This is also an easy thing to assess: simply ask yourself, “At this moment, who has more to lose from a failure to make a deal?” Whoever has more of an ability to walk away has more leverage, and this can change over the life of a negotiating process.

SO CALLED “BATNAs” AND LEVERAGE

“BATNA” is an acronym from Fisher and Ury’s classic book on negotiation called “Getting to Yes.” It stands for a “best alternative to a negotiated agreement.” If you can increase the value and desirability of your alternatives to a deal in any negotiating situation, you reduce the costs to you of walking away from a deal. Therefore, you increase your leverage. So, when you’re negotiating to buy a new car, you have more leverage with any dealer if you simultaneously talk to other dealers about other cars. Even if you’re desperate for a car, you can increase your leverage relative to any individual dealer. Options, options, options are good when you’re negotiating!

LEVERAGE AND PERCEPTIONS

Leverage is based on perceptions, not facts. This is why bluffing sometimes works, for those who may be so inclined! Think about the widow with the Atlantic City real estate. If some person had approached her to buy her house, acting as a “ghost” agent while Donald Trump remained hidden in the background, then the buyer might have had more leverage to buy the house at a reduced price, if the woman had been at all inclined to sell (as it turned out, she wasn’t!). Take another example: I forget who it was, but I think it was P. T Barnum who once had a truck load of tuna with no ice to keep the fish fresh, and had to think fast to sell it all and recoup his investment in buying them. The problem was, no one really wanted tuna. So he put up a sign on the road advertising fresh “white salmon.” At that time, salmon was more rare in the U. S. than it is today – there were no salmon farms – so salmon was an attractive thing to sell. Never mind that there is no such thing as “white salmon.” Barnum – or whoever it was – made a tidy profit selling the fish. Not a very moral way to proceed, but the story makes the point: leverage is based on perceptions, not facts. You need not lie, as Barnum (?) did, to manage perceptions and increase your leverage. But if you appear to be confident and to have alternatives, then you have more leverage, whether you have confidence and other alternatives or not.

2. FIVE UNIVERSAL LAWS OF HUMAN PRODUCTIVITY

EVERYONE WANTS TO BE SIGNIFICANT

Everyone wants to feel that they have some purpose, that their efforts matter and are valuable, that they have importance. Even the person who cleans out the sewers wants to feel a sense of dignity in his (or her!) work – and they can. In the workplace, if you work with other people or are in a position to lead or supervise others, remember: everyone wants to feel significant. Most of human misery and discontent stem from a lack of feeling important. This is not a matter of having an unhealthy ego – this is just hard wired into us as human beings. Healthy egos naturally desire and require a feeling of importance, of connectedness, and a sense that our efforts matter. And since the pace of change in the world has exponentially increased in just a generation, we are all tempted to feel more disjointed and disconnected, as economic forces challenge us to adapt and often to get up and move to new, perhaps far away places. These forces only add stress to our lives so our needs to feel significant are increased. We see this in the workplace all the time, but don’t necessarily recognize the roots of our increased desire to find communities of affirmation at work and in our personal lives. So in the workplace, do what you can to build community and to recognize how everyone makes a

contribution. Why? Well, perhaps because it's the right things to do, but if you need more reason, just consider: what goes around comes around. You want to feel significant, too!

EVERYONE WANTS TO BE UNDERSTOOD

This does not mean that everyone wants to be coddled or asked to “share their feelings,” or what-have-you. For some people, being understood means being allowed the freedom to do their own thing, operate with more independence and pick the spots when they choose to interact or communicate more openly. Tell me how well you feel understood at work or in your personal life, and I can tell you how happy and fulfilled you feel you are. If you are a friend, a boss or a coworker, you have a great deal of power to affect the lives of those around you simply by understanding them. This is especially true if you are a boss! People will often walk through fire for a boss who they feel both understands them and has their interests at heart. Everyone wants to be understood, even if being understood means being left alone some or much of the time.

POSITIVE REINFORCEMENT WORKS BETTER THAN PUNISHMENT

The evidence has long been clear when it comes to influencing the behavior of others, either at work or outside of work: intermittent, positive reinforcement is better for shaping behavior over the long term than punishment is. Extremes of punishment can teach some people not to do some things – or at least, to avoid them – but punishment has no power to entice people to do desirable things or to develop new habits. If you have children, you will do better by rewarding your kids to take on new, stimulating activities that are incompatible with an undesirable behavior than you will by simply punishing an undesirable behavior. Why do you think team sports are so good for active kids who might otherwise be tempted to get into trouble? If they're at football practice after school, they're also not out getting into trouble. In work or in sales, what your grandmother told you still holds true: you can catch more flies with honey than with vinegar. Praise – when it's authentic and periodic – has tremendous power to shape behavior. All you bosses take note!

SELECTION IS CRITICAL TO SUSTAINABLE SUCCESS

In a work team, selecting the right people constitutes about eighty to ninety percent of the job of fostering high performance. People need to have the right basic talent for the job, and they need to be collected so that they fit well with each other and the organization's mission. One seriously bad apple in a team of eight can really drag down the group, and two bad apples who team up can cut the team's productivity in at least half without even trying hard. Context and the environment matter to productivity, and having the wrong people in the wrong jobs only makes them miserable. You can be sure their misery will spread. Be

forewarned! Selection matters, and the more scientific and consistent you can be in your selection processes, the better off you will be.

TEAMS HAVE TIPPING POINTS

I once consulted with an organization that asked me to do a team development program. I told them the time was not right, because there were three very negative people on the team of nine who would just sabotage anything I could build for the group. But one of those three was the ringleader, and in her absence, the other two could be influenced, in my assessment, to swing the other way, given the right atmosphere and menu of incentives. I told my potential client that I could not help them right away, but if that ringleader were to move on (or be helped to move on), then I thought the team could reach a tipping point to ramp up its productivity, if I could create the right, sustained environment. Well, six months later, that's what happened, and I worked with the team to create what turned out to be a nice leap in its productivity. What had been a group considered to be a "dog" in the organization developed a reputation as a strong, positive and functioning unit. They just needed the right push at the right time. The moral of the story? Teams have tipping points, and the addition or subtraction of one critical person here or there can make all the difference in making the collective productivity of any group much more than the sum of its parts.

3. REPORT ON LAST MONTH'S BUSINESS GROWTH SEMINAR

Last month, I told you about a program I developed with some friends, cosponsored by The Wharton Club of Washington DC and Microsoft. For those of you who could not make it, the program turned out to a roaring success, based on the evaluations offered to us by the business owners and executives who attended.

To view a sample of their comments, just click [here](#).

Since the event – entitled “What’s Next for Your Business: How to Grow Smart, Stay Lean and Beat the Competition” - was so well received, we’re going to repeat it in February of 2004. Click [here](#) to be notified personally of the event once it’s scheduled.

4. RECOMMENDED BOOKS AND FILMS

BOOK: "Bargaining for Advantage: Negotiation Strategies for Reasonable People," by G. Richard Shell, Penguin Books, New York, 1999.

I was delighted to find this resource to add to my negotiations skills training tool kit. I really think this book is terrific as a guide to help beginners and experienced negotiators become more organized, prepared and effective. Mr. Shell is the Director of the Wharton Executive Negotiation Workshop, and I highly recommend his book. It is readable, practical and useful. If you want to grow while making better deals with clients, vendors and anyone else, buy this book, read it, and apply its principles.

FILM: "Master and Commander," in wide release.

I'm late getting this newsletter out this month, and it happens I'm getting it out just after the new Lord of the Rings movie is hitting the theaters. By all accounts, that's the best on of the trilogy, and I enjoyed the first two a lot. But I have not seen that yet, and of the movies I have seen since my last newsletter (okay, I just saw this one, and it was good fun), I would recommend Master and Commander, with Russell Crowe. Nothing really fancy or deep here, but good rollicking adventure. To find out what other reviewers are saying about the film, just click [here](#).

5. CHUCKLES

This time of year in the United States, we tend to do a lot of shopping. Here's one for you shoppers and late night denizens of the mall:

It was the day of the big sale. Rumors of the sale (and some advertising in the local paper) were the main reason for the long line that formed by 8:30, the store's opening time, in front of the store.

A small man pushed his way to the front of the line, only to be pushed back, amid loud and colorful curses. On the man's second attempt, he was punched square in the jaw, and knocked around a bit, and then thrown to the end of the line again. As he got up the second time, he said to the person at the end of the line...

"That does it! If they hit me one more time, I won't open the store!"

6. PROMOTE YOUR OWN GROWTH

You don't have to live near the Schuler Solutions main office in Alexandria, Virginia to benefit from my coaching services. Great work can be done for your own growth and development over the phone and through document review via email. To find out more about your coaching options and available coaching plans, just click [here](#) now.

7. ABOUT DR. SCHULER

A. J. Schuler, Psy. D., an expert on leadership and organizational change, provides consulting services, keynote presentations and seminars for client companies. His trademark is highly personalized service that leads to measurable increases in productivity, profit and growth. He also provides personalized leadership education and coaching for highly motivated clients.

Dr. Schuler, President of Schuler Solutions, Inc., has served diverse organizations in the private and public sectors, including The Ritz-Carlton Hotel Company, Sony Development, Nomura Securities and the Executive Office for Immigration Review.

A graduate of the Wharton School of Business, Dr. Schuler has successfully led the profitable growth of a dynamic, international consulting firm while serving as Operations Director, and has successfully coached over five hundred CEO's and corporate executives.

8. HOW TO SUBSCRIBE OR UNSUBSCRIBE

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“Make each day your masterpiece.” -- John Wooden

P.S. - Remember to send in your comments and successes, and to forward this newsletter to at least one friend! Thanks . . . AJS