

Bill Walton (00:01):

Welcome to the Bill Walton Show. I'm Bill Walton. When you think of Wall Street and deal making, it's not very likely that you're going to be thinking at first about the greatest jam band ever, the Grateful Dead. My author and my guest on this show, Marc Morgenstern, has written a book called, *The Soul of the Deal*. He's laid out really an alternative view of deal making as a collaborative venture, and draws a lot of references from the Grateful Dead and the gems that they did. Marc's in a position to know, he's known the Grateful Dead for decades, helped them form the Rex Foundation, which has done a lot of good for creatives all over the country in the last four decades. My favorite is, Marc is a member of the Board of Directors of the Rock and Roll Hall of Fame.

(01:00):

While he was doing rock and roll and some great music, he also took a little detour into deal making, and he's done thousands of deals, both as a lawyer, venture capitalist. He probably knows more about the inside of deal making than almost anybody. When I saw his book, it's a chapter from my past where I spent a lot of time on Wall Street venture capital and mergers and acquisitions, and I found his book had incredible insights. Even though I thought I knew a lot, I learned a lot more after reading Marc's book. So Marc, welcome.

Marc Morgenstern (01:38):

Thank you so much. It is definitely great to be here, and I couldn't give that introduction to myself, so thank you.

Bill Walton (01:48):

Marc, who'd you write the book for? Who should be reading this book?

Marc Morgenstern (01:53):

Well, first, I'll give you the real answer, and then I'll give you the answer you're expecting. The real answer is I wrote it for my children. Everybody sort of assumes because they're my children, they know all of these things, and they don't know all of these things.

Bill Walton (02:10):

Yeah.

Marc Morgenstern (02:11):

Ike Perlman's children do not know how to play the violin. So part of it is literally for them. My daughter happens to be a VC, by the way, so it's even more fitting. But mostly, my whole life I have taught and written and mentored, and it's usually been essentially one-on-one. I'm helping a CEO of a startup, one way or the other. I do a lot of things that start at the beginning of something, go all the way to the end, and sometime back. I just thought there's a limit to the organic reach that I can have mentoring, and I still have all of these thoughts in my head and knowledge, and I'd like to amortize them over a much larger base.

Bill Walton (02:50):

Well, I think you can press decades of deal making in a terrific and concise read with a lot of humor and wisdom. I spent a lot of time in the deal business, and Wall Street, and venture capital, private equity,

financing companies, workouts, buyouts, all that sort of thing. I think the misconception that people have is they think it's all about the numbers.

Marc Morgenstern ([03:19](#)):

Yes.

Bill Walton ([03:19](#)):

And as you know, and what this book is about, it is not. I tend to think of knowing the numbers as a necessary condition, you have to do that in order to be effective in business, but it's not nearly sufficient.

Marc Morgenstern ([03:35](#)):

Yes, that's the mathematical expression, that's exactly right. It's necessary, but not sufficient.

Bill Walton ([03:40](#)):

Yeah.

Marc Morgenstern ([03:41](#)):

And sometimes it's a trap anyway because people actually believe numbers, and I think that's a pretty bad idea, usually. People think of numbers as being objective and they really aren't. I mean, even the old question of how much is two plus two? In base three, it's 10. So, people like numbers because it's easy for them, they can justify things, they can analyze numbers. People are squishy and messy, and most people are not comfortable analyzing them. They don't have the opportunity to analyze them. The more you get to a company that's founder formed, or early stage, it is a company that is really a person in disguise. Emerson said an institution is merely the lengthened shadow of a man. Most companies up to maybe 200 or 500 people really reflect the founder. Whether they know it or not, the founder's presence is there, the founder's approach is there, and then if you sell the business, now the founder isn't there, and that's a very, very, very different business.

Bill Walton ([04:54](#)):

Now, if it's not clear to people maybe through this introduction, what you did for years, first as a lawyer, I think, then later as a venture capitalist, is you help people buy and sell companies, middle market companies. Is that accurate?

Marc Morgenstern ([05:10](#)):

I'd say two things. One is, start companies, so I was involved with OfficeMax from, literally, before day one. The business plan was written on my kitchen table every Sunday night for six months. And then, those companies that are formed and are using other people's money eventually have to exit. They've got to sell or go public. So, my lifetime of deals has been starting companies, growing companies, selling companies, or taking them public. You involve venture capital along the way, you involve high net worth investors, and you involve a lot of founders, who are people I have unbelievable respect for.

Bill Walton ([05:51](#)):

Well, I so much love that world. When I got out of business school, I had a chance to go to work in New York on a bond trading department, and I think probably would've ended up making a lot of money. But

I ended up taking a job in a bank doing middle market lending, and lending basically to medium sized founder owned entrepreneurial companies. I think I learned more from those owners than I've learned from anybody before or since. Sounds like you had a lot of the same experiences.

Marc Morgenstern ([06:24](#)):

Yeah, and when you were dealing with those companies, banking was, a long time ago, it used to be cash, collateral, and character.

Bill Walton ([06:31](#)):

Oh yeah, the good old days.

Marc Morgenstern ([06:33](#)):

We're judged. Because everybody knew that if the founder weren't there that day, the business wasn't as good, the numbers weren't the same. And so, bankers, like you, spent a lot of time trying to really understand the integrity of the person you were talking with, their capability, because you had to rely on them. Sometimes they had audited statements, sometimes they didn't, but you were relying on one person, disguised as an institution.

Bill Walton ([07:02](#)):

Well, the good, the bad and the ugly. I remember one of my big clients, I was in Chicago in the steel and automobile division, and one of my clients was a major Cadillac dealer in Chicago. He had a great business, Cadillac dealership was a cash machine back in the seventies.

Marc Morgenstern ([07:23](#)):

Yeah.

Bill Walton ([07:24](#)):

But he had a little problem, and I was in his office one day and I was trying to figure out why his cash flow wasn't what it should have been. I was asking him about other things he was interested in. He turned to the side and he opened a drawer, and he says, "Well, do you want to know where my real love is? It's my babies." And I said, "Your babies?" And he reached in his drawer, pulled out this ledger, and it was a ledger of all the trotters, all the horses he owned.

Marc Morgenstern ([07:56](#)):

Oh, great. Just what you want to hear as his banker.

Bill Walton ([08:01](#)):

I'm a young banker, I've got my tie on, and I'm very earnest, I've got my wing tip shoes. All of a sudden, my heart is sinking, I'm thinking, "Oh my, I have a problem here," because we're taking all the profits from the dealership and putting them into his babies.

Marc Morgenstern ([08:20](#)):

The good news out of that, you were in his office talking with him, listening, and you got that information, whether you liked the information or not, you got it. You never would've gotten it if you'd sent an email that says, "Dear Cadillac Dealer, how come the cash flow doesn't work?"

Bill Walton ([08:40](#)):

Well, you've got a lot of aphorisms in your book. I think you said something like, there's a reason we're born with one mouth, but two ears. That's a pretty good ratio. I think the ratio is actually a lot higher when it comes to listening and talking. Do you remember your first deal? Were you a lawyer or were you a venture person? What was the first deal you did?

Marc Morgenstern ([09:03](#)):

The first deal I did, I wasn't in anything. I was living in Australia, and working while I was in college, and a very odd story, but I had no business being there, but my boss took me along. I don't know why. We were looking at a company in Sydney, and so I was looking at the financial statements, which I'd never seen financial statements before.

Bill Walton ([09:24](#)):

Really, yeah.

Marc Morgenstern ([09:25](#)):

When I read financial statements then and now, I always start with the footnotes. Because until I've read the footnotes, I don't know what the numbers mean, I want context. Anyway, on this thing, there was just a single line entry that said, land at cost. I don't know what the number was, pretend it's a thousand dollars. It's just sort of buried, it was no part of the discussion. Then later on, I said to my boss, "Why is land valued at a thousand dollars?" And they said, "Well, that's what he paid for. It doesn't matter when he bought, it's still a thousand dollars." I was really curious to know what the land was. It turned out that the land was a square block in downtown Sydney. Apparently, they didn't realize what they owned, it was just a thousand dollars worth of land.

([10:08](#)):

So, we made the acquisition, my boss made the acquisition. But it was a really good-

Bill Walton ([10:14](#)):

A great lesson.

Marc Morgenstern ([10:15](#)):

Great lesson that, yeah, you've got big picture and you've got little picture, and if you keep asking why, why, why, why, we'll eventually get to some pretty interesting answers.

Bill Walton ([10:27](#)):

Now, I've mentioned the Jerry Garcia, Grateful Dead, wonderful band, I love them, still enjoy the music. When did you get involved with the Grateful Dead, and how did that weave into your work in the deal business?

Marc Morgenstern ([10:45](#)):

My college bands, I had several college bands, in one of them, my rhythm guitarist one day said to me, "We're going to a concert tonight." I said, "Great, who are we seeing?" He said, "What do you care? I bought the tickets." I said, "Great, where are we going?" He said, "What do you care? I'm driving." I said, "Okay, when are you going to pick me up?"

[\(11:04\)](#):

I have no idea where we went, except it was a couple hours away from New Haven, and it was the Dead, as you might imagine, and they started playing at eight, and they finished at one, and my mind was completely blown. I just watched the interactions on the stage, and I didn't know the music, but I'm just watching the musicians watching each other so intently, and the guitar and the rhythm guitar and the bass player all gathering in the middle. You're sort of thinking, well, they can hear each other, why do they need to see each other? And then you look and you see, well, look, they're all looking at each other's hands. Where are they playing that chord on the fret? What are they trying to do? How can I anticipate it? They wanted more information than even just listening. They wanted to invoke all five senses. And then the other thing, which I didn't really understand at the time, but I experienced it, was the Deadwood play, and the clue is a very knowledgeable audience.

Bill Walton ([12:02](#)):

What year was this? When was this?

Marc Morgenstern ([12:03](#)):

69 or 70.

Bill Walton ([12:04](#)):

69, okay.

Marc Morgenstern ([12:08](#)):

And band would play something, the audience would react, and then you could palpably see the Dead reacting to the audience's reaction. And then the audience would react to the Dead's reaction to the audience, and so on and so forth. And then when you saw the Dead over time in many different venues, in many different cities, a thousand seats to a hundred thousand seats, you realize that they took into account, whether it's conscious or unconscious, I don't know, but this is a different venue, this is a different audience, this is different acoustics. I'm in a better mood, I'm in a worst mood.

[\(12:46\)](#):

So the fact that I played something five nights ago one way, doesn't mean I'm going to play it that way tonight. I think of the audience as your counterparty, I've got a different counterparty. So I can't walk in, assume I'm going to play the same song, and it's going to make them happy. I've got to figure out this counterparty. And that was completely consistent with my earliest training in selling encyclopedias door to door, because people who are bad at selling, I thought, man, I was very good at selling encyclopedia, so, don't believe anything I'm telling you.

Bill Walton ([13:17](#)):

Wait, wait, wait, wait, wait. I think I have to be careful here. You were good at selling encyclopedias?

Marc Morgenstern ([13:23](#)):

I was.

Bill Walton ([13:24](#)):

Okay, that says everything.

Marc Morgenstern ([13:28](#)):

I was 16 years old, I wasn't old enough to know what I was doing. There are a lot of complicated things about that sentence, but the parts that aren't complicated are that people who are bad at it. Well, first of all, they were afraid of hearing no, right? They didn't like anyone to say no, they didn't like to be rejected. Well, if you're going to be in the deal world, being rejected is something you just have to get used to, right? No is the beginning of a conversation.

([13:56](#)):

The more important part was that if you're looking at customer A, B, and C, side by side houses, people who are bad just sort of walked in and made their pitch. The pitch never varied. They never thought about who the counterparty is. They never tried to figure out, what does the counterparty want? If you were good at selling encyclopedias, a big chunk of the good was, when you walked in the house, you talked to the people, you learned about their background, you looked around and saw there was a Yankees pennant on the wall. You looked around and heard that they were listening to Beethoven. You tried to learn who the people were and then figure out, what does an encyclopedia mean to them?

([14:35](#)):

Because the physical dimensions, I can't change them. I mean, it's 32 volumes and it's whatever it is, three feet high. But to some people, an encyclopedia was the education they never got. To some people it was, well, my neighbor has one, and I want to feel equal. To some people it is literally a window on the world. I don't know what the encyclopedia is, so whether you're doing a deal or you're making a sale, the first thing you do is figure out who's the counterparty, what do they want, and after you figure out what they want, then you sell it to them. You can't change the facts, you can't lie, but you can frame and present things enormously different, differently.

Bill Walton ([15:15](#)):

Well, one of the reasons I wanted to talk with you about this is that I read the book, and did, instinctively, at 16, what took me a long time to learn once I went into finance versus a commercial banker, then as an investment banker, then private equity. And that meeting I had with my car dealer was probably one of the first instances, and you point out, you don't do it via email or text, you go to the office. You're looking around the office, you're looking at the paintings, fixtures they have on the wall, what's on the desk, how they're dressed, that sort of thing. And I guess I wasn't completely surprised that he reached in the drawer and found his ledger of his ponies because he had a lot of pictures all over the office and began to read that situation. So I guess, 1969, you were with the Dead, 69, I was at Woodstock.

Marc Morgenstern ([16:17](#)):

Lucky you [inaudible 00:16:21].

Bill Walton ([16:20](#)):

I think the Dead were supposed to go to Woodstock. And something happened that, anyway, a lot of people happened. Anyway, you got to see them, and I got to see the other, Country Joe and the Fish, the other folks from San Francisco.

Marc Morgenstern ([16:34](#)):

Phenomenal.

Bill Walton ([16:37](#)):

As you can obviously tell, I wasn't always a banker. I had a little counter-cultural experience before I got into this business. How did you get to know the Dead? How did you end up helping them form the Rex Foundation? How did you end up in the Rock and Roll Hall of Fame?

Marc Morgenstern ([16:55](#)):

Let's back up, and I didn't want to interrupt you, and correct that fact. I'm on the Rex Foundation Board, it was formed long before I got involved.

Bill Walton ([17:03](#)):

Oh, okay, I misunderstood.

Marc Morgenstern ([17:05](#)):

Clarify that, and I don't know about you, but I think most of life is luck and chance and serendipity.

Bill Walton ([17:13](#)):

Absolutely.

Marc Morgenstern ([17:14](#)):

My life is, that's how it's worked. It turned out that a guy that I knew from Cleveland, Ohio, Bob Weir is the rhythm guitarist, as you know, but your audience may not know. He had become Bob Weir's best friend. And so he said, "Well, do you want to come hang out with the band after the concert night?" I said, "Oh, sure." So, just complete, pretty random. It was a lot of fun. I have tremendous admiration for them as people, as musicians, as thinkers, which people don't usually think about. And if you read what both, particularly Jerry Garcia, and Bob Weir have said through the years, it's pretty profound. And Robert Hunter, the lyricist, is really unbelievable. But you have to be listening to them to hear that, and people tend to hear what they want to hear and they disregard the rest, that was Paul Simon's comment.

Bill Walton ([18:10](#)):

Sure.

Marc Morgenstern ([18:11](#)):

And that's true in deals, that's true in music. By the way, it's true in politics, it's true in everything. When people wonder, why isn't this conversation going? Well, it's because you weren't listening to the other person. You heard a trigger word, and you went off on it, and you didn't hear one more thing after that, and you never responded and tried to explore, why did you say that? Why do you believe that? How does that work? I'm puzzled. You just blew off the interaction. If you're doing a deal, you can't do that. Well, you could do it if you want to do it badly, but you can't do it if you want to do it well.

Bill Walton ([18:43](#)):

How do you think your brain works differently from other deal makers? We've touched on it. It seems like this is, to me, what you're saying is axiomatic, you've got to do this to make it work. But are there other styles that work?

Marc Morgenstern ([19:00](#)):

Yeah. Well, let's start with the obvious, there are lots of deal makers who think what you do is run over the other party.

Bill Walton ([19:06](#)):

Yeah.

Marc Morgenstern ([19:06](#)):

Right. I mean, caveman, hear me roar. And strength prevails. They don't tend to listen, they tend to tell, they dictate. When they disagree with somebody, they yell. I know just from listening to a couple of your podcasts, when you disagree with somebody, you lower your voice. I don't know if you do it consciously, but I know you do, and you slow your cadence because I've watched enough to see that. And to me, that's what a good deal maker does. You ratchet the attention of the room down, you create some room for people to listen, if they want to listen. But someone who yells at you, if you yell back, where's that discussion going to go?

([19:51](#)):

So, by the way, if you laugh at them or make a joke, you can also bring the temperature down. And there's certainly deal makers who think making jokes is inappropriate. I think humor is the staff of life. I mean, if I can get people laughing, whether they're laughing at me, they're laughing with me, I don't care. If people are laughing, they tend to like you, whether they want to or not, and people like to do business with people they like to do business with.

Bill Walton ([20:19](#)):

[inaudible 00:20:19] agree.

Marc Morgenstern ([20:19](#)):

Yeah, laughing and making people like you is a way to reduce the friction, and that's what you're trying to do in a deal. Reduce the friction to the irreducible minimum to see if there really is a deal.

Bill Walton ([20:31](#)):

What's the biggest misconception you think people have about the M&A business, or the investment investing business? Biggest piece of conventional wisdom that's flat wrong?

Marc Morgenstern ([20:42](#)):

I think that people who aren't in it actually tend to think of it as soulless, which is kind of the opposite of how I think about it. They think, you started with, it's the numbers, it's the numbers, it's the numbers, and it's the numbers. The people who are good at any of those things, venture capital, PE, are people who connect with people, and who motivate people to want to do well, and are great communicators.

([21:09](#)):

You can buy somebody's business, but you can't make them perform, right? You can make them want to perform, you can give them economic incentive, but that emotional burst of, "I'm doing this because I want to do this, because I like you and I want to prove you right, and I want to make you happy," that's a different level. And that's what every great CEO wants to do, right? You're not going to tell your 10,000

people below you, "Turn left, turn right, turn blue, turn green." You are going to say, "Hey, here's where I'm trying to go. Here's how you can help me. Here's how I value you. Here's the contribution."

Bill Walton ([21:45](#)):

Yeah. Well, in my experience, you certainly want to make those people feel like they're working for themselves, not you.

Marc Morgenstern ([21:52](#)):

Yeah.

Bill Walton ([21:55](#)):

It's their business, and they've got their ideas, and they want to help you make it work. You're really letting them be creative, which is a secret, I think, some bosses sometimes forget.

Marc Morgenstern ([22:07](#)):

You want to be a collaborative partner.

Bill Walton ([22:11](#)):

I love your book. I think there's so much wisdom in it. Do you think it's something, though, that people are going to read if they don't already buy your premises? Can people be taught to think the way you think about making deals?

Marc Morgenstern ([22:26](#)):

I'm not sure is the honest answer. I hope so is my optimistic answer. Lots of books say, the seven secrets of, or the 10 rules of, or stuff like that. And first of all, I don't believe there are secrets, and if you had one you wouldn't share it with a million people.

Bill Walton ([22:45](#)):

Think about that next time you buy an investment advice book. It they're so good, why aren't they rich?

Marc Morgenstern ([22:52](#)):

Rules are things that, if in the real world, there was a popup that said, this is the time when you apply rule number seven, like they do on NCIS, that would be great. But I don't think that's how it works. And all of these, to me, they're principles, they're ways of thinking. Even the pretty simple one that if you can change somebody's behavior, let me back up. One of the things that I say and believe is, you want to learn to listen like a jam band musician, not like a lawyer. And what do I mean by that? Because remember, I was the managing partner of a law firm, I practiced law-

Bill Walton ([23:28](#)):

You were at Sonnenschein, right?

Marc Morgenstern ([23:30](#)):

And before then, I was a managing partner of Kahn Kleinman for 25 years.

Bill Walton ([23:34](#)):

Yeah.

Marc Morgenstern ([23:35](#)):

I have a lot of respect for lawyers, I work with lawyers all day long, I love them. That said, how are lawyers taught to think, really, in law school? And how are they rewarded over time? They really are taught like litigators. They're listening to what you're saying until they can rebut it, distinguish it, explain why it's not important. It's all the negative parts of listening.

([23:58](#)):

How does a jam band musician listen? Oh, what are they doing? Can I build on that? What's the commonality? Oh, I never would've thought of playing a G sharp in this key, but wow, that really worked, I should try it. You're listening to understand and collaborate, and make something new, right now this minute. The bottom line is, if I can get somebody to even say, I will pause, and when someone finishes, you're going to say, "Listen, I just want to make I sure I heard you right. This is what you said. Here's how I'm guessing you said it, why you said it. Could you just spell it out and make sure that I understood it correctly?" Just that level of validation and acknowledgement changes an awful lot of interactions. Can somebody become me by reading the book? No. I have enough ego to say no. But can they move in a direction that makes them better at what they do? I absolutely think that.

Bill Walton ([24:56](#)):

Yeah. Well, it's worth it. One of my favorite stories in your book, and there were several, one of them was about the two partners, the two founders that had a business they were selling. I guess they were going to fetch maybe a half a billion dollars each from the sale, and they were going to stay on with the business, and one of the things that they had to convey with the business was a parking space.

Marc Morgenstern ([25:24](#)):

Yeah.

Bill Walton ([25:25](#)):

Why don't you tell the rest of that story? That says everything about the little things.

Marc Morgenstern ([25:32](#)):

Yeah. So, first of all, thank you for raising that because frequently when people think it's all about the money, it isn't always all about the money.

Bill Walton ([25:42](#)):

No.

Marc Morgenstern ([25:42](#)):

And it's no different than a divorce where everybody works out everything, except that picture is mine.

Bill Walton ([25:49](#)):

Right.

Marc Morgenstern ([25:49](#)):

There are funny emotional components to every deal. In this deal, the two founders had equal ownership, they'd been partners for forever. They were great partners. They'd run unbelievable businesses. They were parting ways, and we were involved. Literally, everything was resolved except in front of their office building there was a great parking space, just one of them however. They both wanted it. They both said it was theirs. Now, you may say to yourself, how can you be holding up a billion dollar deal over who has a parking space? That is ridiculous. Which, I would agree with you objectively, it is. But unfortunately, it's also true. After we spent a lot of time trying to work it out, we agreed to just bulldoze the parking space, now there's no asset to fight over. That's how we solved the problem.

Bill Walton ([26:40](#)):

It's your solution that I love so much, let's just get rid of it.

Marc Morgenstern ([26:48](#)):

That's where being comfortable thinking so far out of the box that you can't find it. You just say, "Under what circumstances could I make this deal work?" And then you actually would probably say to yourself, "Well, if the parking space didn't exist, we wouldn't have this problem." And then you say, "Oh, well, maybe the parking space doesn't have to exist." That's a methodology for thinking, under what circumstances would this get done?

Bill Walton ([27:16](#)):

You've got a lot of fun aphorisms that you've laced through the book, and you've got an interesting appendix. I'd recommend everybody buy the book. Let's do a quick plug here. This is the Bill Walton Show, and I'm here with Marc Morgenstern, who is the author of a terrific book, *The Soul of the Deal*, and it's filled with both war stories and essential truths about how you succeed in the deal business. If nothing else, just getting the index with his list of aphorisms is worth buying. Marc, what's, what's your favorite of that long list of interesting observations?

Marc Morgenstern ([27:54](#)):

I'll tell you my favorite, but it isn't everybody else's favorite. I'll start with everybody else's favorite, which is clearly, "An expectation unarticulated is a disappointment guaranteed." People like it because it's every part of your life. Did the teacher make things clear? Did your parent tell you that you had to take out the garbage? Did your friend make it obvious that they didn't want to go to the movies? Or did you want to go to the movies? People aren't mind readers. You can't make them guess. If you don't articulate your expectations, you're probably going to be disappointed. That seems to be universally accepted.

([28:34](#)):

My own, which I think is probably a fraction to cryptic for everybody else, is, structure unexamined is stricture. And by that I mean that if you just assume that there's only one way to do a deal, this is the way you have to do it, here's the structure. If you're not prepared to examine that structure and say, "Well, could we put the first floor on the second floor? Could we add an annex in the back?" What could we do to examine the structure?

Bill Walton ([29:01](#)):

Re-frame the problem.

Marc Morgenstern ([29:03](#)):

Re-frame it. And if you don't, then structure, which you do have to know to do anything, becomes stricture. And Pablo Picasso had a great line, I mean, many great lines, but one was, first, you've got to learn the rules like a pro before you can break them like an artist. You can't skip the steps where you learn the structure, and by the way, why everybody else thinks the structure is the structure, because that's part of how your counterparty is thinking. You also want to know that structure so well that you're comfortable disassembling it and then reassembling it.

Bill Walton ([29:34](#)):

Right. Well, one of my favorites was, did we get you your favorite? I know we got the one that was conventional, but I guess yours is stricture.

Marc Morgenstern ([29:44](#)):

Yeah.

Bill Walton ([29:45](#)):

One of my, I can't quite say it's favorite, but one I thought was entertaining was, groveling and pandering are underrated virtues.

Marc Morgenstern ([29:56](#)):

Yes. That comes from encyclopedia selling.

Bill Walton ([29:58](#)):

Okay. Amplify. That's worth a story or two.

Marc Morgenstern ([30:07](#)):

I never had any problem saying to somebody, essentially, what you did is just so smart, whether it was really smart or not. It's gentle flattery. I had a friend who, no matter how many times I saw, the first thing he'd say is, "You look so trim and fit, you must have lost 20 pounds." Well, did he believe that for a second? No, he didn't believe that for a second. Did it offend me? How could I get offended? He said I was trim and fit. Was that pandering and groveling? Sure.

[\(30:38\)](#):

And if you're trying to do that, some people can't do that without either being insincere, in which case it's a disaster. If you say it with a twinkle in your eye, it's okay. Some people feel demeaned by it, like lots of service providers. I can't pander to this client, I'm the service provider, I am brilliant. Well, you may be, but my dad used to say, "You could be the best neurosurgeon in the world, but if you didn't have a brain to surge on, you couldn't be." And so that concept that as the seller of anything is the deal making of anything, making the other person feel good about themselves is pretty useful. People like people who make them feel good about themselves. So to me, it's just all part of selling and negotiating.

Bill Walton ([31:28](#)):

One of the things you brought up when we talked about your successes as an encyclopedia salesman is that, I think the big block for most people doing anything is fear. If you don't learn to push through fear, you don't accomplish anything, I think. One of your maxims here, or aphorisms, is rejection is unpleasant but unlikely to kill you. I think getting through that, getting through a no, and pushing past that, and not taking it personal, is an incredible skill. Did you come by that naturally? I mean, when you're 16 years old and you're in somebody's living room trying to sell them \$2,200 worth of Encyclopedia Britannicas, which was a lot of money in those days.

Marc Morgenstern ([32:23](#)):

It didn't bother me. It probably should have. But, I'm one of those people that if you ask me if the glass is half full or half empty, mine is just about overflowing. It just never bothered me.

[\(32:35\)](#):

I will say that when I was running a law firm, I said to my partners frequently, the best training for any lawyer or service provider in the world would be to sell anything door-to-door for a week, for two reasons. One is, you're going to hear the word no, 99 times out of a hundred, and eventually you get desensitized to it. Okay, they said, no, move on to the next one. The second thing is, you only got paid for performance. When I got done at the end of the week, and it's time to get paid, nobody cared if I'd walked 15 miles in the rain, or 200 yards. What they cared about was how many sales did I make?

[\(33:12\)](#):

Now if I sold an encyclopedia, I got \$76.50 cents. If I didn't sell encyclopedia, I got paid nothing. And so the concept, you get paid for product, not for process, and that's a very important lesson. A lot of lawyers are uncomfortable asking people for business because they don't want to hear no. They think they're a wizard. With due respect, I think most of them are plumbers. They're doing stuff, it's important, but they're not wizards.

Bill Walton ([33:42](#)):

Yeah. Yeah, I think I know all those lawyers. I know them all. I can give you names, but not on air. You point out, and I think it is true, that selling is very similar to negotiating, and negotiating is very similar to selling. Could you amplify what you've written in the book about that?

Marc Morgenstern ([34:10](#)):

Literally, if you said, what is Selling 101? What does a customer want to buy, then you sell it to them. I'll give you the easiest example, because we've all experienced this, whether you're leasing a car or buying a car. The salesperson really isn't a good salesperson, and they ask you whatever they ask you, and I say, because in my case, what I care about is the sound system and the driver's seat. Those are the only two things I care about in a car. And then the salesperson feels compelled to tell me the horsepower, the acceleration, the tinted windows, 52 things that I've already told them, it's not going to make my buying decision.

[\(34:53\)](#):

They will lose a sale they should have made. A really good salesperson has listened and said, "Oh, Marc cares about the sound system. Marc cares about the driver's seat. I'm going to explain everything about why that sound system is the best in the world and the seat is the best in the world. And then I'm going to stop talking and see if I've made the sale." And that concept of stop talking is pretty important. Maybe you've already made the sale, you don't need to talk more. Maybe you've gotten 80% of the way, but there's another 20%.

[\(35:23\)](#):

In negotiating, it's exactly the same thing. You are listening to what people say they want, and trying to distinguish between the way they talk, I think that's a nice to have, but it's not a need to have. So, I'm mentally calculating, if there are 10 things that they would like to have but they don't have to have them, then I should focus on the five things that they have to have, and only those five, and if I can agree to those, I'm going to smooth out the rest of them. But I certainly don't want to win everything, and I don't want to tell them all the reasons why they should be doing what I want them to do. I want them to tell me what they want to do and make it easy for them to do it. And that's what good selling is all about. And by the way, I'm creating value in the process.

Bill Walton [\(36:09\)](#):

Have you thought about setting up seminars to teach this?

Marc Morgenstern [\(36:13\)](#):

It's been suggested many times. I'm reluctant.

Bill Walton [\(36:19\)](#):

It seems to me, that would be very valuable.

Marc Morgenstern [\(36:21\)](#):

Yeah. I love teaching, and I'm doing a lot of teaching, whether it's law schools, business schools, engineering schools. I don't know about the other, I don't know enough to know.

Bill Walton [\(36:32\)](#):

What are you teaching, what are your courses?

Marc Morgenstern [\(36:38\)](#):

Last year, 2022, I taught at UC Berkeley, and it was pretty insane even by my standards. I commuted weekly from Cleveland. I left Cleveland every Sunday morning, flew all day, taught, and there's a business I'm involved with there, all day Monday, returned on Tuesday. The course is called Street Smart Startups.

Bill Walton [\(36:59\)](#):

Okay.

Marc Morgenstern [\(37:00\)](#):

I can't say it any faster than that because it's like Sue sells seashells by the.... So, I've done dozens and dozens of startups, and they're different than another kind of business. The subtitle was, How to Be and Think Like the CEO of a Startup, and that's a very different mentality than being the CEO of a 500 employee company.

Bill Walton [\(37:23\)](#):

You bet.

Marc Morgenstern ([37:23](#)):

It's totally different. You're trying to get from zero to 10, 10 to 50, 50 to a hundred. Very different skillset sets. I mean, it was fascinating. My class had people from 12 different countries of origin, I mean, just, I said to them repeatedly, I can't figure out why you guys are down there and I'm up here because I'm pretty sure you're spotting me 40 IQ points here. But they came from different backgrounds, they were law students, they were MBAs. There was somebody that had a PhD in biochemistry, there were computer scientists.

([37:56](#)):

It was really fascinating trying to make sure that the vocabulary I was using worked for all of them. So I was always having to check in to look at people's faces. I said that, did Jackie really get that one? Do I need to go back? And sometimes I'd just say, "Hey, everybody in the audience who didn't understand the last three sentences, raise your hand." Because if you didn't understand it, I did a horrible job of communicating. You didn't do a bad job of listening, I didn't figure out the right words and the right way to explain it.

([38:24](#)):

And I will say, Bill, that there were three classes in a row in which the students instinctively rebelled against the concept of framing. They thought framing, which to me is just completely natural, they saw that as lying, cheating, stealing, inauthentic. I mean, it really, really bothered them.

([38:46](#)):

And then, for the book, I had to have my picture taken. I had a friend take it for the cover, and she was doing like this, and then I went, "Oh, I know how to explain it to the students. This is easy." I said, "If you have a painting, you need to frame it to put it on the wall. You could have a metal frame, a wooden frame, a white frame, a black frame. You could have a mat, you could frame the picture many different ways, and you're trying to maximize its beauty." Do you think that's inauthentic? Because I don't, that's choosing how to frame and present something. The painting is totally real. The framing is framing. And with that, they got it like that, and all their emotional dissonance disappeared.

Bill Walton ([39:30](#)):

You had a lot of people in your classes that thought they might want to be entrepreneurs, what's an important thing that people who think they want to start a business ought to know?

Marc Morgenstern ([39:43](#)):

Two of my maxims are, startups are time, cash, and emotion vampires.

Bill Walton ([39:52](#)):

Yeah, that's for sure.

Marc Morgenstern ([39:54](#)):

So people can't understand that when I say it the first time.

Bill Walton ([39:58](#)):

I can.

Marc Morgenstern ([39:59](#)):

Oh, I know you got it. [inaudible 00:40:02] 24 for four years. And by the way, you don't know if you're right or not. You're going on blind faith, and you're never going to have enough cash, and you'll be emotionally exhausted. They're time, cash and emotion vampires. If you're not prepared to make that level of commitment, you shouldn't start it.

[\(40:19\)](#):

And the other, which is sort of a subset of that, is cash is a proxy for time, and time is a proxy for opportunity.

Bill Walton [\(40:26\)](#):

Right.

Marc Morgenstern [\(40:27\)](#):

So every startup, I've never done a set of startup projections, no matter how conservative I thought I was, I've never been right, because you can only see what happens inside the box. You don't know whether there's going to be a war between Ukraine and Russia. You don't know whether there's going to be a supply chain disruption. The best projection is you're looking through your eyes at the data that you have and some very big world. So the projections are wrong, and by the way, they're always wrong, because you think either expenses will be lower, or revenues will come faster. This is sort of Machiavelli's quote that you like.

Bill Walton [\(41:03\)](#):

Yeah, I love that one.

Marc Morgenstern [\(41:04\)](#):

You're trying to change behavior. It may be the most compelling value proposition in the world, but there'll still be people on the other side of the discussion that they're very comfortable with the way it is, or they're going to say it wasn't invented here. If you have cash, you can live through that. If you don't, you're dead. So cash is a proxy for time, time is a proxy for opportunity.

Bill Walton [\(41:28\)](#):

Well, Marc, this is great fun. I really enjoyed talking with you about this. Give us a last thought before we have to get out of here, because I do think people ought to go out and buy your book and absorb these lessons. If you think you've ever wanted to be a deal person, or do anything in organizing, and forget business, it's also nonprofits, it's any other type of entity you'd like to create. This is a good place to start. So Marc, with that tee up, with that softball, I'll let you swing for the fences here.

Marc Morgenstern [\(42:06\)](#):

Well, that wasn't a gotcha question.

Bill Walton [\(42:08\)](#):

No, that was not a gotcha. This is not 60 Minutes.

Marc Morgenstern [\(42:10\)](#):

I think that the major part of it is you can be a very nice human being, you can behave very nicely, you can listen to other human beings, and you'll end up doing very, very well. You don't have to be a jerk. You don't have to run over people. The people in a buy sell relationship, everybody wants to call them the other side, or the enemy, and that dehumanizes people. It's a terrible idea. The reason I call it the deal circle is they're your counterparty. Everybody you're interacting with is your counterparty. The fact that you're your counterparty doesn't make them the enemy. It doesn't make them wrong, and you good. And that's pretty basic to living, politics, government, business, being a parent. It's your counterparty, and that's a really important vocabulary difference.

Bill Walton ([43:05](#)):

Oh, I so agree, and I think that wisdom is in short supply here in Washington DC, but that's a topic for another day. So anyway, Marc Morgenstern, author of a terrific book, *The Soul of the Deal*, which links a lot of the things he'd learned about deal making with life in a jam band, the Grateful Dead in this case. Highly recommended. And so y'all, thanks for joining. As always, you can find this show on all the major podcast platforms, YouTube, Rumble, Substack. We're also on CPAC now on Monday nights. And as always, please send in your comments about this show and other shows you'd like to have us do. We listen to them, we care about your thoughts and want to create some shows that you will like.

([43:58](#)):

Anyway, so thanks for joining. And Marc, thank you for joining and to be continued.

Marc Morgenstern ([44:04](#)):

Thanks so much for having me. I appreciate it. I look forward to next steps.