

Strategies for Negotiating Fees

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Revised January 2007

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SUMMARY

Architects constantly negotiate on behalf of their design but frequently fail to negotiate fees on behalf of the company. Steven J. Isaacs, Assoc. AIA, reviews four negotiating strategies that are often employed. Three of the strategies are unproductive and often generate unsatisfactory outcomes. Isaacs commends the fourth strategy as a proven method for architects to meet their own objectives by focusing on a client's interests.

ARCHITECTS AND NEGOTIATION

When asked at the 2003 AIA convention how he would be able to keep his overall design concept for the World Trade Center rebuilding intact, Daniel Libeskind, AIA, commented, "Architecture is about negotiations."

Architects know they have to negotiate on behalf of their building designs. Yet when a client says that the design fee has to be cut to stay within budget, many architects fail to negotiate successfully, if at all. How strange. Architects who are skilled at negotiating on behalf of their designs don't negotiate on their own behalf!

Why, when the talk turns from design to money, do architects lose sight of the critical connection between design integrity and reasonable professional compensation? Possibly they don't fully understand the relationship between their own well-being and the client's. We offer three approaches to reaching an agreement that are not effective negotiation strategies for achieving a strong project team—and one that is. The key to the successful negotiation is that it focuses on the objectives of the other party as leverage for achieving your own objectives.

THE WEAKER THREE WAYS

Strategy No. 1

End: Achieve my interests

Means: Defeat their interests

First brought to popularity by Attila the Hun, the *take-no-prisoners approach* is a primitive negotiating stance. This strategy accomplishes its goal by

defeating any perceived threat from those with differing or competing interests. Energy is used mainly to conquer and subjugate the other side. This approach is successful usually when one party is far more powerful or aggressive than the other and makes it tough to maintain working relations—as any designer can attest who has seen design integrity or fair compensation wind up in the bull's-eye of his client's target practice.

Strategy No. 2

End: Achieve my interests

Means: Focus on my interests only

The *Marie Antoinette let-them-eat-cake approach*, a slightly less aggressive strategy, disregards others' interests—not necessarily destructive but inherently selfish. Whoever uses this strategy is really saying, "I will only consider what I want, and I will reap the full benefit of victory without accommodating anyone else's needs." This strategy ignores anybody and everybody. When successful, it achieves goals without trade-offs. Bluntly put, negotiators who use it have extremely bad manners.

Strategy No. 3

End: Achieve the interests of both sides

Means: Focus on the interests of both sides

A more evolved approach and the first one that is mutual enough to truly be called "negotiation" is the *everybody-wins* approach. Here, the ends change as negotiators move beyond the single-minded satisfaction of their own interests. This strategy became so popular in the '90s that the very definition of "win-win" degenerated from an effective negotiating stance to something little more than "cutting the baby in two." However, it really is nothing more than compromise. By identifying and satisfying mutual interests, a solution can appear to be a victory for both parties.

But appearance and reality are often different. Many times, this compromise leaves everyone feeling short-changed. The point is this: When an attempt to compromise actually does split the difference, no one is really satisfied. We see clients today who, sensing architects' desire to satisfy both sides, react

by using it against them. One result is their failure to pay at the rates a highly compensated professional customarily receives.

A BETTER WAY TO NEGOTIATE

Strategy No. 4

End: Achieve my interests

Means: Focus on their interests

There is a way to improve the process of strategic compromise. Our fourth—and most effective—negotiating strategy reestablishes the importance of satisfying one's own interests. But the key, the counterintuitive secret, is to stay attuned to client interests while pursuing one's own ends.

This isn't easy, however. Satisfying another person while never losing sight of what is important to you requires effort and preparation, not to mention practice. But the outcome can far surpass what the three previous negotiation strategies generally yield.

To explain this, consider a situation that every architect has faced: proactively strategizing to provide a design element that will result in a better building—and a client unwilling to pay for that element. The best outcome comes from the architect advocating for the client's interests (budget control) while maintaining the importance of the architect's own interests (protecting the long-term financial viability of the design firm).

The architect might bring the client around by invoking the parameters of the project: "This design element is integral to the overall framework we agreed upon together." Or the architect may show the relevance of the design to the successful functioning of the project: "Function is one aspect for the success of this facility. When we established the project's framework for success, we included goals that interrelated budget, function, and design. This element is integral to maintaining those goals."

Persevering architects—those who have become skilled negotiators—put their own interests front and center, indissolubly linked to both design integrity *and* budget control. Both designer and client achieve their ends without stalemate or compromise.

Strategy No. 4 appears to be the most effective way architects can work in a proactive, hands-on manner to achieve their clients' interests, even when the two sides are at odds over financial considerations.

A typical conversation might go as follows:

Reluctant Client: "I have reviewed your request for additional fees. I just have no funding and no chance of acquiring additional money."

Architect/Negotiator: "We appreciate your funding limitations; however, it is unproductive for you to expect us to perform the services without appropriate compensation. Let's consider the options that you and we have."

Of course, the architect would have a range of options ready. The conversation might include these questions:

- How can we work out a method to include the extra-services request within the budget for construction of these changes?
- What items can we reduce or eliminate without harming the overall effort and allowing us to fund our request?
- (For a developer) Can we analyze these amenities (for instance, a more attractive and/or functional building)? If you can charge more, the higher quality will more than pay for itself—including our fees—over time.
- (For an institution) Can we do a cost-benefit analysis? Maybe the savings on operations and maintenance costs over time will cover—or more than cover—the cost of the improved design and the fees.

Open-ended questions like these are crafted on dual assumptions: first, that the professional integrity of the architect is a key component of the project; and second, that the relationship between the architect and the client is a co-created entity that requires attention and nurturing from both parties to complete a successful project.

ASSESSING THE BENEFITS OF A GOOD FEE NEGOTIATION

Architects expend enormous effort in design and, in many cases, achieve minimal financial returns. If designers used their negotiating skills to improve contracts and fees, they would greatly improve their income streams—not to mention their reputations and the morale of their staffs.

We believe that if architects keep their own interests paramount—and research, understand, and even pursue their *client's* interests—then everyone would be motivated to search more productively for creative options that really do achieve both parties' ends. We also believe that this would help restore the reasonable distribution of fees and profit between designer and client as an acknowledged cornerstone of the professional project relationship.

ABOUT THE CONTRIBUTORS

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This article was first published in *AIArchitect*.

RESOURCES

More Best Practices

The following AIA Best Practices provide additional information related to this topic

- 17.04.05 How to Present Your Fee to Potential Clients
- 17.04.02 Architecture as a Value Proposition
- 17.04.03 Tell Clients about Factors That Affect Your Fees

For More Information on This Topic

See also “Architectural Services and Compensation,” by Clark S. Davis, FAIA, *The Architect’s Handbook of Professional Practice*, 13th edition, Chapter 10, page 264.



See also the 14th edition of the *Handbook*, which can be ordered from the AIA Bookstore by calling 800-242-3837 (option 4) or by email at bookstore@aia.org.



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Keywords

- Practice
- Project management
- Project agreements
- Design services contracts