Charting A Wiser Course

Negotiating the Tides of Change

By Kaye M. Shackford

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NEGOTIATING THE TIDES OF CHANGE

Kaye M. Shackford
The Mattford Group

When I was invited to come and talk with you, it was because some of the people convening this conference are graduates of a workshop my husband Joe and I run called *Negotiating Solutions*.

Your colleagues also knew about a book that Joe and I wrote called *Charting A Wiser Course: How Aviation Can Address the Human Side of Change*. We agreed that each of you who wanted a copy of the book would be provided one so that you can take these ideas back to your organizations and extend the conversation.

This book was published in December 2003, on the 100th anniversary of manned powered flight. I imagine it as having come out at a transitional point of time between an era that was ending and an era that, like it or not, is unfolding, bringing all of us along with it.

When I was asked to talk with you, I struggled with what I could say that could be of help to you as you figure out how to help yourselves, each of your businesses, and your parent organization navigate truly uncharted circumstances. I also wondered what relevance the perspective of someone who grew up in the aviation industry in the '70s and '80s could have for you. The truth is, I can only talk about my reality.

You'll know whether what I say has merit for you. Take what rings true.

I want to tell you why we wrote the book. This book was our September 11th response.

As you may recall much too vividly, after September 11th, aviation businesses in much of the world were struggling to survive, stabilize and rebuild.

To quote a 2002 article in *Business Week*, they were "grappling with their costs, capacity, pricing and product features in ways they hadn't seriously contemplated since the start of deregulation in 1978." They were laying off appalling numbers of people. They were implementing major change initiatives – continuous improvement applied not just to the shop floor and but also to business processes, Six Sigma, value-streaming, supply chain management and others. They were implementing massive changes in how they worked in the marketplace with suppliers, customers and partners. And they had identified the need to change the working relationship between management and employee groups.

But there was one key element of change that no one was addressing. We kept waiting for someone famous and visible to talk about it and write about it, because we knew that unless it too was addressed, these other efforts could not succeed.

This element has to do not with the *content* side of change – which is what everyone was paying attention to – but with the *process* side of change, with what Douglas McGregor called "the human side of enterprise." It has to do with how we do what we do with one another.

But nobody wrote that book. Nobody made that case. We finally realized that we were closest. So we wrote it.

Here's the two-part concept that defines my 44 years in aviation, that underlies this workshop Joe and I have been running for 28 of those years, and that forms the core premise of the book.

It's very simple:

> *The purpose of our behaviors is to achieve our objectives in a particular environment… and negotiation underlies most of our behaviors at work.*

We do things to get what we want and need for ourselves and for the folks we represent, for our constituents.

But as a species we get *taught* much of how to behave and what to do by the communities we find ourselves in. So you were hired and someone said, "C'mere kid," "Do this." "Don't do that." "Follow my lead." And "Meet your measurements." And, all too often, in response to your questions, the answer was some variant of this statement: "Because that's how we do things around here; that's the way we've always done it."

So a lot of what we do in organizations we learned from others, who learned from still others, about how to be effective in an environment that presumably existed when those behaviors were first codified. You can imagine that some of these models, assumptions and behaviors trace back for decades. In some cases they trace back for hundreds, maybe thousands, of years.

But what happens when our environments change? Are the behaviors still effective? I'd like to suggest to you that sometimes our business environments and objectives change so much that the very behaviors that were key – or at least sufficient – to our success are now literally working at cross-purposes with what we say we're trying to do.

That was the case we sought to make in our post-September 11th book. And I believe it to be even more true now. We have reached the end of managerial and behavioral models that once served us well

enough, but that no longer are adequate to the environments we must succeed in and no longer sufficient for whom our employee populations have become.

So the rest of my message is this: If we're going to survive and thrive in this vastly different business environment, here's the best piece of advice I can give you:

> *Align your behaviors and your people's behaviors with your organization's objectives.*

Now, as you probably know from personal experience, if you've ever tried to stop smoking or lose weight, changing behaviors on an *individual* basis – and maintaining that change - is very hard. Changing behaviors across a function or an organization is mind-bogglingly difficult.

The challenge is even more daunting because those of us who need to lead this effort to align our behaviors with our objectives – the operations managers of our businesses – are not well prepared by inclination, training or prior experience to do so. Many of you have few skills at, and little interest in, what tends to be dismissed as the "touchy-feely" side of business.

So I want to make a case for why this must be done, and why it's time. I invite you along on a discovery process:

- First, I'll review with you some elements from my time at GE, which may parallel your experiences.

- I'll then sketch out the end stages of models that no longer serve us well.

- I'll briefly identify some macro-elements that created this tectonic shift.

- I'll show you a model my friend Rich Hodapp reviewed with me.

- And I'll define negotiation in our context.

- I'll then review with you some typical MRO objectives and principles of Lean.
- We can then place our current negotiating behaviors side-by-side with these objectives and ask the operative question, *"Can we achieve our objectives using these behaviors?"*
- I'll propose an emerging model and look at *it* in relation to your objectives.
- Hopefully, your next question will be this: *"So how do we change our behaviors?"* So I'll share with you what I've learned about changing behaviors.
- I'll introduce you to an 800-pound gorilla that's just sitting there.
- Then I'll propose to you some initial steps to start down this path, should you want to.

This should take about an hour. I understand you'll be going into discussion groups – hopefully some of these ideas will enter those conversations.

GE and me, circa 1972

So, let me take you back to when I joined GE Aircraft Engines.

In 1972, I was hired as an Organization and Manpower Representative to work in support of the Manufacturing Technology Organization, which included advanced manufacturing process development, the development shops and the new engine development programs.

I came into GE with a tremendous advantage, though I didn't know it at the time. I wasn't an engineer by training. I did not have a degree in business administration. I had no preconceptions about how things were supposed to work in an aviation organization. So I asked lots of questions.

The place and the people absolutely fascinated me. It was as if I'd gone on an anthropological field trip to a distant and foreign part of the planet. If I was going to be of help to them, I badly needed to

understand who they were, what they were doing, and what the context was. And I truly did want to be of help to them.

I had another advantage. My mother's Naval Officer younger brother – my uncle Jay – was a physicist and an adventurer. For many years, he was the head of the Office of Naval Research in San Francisco. He shared his love of science with me. He not only took my brothers and me to back roads to teach us how to do wheelies in his '55 Ford, he also took me out of school to go to meetings with him at places like Varian Associates and Stanford Research Institute. In ninth grade, my birthday present from Jay was a subscription to *Scientific American*, renewed annually for years afterwards.

GE Aircraft Engines was filled with hundreds of people like my Uncle Jay. I loved it. I loved those no-nonsense, make-it-happen people who would sign on for challenges they didn't know how to accomplish, and then somehow figure it out, set a path, and make it happen.

And we did some remarkable things while designing, building, and supporting jet engines worldwide. We worked to figure out how to manage knowledge workers who knew more about their technologies than their supervisors did.

We created a job posting process that gave people more control over their own career decisions.

We set out to integrate the organization with competent, goal-oriented women and members of minority groups, and in the process found that they brought talents and perspectives that enriched us all.

But within a few years of my joining GE, things started to change. At the time, I had no awareness of the dynamics that were reshaping the global landscape beyond our horizons. I suspect most of my colleagues were no better informed.

One did realize. Bob Garvin managed the network of representatives GE used around

the world. In the early '80s, he told me of an article he had read in the *Economist* magazine. It made the point, he said, that for the first time, our children's generation would be less affluent than we were, that global competition was going to change everything.

All I knew, and all my colleagues knew, was that each year we were now being asked to do more and more with less and less.

About the same time, GE's new CEO - Jack Welch – required that each year managers had to identify the top 20% of people in their organizations and reward them, and identify the bottom 10% and get rid of them. To the credit of many managers, after a year or two, they resisted identifying the bottom 10%. They identified people who had left. Some identified dead people. As they continued to resist, they were told there would be no Incentive Compensation payouts for their entire organization. They still resisted. Then they were told that if they didn't come up with the names, their names would be in the bottom 10%. And they caved - on their own integrity.

When you force people to give up their integrity, it becomes easier to give it up the next time and the next.

And then, what do you have left?

The psychological contract between company and employee was eliminated. Employees were told the company's obligation to them was paid in full with each paycheck, and that they in turn (here's the quote) "should always be prepared to go and flourish elsewhere." The imperative to produce 10% or more profit quarter after quarter remained, cascaded down as bogeys and measurements on each person in the system. And each year that bottom 10% of employees had to be eliminated.

The End Stages of Once Useful Models

I now can see we were cycling downward through the stages that happen to people in organizations as they approach the end of problem-solving models that once served them well, or well enough.

In Stage One, measurements are ambitious. Given the incentive to be in the top 20% and the fear of being identified at the bottom, people try harder and work longer. The first years, this works fine. As the model continues into its third and fourth year and beyond, the elimination of the bottom 10% has become very arbitrary; uncertainty builds in. The business appears to be thriving. Home life suffers. Some of your best and brightest are starting to wonder if this is all there is.

In Stage Two, beyond a certain point, you can't work harder or longer. To meet our measurements, we start finding ways to beat them instead, or to squeeze benefit from someone else. We engage in "Sausage Casing School of Economics" behaviors. "Sausage Casing" thinking assumes a finite amount of resource. To meet my needs, I squeeze the sausage somewhere else to plump it into my portion. Or to increase value for my customers, I squeeze my suppliers or eliminate some employees. I'm no longer creating value; I'm just moving it around. But it gets me through the next measurement period.

This was when our corporate purchasing czar sent out a memo that said, "If your supplier likes doing business with you, you're not doing your job."

At the same time that Jack Welch was asking everyone to "take a swing," internal dynamics were making it far riskier to try something and fail. And it was becoming less fun to go to work in the morning. Life was getting more administrative and less personal.

In Stage Three, you start to dismantle your own infrastructure. You reduce R&D spending. You strip out legions of engineers working on advanced technologies that won't come to fruition on your watch. You eliminate clerical personnel. Now, I have no

problem with doing away with the secretaries who used to act as Keepers of the Gate in front of upper managers' private offices. But every strategic administrative assistant who does a good job supporting the work of professionals makes each of those professionals far more effective.

Instead of following Demings' advice to drive out fear, we are driving *in* fear. I'm afraid to take a new job. I'm afraid to have honest disagreements with my manager. I'm afraid to share information or perspective with you because it might put you higher than me on the list.

This is the point at which the answer to the rhetorical question, "An eight hour work day – what's that?" became "Sunday."

In Stage Four, everything is getting harder to make happen. You still have to meet your measurements. You start to cave on your own ethic; you cheat or you lie. The first time it bothers you a lot, but you rationalize your actions. You have to do it to protect yourself. Or, you're being a good team player. Over time, it bothers you less. Everybody does it, you tell yourself.

This global economic meltdown we're now in has precipitated some of our businesses into Stage Five, which is despair, decay and implosion.

Stage Six is simple – dinosaur time. We shutter our doors or end up much diminished as organizations, with our employees and probably ourselves having endured horrific personal pain, life disruption, and devastating economic loss.

Others operating with models more appropriate to the current environment take over the industry.

Macro-Changes to Our Landscape

What I know now is that huge changes have been affecting our industrial landscape. Those who study such things identify several factors that are key to who we have been and who we now need to become.

- First, our commercial aviation business grew out of a *military* industry. A command-and-control mentality transferred to our commercial businesses in the mindsets of our top managers. This approach is not unique to us; it goes all the way back to the command structure of the Roman legions and the Catholic Church. And it worked all right until the nature of the exempt, non-exempt, and hourly workforces changed.

- Many of our seminal leaders entered our businesses in the decades that followed World War II. The industrial machines of Europe and the Far East had been destroyed. North American industry faced no international competition. Many of our businesses had little domestic competition. Students of the labor movement suggest that this near monopoly or oligopoly situation lasted from 1947 to 1973 – the year after I joined GE. Our organizations could absorb a lot of non-optimal behavior and still succeed.

- And, we in commercial aviation had been operating in a regulated environment since 1938. Not only was commercial aviation protected, but many military contracts were "cost plus."

- Then, there was the rise of a sizeable middle class. Henry Ford's $5 a day salary started building that middle class in North America. The GI Bill of Rights in the U.S. – which initially extended from 1944 to '56 - created an *educated* middle class with perspective and aspirations. Many of our companies were still seeking to manage what were now educated, knowledge-based workers using the assumptions, procedures, metrics, and contractual concepts that had been developed early in the 20th century when we had to integrate masses of low-skilled, uneducated and presumably under-motivated immigrants into the workforce.

- Things actually went along well enough for a few decades. Even though our union-eligible employees were increasingly dissatisfied and our organizations were rife with game-playing, private fiefdoms and plain old inefficiencies, there was so much slack in the system that we could get away with it.

- And then we got hit with a double whammy. International competition started kicking in around '73. And deregulation hit in '78. The slack in the system disappeared, but, in spite of some wonderful though relatively small-scale experiments, our managerial and behavioral models and assumptions really didn't change in any system-wide way.

- And then we were hit with September 11th. And then with 2008 and this global economic meltdown, *truly a tectonic shift*.

So here we are.

Our environments have changed.

We may wish that they haven't, but they have.

The old protections no longer exist.

We are awash in an increasingly competitive global environment, with hungry competitors operating at far lower hourly rates than ours.

Customers are placing different demands on us. Some are taking back in-house what used to be sacrosanct proprietary products when they don't feel listened to or responded to.

And we are realizing we can't get from where we are to where we need to be with business as usual.

So what should we do – give up and commit collective suicide? Or quit the industry and find employment selling cars?

Maybe not. Because I'm actually here to bring you good news. And here it is:

*Most aviation companies haven't even touched one very large element of the cost of doing business.*

When people assume they can't change something – or when they don't have the concepts, models or words that let them get their minds around it – that opportunity becomes invisible to them. Precisely because it's been invisible and largely untouched, this element can result in great gains in organizational effectiveness.

I once heard Tom Peters talk about productivity improvement. He was convinced, he said, that the opportunity existed not for 5 or 10% improvement, but for hundreds of percent. When I first heard that, I remember thinking, "Yeah, right." But what if he is right? What if there are 100%, 200% productivity improvements just lying there waiting to be picked up?

The longer I've worked in our industry, the more convinced I am that he *is* right. I'll seek to make this case for you; it's at the crux of everything.

Content/Process Model

A man named Rich Hodapp, who taught me to satisfy the customer instead of competing against the competition, introduced me to this concept.
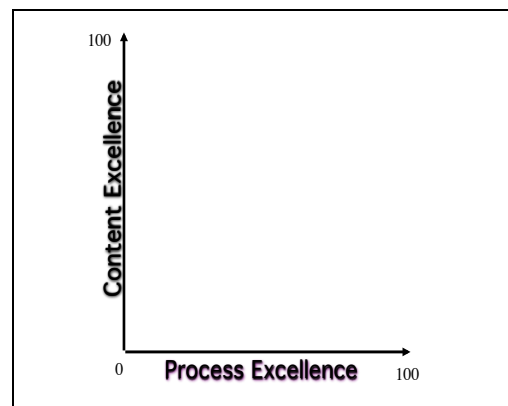
Rich suggested that a mature business can gauge its effectiveness in terms of two things – its *content* excellence and its *process* excellence.

Content is *what the business does*. It includes things like the excellence of your designs, products and services, your manufacturing, assembly, test and repair capabilities and facilities, your maintenance capabilities, information systems technology, distribution systems, the know-how in the heads of your technical folks, and so forth.

Please think about your own organization and rank it on a percentile basis on its *content* excellence, with 100 percentile being perfect. Imagine an "x" somewhere on the "content excellence" axis.

Then imagine what it would take - in terms of money, resources, people, time, and effort - to grow that another five percentile points.

Process excellence has to do with *how you do* what you do with one another – inside your own organization with your employees and across functional and business silos, as well as out into the marketplace with customers, suppliers, partners, and regulators. These would include people management skills, problem-solving skills, grievance-resolving skills, communication skills, personal interaction skills, customer satisfaction skills, coordinating skills, account strategy skills, group decision-making skills…and so forth.

If you blow away stuff like this, you call it *soft skills*. If you're slightly more open, you might call it *behavioral skills*.

Again, please rank your own organization on a percentile basis on its *process* excellence. Imagine an "x" somewhere on that "process excellence" axis.

And then think about what would it take in terms of resources to grow *that* five percentile points…ten percentile points…

I have asked this question many times – to individuals, at conferences, to top officers in aviation companies of all sizes. Invariably, they tend to mark their *content* excellence between the 75th and the 90th percentile.

When asked what it would take to grow it another five percentile points, the answer is always, "A lot!" And they're right. The closer you get to 100, the resources required for incremental improvement increase at an exponential rate.

When asked about the current state of their *process* excellence, almost everyone puts it much lower – usually from the 35th to the 50th percentile.   When asked what it would take to grow that by five or even ten percentile points, the answer is almost always, "A lot less."

I agree with that, too. First, there is so much room for improvement. And it doesn't take huge investments in systems, technologies, bricks and mortar, or equipment.

Rich Hodapp says that, in mature businesses, these two together roughly define your business effectiveness and your market share.
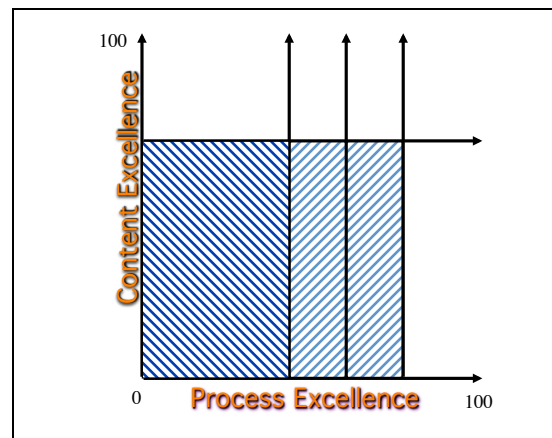
Now, we *have* to keep our content excellence high – it's our ticket to the ballgame. And we'll continue to pour resources into it, just to maintain parity. Yet this chart suggests that massive leaps in effectiveness are available to us by growing our *process* excellence.

I think this is at the base of what Tom Peters was saying.

I'd like to suggest that the thread that ties all these process skills together – management, communication, problem-

solving, decision-making, agreement-shaping – is this game of life, is negotiation.

So let me define negotiation in this context: Whenever you're seeking to solve problems, make decisions, shape solutions or reach agreements with people over whom you don't have direct control - in what's called a mixed-motive environment - you're negotiating.

A mixed-motive environment is a situation where some of your interests overlap with those of the other person or organization and some don't…and of those that don't, some may be in direct conflict.

How many of you, every day, have to solve problems, shape solutions and reach agreements? How many of you must do this in a mixed-motive environment? And how many of you must do this with others over whom you don't have direct control – peers, bosses, other parts of the corporation, regulators, customers, suppliers and partners?

You already knew this; we're all negotiators.

When we realize that negotiation underlies our behaviors, the findings of the Harvard Project on Negotiation can be used to identify the pattern of those behaviors.

We can then place them side-by-side with our objectives and ask a simple question:

> *Can we achieve our objectives using these behaviors?*

Here are two sets of objectives:

The first reflects sample objectives from a variety of aviation maintenance organizations. The second reflects classic principles of Lean/Six Sigma.

First, some MRO objectives:
- *Become #1 in the eyes of our customers:*
  - *in safety, compliance & quality.*
  - *in aircraft appearance & on-time availability.*
- *Operate as a team-based, decision-making organization.*
- *Improve working relationship & trust between management & employee groups.*
- *Use collective knowledge & commitment to achieve operational excellence.*
- *Streamline operations & infrastructure to contain the cost of maintenance.*
- *Continuously improve our operations & business processes, applying lean principles in a volatile environment.*
- *Keep jobs in-house by reducing maintenance CASM (cost per available seat mile) to that of the external MROs.*
- *Enhance our safety & compliance culture; improve our relationships with regulators.*
- *Align supplier & inventory functions with lean product delivery system.*
- *Leverage our services capability to increase company revenue.*
- *Link suppliers with customers in alliances profitable to us.*

And some principles of Lean:
- *Define value from the customer's perspective.*
- *Initiate work to the needs/specs of the customer.*
- *Identify value streams for products and services.*
- *Create a system where value is continually added.*
- *Clear away obstacles that block or don't add value.*
- *Relentlessly reduce waste.*
- *Have an intolerance for errors.*
- *Strive for perfection in all elements.*
- *Involve everyone as an owner (who knows where great ideas lie?).*

Now let's add our behaviors. The Harvard Project calls our current model *Positional*

Negotiation. I take a position more extreme than I'm willing to settle for and so do you. Then through a series of tactics, measures and countermeasures, we ratchet in toward the middle.

In one version of this model – *Hard* Positional Negotiation – the premise is that the pie is fixed, negotiation is about claiming value and my job is to get more than you.

They identified these elements:

- *Participants are adversaries.*
- *The goal is winning.*
- *Demand concessions to continue the relationship.*
- *Be hard on the people and the problem.*
- *Distrust others.*
- *Dig in to our position.*
- *Make threats.*
- *Mislead as to our bottom line.*
- *Demand one-sided gains.*
- *Search for the single answer - the one we can accept.*
- *Insist on our position.*
- *Apply pressure.*

When we operate in the marketplace, we're comfortable enough with negotiation being a game whose purpose is winning. When we operate internally, we may use other words. But most of us learned that our job is to get our job done, meet our measurements and get our people to do what we want. And since we truly believe that our position is the right one, our job is getting others to fall in line with us, like it, hopefully, or not.

The words may be gentler; but the underlying assumptions are the same.

Some of us play a "nicer" version of the game. It's called *Soft* Positional Negotiation.

- *Behave as if we're friends.*
- *The goal is agreement.*
- *Make concessions to improve the friendship.*
- *Be soft on both the people and the problem.*

- *Trust others, hoping that reciprocity will cause them to be trustworthy.*
- *Change position easily.*
- *Make offers.*
- *Disclose our bottom line.*
- *Accept one-sided losses.*
- *Seek the single answer - the one they'll accept.*
- *Readily yield to pressure.*

Positional Negotiation

Soft Positional	Hard Positional
• Participants are friends.	• Participants are adversaries.
• The goal is agreement.	• The goal is winning.
• Make concessions to cultivate the relationship.	• Demand concessions to maintain the relationship.
• Be soft on the people & the problem.	• Be hard on the people & the problem.
• Trust others.	• Distrust others.
• Change your position easily.	• Dig in to your position.
• Make offers.	• Make threats.
• Disclose your bottom line.	• Mislead as to your bottom line.
• Accept one-sided losses.	• Demand one-sided gains.
• Search for a single answer - theirs.	• Search for a single answer - yours.
• Insist on agreement.	• Insist on *your* position.
• Yield to pressure.	• Apply pressure.

You can see it's the flip side of the same game. Game theory says that a hard game dominates a soft one. Given the choice of being the "beater" or the "beatee," most of us in aviation play the Hard Positional game.

We didn't invent it. But we're very good at it.

Now, back to our core concepts: The purpose of our behaviors is to achieve our objectives…

Does this compute?

Behaviors	Objectives
➢ Participants are adversaries.	➢ Become #1 in safety, compliance, quality, aircraft appearance & on-time availability.
➢ The goal is winning.	➢ Operate as a team-based organization.
➢ Demand concessions to maintain the relationship.	➢ Improve working relationship between management & employee groups.
➢ Be hard on the people & the problem.	➢ Use collective knowledge & commitment to achieve operational excellence.
➢ Distrust others.	➢ Streamline operations & infrastructure to contain the cost of maintenance.
➢ Dig in to your position.	➢ Apply lean principles in a volatile environment.
➢ Make threats.	➢ Reduce maintenance CASM to that of the external MROs (in order to preserve jobs).
➢ Mislead as to your bottom line.	➢ Enhance our safety & compliance culture.
➢ Demand one-sided gains.	➢ Align supplier & inventory functions with lean product delivery system.
➢ Search for a single answer - yours.	➢ Leverage our services capability to increase company revenue.
➢ Insist on your position.	➢ Link suppliers with customers in profitable alliances.
➢ Apply pressure.	

Does this compute?

Behaviors	Principles of Lean
➤ Participants are adversaries.	➤ Define value from the customer's perspective.
➤ The goal is winning.	➤ Initiate work to the needs/specs of the customer.
➤ Demand concessions to maintain the relationship.	➤ Identify value streams for products & services.
➤ Be hard on the people & the problem.	➤ Create a system where value is continually added.
➤ Distrust others.	
➤ Dig in to your position.	➤ Clear away obstacles that block or don't add value.
➤ Make threats.	➤ Relentlessly reduce waste.
➤ Mislead as to your bottom line.	➤ Have an intolerance for errors.
➤ Demand one-sided gains.	
➤ Search for a single answer - yours.	➤ Strive for perfection in all elements.
➤ Insist on your position.	➤ Involve everyone as an owner (who knows where great ideas lie?)
➤ Apply pressure.	

If this strikes you as seriously dysfunctional, I agree. It's like trying to get from Seattle to San Francisco by way of Boston…or Beijing.

When we ask that operational question I mentioned earlier:

"Can you achieve these objectives using these behaviors?"

I think the honest answer is this:

"You can get part way there."

Managers and employees regularly do incredibly difficult things. But the rest of the answer is this:

"You can't get all the way there."

I hope your next question might be this:

"Is there a better way?"

That same project at Harvard suggests that the pie is not fixed and negotiation really is not about beating the other guy.

Rather, it's about this: Solving problems, realizing opportunities and shaping solutions to satisfy your constituents' – and your counterparts' - interests and needs better than any alternative reasonably available to you or them, and doing so in such a way that you and your counterparts look forward to solving problems and shaping solutions together again.

Their researchers laid out the old options against these criteria.

Soft positional negotiation or hard positional – which game should you play?

Some of you may remember a movie called *War Games*, in which a computer played endless sessions of Tic Tac Toe and nuclear war scenarios. Finally it learns. In both cases, the only way to win is not to play.

Which game should you play? Neither, they said. Change the game.

In interest-based negotiation:

• *Participants are problem-solvers*.

• *The goal is a wise outcome reached efficiently and amicably*.

• *Separate the people from the problem*.

• *Be hard on the problem, unconditionally constructive with the people*.

• *Be wholly trustworthy*.

• *Get below positions to the motivating interests*.

• *Avoid having a bottom line*.

• *Multiply options for mutual gain*.

• *Insist on objective criteria*.

• *Reason and be open to reason*.

• *Yield to principle, not to pressure*.

Here are those MRO objectives and these behaviors…

How About This Instead?

Behaviors	Objectives
➤ Participants are problem solvers.	➤ Become #1 in safety, compliance, quality, aircraft appearance & on-time availability.
➤ The goal is a wise outcome reached amicably and efficiently.	➤ Operate as a team-based organization.
	➤ Improve working relationship between management & employee groups.
➤ Separate the people from the problem.	➤ Use collective knowledge & commitment to achieve operational excellence.
➤ Be hard on the problem, unconditionally constructive with the people.	➤ Streamline operations & infrastructure to contain the cost of maintenance.
➤ Be wholly trustworthy.	➤ Apply lean principles in a volatile environment.
➤ Get below positions to the motivating interests.	➤ Reduce maintenance CASM to that of the external MROs (in order to preserve jobs).
➤ Avoid having a bottom line.	➤ Enhance our safety & compliance culture.
➤ Multiply options for mutual gain.	➤ Align supplier & inventory functions with lean product delivery system.
➤ Insist on objective criteria.	➤ Leverage our services capability to increase company revenue.
➤ Reason and be open to reason.	➤ Link suppliers with customers in alliances profitable to us.
➤ Yield to principle, not to pressure.	

…and those principles of Lean and these behaviors…

How About This Instead?

Behaviors	Principles of Lean
➢ Participants are problem solvers.	➢ Define value from the customer's perspective.
➢ The goal is a wise outcome reached amicably and efficiently.	➢ Initiate work to the needs/specs of the customer.
➢ Separate the people from the problem.	➢ Identify value streams for products & services.
➢ Be hard on the problem, unconditionally constructive with the people.	➢ Create a system where value is continually added.
➢ Be wholly trustworthy.	➢ Clear away obstacles that block or don't add value.
➢ Get below positions to the motivating interests.	
➢ Avoid having a bottom line.	➢ Relentlessly reduce waste.
➢ Multiply options for mutual gain.	➢ Have an intolerance for errors.
➢ Insist on objective criteria.	➢ Strive for perfection in all elements.
➢ Reason and be open to reason.	➢ Involve everyone as an owner (who knows where great ideas lie?)
➢ Yield to principle, not to pressure.	

Some of you will question whether your people really do use hard positional behaviors. We certainly *talk* enough about collaborating with employees, customers, suppliers and partners. Close to thirty years of helping thousands of your colleagues make this mind change – from customer support reps to program managers to regional directors to vice presidents of sales and their staffs – leaves me convinced that Positional Negotiation really is our current model, even though almost everyone knows that what we're doing is nuts.
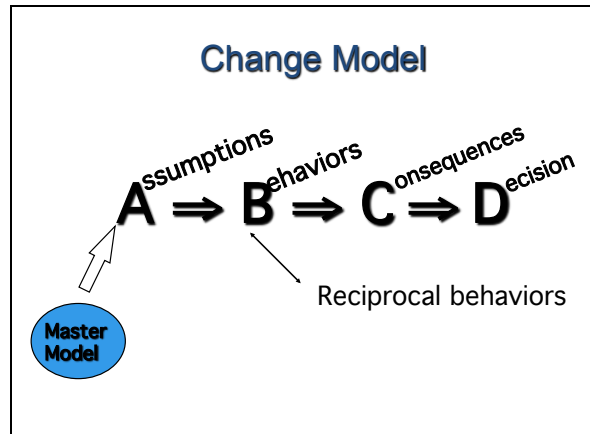
So, how do we change our behaviors?

But should you ask the next question,
*"How do we build these skills in
our people?"*
skills training can't do it. Skills training can improve behaviors *within* an existing model. But when the model itself can no longer solve the problems we need to solve or realize the opportunities we need to realize, skills training doesn't work.

Changing the invisible model that drives our assumptions and behaviors seems to require highly experiential, immersion education to the paradigm-shift level.

If in the past you've sent your people to skills training as part of your change

initiatives and nothing much seemed to change, let me show you a major reason why:

Change Model

$$A \Rightarrow B \Rightarrow C \Rightarrow D$$
Assumptions   Behaviors   Consequences   Decision

Master Model

Reciprocal behaviors

Years ago, a colleague showed me this model for behavior change. We start with our *Master Model* – our paradigm - for how to make the world work.

Our master model drives our *Assumptions*, which include our vocabulary and our metaphors - the images we use to define reality.

Our assumptions drive our *Behaviors*.

Our behaviors tend to elicit *Reciprocal Behaviors* - not always, but they tend to.

And these behaviors have certain *Consequences*.

The model says that if we don't like the consequences, if they no longer serve us well, we can make a *Decision* to change. Usually, when we decide to change, we try to change our *Behaviors*. This is the province of skills training, good intentions, and trying.

No matter how well intended we are about changing, if our underlying master model is no longer sufficient, we can learn the skills but they don't last. Our model pulls us back into old familiar assumptions and behaviors. This is really important to understand.

We have to surface and then change our invisible master model, which drives different assumptions, results in different behaviors, elicits different reciprocal behaviors, and…you get the idea.

Here's a pop quiz that applies this to negotiation. I'm going to take you through it twice, and all I'll change is a couple of words.

Suppose, based on your current model, the words you use to describe the other guy in a negotiation are "my opponent," or "my adversary." May I assume you've heard these words? Maybe used these words?

So, if that's your *opponent*, your *adversary*, what *Assumptions* are you likely to make about your *purpose* as you prepare to negotiate *against* your opponent?
 A. *To solve problems, to shape agreements*.
 B. *To avoid losing, to protect myself*.
 C. *To win, to beat them*.

Form follows function. If your purpose is to win, to beat them, what might your *Behaviors* be like?
 A. *More open, trustworthy, collaborative*.
 B. *Defensive, suspicious, distrustful*.
 C. *Adversarial, aggressive, abusive*.

Now, remember I said that your behaviors tend to elicit reciprocal behaviors from the other guy? So if you behave adversarially and aggressively, what *Behaviors* are you likely to elicit?
 A. *More open, trustworthy, collaborative*.
 B. *Defensive, suspicious, distrustful*.
 C. *Adversarial, aggressive, abusive*.

And what might the *Consequences* be? More precisely, *what's the likelihood that you're going to come up with creative, near-optimal solutions and look forward to working together again?* Somewhere approaching zero? You got it.

So, what would happen if we did change our minds? Let's take that quiz again.

But this time, the words we use aren't "my opponent" or "my adversary." This time, let's describe the other guy in the negotiation as "my counterpart." Kind of like me, works too hard, goes home tired, doesn't see family enough. Has a job to do, kind of like me. My counterpart.

What *Assumptions* might you make about your purpose as you sit down to negotiate *with* your counterpart?
 A. *To win, to beat them*.
 B. *To avoid losing, to protect myself*.
 C. *To solve problems, to shape agreements*.

Form follows function. If your *purpose* is to solve problems and shape agreements, what might your *Behavior* be like?
 A. *Adversarial, aggressive, abusive*.
 B. *Defensive, suspicious, distrustful*.
 C. *More open, trustworthy, collaborative*.

So, if you operate in trustworthy ways and are open to finding things that are better for you and them, what *Behaviors* are you likely to elicit from them?
 A. *Adversarial, aggressive, abusive*.
 B. *Defensive, suspicious, distrustful*.
 C. *More open, trustworthy, collaborative*.

May I assume this makes sense?
And what might the *Consequences* be?
 A. *Near optimal, mutually beneficial*.
 B. *Time efficient, amicable*.
 C. *May strengthen the relationship*.
 D. *Potentially, all of the above*.

You got it. In a nutshell, this is what we're talking about.

So that's the concept behind a paradigm shift – small changes in our perceptions lead to small changes in our assumptions, which lead to *significant* changes in our behaviors and *very* significant changes in our results.

The good news is that when you make that shift, your assumptions change and your behaviors change, and you can do with relative ease and simplicity things that felt like pulling teeth before. Years after attending our workshop, graduates continue to create value with their counterparts and craft far better solutions for their

constituents in a world that hasn't yet changed much. So we know it can be done.

You'll find that our book contains a lot of stories about people in our industry who have been using this approach. Many are good news stories; some are about things we've learned the hard way. People who read the book write me to say, "I want you to know; you wrote my life." I hope I've written your life, too.

That 800-pound gorilla

Now, I need to pay a bit of attention to an 800-pound gorilla that's been sitting in the corner of this discussion.

I've sought to make the case that in this dramatically changed and changing environment we now live in, our traditional negotiating behaviors are working at cross-purposes with what we say we're trying to do. If we're going to achieve our objectives, we have to change the behaviors.

And I sought to demonstrate why skills training can't do it. Getting to the internal model that informs our assumptions and drives our behaviors - and changing it – seems to take immersion training to the paradigm-shift level.

And that we know how to do, with this workshop that we've been running for the aviation industry since 1988.

And we know from the experience of our graduates that if their organizations even partially allow that search for solutions better for you, not worse for me, and vice versa – that search for what Vilfredo Pareto dubbed a more Elegant Solution - the behaviors last.

But here's the catch. *Elements used to manage the business that are built into organizational culture literally hold the old behaviors in place.*

We call them "your paraphernalia of culture." They include your hiring criteria, performance appraisal criteria, reward and recognition systems, promotion policies, salary criteria, planning processes, and, importantly, your measurements.

These elements have an important function in organizations. They allow culture to embed and persist over time. They're the equivalent of that internal mindset – that paradigm – inside each of us that we've been building all our lives for how to make the world work.

But when our current culture is no longer sufficient to what we're seeking to do, these same elements keep pulling us back into counter-productive assumptions, behaviors, and results. And none more so than the measurements we are currently required to meet.

So I want to surface this and then encourage you to talk among yourselves this week about your current metrics and what might better allow all of you to go forward together.

The truth is, regardless of what management tells people about the organization's strategic objectives, most of us work to measurements.

Imagine for a moment that you're a buyer. You've been sent to our workshop; you return inspired. Your management through its published strategic objectives is asking you to partner with your suppliers and to work seamlessly along the value stream. Fantastic! You have all sorts of ideas about how to do that – far better for your organization, better for the supplier, too. But your immediate manager says, "Read my lips. Tell the supplier, 'Five percent off their price or they're off our list.'" If that's how you're being measured, how are you likely to behave?

Of course. Most people will give up after awhile. They'll return to squeezing the suppliers to get them to lower their prices. And it's actually worse than if they had never come to the workshop, because now they know how to get those better results, and they are being kept from getting them. Negative motivation sets in.

Therefore, once we're clear about the new ways we need our people to function, we also need to change our paraphernalia of culture to embed those new ways in the organization.

And perhaps first of all we need to change our measurements.

So here's my other piece of advice:

Re-align your businesses' measurements with your organization's objectives.

Chapter 14 in our book addresses the need to change our measurements. It starts with some things that we know don't work and haven't worked, even though they have long been part of our current system. It also suggests an emerging model in which everyone can participate in playing this great game of business so each of us can win personally *and* win for the organization.

I want to mention just two things that don't work even though many of our organizations have been using them forever.

First, *measurements imposed on organizations and individuals by upper management really don't work well*.

Here, management decides what the metrics should be and requires that they be met. The message is: Produce or else. No one can impose a measurement on someone else and have it truly succeed. Whenever they try to, they're operating in the arena that Frederick Herzberg dubbed positive and negative KITA.

Dr. Herzberg is the author of the best-selling 1968 *Harvard Business Review* article called "One More Time: How Do You Motivate Employees?" KITA is short for Kick in The Ass. Negative KITA produces results because people and other living creatures are motivated to avoid pain, but you never know what direction the pain-avoidance activities will take. It's hardly ever in the direction of your overarching strategic objectives. Positive KITA also produces results, but because people in our organizations are creative to a fault, the actions almost always devolve into the time-honored game called "Beat the Measurements."

This one is so widespread, I'd like to tell you a story.

Soon after I came to work at GE Aircraft Engines in Ohio, a raw materials buyer taught me about this game. His name was Art Thom.

Each year, our Division Manager of Manufacturing issued cost reduction edicts to the departments that reported to him, Materials among them. These edicts were divided up and cascaded down so that each individual buyer had annual bogeys he or she was measured against. No one participated in deciding what realistic cost reductions could be and should be. We were told what they were and what our individual contribution *would* be.

It was framed as a competition. Whoever won the Cost Reduction competition received a substantial cash bonus plus dinner for two at a local Five Star restaurant. The winner was invited to the appropriate upper manager's staff meeting and introduced to the staff with applause all around. Hands were shaken, photographs taken. The event was reported in the plant newspaper. Positive KITA.

Year after year, Art Thom won the Cost Reduction competition.

So, one Saturday morning, as I wandered around the Materials area, I noticed that Art was also at work. I dropped by his cubicle to talk. "Art," I said, "how come you always win the Cost Reduction competition?" He leaned back in his chair, laughed and said, "It's easy." Then he described the ground rules. A cost reduction, he said, is determined as a percentage basis of the difference between what you pay for your "first buy" and what you pay for the follow-on buy.

He said, "I buy forgings. I always place the first buy in less than lead-time, so I have to pay a premium to get the material delivered on time. Because it's in less than lead-time, they can't deliver it in near-net shape; they have to send me a huge forging. Our shops have to hog the part out of the forging, so there's lots of waste material. I pay by the pound, so the price goes up. When it's time for the follow-on buy, it's a snap to get a huge cost reduction. Works every time."

I also learned, sadly, that *measurements that frustrate people's efforts to benefit the larger organization don't help*.

Some years ago, commodity team members from a general aviation company – one of our clients - went out to their suppliers to identify ways to reduce the cost of input materials. Over and over again, the suppliers said, "If you can specify these design changes in the product, it would let us reduce our cost of manufacture by a significant amount, which would let us reduce our price to you. We do not think these changes will interfere with the mission or quality of the part." The commodity people checked back with the factory and determined that, indeed, the requested changes would not affect the parts' quality or ability to perform. So they went to engineering to ask for the design changes.

In this organization, engineering was divided into Development Engineering, which focused on new products, and Sustaining Engineering, which worked in support of products in production. Sustaining Engineering said, "Yep, we could do that, but all the funds for activities such as that are allocated to Development Engineering. We don't have the budget; therefore, we won't/can't do the work." Development Engineering said the equivalent of, "Not our job." End of story.

If your measurements don't produce cumulative benefit for the larger organization, what good are they?

So, do we need measurements? Absolutely. In business, numbers and measurements help us define the game we're playing. They are supposed to let us know how we're doing so we can decide to stay the course or make timely corrections. Most measurements therefore fall into the category of negative and positive feedback. Feedback by nature is neutral. Positive feedback is not praise; it simply means that if this is what you're seeking to do, you're on track. Negative feedback is not criticism. It means that if this is what you're seeking to do, you're getting off track or you're not going to get from here to there in time. This also defines the heart of motivation. Motivation emerges when we identify the gap between where we are and where we need to be.

This is a longer story that I can only point toward. I hope you carry these thoughts into your discussion groups, or surface them and play with better ideas as you have a drink together. And maybe take a look at Chapter 14.

One more idea may start the discussion. Peters and Waterman in their book *In Search of Excellence* quote a General Instruments sales executive.

He reminisced about his first job, saying, "I spent forever getting to know a small handful of customers really well. I came in at 195% of quota, tops in my division. A fellow at Corporate said… 'You average 1.2 sales calls a day. The company averages 4.5. Just think of what you could sell if you could get your average up to par.' The fledging sales executive had responded, "Just think what the rest could sell if they could get their sales calls *down* to 1.2."

Some ways to start

I want to share with you with some ideas that underlay a training program called *Influence*.

These ideas greatly retooled my own

thinking when I was first starting down this path.

Some years back, the Forum Corporation – one of the most respected training companies in the country - concluded that the next major key to success was going to reside not in what you did within your *own* function, though that remains important, but in your ability to get work done *across* functions and as members of temporary work teams.

The people at Forum wondered if there was a pattern to what people did who were especially successful in these environments. These people were seen by their peers as highly effective in influence environments and seen by their managements as promotable. The Forum researchers found that the behaviors that differentiated *high* performers from *average* folks clustered in three areas:

- *those things people did to set up an effective structure for working together,*
- *those things they did with others to gather data and solve problems,*
- *and those things they did to ensure the solutions actually got implemented.*

They called these areas *Building Influence*, *Using Influence*, and *Sustaining Influence*. They discovered that one core element differentiated people in each of these areas.

Here's the kicker: In relation to *Building Influence*, this was the core behavior:

> *"Being willing to help others in the pursuit of their interests and needs."*

In relation to *Using Influence*, *this* was the core behavior:

> *"Being willing to share your power in the interest of the overall organizational goal."*

And in relation to *Sustaining Influence*, the core behavior was this:

> *"Behaving in ways that caused others to trust you."*

When I first learned this, it blew my mind. What do you mean, be helpful to *others* in relation to *their* objectives? I'd been taught my job was to achieve *my* objectives! What do you mean, *share* power? I thought my job was to gain and exploit my *own* power. And what do you mean, behave in such a way as to cause others to trust me? I thought they were supposed to respect me, maybe fear me a little…

But the data was drawn from feedback given by people whose involvement with me on projects was critical to my own job success. Coming from my battlefield mentality, where everyone else was a potential obstacle to my success, these thoughts blew me away. At that point, I had two choices. I could deny them. Or I could play with them. I chose the latter.

I invite you to play with them, too.

In your daily life, be open to opportunities to help others in the pursuit of *their* interests and needs.

Be open to sharing your power in the interest of the larger organizational goal. When you do, you'll find you're not lessening it; you're growing it.

And monitor your behavior as seen by others so they conclude you are indeed trustworthy: that you're open with them, that you tell it to them straight, that you do what you say you're going to do, and that you're accepting of them.

I'd like to leave you with an email, a proverb, a quote, and an invitation.

A month ago, I got an email from a graduate of our program, Vice President of Aftermarket Sales for an aircraft company. Here's what he wrote:

"As you know, we are selling services to airlines that already bought our aircraft and hopefully will do so again in the future. The greater customer satisfaction is therefore very precious and important to us, yet this cannot correlate to making weak and below expected margin deals. We have to find the

Elegant Solutions you taught us about."

And a proverb: This is the Year of the Monkey, so a Chinese proverb seems appropriate. It says this:

> *The best time to plant a tree*
> *is twenty years ago;*
> *the next best time*
> *is now.*

This mind change should have occurred across our industry twenty years ago – but it didn't.

I hope you decide that the next best time is now.

Tom Petzinger is the author of *Hard Landing*, perhaps the best book ever written about the commercial aviation industry. For many years he had a weekly column called *The Front Line* in the *Wall Street Journal*. He wrote a book called *The New Pioneers* about people and organizations who are making this mind change. And he placed this quote from a play called *Arcadia* in the beginning of his book. I offer it to you as an invitation to step forward together into quite incredible times, to create anew our wonderful world of aviation as we know it can be and should be, and to revitalize ourselves.

> "A door like this has cracked open
> five or six times
> since we got up on our hind legs.
> It's the best possible time
> to be alive,
> when almost everything
> you thought you knew
> is wrong."
>
> — Tom Stoppard, *Arcadia*

Thank you for your time and consideration.

For more information, contact
Kaye Shackford
The Mattford Group
P. O. Box 5454
Incline Village, NV 89450-5454 USA
Phone: 775.832.5300
Cell: 775.846.2511
Fax: 775.832.5302
E-mail: Mattford@aol.com
Web: www.negotiatingsolutions.com