

Negotiating Alignment, Not Agreement

A Guide to Effective Tenant Negotiations

By Bill Boyar

What do negotiators fear most? Failure, being manipulated and being second-guessed. Why do negotiators fail and why are they manipulated or second-guessed? Often, it's lack of adequate preparation and disregard for the issues, purposes and concerns of the other side. A lack of internal alignment can lead to confusion and that dreaded second-guessing. A well-prepared negotiator can be manipulation proof, avoid the second-guessing and achieve valuable results.

This article explores different styles of negotiation and provides an approach that can better prepare you for negotiating with tenants and help produce valuable results.

TRADITIONAL NEGOTIATION STYLES

Let's start by reviewing the different negotiating styles that we typically come across. Most negotiators fall into one of three categories: Position-Driven,

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Affinity-Driven and Criteria-Driven.

- Position-Driven negotiators are driven by leverage and a desire to win. They use position power to force concessions. I win and you lose. No issue is to be conceded; no friends are to be made. Intimidate and manipulate. Nothing is left on the table, and all leverage is fully exploited. This is where the golden rule applies without regard to the other side — “he who has the gold rules.” In the end, “partners” are always seeking alternatives to the relationship.
- Affinity-Driven negotiators are your classic “win-win” people. They assume good intent, defer to the relationship and everything is in the spirit of compromise. This is a classic love-in. It often occurs when two parties are negotiating a joint venture and are mostly concerned with the state of their relationship post-closing. The problem with this approach is that the outcome is more likely to be more “lose-lose” than “win-win.” If the parties compromise an issue at a time, the ultimate outcome for both sides is often mediocre at best. This negotiator is subject to manipulation in a way that

retards creativity.

- Criteria-Driven negotiators use objective criteria to assure fair market outcomes. They are typically slow to resolution and are limited by facts and precedent. We do only what has been done before. With this approach, there is typically no room for creativity and entrepreneurship. The end game is to get an agreement that is as good or better than competitors have. An example of a criteria-driven negotiator might be a landlord's representative who refuses to negotiate a lease term “because this is our form and we never change this provision.” This is the “we always do it this way” fallback. This negotiator often fails to harness the power of the relationship to generate unanticipated value.

ALIGNMENT-DRIVEN NEGOTIATIONS:

AN OVERVIEW

All three of these styles leave room for being manipulated and second-guessed. So, is there a different and more valuable approach? We say it's Alignment-Driven negotiations. Alignment-driven negotiations have five cycles: Research, Align, Design, Confer and Close. The cycles are

linear and cyclical at the same time. Each negotiation starts with Research and ends with Close, but along the way, the negotiator often has to cycle back.

RESEARCH

In analyzing the world of negotiations, we discovered that negotiators often just show up. There is no (or inadequate) preparation. This leads to manipulation, second-guessing and failure. Truly effective negotiators prepare, and this starts with extensive Research. In the context of negotiating with a tenant, you should understand everything you can about the tenant — its business, industry, financial condition, market share, growth prospects, senior management team, other offices in other locations, leasing history, etc. So much information is available from two immediate sources — the tenant itself and the Internet. If you are with a major brokerage firm, a great deal of information on the tenant might be available internally. All you need to do is ask and look for it. In addition to research about the tenant, your research should include in-depth analysis of your lease space, your building, market alternatives, competitive properties, trends, absorptions and vacancy, etc. This is all information that your tenant prospect is likely to be reviewing as well.

As an important deliverable in the Research phase, you should determine a proposed “Range of Acceptable Agreement” (“RAA”) and “Alternative to Acceptable Agreement” (“AAA”). The RAA is the negotiating leeway that you will have on key issues that you

will need in order to be effectively empowered to make an acceptable deal. The AAA is the walk-away point; that place where not completing a particular deal and pursuing an alternative is the better outcome. If you have an attractive AAA, your RAA will be narrow. If you do not have an attractive AAA, your RAA will be broad. Confronting whether you have a viable and valuable AAA can be difficult, but it will frame the depth and breadth of your RAA.

ALIGN

The second cycle of Alignment-driven negotiations is Align. Alignment is an internal and an external concept. For you to be effective, you need to have your organization aligned on the RAA and the AAA both vertically and horizontally. Internal alignment starts with a clear understanding of your organization’s senior purpose and the outcome that you are trying to achieve. It requires understanding of and conversations about your issues, purposes and concerns. Issues are those matters that are important to your organization. Purposes are what the organization is “for.” Concerns are what the organization is “against” or “worried about.” Vertical alignment means having people senior and junior to you in the organization aligned with what is acceptable and where you pursue your alternatives (*ie*, walk away). Those junior are often charged with executing your transaction. They need to be on board with the desired outcome. Horizontal alignment is most critical when the execution of the transaction involves several departments or resource groups (*eg*, there is a major build-out project

that requires the construction team and building management to coordinate and cooperate). If managed effectively, internal alignment eliminates the risk of being second-guessed.

External alignment involves taking into account the tenant’s issues, purposes and concerns. What are the significant issues for the tenant; what is the tenant “for,” and what is the tenant “worried about”? These are critical inquiries and the answers will give you the power of information and understanding. If you gather this information, your objective is to attempt to find the critical intersection of: 1) the facts, 2) your organization’s issues, purposes and concerns, and 3) the tenant’s issues, purposes and concerns. The most value is created at this intersection.

DESIGN

The third cycle of Alignment-driven negotiations is Design. In the Design phase, you are encouraged to work on the actual design of the negotiation conference. Where will the meeting be held? Who will be present? How will the room be set up? Who will be doing the talking on which subjects and issues? What issues will be discussed and in what order? What agreements have already been reached and what issues remain open? Who will control the agenda, timing and flow? These are all basic but critical issues to confront. Once these questions are answered, the next step is to practice. Yes, practice. Even the most skilled negotiators practice, and so should you.

CONFER

The Confer cycle of Alignment-driven negotiations involves the

management of the actual conference. Effective negotiating in this context requires an understanding of the Conversation Meter (developed by Conversant, a Boulder, CO-based communications consulting firm).

The scale of the meter is 0 to 100. Conversations that take place on the lower end of the meter produce waste. The closer you get to 100, the more value you create and the more likely you are to achieve your desired outcome.

- *0 – 25: Pretense* — The primary focus of negotiators in this range is to avoid difficulty. Direct conflicts often exist between what they say in one situation and what they say in another and these negotiators often lie or withhold information.
- *25 – 50: Sincerity* — In this range, negotiators are primarily focused on being honest and defending their position. These negotiators present an honest report of their point of view and are thoughtlessly certain their view is entirely accurate, generally without regard to (or despite) the facts.
- *50 – 75: Accuracy* — Negotiators in this range focus heavily on revealing facts and comparing explanations for value. They separate mutually observable facts from explanations of those facts and recognize that their own perception may not truly reflect reality.
- *75 – 100: Authenticity* — Negotiators conferring in this range clarify an essential purpose and reveal intersections for actions. They have genuine appreciation for various views and factors and research where they intersect to identify new

insight and opportunity.

The opportunity for you to achieve your desired outcome in any negotiation and within your RAA is closely connected to how effectively you are at conferring in Accuracy and Authenticity. If you have done your research, managed the internal alignment and worked to achieve an understanding of the tenant's issues, purposes and concerns, you will be equipped to negotiate based on facts (and not opinions), with a clear understanding of your range of acceptable agreement and where you have support to shut the discussions down. You should seek the sweet spot so well illustrated by the Intersection Model. During your negotiating sessions, you should focus on agreements first and unresolved issues second. By doing so, you maintain an air of possibility.

CLOSE

If you reach any agreement, you move to the Close cycle. The Close cycle involves three key components: Document, Deploy and Debrief. At the end of any negotiation session, it is really important to get something down on paper. Even if someone simply makes handwritten notes that the two parties initial as evidence of basic agreement, it's better than leaving the meeting with nothing. How many times have you been in a meeting where you thought agreements were reached, the parties left and turned the drafting over to the lawyers, only to find out that there was never a meeting of the minds on critical points? Or have you ever experienced selective memory? To guard against both, get something in writing if at all possible.

Once the negotiations session ends and an agreement is made, the real work begins — the deployment of time, money and talent. An agreement does not produce value unless it involves the investment of time, money and talent. It is up to you to make sure that the agreement is executed (put in writing) and that time, money and talent is effectively deployed.

Finally, you should debrief your organization on the negotiations, including all five cycles. What did you learn? How did you do in your Research? Were you internally Aligned? Did you understand the tenant's issues, purposes and concerns well enough to achieve external alignment? Did you effectively Design the conference? Did you Confer in Accuracy and Authenticity? Did you get a deal done or did you revert to your AAA? If you succeeded in getting a deal done, did you effectively Close? Did you document? Did you effectively deploy time, money and talent?

If you have good answers to these questions and follow this path, you will achieve valuable outcomes for your organization and your tenants. Moreover, you won't be manipulated or second-guessed along the way. It's pretty much guaranteed. Take another look at the comparison of the three styles of negotiation and how Alignment-driven negotiating measures up. You should like the outcome.

