All in

SKILLS FOR WINNING IN POKER, BUSINESS AND LIFE

ABOUT THE AUTHOR

PokerStars Casino has teamed up with Greg Dinkin - a renowned speaker, author, life coach and successful poker player - to create this short, useful and insightful guide for anyone interested in learning from the best of the best, and how to apply their skills to win in poker, business and life.

Greg Dinkin is the founder of Winning Decisions Institute. He is a TED speaker, decisions coach, the author of four books, and the cofounder of a literary agency. A former professional poker player, he has won major tournaments, as well as $102,000 at the *World Series of Poker* in Las Vegas.

Parts of this book were included in *The Poker MBA*, which was originally published by Random House.

Aces in the hole:

I tell you that poker, excepting with wild cards, is strictly not a game of luck—not for winners, that is. Winning poker players, over the long haul, must be experts with five weapons: skill, courage, strategy, psychology, and patience.

— Poker: According to Maverick

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My perception of the world is different because of poker… Poker has helped me be much more analytical and able to notice details and patterns than would have been the case otherwise.

— Fatima Moreira de Melo, former Dutch field hockey player and Team PokerStars Pro

INTRODUCTION: 13 TRAITS OF WINNERS IN POKER, BUSINESS, AND LIFE

WHAT'S the one commonality for every decision you make in poker, business, and life?

You.

What's the biggest barrier to sound decision-making?

You.

Because the methodology for making decisions is intertwined with the individual, you must master yourself to apply the best tactics of winning decision-makers.

By nature, like most competitors, I am quick-tempered, emotional, and reactive. Playing poker professionally and running a literary agency honed my ability to make decisions, but prior to 2006, my biggest tournament win was only $7,000 and my business stalled. It wasn't until I tapped into the real components of success that I was able to embody the traits of the best decision makers. As a result of techniques you will learn in this book, I won $102,000 at the World Series of Poker and got my business to "tip." More importantly, I identified 13 specific traits that show you how to be a confident, strategic decision-maker who seemingly has ice water in his or her veins.

Poker is a game of skill, not a game of chance. Sure, people get lucky every now and again, but those who win in the long run possess specific traits of winners. It's more than a knack; there are real skills that can be developed. I'm so passionate about teaching these skills because they transfer to every element of life. While the focus of this book is to increase your success in business, you will also learn tools to improve relationships, lower stress, and win more at the poker table.

There is no better training ground for improving your decision-making than a poker game, where you are constantly challenged to measure risk, read others, and make decisions under pressure. Because emotion, fatigue, and stress are so prominent in poker, it creates the ideal environment to develop your mental and emotional acuity.

This book demonstrates how the traits of winners translate into business success. By studying how a poker player thinks and executes, you will develop the skills to be a winner in anything you do. The players who win consistently are able to manage emotion and use logic and reason to make sound strategic decisions. They look forward, rather than backward. They focus on opportunities rather than injustices. The winners in business do the same thing.

Your first decision in poker, as in business, is whether to even play the game. Before you decide, you'll want to know things like: How good are your opponents? Do you have a big enough stake? Then, once you are dealt a hand, you will ask: How much money is in the pot and how much money is expected to be in the pot if I make my hand? What are the odds of catching the cards that will make me a winner?

A business is just like a poker game, and therefore, you must become a master of making decisions. At times, it means folding after you have already invested significant resources. Smart players recognize these "sunk costs" and rather than chase their initial investment, they focus on the next opportunity. Winners are forward-looking and use their capital to invest in hands/business ventures with a positive expected value.

What makes poker such a great metaphor for business is that luck plays a big role in short-term success. It's a given that the cards are going to go against you at times. You can also count on being in adverse situations that are not your fault. Your ability to mitigate damages and recuperate from adversity is vital to your business. Fluctuations, or "swings" as poker players and investors call them, are part of the game. Even so, individuals without emotional fortitude and long-term vision suffer during the bad times. Winners don't enjoy the rough patches, but their confidence allows them to ride them out. They know that, in the long run, the money goes to those who continually put the odds in their favor by making sound decisions.

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In the movie My Little Chickadee, W.C. Fields' character is asked, "Is this [poker] a game of chance?"

"Not the way I play it," he replied.

If you took the time to list the characteristics of a top-notch poker player, you would find that a first-rate businessperson possess the same characteristics. World-class player Daniel Negreanu can be described in much the same way as business mogul Richard Branson. Both men are:

- Strategic thinkers.
- Shrewd decision makers.
- Cool under pressure and able to manage emotion.
- Adept at reading others and seeing things from another's perspective.
- Able to assess risk and reward with incomplete information.
- Willing to bet big when they have conviction about an idea.
- Disciplined enough to handle adversity and recover from a loss.
- Good enough actors to "fake it" and win—they can bluff.

By using the principles outlined in this book, you will achieve an edge over your competition and learn the skills that aren't taught in a traditional MBA program. You will see that winning poker traits can be taught; and more importantly, they can be learned. By understanding the skills of world-class poker players, you will learn how to read people, close deals, negotiate contracts, measure risk, motivate employees, and make better day-to-day business decisions that improve your bottom line. When you think and execute like a winning poker player, you will be on your way to earning a fortune in the game of business.

The winning player has it. But what exactly is it? It's a sixth sense comprised of courage, wisdom, and cunning. It may look mysterious, but it leads to winning. And it's no accident. Rather, it's the result of 13 traits that define winners in all walks of like.

The 'Wonderful Paradox':

I have more fun and enjoy more financial success when I stop trying to get what I want and start helping others get what they want.

—Spencer Johnson, M.D. and Larry Wilson,
The One Minute Salesperson

1 WINNERS ARE CONSIDERATE AND WALK IN THE SHOES OF OTHERS.

BEGINNERS tend to focus solely on their own hand. *I* have good cards. *I* got dealt pocket aces. *I* made a full house. The smart player soon realizes that the value of his hand is not an absolute. It's only good or bad relative to his opponents' hands.

In the movie Honeymoon in Vegas, an incredulous Jack Singer (Nicholas Cage) screams, "I had a straight flush! I had a straight flush. A straight flush is, like, unbeatable." Betsy (Sarah Jessica Parker), his fiancée in the movie, responds, "It's obviously not unbeatable, because you lost." He kept insisting that he had a great hand—even after he lost $65,000 (and his fiancée for the weekend). The problem was that he never took the time to walk in his opponent's shoes and consider his hand. A straight flush to the jack, relative to a straight flush to the queen, is a losing hand.

Many make the mistake of thinking that the time to bluff is when you have a bad hand. The rationale is that since you have lousy cards, you can only win by bluffing. What's missing from the analysis is walking in your opponent's shoes. You must first consider what he has. It's when your opponent is weak—and believes the story that your hand is stronger—that creates the perfect opportunity to bluff. And how do you know this? By walking in his shoes—

by taking the time to think about what he has. Yes, winners are considerate. They think about others.

In Hold'em Poker for Advanced Players, David Sklansky advises,

> **First, think about what your opponent has. Second, think about what your opponent thinks you have. And third, think about what your opponent thinks you think he has.**

Advanced players walk in the shoes of others to not only think about what they have, but to think about how they think. Whether recruiting a new employee, negotiating terms with a supplier, or managing your brand, knowing how someone else is thinking will influence your strategy—and increase your likelihood of success. It's why Abraham Lincoln said, "When I am getting ready to reason with a man, I spend one-third of my time thinking about myself and what I am going to say, and two-thirds thinking about him and what he is going to say."

Attorneys (or anyone in a negotiation) would be wise to heed Lincoln's advice. Too many people focus all of their efforts on making their own case, which is like the second-rate poker players who get locked into their own hand--without considering what they are up against. That's why the best attorneys also consider the opponent's case. They ask: How do they think they're going to win? How will they attack us? How will opposing counsel poke holes in our case?

The two best techniques for walking in other people's shoes are to ask questions (see above) and to role-play. When you role-play, you actually step in the other person's shoes and make their case. It provides an entirely new perspective by forcing you to consider all their points.

Walking in other people's shoes requires that you get out of your own head. In Texas Hold'em, right before the flop, almost everyone watches the community cards. They say to themselves: I want to see what I have.

The expert player watches her opponents. Study a professional player and you'll notice that when the cards are dealt, she watches her opponents to see their immediate reaction before she bothers to look at her own cards. If an opponent winces in disgust when he looks at his cards, the pro has picked up a valuable "tell" and knows that she can bet and win the pot—whether she has a good hand or not.

This is why winners are keen observers who walk in the shoes of others. When the opposing attorney is speaking, ineffective attorneys look at their notes and get stuck in their own heads. Expert attorneys watch the judge, the jury, and the witness. Unevolved negotiators only consider what they should get. They think "me, me, me" and their selfish attitude leads to selfish actions and poor results. World-class negotiators see the deal from all perspectives. Their considerate attitude leads to strategic actions that maximize value.

It's a common mistake to think that the way you act is the way others act. It's also a costly one—especially for managers. In business, you have to think like another person before you can manage that person. Many managers assume the same things that motivated them will motivate everyone else: achievement, upward mobility, and money. When their techniques don't work, they'll blame the employees for not responding and wonder why they can't be more like they (the manager) were. Big mistake.

If you're the boss, and a truckload of goods pulls up at your warehouse at 5 p.m., you roll up your sleeves and expect your employees to do the same. The problem is that you're thinking like the boss and not like the hourly employee. That hourly employee is thinking, "I know darn well he doesn't expect me to unload that truck when I'm off the clock."

When you take the time to think like your employees, you are one step closer to solving this dilemma. Is your staff motivated more by food, money, or time off? If it's time off, you might say, "Sorry about the bad timing of the delivery, but if you stay an hour late today, you can work half a day on Friday." If they are motivated by food, you might say, "The delivery truck's here. Dinner's on me." Most employees will appreciate that you took the time to at least walk in their shoes. Being considerate is the best way to show them that you care—and to get them to produce.

Good managers find out what motivates employees and manage according to the employees' needs, not their own. It may be flexible hours, tuition reimbursement, or more creative projects. It's your job to find out what works for them, rather than assume that it's the same as what worked for you.

People are motivated by their own circumstances, not yours. Losers in poker and business are inconsiderate and only think about themselves. Winners walk in the shoes of others and see things from all perspectives.

Effectively working with others really is an art. Being in the limelight appeals to almost everyone, but cooperation, not competition is at the heart of win-win relationships. Win-win means agreements or solutions benefit and satisfy all parties – not your way or my way, but a better way.

— Stephen Covey,
The 7 Habits of Highly Effective People

2 WINNERS THINK "WIN-WIN."

THE 13 traits of winners work in unison. In poker, you walk in someone shoe's to take his money. The purpose of knowing how your opponents act and think is to exploit them. While this sounds ruthless, by learning to take the time to figure out what others want, it builds the muscle of compassion. Used with the right intention, you create win-win situations in business and life.

When I started a literary agency (literary agents negotiate book deals for authors), I wanted to make a powerful impression for my first meeting with an author named Jim. Despite the fact that our agency didn't have two nickels to rub together, I took him to dinner at a high-end steakhouse. Keep in mind that protocol in the publishing business dictates that agents pay for meals with authors. Even though I did my best to keep a poker face, Jim had the sixth sense to see that I was in on over my head. He walked in my shoes and saw that I was weak, and like a winning poker player, he made the appropriate move.

Jim didn't say, "I know I'm your only client and I can tell you are broke as a joke." It happened to be true, but he allowed me to save face without calling attention to it by saying, "I was on Howard Stern today. Let's celebrate with surf and turf. I'm buying."

A win for Jim was to learn about the publishing business and build a relationship with a literary agent. Because he was considerate—and walked in my shoes—he knew that setting me at ease increased his odds of getting that win. Sure enough, shortly after we bonded over dinner, I procured a deal with a major publisher and he accomplished his dream of becoming a published author.

People play poker for different reasons. Some play for recreation, others play for camaraderie, while a billionaire might play to blow off steam. That's why the smartest poker players—the ones who think win-win—maximize their profit by giving others what they want. They keep the game social and don't berate other players. They recognize that a "win" for someone else is having fun and therefore, win more money for themselves by keeping that bad player in the game—and encourage him to keep coming back.

Phil Gordon is a world-class poker player and entrepreneur who embodies win-win thinking. When Simon & Schuster offered him a contract for his book, his first two questions to me, his literary agent, were, "What do the numbers look like from their perspective?" and "What does a win look like for them?"

The selfish person/player only thinks about his own hand. The person who views the world in terms of win-lose has a vocabulary dominated by the words I and me. It sounds like, "I can't believe I got low-balled. That's not fair to me. I want more. Give me more!" The expert sees the situation from his opponent's perspective in order to figure out what they consider a win and uses that knowledge to help himself win.

Gordon understood that walking in the publisher's shoes and finding a way for them to win would allow him to choose the best strategy. Because Gordon saw the deal from the publisher's point of view, we were able to craft a deal that gave them what they wanted (less risk) and give Gordon what he wanted (more upside). In addition, because the publisher felt like he treated them as a partner, and not an adversary, he built a relationship that led to four published books and significant revenue.

Thinking win-win extends to every element of life. If you have a guest coming to your house—perhaps the in-laws who drive you crazy—recognize that making them comfortable will make your own life better. Once you see the situation as a win-win, it's easy to walk in their shoes and determine what makes them happy. Make sure grandma takes her meds! Be sure Billy gets his coffee in the morning. Put on Aunt Sarah's favorite music. You must be considerate to provide others with the things that help them win. It becomes a joy, and not a chore, when you see how doing so helps you win. You benefit when others win.

Thinking win-win builds customer loyalty and revenue growth. If you have a client who is in a bind, finding a creative solution that allows him to win will allow you to grow your business. If you want a promotion, do something that makes your boss look like a genius. If you have a customer who is late paying a bill, come up with a plan that helps both of you. He may, in fact, be happy to pay more for better terms and you both end up ahead.

Showing your customers that you are thinking about them by anticipating their needs and serving them memorably makes them feel appreciated—and keeps you both winning.

Again, thinking win-win coincides with walking in the shoes of others. If you sell accounting software, you know your clients are going to be slammed in the weeks preceding tax deadlines. Show your consideration by sending a technician to your clients' offices at those times. If that's not feasible, set up a 24-hour hotline. At a minimum, send a few pounds of coffee and write a note asking how you can help.

If you are a competitive person, it is natural to think that, in order to win, someone else has to lose. Once you see that interactions occur when two parties need each other (after all, you can't play poker or negotiate alone), you look for the intersection where both parties get what they want. Even at a ruthless poker game, where your goal is to win people's money, you can find a way for the other players to win in non-monetary ways.

The best negotiators think of their opponents as allies, not as adversaries. If you're negotiating in the first place, it's because you want to do business with this person, not against him. That's why you adopt a win-win mentality and consider what motivates people. Fear, greed, and vanity are common motivators, but you have to dig deeper and get to know the person before you can learn how he or she defines winning.

The ultimate test of a negotiation is when you can say yes to the following questions: Did I get what I want? And will they want to do business with me again? You set the stage for success when you start with a win-win mentality—which may be the most important part of relationship-building. Winners want others to win, too.

"Too many rules get in the way of leadership. They just put you in a box….People set rules to keep from making decisions."

— Coach Mike Krzyzewski, Duke University and USA Olympics men's basketball coach

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WINNERS THINK "IT DEPENDS" RATHER THAN RELY ON RULES.

IN contrast with academia, both poker and business are games that reward the thinker, not the memorizer. They are not sciences where you can plug in a situation and come out with a definitive solution.

Rules and guidelines have their place. They save us from having to exert unnecessary energy for simple decisions. When a light is red, there is nothing to think about. You simply stop. But what if you have a medical emergency, it's four in the morning, no one is around, and you've been waiting at the light for five minutes? Do you go?

It depends.

What if you're on probation?

That suggests waiting.

What if your friend in the front seat is losing blood rapidly?

That suggests breaking the law.

There simply aren't that many automatics and absolutes in life. Moreover, rules often stand in the way of clear thinking. Many times, the axioms and slogans programmed in our minds are a byproduct of lazy thinking. For example, there is a popular saying that you should "never draw to an inside straight." The idea behind that expression has merit because it's generally unprofitable to chase long shots. The problem is that there are times when it is profitable to draw to an inside straight.

Using the words "never and always" runs counter to an "it depends" approach and leads to poor decisions. You'll often hear, "Never quote a price to a prospect over the phone," but what if a new customer calls up to ask for a price and tells you that he will overnight a check along with a purchase order? Or how about the notion that you should never work with family? Had Orville and Wilbur Wright followed this rule, they may never have owned a bicycle shop together--and you would need a boat to cross the Atlantic.

A strategic thinker answers just about every question by saying, "It depends." Naturally, this leads to the next question, which is: It depends on what?

You are on your way to thinking like a winner when you ask questions from a place of discovery. Rather than rely on an absolute statement such as "never chase long shots," you would answer: it depends. By saying it depends, that would lead you to discover that it depends on the odds and the payout. If the odds are 10 to 1, and the cost is $1 to chase a long shot and the payout is $20, it would be profitable to go after it.

If a business had to spend $10 million to enter a market in which the odds of success are 20 to 1, lazy thinkers would say: Never draw to an inside straight. Expert thinkers would ask: What is the payout? If the potential return is more than $200 million, it would be correct (at least from a risk-return perspective) to enter the market. But even if the return was $300 million, would you do it?

It depends.

For one, it depends on the downside. What if failure means the entire business would fold? What if there were other opportunities with better odds, higher payouts, or less downside? The numbers tell a story. It's never the entire story. That's why you must continually think and use an "it depends" approach.

When expert poker players dissect a hand, they ask a multitude of questions. The minute you ask a poker pro how she would have played a certain hand, she's going to ask: What was your position? How many chips did you have? How many chips did your opponent have? What did you think your opponent had? And on, and on, and on. The reason is that the answer to just about every question is: It Depends.

When you start with an "it depends" mentality, you'll have a blank slate to make decisions based on strategic analysis, rather than rules. "Always" and "never" make for poor decisions. The answer to every question is: It depends.

If you've been playing poker for half an hour and you still don't know who the patsy is, you're the patsy.

— Warren Buffett, business magnate, investor, and philanthropist

4 WINNERS CHOSE THE RIGHT GAME AND ARE MARKET-DRIVEN RATHER THAN EGO-DRIVEN.

DECADES ago, Eric Drache was rated by a poker magazine as the seventh best stud player in the world. His problem was that he only played with the top six. Not surprisingly, one of the game's most brilliant players was also known for having bankroll problems. Imagine being the seventh best in the world at anything and being broke! This underscores that the biggest factor in your success may be game selection. And the biggest factor in your demise may be your ego. Many businesses and poker players fail because they are ego-driven, not market-driven.

If your purpose is to maximize profits, your focus needs to be on finding the least competitive game. Just as your cards are only good or bad relative to your opponents, your skill level is determined relative to your competitors. If you want to win, find the game in which you are the best.

Jonathan Duhamel, a Team PokerStars Pro who won the Main Event at the 2010 World Series of Poker, played in a $50,000 buy-in "mixed games" tournament that included several games he was still learning. Duhamel said, "The $50K is such a stacked event. In fact, there were five Team PokerStars Pros at my table on Day 1 -- Nacho Barbero, Daniel

Negreanu, Vanessa Selbst, Eugene Katchalov, and myself. Of course, the other seats were all filled with tough players, too, with all of them very good at all of the games. But to be honest, besides knowing the rules I didn't know much in terms of strategy…I pretty much got my ass kicked."

Duhamel is one of the best poker players in the world, but even he realized (unfortunately for him, only after plunking down $50,000) that as well as he plays, he was an underdog in that particular tournament. Poker pros don't make money so much from their own expertise as they do from their opponents' mistakes. You don't need to be world-class in anything you do, as long as you are not playing against other world-class players (or businesses). Your success is a function of being better than your competitors.

Losing poker players are too impatient to do research. They sit down in the most convenient game without analyzing their competitors. Losing entrepreneurs don't do much research either, which is why most fail. Rather than perform their due diligence before deciding on a business, many entrepreneurs do their competitive analysis as a formality to raise capital. At that juncture, the whole point of the exercise becomes finding competitors' flaws rather than analyzing market threats.

You may hear someone declare, "I don't care how many sports bars there are in this town; mine is going to be the best! And besides, there's always room for another." This comment is indicative of an entrepreneur controlled by his ego with no regard for need in the marketplace.

The time to learn about your competition is before you go into business. Perform the research in order to assess your ability to compete. Just because all the sports bars in town are packed during the World Cup, it doesn't mean they are all profitable. Try visiting a few on a Wednesday afternoon in February.

In the book The Millionaire Next Door, Thomas J. Stanley and William D. Danko lists seven simple rules in order to become a millionaire. The last rule is "Choose your occupation wisely." It points out that most millionaires work in "non-glamour" industries. Bob Costas may be rich and famous, but the average electrician makes more money than the average sportscaster. While you may not find owners of plumbing or scrap metal companies nibbling on caviar at the country club, you will find them depositing big checks at the bank, working their own hours, and retiring early.

Your success is often determined before you sit down. Your ego will tempt you to choose unprofitable ventures. Logic dictates that choosing the right game will be the key factor in your success. Winners choose a game in which they have an edge.

"Watch out for the man whose stomach doesn't move when he laughs."

— Cantonese proverb

5 WINNERS PAY ATTENTION AND CAN IDENTIFY "TELLS."

"MAKE a move and you're a dead-man!" Notice how the guy who says that isn't the one who throws a punch. It's the quiet guy in the corner who you have to worry about. Along those same lines, when your opponent is looking away from you, trying to act nonchalant, he probably has a monster hand and is trying to appear weak, so you will call and add to his pot. The opponent who is staring you down, trying to intimidate you by appearing strong is usually bluffing and is trying to get you to fold. Even simpler, a player who is talking is usually bluffing, while one who is silent typically isn't.

Mike Caro sums this up best in Caro's Book of Tells, by saying, "Strong is weak and weak is strong." When you have a strong hand (in poker, business, or life), there is no need for aggression. It is when you are weak (bad cards, no leverage, no respect) that you overcompensate. The more I hear someone brag, the more I realize that they believe, deep down, that they are not enough.

The word "tell" comes from the word "telegraph"—meaning to give away or make obvious. In the movie Rounders, Mike (Matt Damon) detects a tell from Teddy KGB (John Malkovich) based on the way he eats his Oreo cookies.

Something as subtle as the way a player sits in his chair or throws his chips in the pot may be an indication of the player's hand.

Reading people starts with paying attention. You have learned the importance of getting out of your own head and walking in the shoes of others. Take this to another level by intensely focusing on the world around you. Tells are a big part of the game, and the best way to find them is to look for them. Paying attention seems so fundamental, yet only winners have the ability to focus intently for extended periods of time. Ordinary players allow their minds to wander and may even read or watch TV at the poker table. Winners constantly watch others to spot tells.

Leo Fernandez, a Team PokerStars Pro from Argentina who is also a world-class chess and backgammon player, understands the importance of intense focus. He said,

> **It's very important to be intuitive and not be afraid. You must be a great observer and pay close attention to the details of body language, gestures, glances, movements, and attitudes. They warn us of hidden information… I need and search for all of this and more to make my decisions.**

At the highest levels of poker and business, where all the players know the premise that weak is strong and strong is weak, it can also be used as a reverse tactic. A player will sometimes try to intimidate an opponent by acting strong so that the other player will think, "strong must be weak," but all along the player was just setting up his opponent and was really holding a strong hand. It's like playing Rock, Paper, Scissors and saying, "I'm going to throw rock," and then actually throwing rock. If your opponent is so convinced that you're trying to manipulate him, he won't expect you to do as you say.

There is more to reading people than determining their physical tells. It's a combination of knowing the person, reading body language, and uncovering motives. When you observe a person, you start to put together pieces of information that lead to a hunch. Then, when you add more information and combine it with knowing the person's character and motives, you develop a gut feeling. Like poker players, detectives don't solve a case based on one clue; rather a blend of many factors lead from a gut feeling to a sound conclusion.

In business, it's even easier to spot tells since most people don't have their guard up the way they do at a poker table. When a person avoids eye contact, it is often an indication that he is lying. When a person covers his mouth when he is speaking, it may be a sign that he is unsure of what he is saying. And if he says "honestly" or "trust me" a lot, he's "telling" you that he is probably full of it.

If one of your customers appears overly strong when talking about his company's prospects, just as he is asking you to extend him some credit, this may be an indication that strong is weak. Now might be the time to tighten your credit policy. If you're interviewing a person who makes a point of name-dropping to sound "strong," it's a good sign that they are "weak" in that they lack confidence or don't have a large network. If an employee leaves copies of his resume on his desk and tries to make a point of letting you know he is looking for a new job right around bonus time, he probably isn't going anywhere. Most employees looking for a new job try to act "weak" by doing everything they can to avoid arousing suspicion. Each situation is different, and when you combine the strong/weak premise with a person's motive, it allows you to make a better read.

One piece of information in a vacuum, such as what stakes someone plays at or how his office is decorated, rarely paints an accurate picture. It's up to you to gather as much information as you can and to take into account all the clues you can before making a read. Multi-billionaire Bill Gates was once seen at The Mirage during the Comdex convention playing in a $6-$12 game—and losing—while others with less of a bankroll (by a few billion or so) were playing in a $600-$1,200 game.

If you had only judged Gates on this one poker session, you might come to the conclusion that he doesn't have much money (he is in a low-stakes game) and isn't very smart (he keeps losing). That's why it's critical to take in as many clues as possible before making a read. It's also important to be able to change your initial read when more clues come in.

Winners look at the full spectrum of clues to make a read. Locking in on one piece of information, or even worse, making a judgment based only on a stereotype is a recipe for disaster. Not all young players are aggressive, just as a player acting strong doesn't always have a weak hand. Approach prospective employees, suppliers, customers, and partners with an open mind in order to draw conclusions based on the complete array of information.

If you know the character, his motives, and his tells, then his actions become predictable. What sets the experts in poker and business apart from the competition is the ability to focus for long periods of time. They can do so because they know the best way to find tells is by paying attention. Without the ability to read others, an average player will remain average, while, a good player will become a master.

Whether he likes it or not, a man's character is stripped at the poker table; if the other players read him better than he does, he has only himself to blame. Unless he is both able and prepared to see himself as others do, flaws and all, he will be a loser in cards, as in life.

— Anthony Holden, *Big Deal*

6 WINNERS THINK SEVERAL MOVES AHEAD WHILE ANTICIPATING THEIR OPPONENTS' ACTIONS.

BY nature, most of us are impatient. We want to win the hand, the negotiation, the case now. In Texas Hold'em, there are four rounds of betting. Expert poker players can see several steps ahead and have the ability to delay instant gratification in order to maximize profit. They don't try to win all the chips on the first round. Rather, they make a move in the first round to set up subsequent moves. Because they think ahead and see the big picture, they make moves to win the war, not just one battle. Sometimes, a player will even purposely lose money in a hand in order to set up a later hand that will bust his opponent.

Thinking about each move as a strategic part of the whole picture is critical during a negotiation. If you're bidding on a house that is listed at one million Euros and it fits your budget, will your initial bid be million Euros?

It depends.

It depends on what?

First you have to walk in the seller's shoes. You also have to think several steps ahead, while using each move/bid to set up the next, in order to ultimately buy the house at the best price.

When the traits of winners became part of who you are—when they are ingrained in your very being—you start to gain the "it" of a savvy poker player. In this case, thinking ahead means first determining if you'll get another chance to bid. If you only have one chance—and this is your dream home—you may start with your best offer, which might even be more than the asking price. On the other hand, if you think the seller will counter your offer, you would start low. How low? It depends.

Poker players do everything in their power to gather information. They look for tells, they analyze betting patterns, they study odds, and they walk in their opponents' shoes. Even after all that work, short of getting their opponent to turn his hand face-up, they operate in a world of imperfect information. If you knew your opponent's cards, it wouldn't be poker! That's why you have to use every tool at your disposal to make the best possible decisions with incomplete information.

Of course you can ask the seller (or the seller's representative) for more information, but he may not give it to you. Even if he does, it may not be true. How can you be sure? You can't, which is why you have to think. Poker and business require work. If you "sense" weakness, you would start with a low offer. But how do you "sense" anything? You pay attention. You hunt for information. You study the body language and the actions of the seller. You look for holes in their story. If the seller says the house is in great demand, but it has been on the market for a year, you have found a hole. With that information, how much should you offer?

It depends.

To our original point, think several steps ahead while anticipating what your opponent will do. If you offer 700,000 Euros, how do you think the seller will respond? Of course you don't know for sure, but you must ask this question (or better yet, role-play with a friend) so you know why you are making that offer. In theory, making such a low offer may potentially offend the seller, ruining your chance to bid again. On the other hand, it may lower his expectations and give you a stronger foundation for future rounds.

Remember that each move sets up the next move and is part of a greater strategic plan. Winners have the patience and confidence to delay gratification. They have the vision to see several steps ahead. Most importantly, they possess the strategic mindset to make moves that set up future moves that lead to maximizing long-term profit.

Being wrong is acceptable, but staying wrong is totally unacceptable. Being wrong isn't a choice, but staying wrong is. To play any game successfully, you have to have some skill, an edge, but beyond that it's money management. That's true whether you're playing poker or investing. In either case, the key is managing the downside.

— Mark Minervini, investor and
President of Quantech Research Group

7 WINNERS ARE FORWARD THINKING, RECOGNISE SUNK COSTS, AND TAKE SMALL LOSSES.

THERE is $100 in the pot and the bet is $20. What do you do?

It depends.

Good answer. So often, when I ask this question, people will respond by asking: How much of the money in the pot is mine? None of it. Any amount you have invested is a sunk cost. Once it's in the pot, it is no longer yours.

It's human nature to try to justify past mistakes. It's natural to stubbornly cling to the past while analyzing the future. Stubbornness is a trait that not only prevents you from admitting your mistakes, but also prevents you from taking the steps to correct them.

If you spent 12 years and half a million dollars studying to become a doctor, of course you are going to consider those costs when making your next career move. The past can be relevant. Your medical credentials may give you the opportunity for a lucrative job. But let's pretend the market is offering you $100,000 to be a doctor and $150,000 to be a plumber. What do you do?

It depends.

It depends on what?

The money you spent on medical school is a sunk cost. It's gone. Even so, from a pure financial perspective, the job a plumber may not be better, since it doesn't tell us how much you can expect to make over the course of your career. You still need more information. It may be that the long-term payout for being a doctor is higher. How do you know for sure? How do you know anything for sure? Life, like poker, is a game of imperfect information.

It's your job to constantly re-evaluate, not justify, what you have already done. Let's pretend that even though you only have a minor in math, you also received a job as a mathematician that pays $100,000. And you love math and hate medicine. Which job would you take?

It is natural to consider all the time and money you spent to become a doctor. But the real question centers on what position makes the most sense for you going forward. The money you spent for medical school, like the money already in the pot, is gone. It's a sunk cost. Yet so many people spend the future chasing the past. They allow past decisions to dictate future decisions—even if they are unprofitable or unfulfilling.

It's common to make decisions in order to rationalize previous actions rather than to see each one as independent events. Let's say, after careful analysis, you made a recommendation to the Board of Directors to commit $10 million and two years to an IT project that would increase efficiency and lower costs. After spending $9.5 million and 23 months on the project, you believe that the odds of success are zero. That means any additional dollar you spend is a waste. From a financial perspective, it's a no-brainer to terminate the project.

From an ego perspective, it is hard to declare that the time and money are sunk because it means you must admit you were wrong. Many people would rather avoid the painful truth than own up to their mistake. "What's another 500 grand and another month at this point?" the poor decision maker will say. "We're in so deep we might as well see it through." The problem is that failing to admit you are wrong means compounding your loss by wasting an additional $500,000. Think about what can be done with $500,000!

Since you are looking for profitable opportunities, you must analyze how to best use your resources going forward. A winner looks at the IT situation in simple terms. Before investing any money—whether for the current project or the next one—the only question that matters is whether it's a sound investment going forward. The fact that you spent $9.5 million, or $9.5 billion, is irrelevant if the return on a current expenditure is zero.

A forward thinking person looks to the future to evaluate his or her next move. When you are losing—whether it's in a poker game or on a stock market trade—it may be because the game is unprofitable or because you are tired and frustrated. There's negative future value in that very moment, but because you don't want to accept a loss for the day, human nature will implore you to get even. The ego stands in the way of making a sound decision. The problem is that you are looking to the past—your results in this one session—to make your decision going forward.

The past is relevant only to the extent that it influences the future. While you are losing, your frame of mind and table image might mean that continuing to play is unprofitable. Very few people are winning players once they are in a hole. But it's ego, not common sense, which leads you to the ATM when you're losing and haven't slept in three days.

Winners take small losses.

Because they are focused on the future, they have learned to invest their money in profitable ventures—and are not driven by the ego's desire to avoid a short-term loss. Losers will play forever when they are losing and "hit and run" when they are winning. That's because they look backward, rather than forward.

On the other hand, you might feel the urge to pull chips off the table when your business is succeeding. Rather than put on the brakes, this is the time to increase your commitment. When you're ahead, you can afford to take more risks by playing aggressively. That doesn't mean momentum is an excuse to take unnecessary risks or to waste money. It does mean that when things are going your way, you should continue to back up correct decisions by increasing your stake. It's the same reason why the "big stack" at a poker tournament has an advantage.

Winners own up to mistakes and recognize that the past is gone. Decisions that are made to justify previous decisions pay the lowest returns. Understand that sunk costs are lost and don't throw good money after bad. Because winners are forward thinking, they know they will need that money for the next profitable endeavor.

The person who knows 'how' will always have a job. The person who knows 'why' will always be his boss."

— Diane Ravitch, author and research professor, New York University

8 WINNERS MASTER THE INEXACT SCIENCE OF MEASURING EXPECTED VALUE.

WHILE measuring expected value (EV) is an inexact science, it is a critical foundational skill to master. Business decisions, like poker hands, are dynamic. You will rarely face a business decision that is as simple as whether to invest in X with a payout of Y. In reality, X and Y are ever-changing. Terms such as estimate, projection, and educated guess indicate that the precise figures are unknown. Poker, business, and life are games of inexact information.

If there is $100 in the pot after the flop and you are pondering your move, you must estimate how much will be in the pot when the hand is over—the expected return. It is an inexact calculation that requires you to know your opponents' stack size, among other factors. You also have to think about what it will cost you in future betting rounds. If there are aggressive players in the pot, there is a good chance they will raise. Your expected cost is a variable as well. (Poker players calculate implied odds, which take these variables into account.)

We discussed the concept of how "sunk costs" can cloud your judgment and you now understand that making winning decisions requires that you look forward. We also examined how choosing a job requires looking at multiple factors, some of which have nothing to do with numbers, such as fulfillment. Even so, you will become a better decision-maker when you know how to calculate EV.

Suppose you are making a steady $60,000 a year and have plenty of job security when a recruiter tries to convince you to join a start-up that could make you a millionaire. Through research, you are able to determine that if the company goes public, you will earn $1 million. Alternatively, if the company doesn't go public, but you are able to meet aggressive revenue goals, you will earn $100,000. The worst-case scenario is that you will earn a $20,000 salary.

The best way to think about EV is that if you were faced with this decision over and over, it would be the average payout over time. Calculating EV requires that you first make assumptions. Remember that this is an inexact science. Making assumptions—like reading hands—requires judgment. You won't find the answer in a textbook, which is why you must learn to think.

To determine EV, multiply each of the possible outcomes by the likelihood that each outcome will occur, and then add up all those values.

Let's say your analysis leads you to believe that you have a five percent chance of making $1 million, a 15 percent chance of making $100,000, and an 80 percent chance of making $20,000. Using this formula, multiply each probability by each payout and add up the numbers.

Simple Formula to Calculate EV

Payout	*Probability*	*Payout x Probability*
$1 million	.05	$50,000
$100,000	.15	$15,000
$20,000	.80	$16,000
Expected Value	*$81,000*	

If presented with this scenario thousands of times, your average payout would be $81,000. Using EV alone, the numbers would lead you to take this job because $81,000 is more than your current $60,000 income. However, you must also understand that four times out of five, your salary would be reduced to $20,000—a wage that may not allow you to meet your basic needs.

If you cannot live on $20,000, you will probably turn down this offer. Just because the EV indicates that you should take the job, it does not mean you have made the wrong decision. That's why the answer is: It depends. The "quant" types often fail to examine decisions beyond looking at the numbers. Your career is not a computer simulation that can be run a thousand times over, and the correct percentage play doesn't always make for the best decision – especially when it's a one-shot deal. If you had unlimited capital and the proposition was available forever, you would take it. But when is that ever the case?

You must decide how much capital you can dedicate to that venture without putting yourself or your company at risk. If you want a big upside and can live like a pauper, you may be inclined to roll the dice, even in a situation where the EV isn't as good. It may be hard to turn down any offer where there's a chance to make a million bucks—regardless of the risks. Either way, calculating the EV, as well as the probability of each outcome, leads to a better decision.

Determining EV is a dynamic endeavor that requires you to think. While it's only one tool in making a decision, winners master the foundation of determining EV.

How to succeed:
Try hard enough.

How to fail:
Try too hard.

— Malcolm Forbes, publisher of *Forbes* magazine

9

WINNERS START FROM A POSITION OF STRENGTH BY PLAYING AT THE RIGHT STAKES.

IN poker and business, you better have enough cash to cover your ass(ets). No matter how favorable the EV, you put your business at risk if the stakes are too high. If your house is worth $200,000 and someone offered you $400,000 against the deed to your house on the flip of a coin, could you risk taking that bet?

Winners know the importance of staying in the game. If a negative outcome can bankrupt you, it's still smart to say no to a potentially profitable opportunity. With the coin-flip example, if you don't have the capital to buy another house in the event of a loss, you may decline even though the EV is enticing.

This example highlights how important it is to have enough resources to start from a position of strength. A lack of cash causes fear. Survival tactics and optimal strategy are rarely the same. It's common knowledge that poker pros take advantage of this concept in tournaments. Once most players get close to the prize money, the fear of being eliminated leads them to play passively and adopt a suboptimal strategy. Because winners have adequate resources, they are willing to take the risk of being eliminated because the return is so favorable (prize money is disproportionately weighted to the top three spots—and the big money, and recognition, comes with first place). Even though most of us know this, we can only put it into practice if we start the tournament from a position of strength.

Most of us have been taught that in life, the harder you try, the more success you will have. Unfortunately, needing to win can become the enemy, and you need to win when you play above your means and start from a position of weakness. It is human nature to press, and when the pressure is on, we tend to be our own worst enemy. Your adversaries—and even your allies—are constantly judging your reactions and are ready to pounce at the first sign of weakness. When you enter a negotiation needing to win, you'll get taken advantage of at every turn.

Desperation is very easy to see on a person's face. If you are dealing with a supplier whose product you depend on for your livelihood, they will dictate the terms of the deal. If you are recruiting an employee who you believe is the only person to fill the position, your desperation will allow him to negotiate a salary far greater than market value. If you are a poker player who looks scared, you often get bluffed out even when you have the best hand.

Forget your heroic notions about being a "clutch" performer and being at your best when your back is up against a wall. To be a winning decision-maker, avoid situations where you are desperate to win. The best position to close a deal is when you don't need to. And your best chance to win a poker tournament is when you don't need the money. Starting from a position of strength is the first step to winning any game.

Playing at the right stakes also means playing high enough. If you are great at what you do and are only playing for small stakes, you are leaving money on the table. If your skill level dictates that you could earn $100 an hour plying your trade, but you are only earning $50, you are in effect losing $50 for every hour of work. Choosing the right stakes means finding investments that are worth your while.

When Stanley Druckenmiller took over day-to-day operations of George Soros' hedge fund, he took a large short position against the German mark. It started to go in his favor and he was pleased with himself for making a big score.

Soros asked, "How big a position do you have?"

"One billion dollars," Druckenmiller answered.

"You call that a position?" Soros asked. The question has become part of Wall Street lore. Soros persuaded Druckenmiller to double his position, and even more profits poured in. The lesson stayed with him. When Druckenmiller thought Britain would devalue the pound, he sold $10 billion worth of sterling and racked up a profit of $958 million.

"The most important lesson Soros had taught me," said Druckenmiller "was that it's not whether you're right or wrong that's important, but how much money you make when you're right and how much you lose when you're wrong. The few times Soros has ever criticized me was when I was really right on a market and didn't maximize the opportunity." Of course Druckenmiller put himself in a situation to bet big because he started from a position of strength. He had the resources to play at high stakes.

If you start from a position of strength, you have more opportunities to invest in positive EV opportunities. You also can dictate the terms of a negotiation. A position of strength comes from playing within your means and being in the right game.

When action grows unprofitable, gather information; when information grows unprofitable, sleep.

— Ursula K. LeGuin, American author

10
WINNERS HAVE TOOLS TO DEAL WITH EMOTION AND MANAGE TILT.

I can't teach you not to get mad. Heck, I can't teach me not to get mad. Human nature dictates that we are bound to get frustrated, angry, and emotional when things go against us. Therefore, winning is not about avoiding emotion and frustration; it's about managing it so that it's not detrimental to your business or bankroll.

Luca Pagano is a brilliant entrepreneur and successful stock market investor. You might think that the Team Poker Stars Pro, who has a background in computer programming, would credit analytical thinking for his success. Instead, he said that poker "is a game in which the mental discipline makes the difference. Certainly, it is very important to spot tells, to have a psychological take on the table, or to read the opponents, but being psychologically solid above all means approaching a tournament with the correct mental state."

Being "psychologically solid" means staying off tilt. Tilt is what happens when you shake a pinball machine so frantically that it goes berserk and shuts off. The term is used in poker to describe the state you must avoid. When you are agitated, steaming, wide-open, you are on tilt—a condition that can do serious damage to your wallet. And as we discussed, playing while tired and with money you can't afford to lose makes you vulnerable to going on tilt.

If you are an ultra-competitive person, your will to win can become a disadvantage. Rather than trying to recover while your blood is boiling, make the decision that you will only play when you are in the right mental and emotional frame of mind to succeed. At times, the best move may be to call it a day and get away from work. At other times, hone your skills through research and training.

Very few poker players have an edge after they've lost their first $1000, or first $20 for that matter. And very few stock traders follow a lousy trade with a winning one. The sad truth is that most people fall apart when things start to go against them. A chain reaction of bad decisions is a common reaction to a negative outcome. Businesses rarely go down for the count due to one bad decision; it's a series of bad decisions that makes it difficult, if not impossible, to recover.

In poker, the cards are constantly going against you. Fluctuations are part of the game. If the bad players never won, they would never play. Poker pros refer to short-term luck as a "concession to the fish."

It is one thing to say this when we are in a happy, comfortable place. It's another thing to act on it when our aces got cracked and we lost the mortgage money. This brings us to the question: Why play at stakes that put your livelihood at risk? You stay out of tilt (and start from a position of strength) by playing at stakes you can afford.

Winners have the self-awareness to know when they are at their best. Perhaps more importantly, they know when they are capable of blowing up—and thus, do not put themselves in those situations. If you are in danger of jeopardizing your wallet or your reputation, simply HALT. HALT not only means stop; it also stands for Hungry, Angry, Lonely, or Tired. In this state, you are of no value to your bankroll and you should stop and take a step back. Poker author John Fox said, "The best player in the world with a temporarily dulled brain is not even a match for an average player using full concentration."

Vanessa Selbst, a Team Pokerstars Pro with more than $10.5 million in tournament winnings, believes that she plays her best poker when she is living a balanced life. Selbst said, "I've learned this lesson over and over: if I play when I don't want to play then I won't play well…It's not enough to show up; my head has to be in the game. When I'm well rested and I've decompressed, I play my best poker."

Winners know to manage emotion. They decide in advance how they will react to adversity—before they get emotional. For example, when I receive a nasty email that could put me on tilt, I write a nasty email that allows me to get everything off my chest. I hit "send" and feel better immediately. Twenty-four hours later, I read the email that I sent to myself and decide how to respond. In other words, I manage (rather than eliminate) my emotion so that it's not destructive to me, my business, or my bankroll. Having a plan in place to deal with adversity before it happens gives you the best chance of avoiding tilt.

Frame of mind has a tremendous influence on the quality of your decisions. Work hardest when you're at your best. Study hardest when you're not. Allow yourself to feel pain and emotion. Just don't put your money on the line when you're on tilt.

For centuries, human nature has been sold short.

— Abraham Maslow, psychologist who created the hierarchy of needs

11

WINNERS ARE SELECTIVE, AGGRESSIVE, AND PLUG LEAKS.

THOSE who win the most pots in poker lose the most money. Let me repeat: Those who win the most pots in poker lose the most money. The reason is that those who win the most hands also play the most hands. Therefore, they don't minimize losses. A winning strategy for poker and business is to maximize wins and minimize losses.

If I had to choose only two words to describe the poker greats, they would be: selective and aggressive. They are "selective" in that they only play when they have an edge. They are "aggressive" in that when they do have the edge, they will bet heavily. Before you bet too small, remember that George Soros's response to a billion-dollar bet was, "You call that a position!"

Winners chose only the best EV situations, and the ones they chose, they play aggressively. Legendary investor Warren Buffett explains this idea using his "punch card" theory. He advises you to make yourself a punch card with 20 slots to keep in your pocket for life. Every time you make an investment, you have to punch one of the holes, and once all 20 have been punched, you are no longer allowed to invest. This tool reinforces the idea that there aren't many great ideas out there and that you should save your time and money for the few that are chances of a lifetime. According to Buffett, “Under those rules, you’d really think carefully about what you did, and you’d be forced to load up on what you’d really thought about.”

In other words, Buffett advises you to be selective and aggressive. The concept makes sense. The hard part is having the patience to pull it off. When we sit down to play poker, we want to play poker. In business, it is more exciting to make a deal than to decline one. At our core, many of us are action junkies. You see how human nature keeps leading us down unprofitable paths. We must develop the 13 traits of winners so that the desire for action will be overruled by our desire for profit.

A powerful way to meet your desire for action and still be selective is to understand that you have the opportunity to “play” every hand. In poker, even when you fold, you still analyze the other players and attain the same rush from trying to figure out what they have. You can get a rush by “playing” the stock market—creating mock portfolios and predicting trends—even though you only invest real money when there’s an outstanding opportunity.

The best way to sum up selective and aggressive is: Pump it or dump it. In poker, when your opponent bets, you typically should either raise (pump it) and take control of the hand or fold (dump it) and get out entirely. Calling is an option, but rarely the right one. In business, standing pat is not only the path of least resistance, it’s often a losing strategy. Jack Welch, the former chairman and CEO of General Electric, loved the catch-phrase, “fix, close, or sell.” The only time to be in it is when you are willing to be aggressive enough to win it.

Every decision has opportunity costs. When you dedicate time, money, or human resources to a mediocre project, you are using resources that could have been spent on an opportunity with a higher EV. Stick to your core competency and bet big when you find the right opportunity.

Being a successful poker player (and risk-taker) requires tremendous self-discipline. At times, it means waiting hours before getting a hand that can be played. It also means not getting emotional and going on tilt. Yet so many of the winning poker players who spend hours grinding out a living will blow the money at the craps table or betting on a longshot horse. A famous poker player once said, "I used to win seven days in a row at poker and still owe the bookmakers money on Monday. I wish I never bet a football game in my life. Sports betting was my leak."

Money that gets drained from your bankroll is called a leak. Sports betting, drugs, and fancy toys are common leaks. It's estimated that Stuey Ungar, one of the greatest card players who ever lived, made more than $30 million in his career, yet he died with $800 and countless debts to his name. Ungar showed us that it's not how much a poker player makes that's important. It's how much he keeps that matters. It's one thing to recognize a leak; it takes discipline to plug it.

Expenditures for strategic purposes are not leaks. There are times when you have to spend money to make money. A fancy dinner to impress a client isn't a leak. Just don't kid yourself and classify your fun as a business expense. Running expensive ads in your college's football stadium in return for free tickets--when colleges are not part of your target market--is a leak. Running up a big bar tab when you're out shooting the breeze with your partner is a leak. So is putting your kids or your friends on the payroll, provided they do not add any value.

One of the challenges of poker is that payment is immediate and it's in the form of cash. Direct deposit into your checking account isn't an option. How many times have you heard someone playing blackjack get up a quick $500, and say, "Now I'm playing with the house's money." No you are not! The minute that money is in your possession, it's yours. You have to be selective and aggressive regardless of your current cash position.

Our natural tendency is to be loose with cash when business is good and tight when business is bad. It's one thing to take advantage of momentum when things are going well, but there is never a reason to waste. Money should be spent as the business needs it—not based on your current emotional state. Being selective and aggressive is a state of mind—one that leads you to treat every expenditure as an investment.

Winning requires the patience to be selective and wait for optimal situations. Rather than invest time or money in a bad deal (or a bad hand), use that energy to build your skills or to look for a profitable deal. And when you find it, be aggressive by using all the resources required to ensure success.

"If you know that Big Joe always lights a cigarette when he's bluffing, don't show how smart you are by busting his tell. Rather, show how rich you are by using his tell to take his money away."

— John Vorhaus, *The Pro Poker Playbook*

12 WINNERS KNOW WHEN TO KEEP THEIR CARDS CLOSE TO THE VEST.

LETTING your opponent know what you're thinking gives them an edge. In poker and business, there are times to keep your cards close to the vest. Let's say you are negotiating a deal and your job is on the line. In the proposal, you quoted the client a price of $30,000, but you'd be willing to go as low as $20,000. Do you walk in the door and say, "Oh, by the way, we always quote the retail price, but my bottom line is really 20 grand?"

Any good negotiator will tell you that it doesn't pay to let your adversary know what you are thinking. An honest person might contend that it's wrong not to offer your best price upfront. A realist, a poker player, or anyone still in business will tell you that keeping your cards close to the vest is all part of the game. Sometimes your poker face alone is enough for you to win—or lose—the negotiation.

Being crafty doesn't require you to lie or be manipulative. It does mean keeping a poker face and applying the same techniques that a poker player uses every day. Let your bankers see that you are worried about cash flow, and it's a safe bet that they will cut off your credit just when you need it most. Let your employees know that you are worried the business might fold, and they will start sending out resumes.

Give any indication to a supplier that sales are slow, and be prepared for them to insist on payment before replenishing your inventory.

Winners also understand the power of position. When you are last to act in poker, you have the advantage of seeing everyone else's move prior to making a decision. That's why being the "button" (last to act) is a massive advantage. European Poker Tour Champion Liv Boeree said, "In a perfect world, you would always want to act last to make each decision, because you then know what everyone else wants to do and can react accordingly. It's very difficult to make better strategic decisions than your opponents (which of course, is the goal in any game) if you have less information available to you."

The way to use this information in business is to get information before you give it. During a negotiation, you utilize "position" by having the opposing party make the first offer. This provides the benefit of knowing where they stand before making your next move.

As a literary agent, before I pitched a project, I asked my clients to think about how much they wanted as an advance. I asked for a range, from their bottom line to their "reach number," or best case scenario. If an author said he required a $1 million advance, and I thought the project would only fetch $50,000, I had to realign his expectations. At the same time, I encouraged my clients to think big to encourage them to put maximum effort into the proposal.

An author named Mike wrote a brilliant proposal, and because his previous book was a hit, we knew we had a lot of leverage. Mike told me he required $250,000 as an advance and would be thrilled if he received $300,000. While waiting for an offer, I happened to meet with Mike's publisher about an unrelated project. After the meeting, the publisher asked, seemingly out of the blue, "How much is Mike looking for?"

Winners think "it depends" rather than rely on rules. Yes, it's a good "rule of thumb" to let the other party offer a number first. However, there are some instances when the optimal strategy is to make the first offer. One reason is to "condition" the other party in order to set high expectations. Another reason is that some people are turned off by the game of negotiating and prefer a straight-forward exchange. Because I knew that we had leverage and I wanted to set the bar high, I considered telling the publisher that Mike wouldn't take any less than $300,000.

While I was pondering my move, I felt the same way I do when I'm in a high-stakes poker game. Even though the publisher asked causally, I could tell he was studying me for tells. I knew that the publisher's very intent was to catch me off-guard to gauge my immediate reaction. But I didn't need to let him know that I knew that. Part of the game is acting like it isn't a game.

Based on the dynamic of this situation, I felt like this situation called for keeping my cards close to the vest. Like having the dealer button in poker, I had the benefit of position, and I felt it was in my client's best interest to retain that position by letting the publisher make the first offer. I simply said, "Mike has very high expectations."

I commend the publisher for his approach. Like a savvy poker player, he went hunting for information, tried to catch me off-guard, and studied my body language to pick up a tell. I, in turn, kept my cards close to vest in order to leverage my position. Before I left the office, the publisher said he would email the offer by the end of the day. Keep in mind that Mike's reach number was $300,000.

That afternoon, the offer arrived in my inbox.

It was for an advance of $350,000.

This scenario reinforced the power of position. It also demonstrates that you may limit your upside by providing the opening figure in a negotiation. Had I begun with $300,000, I would have left money on the table.

Because you understand that the 13 traits of winners work in unison, you know this hand is far from over. Remember that winners walk in the shoes of others and think several steps ahead while anticipating their opponents' actions. By doing so, I avoided the impatient move of trying to win the hand too early. Rather, I made a move that would allow Mike to maximize his profit after the last move was made.

We could have counter-offered for $1 million. One could argue that we had nothing to lose by asking for the moon. By walking in the shoes of the publisher, I knew that such a move could taint the negotiation and send the wrong signal that the author was unreasonable. Remember that we must anticipate the other person's response before we make our next move. By making an outrageous demand, the publisher may have responded, "Three-fifty is our best offer. Take it or leave it." In short, we believed that asking for $1 million took us further away from a winning deal. Role-playing and thinking win-win led me to the decision to ask for $450,000. We felt that the publisher would respond by asking us to split the difference, allowing us to close the deal at the win-win amount of $400,000.

It was exactly what happened and Mike was thrilled. Using all the traits of a winning poker player netted Mike $100,000 more than his reach number. It reinforced the importance of knowing when—and why—to keep your cards close to the vest.

“How long does it take to learn poker, Dad?”

“All your life, son. All your life.”

— *Reader’s Digest*

13 WINNERS ARE LIFE-LONG LEARNERS WHO ANALYZE DECISIONS, NOT OUTCOMES.

WINNERS understand that success is based on positive decisions and thus can deal with unfavorable outcomes. Knowing that short-term luck is part of poker, business, and life, winners deal with adversity by continuing to analyze their processes and the quality of their decisions, rather than getting frustrated by short-term results. If you've taken the time to evaluate your decision and know you did the right thing based on the facts in front of you, it's now time to put your energy towards finding the next opportunity.

We make decisions based on the information that we have at the time. When you go back to analyze the decision to throw an outdoor party, it makes sense to ask: Did I consider the possibility of rain? If you did, and if you factored that variable into your decision, you can't beat yourself up that it rained. You simply continue to hone your process and make the best possible decisions based on the information available to you at the time.

When the flop comes 5-5-2, you hear losing players make comments such as, "I knew I should have played my 5-2 offsuit. I would have won a monster pot!"

A wining player recognizes that 5-2 offsuit is an unprofitable hand, and just because this one outcome would have been favorable, it doesn't mean that folding was a bad decision. Constantly analyzing your process for making decisions makes you a better decision-maker. Second-guessing yourself will only drive you crazy. Even worse, it can lead you to the ridiculous conclusion that you should play 5-2 offsuit! (Fine, you got me. You don't always fold 5-2 offsuit. It depends.)

Suppose you manage an investment company and have agreed to give your two portfolio managers, Mr. Lucky and Mr. Smart, complete autonomy and the flexibility to work their own hours. In return, they have agreed to allow you to compensate them based on your own criteria.

Mr. Lucky never comes to the office and boasts about how he gets drunk and throws darts at The Wall Street Journal as his method of picking stocks. He also gloats about winning a fortune betting on football games by choosing the teams with the coolest helmets. Mr. Smart works 60-hour weeks, visits companies, listens to analyst conference calls, and bounces ideas off you and other people in the office in a manner that suggests he is brilliant. At the end of the year, Lucky's portfolio is up 40 percent; Smart's is up 12 percent. How do you compensate them?

Some managers reward the bottom line and preach that performance is the only thing that matters. They make speeches about how they are results-driven. These are the type of managers who look at an income statement, see that revenue is up 15 percent and think they had a great quarter.

The more astute managers become analysts. They look at the outcomes, but they examine the why behind the outcome. They'll see that even though revenue increased, receivables increased even more, suggesting that the cause was a more lenient credit policy. They may also see that headcount went up 25 percent, suggesting that efficiency actually decreased that quarter. And if they do any sort of benchmarking, they may find that the rest of the industry grew even faster that quarter, meaning that they under-achieved relative to their competitors. Suffice it to say that you can learn a lot from numbers, but you must look at the context before you can begin to draw conclusions about the quality of decisions that were made.

As for Mr. Lucky and Mr. Smart, if you base compensation on the outcome, you would be inclined to give Mr. Lucky the bigger bonus. If you base it on the decisions behind the outcome and pay more to Mr. Smart, you have to justify why you're compensating an under-performing manager. Before you answer, think about who you want managing your money next year.

Good decision-making doesn't always manifest itself in the short term. As a manager, look past immediate outcomes and reward the decisions behind them. Winners are committed to learning. They check in with themselves and others to analyze the way they played their hand. All the while, they stay focused on the quality of their decisions and are able to view short-term luck as a fluctuation that is part of the game.

Marriages may come and go, but the game must go on.

— Felix Unger (Tony Randall) on the television show, *The Odd Couple*

CONCLUSION: WHEN THE DEALING IS DONE

YOU may have heard the story of the two men who were chopping wood in the forest. The smaller man worked hard, but every hour or so, he would leave for a few minutes while the bigger man continued to pound away. At the end of the day, the smaller man had a much bigger pile of wood in front of him. “I can’t understand how you were able to chop so much more wood,” the bigger man said, “especially since you took all those breaks. Where the heck were you going anyway?”

“To sharpen the axe.”

Becoming a winning poker player and businessperson takes work. Staying a winner requires a commitment to sharpening the axe while continuously learning. Losing hands and losing deals are part of the game. It’s critical that you don’t lose the lessons and employ “it depends” thinking to make positive EV decisions.

It pays to evaluate your decisions and analyze your process, but you can’t allow the inevitable fluctuations in poker and business to put you on tilt. The story about Mr. Lucky and Mr. Smart reinforces the notion that good managers reward decisions, not outcomes. Winners make decisions based on what they can expect in the future, not to justify past decisions. Let's review the 13 traits of winners:

1. Winners are considerate and walk in the shoes of others.
2. Winners think "win-win."
3. Winners think "It Depends" rather than rely on rules.
4. Winners chose the right game and are market-drive rather than ego-driven.
5. Winners stay focused and can identify "tells."
6. Winners think several moves ahead while anticipating their opponents' actions.
7. Winners are forward thinking, recognize sunk costs, and take small losses.
8. Winners master the inexact science of measuring expected value.
9. Winners start from a position of strength by playing at the right stakes.
10. Winners have tools to deal with emotion and manage tilt.
11. Winners are selective, aggressive, and plug leaks.
12. Winners know when to keep their cards close to the vest.
13. Winners are life-long learners who analyze decisions, not outcomes.

When you possess the traits of winners, they became part of who you are. There's nothing to memorize because knowing the traits is of little use. Embodying the traits provides the foundation for making profitable decisions. The best way to embody these traits is to continually work on them.

Here's hoping that you get called when you have the winning hand, that you don't when you're bluffing, and that you turn every hand into a winner —in poker, and business, and in life.