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Review

# The complex role of perspective taking in negotiations

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To reach an agreement, successful negotiators typically need to understand two things: what they themselves are willing to accept, and what the other side is willing to accept. Understanding the other party's threshold requires perspective taking. In negotiations over goods or services, these judgments shape perceptions of the bargaining zone: the range of outcomes both parties would prefer to walking away without an agreement. The present paper examines how negotiators form perceptions of the bargaining zone. These perceptions have important downstream consequences, influencing everything from the offers negotiators make to the agreements they reach. We review work on how negotiators form perceptions of what their counterpart is willing to accept. Perspective taking can help negotiators estimate the lowest price a seller would accept or the highest price a buyer would pay. However, it can also lead negotiators to erroneously internalize the other party's perspective as if it is relevant to their own valuation. As an example, we demonstrate that buyers are willing to pay more for the same good when the seller gives up an entire endowment rather than only part of it, although the seller's end state should not affect buyer's willingness to pay for the good. These findings show how taking the other party's perspective can shape valuations, fairness judgments and negotiations outcomes. We conclude by discussing implications for multi-issue bargaining and strategic framing, highlighting how psychological heuristics and social context interact to shape outcomes in complex real-world situations, such as salary negotiations and real estate transactions.

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## Introduction

In a typical buyer–seller negotiation, the parties bargain to complete an exchange of goods or services. The seller seeks the highest possible price and the buyer the lowest. Each party has a reservation price: the point at which it is indifferent between reaching an agreement and walking away. For a seller, this is the lowest price it is willing to accept; for a buyer, it is the highest price it is willing to pay. The seller's valuation reflects costs and outside options (e.g., waiting to sell later to another buyer or not selling), while the buyer's valuation reflects expected utility of the good and alternatives (e.g., purchasing elsewhere, choosing a different product, or not buying at all). Because costs, expected utility, and alternatives differ for buyers and sellers, their valuations of the same good may differ for objective (rational) reasons [1,2].

However, successful negotiators must do more than determine their own reservation price. They must also infer the other party's reservation price. This is because the parties' reservation price define the bargaining zone: the range of prices at which both sides would prefer agreement to impasse. A deal is possible when the buyer's reservation price is at least as high as the seller's reservation price. Thus, negotiators must understand not only what price they are willing to accept, but also what price the other side is likely to accept. In bargaining about a single issue such as price, a central inferential target is the counterpart's reservation price. Accurate estimates of the counterpart's reservation price facilitate negotiations and reduce unnecessary impasses [2,3]. Yet, even when negotiators aim to estimate reservation prices accurately, they rely on imperfect cues and heuristics that can introduce systematic biases.

Research documents several ways in which negotiators can misperceive the bargaining zone. For example, negotiators may anchor on initial offers and adjust insufficiently [4–7], fixed-pie perceptions that distort beliefs about the bargaining zone [8], and motivated,

self-serving perceptions of what outcomes are "fair" or "reasonable" [9,10]. These biases matter for bargaining because they can shift not only beliefs about the counterpart's reservation price but also one's own valuation standards, thereby increasing impasse and inefficient agreements [1,2].

Although this review focuses on single-issue negotiation, the underlying logic applies more broadly to multi-issue exchanges of goods or services; in particular, those multi-issue negotiations that are characterized by a dominant single dimension. For example, negotiating a contract for a new job may involve several issues, but salary is the dominant distributive issue. Similarly, in negotiating a purchase of a house, there are likely to be many issues, but price is typically the dominant issue. The effects associated with perspective taking are expected to apply in those negotiations as well.

## Perspective taking in negotiations

A key part of the negotiation process involves perspective taking—the cognitive capacity to consider the world from another person's viewpoint. In this review we focus on the role of perspective taking in negotiation. In particular we discuss aspects of negotiation situations in which taking the perspective of the counterpart is beneficial and other aspects in which it may be detrimental. It is important to differentiate between perspective taking and empathy [11]. While taking the perspective of the counterpart enabled negotiators to generate creative and efficient solutions, emotionally empathizing with them is generally less useful than taking their perspective, and it might at times even be detrimental.

Research suggests that perspective taking facilitates effective bargaining in several ways. First, it can improve negotiators' judgment by helping them model the counterpart's perspective and make better decisions in bargaining contexts [3]. Second, perspective taking lowers the likelihood of impasse and increases the likelihood of agreement [11] and facilitates coordination in both dyadic bargaining and broader bargaining settings such as coalition formation [12–14]. Third, once offers and counteroffers are exchanged, perspective taking can help negotiators interpret and respond to the counterpart's moves by clarifying the counterpart's motives and priorities [15].

Finally, perspective taking can serve as a debiasing mechanism: Offers, both first offers and counteroffers are necessarily prominent reference points and often act as anchors in negotiation [6,7]. Perspective taking can shift attention away from the offers that are on the table toward the estimated counterpart's reservation price, weakening anchoring effects and improving bargaining decisions [16]. Taken together, these findings align with recent accounts and reviews highlighting the role of perspective taking in facilitating effective negotiation and rational decision making [1,2,17–19].

## When perspective taking backfires

Although people tend to believe that taking the perspective of another person would improve the accuracy of their prediction of this person's thoughts and attitudes, the evidence for this is not consistent [20]. While instructions to adopt another person's perspective decreased egocentric bias, it also decreased overall accuracy.

Furthermore, perspective taking may also be a channel through which other biases affect negotiation. In trying to see the situation from the counterpart's perspective, negotiators can translate role-relevant cues into judgments about what offers "make sense," and those judgments can become a standard for what feels appropriate or fair. Perspective taking may thus lead negotiators to partially adopt the other party's standpoint when forming their own valuation of the deal. Consistent with this possibility, taking the other party's perspective can elicit reactive egoism in conflict [21] and, when negotiation is framed as adversarial, can increase willingness to use deceptive tactics [22].

Finally, even in simple, single-issue price negotiations, perspective taking may not protect negotiators from influence tactics. For example, sellers can use precise asking prices as anchors that bias the other side's counteroffer, and perspective taking does not reliably reduce this price-precision effect. If anything, it can be indirectly associated with counteroffers closer to the asking price [23].

The bargaining zone is determined by the parties' reservation prices. These values are often shaped by subjective valuations, outside options, and may also be affected by different psychological factors. Perspective taking may help negotiators understand why the other party values the good or service as it does and generate a more accurate estimate of the counterpart's reservation price. However, the factors that affect the counterpart's reservation price are not necessarily relevant to the determination of the negotiator's own reservation price. We illustrate this issue by discussing a major factor affecting valuation of a traded object, namely the Endowment Effect.

### The endowment effect

Sellers frequently demand more to relinquish an asset than buyers are willing to pay to acquire it—a cognitive bias known as the endowment effect [24]. Like other cognitive biases, also the magnitude of the endowment effect is affected by other variables; for example, by the nature of the goods (physical vs. non-physical [25]) or

the payment (to a business vs. to another person [26]). Similarly, the presence of a memento of the endowed object—whether a separate reminder or a small part of the original asset—has been found to attenuate the endowment effect by increasing sellers' willingness to trade [27]. A further, particularly consequential factor concerns ownership scope: namely, whether the seller is giving up all of their holdings or only part of them—a distinction that defines the seller's end state. For example, selling a coffee mug may feel different when this mug is the seller's only mug than when the seller owns two additional mugs. Research on the endowment effect shows that buyers' and sellers' demands depend not only on the good itself, but also on the seller's end state after the transaction [28,29]. In particular, valuation gaps associated with ownership are strongest when a transaction requires "giving everything up" and attenuate when the seller gives up only part of the endowment [29].

Importantly, these scope-related patterns do not map onto a single underlying mechanism. Some accounts emphasize loss aversion and reference dependence [24], whereas other evidence points to ownership-related processes not reducible to loss aversion [30], to reference prices and "good deal/bad deal" considerations [31], or to strategic and inferential components that can masquerade as valuation differences in standard elicitation paradigms [32,33].

In negotiations this ownership scope cue is normatively relevant because it can signal a higher seller valuation and thus a higher seller reservation price. Crucially, however, the same cue is normatively irrelevant to the buyer's own valuation of the good: the buyer receives the same item(s) either way, so the buyer's utility should not depend on what the seller would be left with after the negotiations conclude. However, an egocentric projection process that is typically used when one attempts to take the perspective of another person [34], may yield a bias, as the buyer imagines how she would feel when left with no good at all. Furthermore, the bias in estimation may go beyond forecasting the seller's reservation price and instead leads buyers to internalize the seller's heightened valuation—treating "giving up everything" as a reason that the seller should receive more, and raising their own willingness to pay accordingly.

Moyal et al. [35] provide direct evidence for the all-versus-part effect in an incentivized negotiation task. Using an online platform, 107 buyer–seller dyads negotiated over the purchase of two "coffee & cake" vouchers. While buyers consistently received $14 at the beginning of the negotiation, sellers were endowed with either two vouchers in the "all" condition or four in the "part" condition. Thus, sellers in the "all" condition negotiated over their entire endowment, whereas those in the "part" condition negotiated over only a portion of it. Results indicated that negotiation outcomes were significantly higher in the "all" condition. Supporting the notion that buyers internalize the seller's heightened valuation, initial offers were also significantly higher in the "all" condition, regardless of whether they were made by the buyer or the seller.

To ensure these outcomes were not driven solely by the seller's behavior, supplemental studies elicited buyers' true valuations independent of strategic bargaining. Using an incentive compatible procedure that is designed to make it in participants' best interest to state their true value, buyers indicated the maximum price they were willing to pay for two vouchers—representing either the seller's entire endowment (two out of two) or only a portion of it (two out of four). Results revealed that buyers demonstrated a significantly higher willingness to pay when the purchase exhausted the seller's entire endowment. This effect was mediated by buyers' heightened estimates of the seller's minimum acceptable price. Moreover, in a separate study, we asked buyers to state what they consider a fair price. Prices in the 'all' condition were higher than those in the 'part' condition. Collectively, these findings indicate that perspective taking can backfire: rather than merely forecasting the seller's threshold, buyers internalize the seller's perspective and adopt it as a normative standard of appropriateness.

## Theory and implications

The all-versus-part effect in negotiations highlights a dual effect of perspective taking. It also illustrates the broader question at the center of this review: how negotiators form perceptions of the bargaining zone. On the one hand, perspective taking can sharpen bargaining by improving estimates of the other side's constraints and in particular in distributive negotiations the seller's reservation price. On the other hand, the same process can bias valuation by allowing counterpart-relevant cues to spill into one's own willingness to pay: when "giving it all up" feels psychologically consequential for the seller, buyers may treat that consequence as a reason the seller should receive more, even when the cue is normatively irrelevant to buyers' own utility. This spillover from the seller's perspective to the buyer's own valuation has implications for both theory and practice. Theoretically, this implies that preferences in negotiation are not merely stable inputs but can be constructed while negotiators infer the other party's constraints: what seems like a prediction about the seller's reservation price can become a reference point for what the buyer is willing to pay and regards as fair. Practically, it implies that sellers may shift buyer valuation not only through anchors and information, but also by framing the deal in terms of end-state sacrifice making it clear that agreement would leave the seller with none of the good. This idea is consistent with evidence from research on the endowment effect showing that framing the transaction as

"giving it all up" (versus giving up only part) can increase the price people treat as warranted in Experiment 3 [29].

## Future directions

Future research could pursue several directions, one of which is to connect endowment-scope effects to post-negotiation behavior. Hart and Schweitzer [36] show that negotiating can carry downstream costs by reducing post-agreement motivation and performance, in part by increasing perceptions of relational conflict. Relatedly, Hart and Schweitzer's work on the Economic Relevance of Relational Outcomes (ERRO) [37] formalizes the conditions under which relational outcomes matter for final economic value because they shape how counterparts behave after agreement. Applied to the all-or-part effect in negotiations, a key open question is whether paying higher "fairer" prices when the seller is depleted improves implementation and relationship quality.

Another direction could explore the all-or-part effect in multi-issue negotiation. Recent research on the complexity of simultaneously negotiating a bundle of issues focuses on the number of issues [38] and highlights the role of nested bracketing and issue-packaging agendas [39,40] as determinants of successful negotiation. The efficient tradeoff between issues in multi-issue negotiation may require complete forgoing of gain with respect to some issues while obtaining the most on other issues. However, negotiators are often reluctant to propose or accept such offers [41]. The all-or-part effect may account for such reluctance, and this may present another barrier to beneficial agreements. Strong perceptual integration of the issues packaged together may mitigate the effect.

In this review, we show that perspective taking can help negotiators understand what the other side may accept, but it can also lead them to treat the other side's concerns as relevant to their own valuation. The all-versus-part effect illustrates this second, more problematic possibility: a cue that matters for the seller's end state can shape what buyers are willing to pay and what they regard as fair. Ending on a more general note, this review highlights the complex and sometimes subtle ways by which psychological processes and heuristics affect negotiation outcomes. Not only cognitive biases such as anchoring, but also processes related to the social aspects of the negotiation situation, such as biased perception of fairness and implications of perspective taking, are important determinants of the negotiation outcomes.

## Authorship statement

Amos Schurr, Adiel Moyal, and Ilana Ritov contributed equally to the conceptualization and writing of this manuscript.

## Declaration of competing interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

## Data availability

No data was used for the research described in the article.

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** of outstanding interest


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## Further information on references of particular interest

12. * This study links naturally measured perspective taking to coalition-formation success, extending negotiation research beyond dyads and showing how social-cognitive skills help negotiators coordinate in broader bargaining structures.

13. * This article qualifies the benefits of perspective taking by distinguishing measured dispositions from experimental induction, an important boundary condition for claims about perspective taking as an intervention in negotiations.

25. ** This meta-analysis shows that non-physical goods produce larger seller-buyer valuation disparities than physical goods, highlighting the importance of contextual and product-level moderators of the endowment effect.

38. * This article identifies the number of negotiated issues as a key source of complexity in integrative bargaining, providing a recent foundation for linking all-versus-part effects to multi-issue negotiation.

39. * This paper introduces nested bracketing as a strategy for managing complexity while preserving flexibility, making it directly relevant to how negotiators structure bundled issues.

40. ** This publication shows that issue-packaging agendas can improve joint outcomes, offering a recent and concrete mechanism through which framing and perceptual integration may shape negotiation success.