



Narcissism and Negotiation: Economic Gain and Interpersonal Loss

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Sun W. Park
Northeastern University

Joseph Ferrero
University of Oregon

C. Randall Colvin
Northeastern University

Dana R. Carney
University of California, Berkeley

Author Note

Sun W. Park, Department of Psychology, Northeastern University; Joseph Ferrero, Department of Psychology, University of Oregon; C. Randall Colvin, Department of Psychology, Northeastern University; Dana R. Carney, Haas School of Business, University of California, Berkeley.

Correspondence concerning this article should be addressed to Sun W. Park, Department of Psychology, Centre College, Danville, KY 40422 (sunwoongpark@gmail.com) or Dana R. Carney, University of California, Berkeley, Berkeley, CA 94720 (dcarney@berkeley.edu).

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Abstract

Successful negotiation involves satisfying two seemingly contradictory goals: maximizing personal payoffs while forming positive relationships with negotiation counterparts. We predicted that narcissism, a trait prevalent in business, would predict increases in personal payoff but decreases in positive relationship building. Seventy masters-level business students completed a measure of narcissism and engaged in a 30-minute negotiation simulation in which a multi-million dollar family business is sold to a multi-national entrepreneur. After the negotiation, participants reported their emotional states, evaluated their negotiation counterparts' emotional states, and evaluated how much they trusted and liked their counterparts. Consistent with the hypothesis, results revealed that in the negotiation context, narcissistic personality characteristics can lead to economic gain, but it is accompanied by interpersonal loss.

Keywords: emotion, empathic accuracy, interpersonal sensitivity, narcissism, negotiation, personality, trust

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Narcissism and Negotiation:

Economic Gain and Interpersonal Loss

Negotiations are ubiquitous: Friends negotiate which restaurant to eat at; couples decide which automobile to purchase; political leaders seek resolutions to international conflicts. Negotiations often consist of two simultaneous but (arguably) contradictory goals: maximization of personal payoffs and minimization of partner conflict (Thompson, 1990). Successful achievement of the first goal requires the willingness to exploit a counterpart's weaknesses for personal gain whereas achievement of the second goal requires understanding and acknowledging the counterpart's position (Karrass, 1992; Mnookin, Peppet, & Tulumello, 2000). Narcissists, notoriously self-focused, entitled, and insensitive, can bring complicated dynamics into the negotiation process. Specifically, their lack of empathy and sense of entitlement may help them engage in weakness seeking and exploitation which are helpful toward the goal of personal gain. This gain, however, is perhaps at the expense of building a trusting and positive relationship with their negotiation counterpart. The goal of the current research was to test exactly that hypothesis: in a one-shot two-party negotiation, increases in narcissism would predict better economic outcomes but worse interpersonal outcomes.

Definition of Economic and Interpersonal Success in Negotiation

There are two ways to define negotiation success: economic and interpersonal (Thompson, 1990). Economic success focuses on outcomes and does not typically include the social processes involved in a negotiation. In contrast, interpersonal success emphasizes negotiators' perceptions of the negotiation and each other, both of which are important for building working relationships. Current theorizing about optimal

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negotiators focuses on the successful achievement of both: maximization of economic gains and development of reciprocal social capital (Bazerman, Curhan, & Moore, 2001; Mnookin et al., 2000; Pruitt & Carnevale, 1993; Thompson, 1990).

Are Narcissists Better Negotiators? What Do We Know so Far?

Some research suggests that negotiators who possess a “willingness to exploit power” achieve more economic value in negotiations than others (Karrass, 1992) and that coercion and exploitation are successful strategies in one-shot negotiations (Lewicki 1983). In addition, Ma and Jaeger (2010) found that assertiveness predicted successful negotiation outcomes. Thus, one needs to take only a short mental leap to hypothesize that individuals with narcissistic traits may have an advantage in negotiation as these negotiation enhancing “skills” of exploitativeness, assertiveness, entitlement, and ability to “turn off empathy” happen to be the same attributes which serve as the core of narcissistic personality disorder.

Indeed, research has found that narcissists exploited common resources that they shared with others for a short-term benefit to self but at a long-term cost to the whole group (Campbell, Bush, Brunell, & Shelton, 2005). In addition, narcissism is related to Machiavellianism, a willingness to manipulate others for one’s own good (Paulhus, & Williams, 2002) and the expression of exploitative, manipulative, and insensitive behaviors during negotiation accompanied by a lack of concern for future working relationships (Greenhalgh & Gilkey, 1997).

Although narcissistic tendencies may lead to better economic outcomes in negotiation, the same tendencies—especially lack of empathy—are likely to lead to less interpersonal success. **Developing good interpersonal relationships requires empathic**

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3 accuracy, the ability to accurately understand others' needs, motivations, and emotions
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6 (Harvey, Zaki, Lee, Ochsner, & Green, 2012; Ickes, 2001). Indeed, a number of studies
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8 have shown that empathic accuracy is related to positive interpersonal consequences in
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10 personal relationships as well as in various work settings such as medicine, business
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12 management, and counseling (for a review, see Hall, Andrzejewski, & Yopchick, 2009).
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14 Thus, narcissists, well-known for a lack of empathy or empathic accuracy (e.g., Watson,
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16 Grisham, Trotter, & Biderman, 1984), may fail to form a trusting relationship with their
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18 negotiation counterparts during negotiation.
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22 Although the positive link between empathic accuracy and interpersonal
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24 relationships is frequently observed, whether it is conducive to economic success in
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26 negotiation is unclear. Some researchers argue that the ability to "read" another person's
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28 underlying emotions, goals, and motivations improves negotiation performance (e.g.,
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30 Elfenbein, Foo, White, Tan, & Aik, 2007). However, others argue that "caring too much"
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32 or being too sensitive to a negotiation counterpart's underlying needs and emotions may
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34 lead negotiators to be exploited by their counterpart, resulting in poor performance (e.g.,
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36 Amanatullah, Morris, & Curhan, 2008).
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40 The Present Study

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42 In the present research, we investigated whether and to what extent narcissists
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44 simultaneously achieve two seemingly contradictory goals which are both critical to a
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46 successful negotiation: simultaneously maximizing economic *and* interpersonal gain.
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49 MBA students completed a measure of narcissism (Raskin & Terry, 1988) and engaged
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51 in a negotiation simulation for 30 minutes. Immediately after the negotiation, participants
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53 evaluated their negotiation counterparts, reported their own emotional states, and
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estimated their counterparts' emotional states. Following Thompson (1990), negotiation success was split into the two types of performance: economic and interpersonal.

Economic gain was assessed by how many points participants accrued in the negotiation simulation as they settled four issues. Interpersonal gain was assessed by the extent to which participants were able to build trust and liking during the negotiation.

Our hypotheses were: (a) narcissism would simultaneously predict economic gains and interpersonal losses; (b) participants' empathic accuracy would predict negotiation counterparts' trust evaluations; and (c) empathic accuracy would mediate the (negative) relation between participants' narcissism and their negotiation counterparts' trust evaluations. The relation between empathic accuracy and economic gain was exploratory and we were agnostic about the outcome—past research would predict both a positive and a negative relation.

Method

Participants

A total of 70 Masters of Business Administration students at Columbia University (44 male, 23 female, and 3 unreported) participated for partial course credit. The mean age was 27.76 years ($SD = 2.32$), and all had two or more years of work experience in a professional setting. The present study was part of a larger project that included additional ratings and tasks. Although two articles have been published using this dataset (Carney & Mason, 2010; Ronay & Carney, 2013), the data reported in the present article have not been published in any form. Only materials and procedure relevant to the present study are described.

Materials and Procedure

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Narcissism. Approximately two weeks before the negotiation task, participants completed the 40-item Narcissistic Personality Inventory (NPI; Raskin & Terry, 1988). They responded on a 5-point scale to indicate how accurately each statement described him or her. Although the original NPI required participants to select one of two opposing statements that best described them, the Likert response format has been successfully used in previous studies (Jordan, Spencer, Zanna, Hoshino-Browne, & Correll, 2003; McGregor, Nail, Marigold, & Kang, 2005; Park & Colvin, in press). The NPI includes items such as “I really like to be the center of attention,” and “I am an extraordinary person.” Responses across the 40 items were averaged. Cronbach’s alpha for the present sample was .94.

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Negotiation simulation. Participants, who were MBA students, completed a negotiation simulation with a randomly determined partner who was also a participant. Although participants were not complete strangers, they did not know each other well at the time of the negotiation. The negotiation lasted for approximately 30 minutes.

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A widely-used and well-validated negotiation paradigm was used (Bontempo & Iyengar, 2008). Participants were randomly assigned to one of two roles: an entrepreneur who wants to sell his or her family business or an executive at a multinational company who wants to buy the entrepreneur’s company. The instructions for the negotiation simulation indicated that most of the acquisition had been settled but there were four remaining issues to be finalized. Economic values were represented in points. Points were assigned to each issue depending on how it was settled in the negotiation. One of the issues was a zero-sum issue; that is, the interests of one negotiation partner were perfectly inversely related to the interests of the other negotiation partner (commonly referred to as

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3 a “distributive” issue in negotiation parlance). Another issue was equally desired by both
4 parties, and both individuals had the potential to gain equally (a “compatible” issue). The
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6 final two issues were such that one issue was much more important to the entrepreneur
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8 and the other issue was much more important to the executive (a pair of “integrative”
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10 issues). The maximum point-value obtainable by one party was 5,500 points and the
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12 maximum point-value obtainable by the negotiation pair was 7,500 points.
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17 **Trust evaluation.** Immediately after the negotiation, participants evaluated each
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19 other on trust by responding to two items on a 5-point scale: “How much do you trust
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21 your partner?” and “Would you want to work with this person to do another deal in the
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23 future?” The two items were averaged to represent negotiation counterparts’ trust
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25 evaluations of participants ($r = .64$).
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29 **Empathic accuracy task.** Following the trust evaluations, participants reported
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31 their own emotional states and estimated their negotiation counterparts’ emotional states
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33 on eight terms (e.g., excited, powerful, nervous, dominant, in charge, anxious, happy,
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35 powerless) using a scale from 1 (*not at all*) to 5 (*extremely*). For each pair, a participant’s
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37 ratings of his or her counterpart’s emotional states on eight items were correlated with the
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39 counterpart’s ratings of his or her own emotional states on the same eight items (i.e.,
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41 profile correlation). If the two set of scores were similar, they would result in a high
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43 positive correlation coefficient. The resulting correlation coefficient per pair was
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45 calculated and represented the participant’s empathic accuracy with higher scores
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47 indicating more accurate judgments of counterpart’s emotional states (for previous
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49 research using this profile correlation approach, see Carney, Colvin, & Hall, 2007;
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51 Snodgrass, Hecht, & Ploutz-Snyder, 1998).^{1, 2}
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Results

There were no significant differences between entrepreneurs vs. executives (i.e., the two roles in the negotiation) on narcissism, economic gain, empathic accuracy, or negotiation counterparts' trust evaluation.³ As is typically the case (e.g., Gabriel, Critelli, & Ee, 1994; Farwell & Wohlwend-Lloyd, 1998), narcissism was slightly higher in men ($M = 3.26$, $SD = 0.61$) than women ($M = 2.95$, $SD = 0.55$), $t(65) = 2.05$, $p = .04$. Although males scored higher on narcissism than females, the same pattern of results was observed when the analyses were conducted on men and women separately; therefore, results are reported across all participants.

Consistent with our first hypothesis, individuals scoring higher on narcissism did, indeed, enjoy more economic gain in the negotiation while simultaneously suffering more interpersonal loss. Table 1 shows descriptive statistics and intercorrelations for narcissism, performance on the empathic accuracy task, trust ratings, and economic gain in the negotiation. Specifically, narcissism was positively related to economic gain—in other words, individuals scoring higher on narcissism performed better on the negotiation by securing a better business deal for themselves (i.e., earning more points in the negotiation simulation). However, this economic performance was at a cost: Participants' narcissism was negatively related to participants' empathic accuracy when judging their negotiation counterparts' emotional states. Participants' narcissism was also negatively related to their negotiation counterparts' trust evaluations. In other words, individuals scoring higher on narcissism were (1) insensitive to their negotiation counterparts' thoughts and feelings and (2) were less trusted by their negotiation counterparts.

Empathic accuracy was negatively related to economic gain providing support for the

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3 argument that “caring too much” about the other party may be related to or even cause
4 worse economic outcomes in negotiation, as suggested by Amanatullah et al. (2008) but
5 inconsistent with research by Elfenbein et al. (2007). However, it should be noted that
6 empathic accuracy unfolding in real time in a negotiation between two people (as was the
7 case in the current research) may be an entirely different phenomenon than the one
8 observed by Elfenbein et al. (2007) in which a measure of emotion-detection ability was
9 administered two weeks after the negotiation took place.

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11 We also found a positive relation between participants’ empathic accuracy and
12 their negotiation counterparts’ trust evaluations, supporting Hypothesis #2. That is,
13 negotiation counterparts expressed a desire to build long-term working relationships with
14 participants who accurately perceived their thoughts and feelings. This finding parallels
15 the previously observed association between interpersonal sensitivity and positive
16 interpersonal consequences (Hall et al., 2009).

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18 Given that empathic accuracy is related to interpersonal success and that
19 narcissism and empathic accuracy are negatively related, we speculated that empathic
20 accuracy might mediate the negative relation between participants’ narcissism and their
21 negotiation counterparts’ trust evaluations (Hypothesis #3). As shown in Figure 1, the
22 relation between narcissism and counterparts’ trust evaluations was no longer significant
23 after controlling for empathic accuracy, Sobel’s $z = -2.01, p = .04$. This finding suggests
24 that people, such as those scoring high on narcissism, who are emotionally insensitive
25 and who have diminished empathic abilities, are significantly less likely to be trusted in a
26 negotiation.

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3 We did test for an alternative explanation for the negative association between
4 participants' narcissism and their counterparts' trust evaluations. Considering that
5 narcissists acquired more economic value, the negative relation between narcissism and
6 counterparts' trust evaluations may have been a function of economic gain in that,
7 perhaps, people do not appreciate those who are perceived to "take" money from them.
8 To examine this possibility, trust evaluations were regressed on both narcissism and
9 economic gain. The results revealed that narcissism remained a significant predictor, $\beta =$
10 $-.32$, $t = -2.54$, $p = .01$, whereas economic gain was no longer significant, $\beta = .06$, $t = 0.46$,
11 $p = .65$. In other words, negotiation counterparts' low trust evaluations of narcissists were
12 not due to economic losses. Thus, no support for this alternative explanation was found.

Discussion

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28 We examined the costs and benefits of narcissism in a negotiation simulation.
29 Results showed that adult professionals higher in narcissism gained more economic value
30 for themselves in the negotiation. However, relative to less narcissistic individuals, their
31 judgments of negotiation counterparts' thoughts and feelings were less accurate, which
32 cultivated distrust. Furthermore, the negative relation between narcissism and trust
33 evaluations was mediated by empathic accuracy. Put differently, narcissists failed to
34 understand their negotiation counterparts' thoughts and feelings which, in turn, led to a
35 lack of trust by their counterparts. Given that trust is the cornerstone of relationship
36 development and maintenance and is necessary for the development of short- or long-
37 term social capital in business relationships and in life, this finding suggests that
38 narcissists may have difficulty developing trusting relationships with others.

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People high in narcissism do, however, seem to have an advantage in at least one fundamental aspect of the negotiation process: obtaining economic value. Our results suggest that individuals high in narcissism are likely to **do** well as one-shot negotiators when relationship development is unnecessary or even undesirable. However, unlike a laboratory experiment, negotiation in real life is not often a “one-shot strategic game” and is almost always an ongoing process in which both parties are best served by building a relationship based on trust that is enjoyed as experienced in the present and potentially leveraged in the future (Greenhalgh & Gilkey, 1997).

It is noteworthy that empathic accuracy was negatively related to economic performance in the negotiation simulation. Past research has argued and found evidence to support the idea that emotionally and socially sensitive people are good at “reading others” and that this ability allows **them** to perform well because **they** can accurately “read” and anticipate **their** negotiation counterpart’s underlying needs, goals, and motivations (Elfenbein et al., 2007; Mueller & Curhan, 2006). **However, empathically accurate people may not perform as well as they *could* in negotiations. Specifically, while their sensitivity to others’ thoughts and feelings allows them to accurately *read* others in a negotiation, the unfolding real-time negotiation may heighten this kind of person’s sensitivity—leading them to accurately *feel* how the other person is feeling which could hamper performance (Amanatullah et al., 2008). Additionally, sensitive people may find it difficult to put their own needs (and profits) before the needs (and profits) of others. Finally, sensitive individuals may care so much about the relationship that they disproportionately focus on relationship building (literally) at the expense of economic gain.**

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3 On a related note, it seems to be an interesting research avenue to investigate
4 whether emotion-detection performance of different kinds lead to different negotiation
5 outcomes. In the current research, we examined real-time empathic accuracy as it
6 occurred in the heat of the negotiation. However, other work has used standardized tests
7 of emotion-detection ability administered either before or after the negotiation. This
8 simple temporal difference may be enough to explain differences between the current
9 findings and Elfenbein et al. (2007).
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20 One limitation of the present study is that we did not have complete control over
21 the degree of acquaintanceship among participants. Thus, it was possible that participants
22 knew each other and had already formed some impressions which in turn affected
23 evaluations of participants. However, our negotiation task was the first interaction
24 between the two randomly-paired MBA students and so potential acquaintanceship was
25 randomly distributed. Additionally, it was confirmed that no pairs knew each other very
26 well. This concern raises a potentially important research question which is related to the
27 topic of relationship building and trust in negotiation—the role of acquaintanceship in
28 negotiation strategies and outcomes.
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40 In conclusion, possession of narcissistic traits can be beneficial in business
41 contexts—in the short term. However, such individuals are likely to be costly to
42 organizations over the long term— especially those organizations that depend on the
43 development of new, and maintenance of existing, relationships within and outside of the
44 firm. Organizations would do well to consider the “fit” between an individual’s
45 narcissistic proclivities and the kinds of business ventures (i.e., ones which require no
46 relationship building) assigned to him or her.
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NARCISSISM AND NEGOTIATION

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Footnotes

¹Empathic accuracy scores were analyzed both with and without Fishers' r -to- z transformation. The results from both analyses were very similar. The results reported in this article were based on correlation coefficients without the transformation.

²As is the case with most accuracy measures, there is a "criterion problem" with this particular operational definition, too. The criterion problem indicates the difficulty to obtain an objective gold-standard against which judgments can be based. The particular instantiation of the criterion problem in our study is that participants' ratings were compared to negotiation counterparts' self-reports. This leaves open the possibility that any accuracy we observed was underestimated because self-reported emotional states may have included error variance.

³Our data are nested, which may or may not be a problem—depending on whether scores from two dyad members correlate with each other. Specifically, when participants are nested within dyads, it is possible that scores from the dyad are interdependent (i.e., correlated), in which case dyadic analyses using multilevel modeling are used. We examined this possibility by correlating the dyad members' scores per variable (e.g., participants' narcissism was correlated with partners' narcissism). However, none of them were significant, indicating that multilevel modeling is not necessary.

Table 1

*Intercorrelation Matrix of Narcissism, Economic Gain, Empathic Accuracy, and **Negotiation Counterparts'** Trust Evaluation*

| | Narcissism | Economic gain | Empathic accuracy | Counterparts' trust evaluation |
|----------------------|------------|----------------------|-------------------|---------------------------------------|
| Narcissism | – | .34** | -.38*** | -.30** |
| Economic gain | | – | -.41*** | -.05 |
| Empathic accuracy | | | – | .37** |
| <i>M</i> | 3.17 | 3466.00 | .75 | 3.87 |
| <i>(SD)</i> | (0.59) | (571.53) | (.53) | (0.77) |

* $p \leq .05$. ** $p \leq .01$. *** $p \leq .001$.

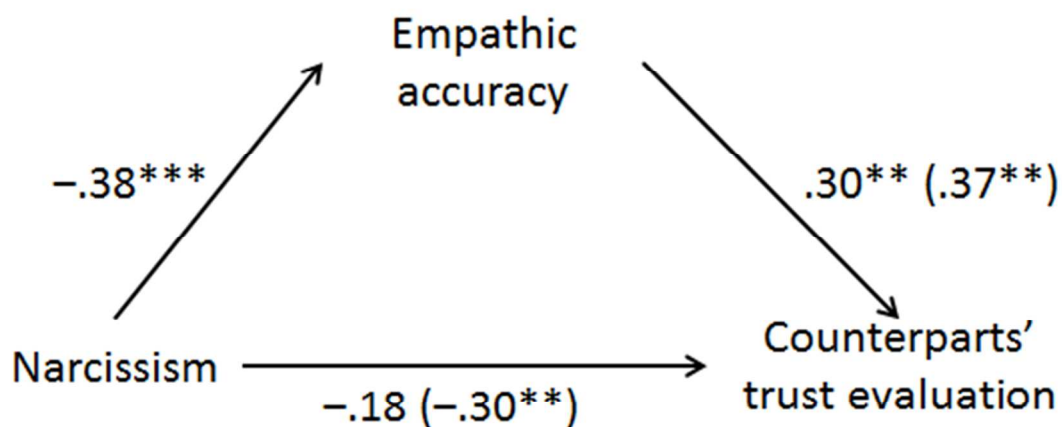


Figure 1

Standardized regression coefficients for the relation between participants' narcissism and negotiation counterparts' trust as mediated by participants' empathic accuracy. Sobel's $z = -2.01$, $p = .04$. The numbers in parentheses indicate zero-order correlations.

** $p \leq .01$. *** $p \leq .001$.