

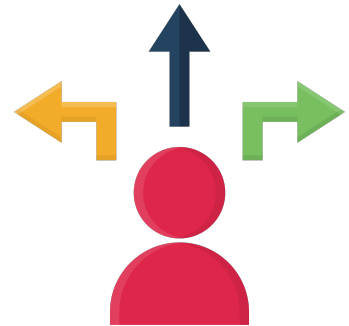


Basics of Negotiation

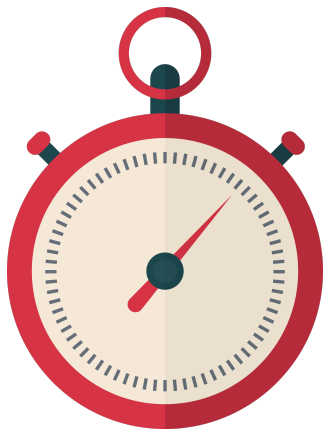
This lesson explains the components that make up negotiation, and how having any one or all of them increases your negotiation leverage.

There are only three rules to be successful at any negotiation. These are:

- Have options.
- Have information.
- Have patience.



If you are lucky to check-mark on all of the above three items, you can navigate a situation to your advantage or at least, avoid being taken advantage of.



Let's discuss each tenant one by one: Having options allows you to walk away from an unfair or inadequate offer. It also signals the opposing party that you have the luxury of choice. Next, knowledge about what you are negotiating for is a must. For instance, if you know that your car is worth at most ten thousand dollars, and you have an offer for thirteen, you will not think twice before accepting the offer. But if you have incomplete or inaccurate information about the worth of your car, you may sell too low. The last key to being successful at

negotiation is the ability to wait out the other party.
The party in more urgent need of a deal is more
likely to compromise.

One legendary Silicon Valley negotiation that touches upon all three aspects took place when Microsoft coughed up \$400 million for Hotmail.com (<http://Hotmail.com>) in 1997. Sabeer Bhatia, the co-founder of Hotmail, who at the time was under thirty years of age, brilliantly negotiated up the price tag from an initial offer of \$60 million to a dizzy \$400 million. He withstood the onslaught of Microsoft's professional negotiators over several weeks, refusing to cow down to their pressure tactics and their bluff to instead acquire Hotmail's competitor RocketMail (acquired later by Yahoo) if a deal was not made. Even the VCs funding Sabeer's company told him not to expect more than \$200 million. He was flown to Redmond to meet Bill Gates and shown around the Microsoft campus to put him in awe of the might of the tech giant. Sabeer remained calm and stood his ground. In one of his later interviews, he famously said that he had learned to haggle back in India, where negotiating price for something as mundane as onions was a common practice. Another important realization for Sabeer was how badly Microsoft wanted Hotmail. He said in one of his interviews:

"You have to be able to look into your adversary's eyes and try to figure out how much he wants this, and can I play on his weaknesses? ... And that's exactly what I did."

[← Back](#)[All About Timing](#)[Next →](#)[What's on the Table?](#)☒ Mark as Completed[Report an Issue](#)

