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Abstract

Purpose – The purpose of this paper is to examine how negotiators' self-evaluated emotion perception is related to value claiming under two incentive schemes. Adopting an ability-motivation interaction perspective, the authors hypothesize that the relationship will be stronger in the contingent (upon value-claiming performance) versus fixed (non-contingent upon value-claiming performance) pay condition.

Design/methodology/approach – Multi-level analysis of data (120 participants, 60 dyads) from a laboratory study provided evidence supporting the hypothesis proposed in this paper.

Findings – Emotional perception was indeed more strongly related to value claiming in the contingent pay condition than in the fixed pay condition. Negotiators' emotion perception also had a direct, positive linkage with relationship satisfaction, regardless of the incentive scheme.

Research limitations/implications – The limitations of the current paper include self-report measures of emotion perception, a US student sample and a focus on value claiming as the instrumental outcome. The authors urge future research to address these limitations in replicating and extending the current findings.

Originality/value – The present paper is the first to explicitly test the moderating role of incentive schemes on the linkage between negotiators' emotion perception and performance. The findings not only show the context-dependent predictive value of negotiators' emotion perception but also shed light on both negotiation and emotional intelligence (EI) research.

Keywords Performance, Negotiation, Emotional intelligence, Incentive, Emotion perception, Relationship satisfaction

Paper type Research paper

Negotiation is a social process in which two or more parties jointly decide how to resolve conflict in resource allocation (Rubin *et al.*, 1994). It is a pervasive and critical form of social interaction in many domains, such as business, law, international relations, social work, romantic relationships and so forth. Due to the importance of negotiation, researchers from various disciplines such as psychology, management, economics, sociology, political science and law have been studying factors that facilitate or inhibit negotiation effectiveness (Bazerman and Carroll, 1987; Bazerman *et al.*, 2000; Gelfand and Brett, 2004; Thompson, 1990) while providing practical guidance to practitioners (Bazerman and Neale, 1992; Fisher *et al.*, 1991; Lax and Sebenius, 1986; Malhotra and

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Bazerman, 2007; Raiffa, 1982; Shell, 2006). As negotiation is such a flexible and common method for conflict resolution (Pinkley and Northcraft, 1994; Thompson and Loewenstein, 1992), the findings of negotiation research would help us to better understand how to resolve conflict effectively.

Negotiation may create value for both parties; yet each party is often driven to claim as much value for him/herself as possible (Kong *et al.*, 2014; Rubin *et al.*, 1994). Research has identified a number of factors associated with enhanced value claiming and creating. For many years, the research consensus has been that stable individual traits, including personality and ability, are essentially unrelated to negotiation behaviors and outcomes (Bazerman *et al.*, 2000; Rubin and Brown, 1975; Thompson, 1990). A recent meta-analysis indicates that this conclusion was based on erroneous assessment of the evidence (Sharma *et al.*, 2013). However, it had served to suppress studies, limiting the amount of evidence accumulated. Sharma *et al.* (2013) urged researchers to address this unfortunate gap with systematic data gathering on various measures of ability and temperament.

One type of ability that has attracted recent negotiation research attention is emotional intelligence (EI) (Mayer *et al.*, 2008), defined as the ability "to monitor one's own and others' emotions, to discriminate among them, and to use the information to guide one's thinking and actions" (Salovey and Mayer, 1990, p. 189). EI is predictive of negotiator behaviors and outcomes (Foo *et al.*, 2004; Kong *et al.*, 2011; Mueller and Curhan, 2006). Despite consistent evidence on the positive relationship between EI and relational outcomes (e.g. relationship satisfaction) (Foo *et al.*, 2004; Kong *et al.*, 2011; Mueller and Curhan, 2006), the findings regarding the linkage between overall EI and value creation/claiming are rather mixed. This casts doubt on the theoretical and practical value of negotiators' EI.

Instead of examining the role of overall EI in negotiation settings once again, we focus on a basic facet of this complex construct, given that each facet (e.g. emotion perception or regulation) has its own theory and stream of research (Gross and Thompson, 2007; Russell, 1994; Webb *et al.*, 2012). Specifically, we focus on the first facet – emotion perception – which represents the ability to decode information conveyed in emotional expressions (Mayer *et al.*, 1999)[1]. Research suggests that emotion perception is probably the most reliably measured facet of EI (Ciarrochi *et al.*, 2000; Davies *et al.*, 1998) and also serves as the foundation for emotion use, understanding and management (Joseph and Newman, 2010; Mayer *et al.*, 2003). Emotion perception has been found to facilitate performance in various contexts. For example, Elfenbein and Ambady (2002a) identified a positive association between public service employees' emotion perception and their peer- and supervisor-rated job performance. Byron *et al.* (2007) found that salespersons' emotion perception was positively related to their personal job success as indicated by the average number of cars sold per month and their average annual salary increases. Momm *et al.* (2015) found that employees' emotion perception was positively related to their personal annual incomes, an effect mediated by their political skills and subsequent effectiveness of interpersonal interactions in the workplace.

Emotion expressions yield non-verbal cues about negotiators' beliefs, preferences and intentions (Morris and Keltner, 2000). Those capable of decoding information conveyed in emotion expressions gain access to a larger base of information (Joseph and Newman, 2010), which may render them an advantage in recognizing strategic

misrepresentations, timing a push for concessions or gaining insights into the possibilities of trade-offs over issues for value creating. However, this line of inquiry is still in its infancy. To our knowledge, only one empirical study (Elfenbein *et al.*, 2007) specifically examined the advantage that emotion perception (rather than overall EI) as an individual ability rendered to negotiators. By using multiple regression models without controlling for the non-independence within the negotiation dyads, Elfenbein *et al.* (2007) found that when neuroticism was controlled for, the association between sellers' emotion perception and their value-claiming performance was marginally significant ($\beta = 0.22$, $p = 0.06$, $N = 82$), whereas buyers' emotion perception was not significantly associated with their value-claiming performance ($\beta = 0.10$, $p > 0.10$, $N = 82$). Their weak support for the strategic advantage that emotion perception renders to negotiators may be attributed to their neglect of the potential moderating effect of contextual factors. By considering the moderator role of a contextual factor – incentive scheme – the present research seeks to provide stronger evidence on the strategic advantage of emotion perception, thus making a novel and valuable theoretical contribution.

Ybarra *et al.* (2014, p. 101) stressed the importance of contextual factors in the inquiries regarding EI, urging researchers to better understand why EI sometimes "can be socially ineffective" or leads to socially dysfunctional outcomes and why EI measures "might have limited predictive validity above and beyond personality and IQ". In terms of emotion perception, Ybarra *et al.* (2014, p. 97) further noted that whether individuals' emotion perception can provide them an advantage in social interactions hinges upon their motivation, that is, whether "they are engaged and willing to process the available information". As negotiation is a pervasive and critical form of social interaction, we propose that an incentive for value-claiming performance serves as a crucial contextual, motivation-related factor, which moderates the relationship between emotion perception and value-claiming performance.

Incentive schemes determine individual motivation going into interpersonal interactions, gearing attention toward certain goals (Beersma *et al.*, 2003). Prior research has largely focused on the differential behavioral/performance implications of incentives for collective versus individual performance in social interactions (De Dreu, 2007; Beersma *et al.*, 2003; Giebels *et al.*, 2000; Johnson *et al.*, 1981). Rarely has negotiation research examined the differential behavioral/performance implications of high- versus low-powered incentives. High-powered incentive schemes tightly link pay with personal interests achieved via a negotiated agreement, whereas low-powered incentives do so only loosely (Baumann and Stieglitz, 2014; Williamson, 1985). Compared to low-powered incentives, high-powered incentives for value claiming are more likely to motivate competitive/demanding behaviors that secure favored terms of agreement, though risk aversion may blunt this difference (Bottom, 1998; Roth *et al.*, 1981).

Negotiation researchers occasionally use high-powered incentives such as contingent monetary rewards (Mislin *et al.*, 2011) but more often use low-powered incentives such as fixed pay (Sinaceur and Tiedens, 2006) or non-contingent receipt of course credit (Barry and Friedman, 1998; Bottom, 1990; Kong, 2015). Negotiation researchers also sometimes use a lottery scheme for determining possible pay or receipt of course credit (De Dreu, 2003; Mueller and Curhan, 2006). Such a mechanism can be set

up to provide high-powered incentives, but most often it has been structured to have low power, because:

- the chance of winning either one or a very small number of available monetary prizes is not clearly connected to performance; and/or
- participants often have only a vague idea of how many participants will end up being in the lottery competition.

In other words, the combination of risk aversion for probabilistic outcomes and ambiguity aversion (Hogarth and Kunreuther, 1989) for unknown probabilities largely limits the power of lottery incentives in most negotiation studies.

The *ability-motivation interaction* perspective claims that performance is a multiplicative function of ability and motivation; an increment in ability leads to a smaller increment in performance when motivation is lower (Kanfer and Ackerman, 1989). Adopting the ability-motivation interaction perspective, we examine how negotiators' emotion perception is related to their value-claiming performance under a high-powered incentive scheme, in which they receive pay contingent upon their value-claiming performance (i.e. contingent pay), versus a low-powered incentive scheme, in which they receive pay regardless of their value-claiming performance (i.e. fixed pay).

Theory and hypothesis

Negotiators are often motivated to perform well by claiming as much value for themselves as possible. Participants in negotiation experimental studies are typically instructed to maximize their individual outcomes. In negotiations with integrative potential (Kong *et al.*, 2014), negotiators' performance is also evaluated based on how much value they create through cooperation with their counterpart. In the current research, we focus on value claiming. To achieve strong value-claiming performance, negotiators may use various competitive/distributive or even ethically questionable tactics such as pressuring and misrepresentation (Kong *et al.*, 2014; Robinson *et al.*, 2000; Tenbrunsel, 1998). The use of such tactics is a function of motivation and ability. Compared to motivation (De Dreu and Carnevale, 2003; De Dreu *et al.*, 2000), negotiator ability has received limited theoretical or empirical attention, except for Fulmer and Barry (2004) and Neale and Bazerman (1983). How motivation and ability operate, independently or jointly, in predicting value-claiming performance is not well understood, and currently, there is no strong theoretical framework to guide such inquiry.

In the psychological literature, some researchers (Walker *et al.*, 1977) argue that ability and motivation have additive effects on performance. This view has been challenged by other researchers proposing the ability-motivation interaction perspective (Gagné and Fleishman, 1959; Pinder, 1984; Vroom, 1964) with some empirical support (O'Reilly and Chatman, 1994; Sackett *et al.*, 1998). Vroom's (1964) ability-motivation interaction hypothesis posits that "when [individual] motivation is low, both low- and high-ability individuals demonstrate similar low levels of [individual] performance", but "when [individual] motivation is high, [individual] performance variability due to individual differences in ability will be more evident" (Kanfer and Ackerman, 1989, p. 657). Sackett *et al.* (1998) argued that when individuals lack motivation, their ability has a null relationship with performance, but motivation

amplifies the positive ability-performance relationship. Incentives of different power induce different levels of motivation; a higher-power incentive scheme has a stronger effect on an individual's motivation and subsequent performance than a lower-power incentive scheme. Contingent pay for value-claiming performance should induce stronger motivation to achieve value-claiming performance than fixed pay. Incentive-induced motivation is external rather than internal in nature (Ryan and Deci, 2000). According to Cerasoli *et al.*'s (2014) recent meta-analytic findings, intrinsic motivation is a better predictor of performance quality, whereas an incentive is a better predictor of performance quantity. Therefore, contingent pay is more likely to serve an external motivation for better quantified (e.g. value claiming) performance than fixed pay.

Accurate perception of others' emotions affords information and opportunities for social interactions (Keltner and Kring, 1998). Accuracy enables people to focus on the most effective course(s) of action to achieve their goal(s) in a given situation (Rubin *et al.*, 2005). As noted by Fernández-Berrocal *et al.* (2014), contrary to the common understanding that emotionally intelligent individuals are "rigidly predisposed to cooperate regardless of others' behavior", they "respond flexibly to others' strategies and to the interaction context to maximize [their personal] gains – even when this means competing rather than cooperating" (p. 21). Depending on goals shaped by personal (e.g. personality) (Rubin *et al.*, 2005) or external factors (Byron *et al.*, 2007), individuals use their emotion perception to achieve them by adopting appropriate strategies. When incentives are directly tied to value-claiming performance in a perceived competitive situation, negotiators' emotion perception facilitates their value-claiming performance via competition against their counterpart. Under contingent pay, individuals who are more adept at recognizing/reading others' emotions tend to claim more value in resource allocation (Epley *et al.*, 2006) and negotiation tasks (Galinsky *et al.*, 2008), whereas under fixed pay, this tendency will diminish or even disappear.

In sum, from the ability-motivation interaction perspective, we expect emotion perception to have a stronger positive relationship with negotiator value-claiming performance in the contingent versus fixed pay condition:

H1. The incentive scheme (contingent versus fixed pay) moderates the relationship between negotiators' emotion perception and value-claiming performance such that the positive relationship between emotion perception and value-claiming performance is stronger in the contingent versus fixed pay condition.

Method

Participants and procedure

A total of 120 students (60 dyads; 39.2 per cent female) enrolled in a private university in the USA Midwest completed the study in exchange for monetary compensation. They were recruited through an advertisement. About 58 per cent of them were Americans and the remaining international (58 per cent Chinese, 24 per cent Indian, 10 per cent Korean, 2 per cent Indonesian, 2 per cent Pakistanis, 2 per cent Kenyan and 2 per cent Canadian). Their average age was 24.72 years (SD = 5.29). Our power analysis using G*Power 3.1.7 (Faul *et al.*, 2007) indicated that the actual number of dyads we had in our sample rendered us sufficient statistical power (above 0.80). The study took place in an experimental laboratory. We adopted a between-subjects design with random assignment of participants to one of the two experimental conditions. In the fixed pay

condition, both participants in a dyad were paid $10 for their completion of the negotiation task, irrespective of how the process transpired. They also received $7 for completing two questionnaires. In the contingent pay condition, each negotiator in a dyad earned $6 for *each* million-dollar increment of claimed individual earnings (in the fictitious dollar currency) linked to the agreement terms. They also received $7 for completing two questionnaires.

Following arrival and consent, participants were randomly paired, randomly assigned to one of the incentive conditions and then randomly assigned to a role as buyer or seller. After reading instructions for their role, they completed a brief questionnaire about previous negotiation training ("Have you had any negotiation training (e.g. workshop, courses, etc.) before?") and prior relationship ("Before the negotiation, do you have any prior relationship with the counterpart?") with a response of yes or no.

Participants negotiated over Brett and Okumura's (2009) *Cartoon* negotiation problem. The case involves the sale of syndicated rights to a children's TV cartoon program between a major film production company (the seller) and an independent TV station in a large metropolitan area (the buyer). Participants in a dyad negotiated one distributive/competitive issue (the price of each episode), two integrative issues for trade-offs (the number of runs of the show and financing) and one compatible issue (a second cartoon program whose inclusion in the agreement would make both parties better off) (see Adair *et al.*, 2001 for more details). They could construct a contingent agreement[2] based on divergent beliefs about ultimate viewer ratings of the program. To ensure that participants knew about contingent agreements, they received a tip sheet explaining how to use the pertinent formulations. If they walked away from the negotiation, then each of them would receive an alternative deal stipulated as a precisely valued Best Alternative to a Negotiated Agreement (BATNA) (Fisher *et al.*, 1991).

Participants negotiated contract terms face to face for 30 minutes. We subtracted BATNA from negotiation revenue to calculate the net value (with the increment of individual earnings in "million dollars"), which represented a participant's value-claiming performance. The sum of the two parties' net value represented a participant's value-creating performance. If a dyad constructed a contingent agreement, then a participant's value-claiming performance would include the contingent agreement's expected net value for the participant.

Upon finishing negotiation, participants moved to a private cubicle to complete online questionnaires indicating agreement terms, evaluating negotiation experience and assessing various traits, including emotion perception, Big Five personality, numeracy ("the ability to process basic probability and numerical concepts"; Peters *et al.*, 2006, p. 407) and demographics. As is common in many experimental studies (Chen *et al.*, 2012), we assessed participants' traits after the experimental task so as to avoid study fatigue before the negotiation and to mitigate any hyper-awareness of traits from reading the questions. Post-negotiation assessment was less likely to be systematically biased, given that participants were explicitly instructed to evaluate their traits based on *general* tendency and that they had a limited basis for evaluating their performance against their counterpart. After finishing the questionnaires, participants were debriefed, paid and thanked for their participation.

Emotion perception measures

We focus on self-evaluated emotion perception. Theoretically, self-perceived ability has proven important in determining individual actions and performance and guiding individual decisions and efforts (Meyer, 1987). Self-perceived ability interacts with motivation in determining performance (Brehm and Self, 1989; Locke *et al.*, 1984). Self-evaluated EI (self-perceived ability rather than personality) and EI assessed by performance tests have proven predictive of individual performance with similar magnitudes. For example, Joseph and Newman's (2010) meta-analysis showed that the correlations between self-evaluated EI (ability) and job performance was 0.17 (uncorrected for attenuation)/0.23 (corrected for attenuation), whereas that between performance-based EI and job performance was 0.16 (uncorrected for attenuation)/0.18 (corrected for attenuation). Petrides and Furnham (2003) also found that individuals with high self-evaluated EI outperformed their low self-evaluated EI counterparts in perceiving emotions. Practically, performance-based EI tests are more costly and time consuming than self-evaluated EI. Thus, our findings based on self-evaluated emotion perception may provide useful implications for personnel selection that is largely based on trait assessments.

We included three widely used measures of emotion perception, each based on Mayer and Salovey's model (Mayer and Salovey, 1997; Salovey and Mayer, 1990). They assessed participants' ability to perceive emotions accurately rather than some aspect of temperament (Bar-On, 1997; Petrides and Furnham, 2001). The included measures were Schutte's Self-Report EI Scale (SSREIS) (Schutte *et al.*, 1998), Wong and Law's EI Scale (WLEIS) (Law *et al.*, 2004; Wong and Law, 2002) and Brackett's Self-Report EI Scale (BSREIS) (Brackett *et al.*, 2006). Participants responded to each item on a seven-point scale from 1 (*not at all characteristic of me*) to 7 (*extremely characteristic of me*).

The 33-item SSREIS was used in Imai and Gelfand's (2010) negotiation study. It has satisfactory test–retest reliability ($r = 0.78$) along with discriminant validity from measures of cognitive and cultural intelligence (Imai and Gelfand, 2010; Schutte *et al.*, 1998; Tett *et al.*, 2005). Participants rated their emotion perception with the five items of emotion appraisal (Saklofske *et al.*, 2003): "I find it hard to understand the non-verbal messages of other people" (reverse-scored); "By looking at their facial expressions, I recognize the emotions people are experiencing"; "I am aware of the non-verbal messages other people send"; "I know what other people are feeling just by looking at them"; and "I can tell how people are feeling by listening to the tone of their voice". We dropped one item ("I am aware of the non-verbal messages I sent to others") because it did not tap the ability to perceive others' emotions but rather perceive one's own emotions. The internal consistency of emotion perception (SSREIS) in our study was 0.88.

We also included Law *et al.*'s (2004) 16-item WLEIS, developed in East Asia. This measure has been widely used in leadership, employee attitudes and job performance research (Hur *et al.*, 2011; Jung and Yoon, 2012; Law *et al.*, 2004; Sy *et al.*, 2006). Participants rated their emotion perception with the four items of others' emotion appraisal, including "I always know my friends' emotions from their behavior"; "I am a good observer of others' emotions"; "I am sensitive to the feelings and emotions of others"; and "I have good understanding of the emotions of people around me". The internal consistency of emotion perception (WLEIS) in our study was 0.87.

Brackett *et al.*'s (2006) 19-item BSREIS has been widely cited but infrequently used in empirical research. The current research is among the few attempts to examine its predictive value in a negotiation context. Participants rated their emotion perception with the four items of perceiving emotion, including "By looking at people's facial expressions, I recognize the emotions they are experiencing"; "I am aware of the non-verbal messages other people send"; "I can tell when a person is lying to me by looking at his or her facial expression"; and "My quick impressions of what people are feeling are usually wrong" (reverse-scored). The internal consistency of emotion perception (BSREIS) in our study was 0.71.

To assess self-evaluated emotion perception more reliably, we created a meta-scale based on all 13 items measuring emotion perception ($\alpha = 0.93$). We considered both the meta-scale and the emotion-perception sub-scales from SSREIS, WLEIS and BSREIS so as to examine whether the pattern of interaction would vary across scales.

Relationship satisfaction measure

Aside from substantive (economic) interests achieved through value claiming, negotiators may also care about their relational interests (Lax and Sebenius, 1986). When negotiators achieve their relational interests, they will experience relationship satisfaction (Curhan *et al.*, 2008). To test an alternative explanation that any observed interaction effect of emotion perception and the incentive scheme on value-claiming performance might be due to the potential interaction effect of emotion perception and the incentive scheme on relationship satisfaction (i.e. sacrificing substantive/economic interests to achieve relational interests or relational accommodation) (Curhan *et al.*, 2008; Gelfand *et al.* 2006), we also measured relationship satisfaction with Curhan *et al.* (2006) Subjective Value Inventory-Relationship sub-scale. Participants responded to the four items on seven-point scales ($\alpha = 0.84$). The items and scales were:

(1) "How satisfied are you with your relationship with your counterpart as a result of this negotiation?" (1 = *not at all*; 7 = *a great deal*)

(2) "Did the negotiation make you trust your counterpart?" (1 = *not at all*; 7 = *a great deal*)

(3) "Did the negotiation build a good foundation for a future relationship with your counterpart?" (1 = *not at all*; 7 = *a great deal*)

(4) "What kind of "overall" impression did your counterpart make on you?" (1 = *extremely negative*; 7 = *extremely positive*)

Control measures

In addition to the negotiation role, gender, age, prior relationship and prior negotiation training, we also included numeracy, the Big Five personality traits and felt emotions as control variables. Because the negotiation task entails numerical calculation, those with higher numeracy might gain an advantage over their counterpart in claiming value for themselves. Because self-evaluated emotion perception might be strongly correlated with personality traits (Brackett and Mayer, 2003; Davies *et al.*, 1998), including Big Five indicators, it was important to determine whether our findings regarding emotion perception were skewed by the Big Five[3]. Because emotions influence negotiation behaviors/outcomes (Campagna *et al.*, 2016; Carnevale, 2008; Carnevale and Isen, 1986; Druckman and Olekalns, 2008; Forgas, 1998), we also included felt positive and negative

emotions as psychological states rather than stable traits. In so doing, we could explore whether the outcomes were also a product of felt emotions.

Numeracy. We used Peters *et al.*'s (2006) 11-item scale to assess participants' numeracy.

Big Five personality. Saucier's (1994) 40 mini-markers provided an assessment of participants' Big Five personality traits. The measure is a well-validated, abbreviated version of Goldberg's (1992) larger measure. The abbreviated one makes less use of unfamiliar or difficult adjectives; it shows lower inter-subscale correlations and higher inter-item correlations (Ashton and Lee, 2005). Participants responded to the mini-markers on a seven-point scale from 1 (*not at all characteristic of me*) to 7 (*extremely characteristic of me*). The internal consistency of extraversion, agreeableness, conscientiousness, neuroticism and openness measured 0.85, 0.87, 0.83, 0.81 and 0.75, respectively.

Felt emotions. Participants indicated their felt positive and negative emotions *during* the negotiation by responding to Watson *et al.*'s (1988) PANAS items on a seven-point scale from 1 (*not at all*) to 7 (*a great deal*). The internal consistency of positive and negative emotions measured 0.90 and 0.89, respectively.

Analysis

Because of the non-independence within the dyads, we estimated multi-level models (Hofmann, 1997; Hofmann *et al.*, 2000) using HLM 7.0 (Raudenbush and Bryk, 2002). The individual level was treated as Level 1, with the dyad level being Level 2. Therefore, the interaction of emotion perception and the incentive scheme (1 = contingent pay, 0 = fixed pay) was cross-level.

There is no firm guideline regarding the cutoff value of ICC for the justification of the necessity of using multi-level modeling. Even though the ICC (0.0002) in the current study was nearly 0, within-dyad interdependence (given the social interactive nature of the negotiation) might still exist. Therefore, multi-level modeling even with the very small ICC is still a preferred analytic method (Adelson and Owen, 2012; Hayes, 2006). An ordinary-least-squares regression analysis (Aguinis *et al.*, 2013) revealed similar result patterns with significant effects for the hypothesized interactions. A random-intercept-and-random-slope model failed to converge, perhaps because the model was too complex to converge. Thus, only the intercepts had random error, allowing the intercepts to vary across dyads but assuming the slopes to be fixed across dyads (van Geel and Vedder, 2011).

For the hypothesized cross-level interaction effect, the *t*-test of the interaction parameter provided a direct test of the interaction effect's significance (DeRue *et al.*, 2009; Hofmann *et al.*, 2000); a significant *t*-statistic indicated a significant cross-level interaction effect. To account for between-dyad effects, we followed Foo *et al.* (2004), including the dyad means of age, numeracy, Big Five personality traits, felt emotions and emotion perception at Level 2. Following Aguinis *et al.*'s (2013) recommendations, we centered the continuous variables at Level 1 to their respective group means and the variables at Level 2 to their respective grand means (Bickel, 2007; Kreft *et al.*, 1995; Raudenbush and Bryk, 2002), so that the cross-level interaction was interpretable. A significant coefficient of a Level 1 continuous variable, thus, represented the relative advantage a participant gained over their counterpart from having a higher level of the variable.

Results

Table I shows the descriptive statistics and correlations. Value-claiming performance was normally distributed (Kolmogorov–Smirnov statistic = 0.06, $p = 0.20$) and significantly correlated with extraversion ($r = 0.18, p < 0.05$), agreeableness ($r = -0.21$, $p < 0.05$), positive emotions ($r = 0.23, p < 0.05$), negative emotions ($r = -0.21, p < 0.05$) and prior training ($r = 0.30$, $p < 0.001$). However, emotion perception was not significantly correlated with value-claiming performance (meta-scale: $r = -0.05$, $p = 0.56$; SSREIS sub-scale: $r = -0.02, p = 0.83$; WLEIS sub-scale: $r = -0.11, p = 0.23$; and BSREIS sub-scale: $r = -0.03, p = 0.74$) nor was relationship satisfaction ($r = 0.15, p = 0.10$). Relationship satisfaction was significantly correlated with emotion perception ($0.26 \leq rs \leq 0.40$, $ps \leq 0.01$), conscientiousness ($r = 0.32, p < 0.001$), neuroticism ($r = -0.21$, $p < 0.01$), positive emotions ($r = 0.39$, $p < 0.001$) and negative emotions ($r = -0.41$, $p < 0.001$). Value-creating performance was positively associated with the contingent pay (versus fixed pay) incentive condition ($r = 0.26, p < 0.05$).

The multi-level analysis (Table II) indicated that the cross-level interaction of emotion perception and the incentive scheme was significant. When emotion perception was assessed by the meta-scale ($\gamma = 1.19$, robust $SE = 0.33$, $t(45) = 3.65, p < 0.001$), the SSREIS sub-scale ($\gamma = 1.08$, robust $SE = 0.25$, $t(45) = 4.40$, $p < 0.001$), the WLEIS sub-scale ($\gamma = 0.76$, robust $SE = 0.31$, $t(45) = 2.44$, $p < 0.05$) or the BSREIS sub-scale ($\gamma = 1.28$, robust $SE = 0.39$, $t(45) = 3.26, p < 0.01$), supporting our hypothesis. Figure 1 displays all the interaction effects. In the contingent pay condition, emotion perception was positively related to value-claiming performance (simple $\text{slope}_{\text{meta-scale}} = 1.21$, simple $\text{slope}_{\text{SSREIS}} = 1.20$, simple $\text{slope}_{\text{WLEIS}} = 0.55$ and simple $\text{slope}_{\text{BSREIS}} = 1.31$), whereas in the fixed pay condition, emotion perception had a weaker relationship with value-claiming performance (simple $\text{slope}_{\text{meta-scale}} = 0.02$, simple $\text{slope}_{\text{SSREIS}} = 0.12$, simple $\text{slope}_{\text{WLEIS}} = -0.22$ and simple $\text{slope}_{\text{BSREIS}} = 0.02$). Because multicollinearity might produce spurious findings, we ran a separate analysis without the control variables. The result patterns remained the same.

We also conducted a multi-level analysis testing whether emotion perception and the incentive scheme interacted with one another in predicting relationship satisfaction (Table III). Consistent with previous research, emotion perception as assessed by the meta-scale ($\gamma = 0.25$, robust $SE = 0.12$, $t(45) = 2.02$, $p < 0.05$), the SSREIS sub-scale ($\gamma = 0.25$, robust $SE = 0.11$, $t(45) = 2.24$, $p < 0.05$) or the BSREIS sub-scale ($\gamma = 0.21$, robust $SE = 0.10$, $t(45) = 2.03$, $p < 0.05$) was positively related to relationship satisfaction. Emotion perception as assessed by the WLEIS sub-scale was not significantly related to relationship satisfaction ($\gamma = 0.10$, robust $SE = 0.13$, $t(45) = 0.75$, $p = 0.46$); nor was the interaction of emotion perception (assessed by any of the scales) and the incentive scheme[4].

Discussion

Adopting the ability-motivation interaction framework, we hypothesized that the incentive scheme (i.e. contingent vs fixed pay) moderates the relationship between negotiators' emotion perception and value claiming. By conducting a laboratory study including three measures of self-evaluated emotion perception and a meta-scale created from these measures, we found robust support for our hypothesis. The interaction of negotiators' emotion perception and the incentive scheme predicted value claiming (though not relationship satisfaction) above and beyond personality, numeracy, prior

Table I. Descriptive statistics and correlations

Level-1 (individual) variable ($N = 120$)	M	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
Value-claiming performance	1.74	1.21																		
Emotion perception (meta-scale)	5.24	0.97	−0.05																	
Emotion perception (SSREIS)	5.28	1.08	−0.02	0.96																
Emotion perception (WLEIS)	5.44	1.08	−0.11	0.91	0.82															
Emotion perception (BSREIS)	5.00	0.95	−0.03	0.90	0.83	0.71														
Relationship satisfaction	5.14	1.13	0.15	0.37	0.40	0.26	0.35													
Extraversion	4.84	1.08	0.18	0.29	0.25	0.29	0.28	0.16												
Agreeableness	5.47	0.99	−0.21	0.50	0.45	0.56	0.38	0.17	0.15											
Conscientiousness	5.16	0.98	0.06	0.37	0.37	0.32	0.33	0.32	0.24	0.32										
Neuroticism	3.44	1.08	0.03	−0.20	−0.20	−0.10	−0.24	−0.21	−0.29	−0.44	−0.46									
Openness	5.43	0.80	0.17	0.34	0.28	0.34	0.36	0.15	0.21	0.26	0.32	−0.06								
Numeracy	10.16	1.12	0.11	−0.10	−0.10	−0.14	−0.04	0.03	−0.10	−0.05	0.19	−0.16	0.05							
Positive emotions	4.70	1.10	0.23	0.24	0.23	0.21	0.23	0.39	0.08	0.10	0.21	−0.07	0.36	0.09						
Negative emotions	2.17	1.01	−0.21	−0.16	−0.17	−0.11	−0.16	−0.41	−0.26	−0.13	−0.36	0.29	−0.16	−0.23	−0.05					
Buyer	0.50	0.50	0.04	0.03	−0.03	0.07	0.05	0.04	0.03	0.08	0.13	0.05	−0.05	0.13	0.03	−0.16				
Female	0.39	0.49	−0.16	0.18	0.19	0.17	0.15	0.04	0.02	0.17	0.06	0.09	−0.01	−0.21	−0.16	−0.03	−0.12			
Age	24.72	5.29	0.00	−0.08	−0.10	−0.03	−0.08	0.13	−0.05	0.12	0.04	−0.03	0.04	−0.06	0.11	−0.21	0.03	0.00		
Prior relationship	0.18	0.38	0.14	−0.22	−0.22	−0.19	−0.19	−0.04	0.08	−0.19	−0.15	0.08	0.07	−0.03	0.10	0.02	−0.02	−0.15	−0.06	
Prior training	0.19	0.40	0.30	−0.05	−0.06	−0.04	−0.05	0.04	0.13	−0.07	0.05	−0.08	−0.02	0.10	0.20	−0.06	−0.02	−0.17	0.16	−0.06

Level-2 (dyad) variable ($N = 60$)	M	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Value-creating performance	3.48	0.88														
Incentive scheme	0.50	0.50	0.26													
Dyad mean of emotion perception (meta-scale)	5.24	0.70	−0.29	−0.19												
Dyad mean of emotion perception (SSREIS)	5.28	0.75	−0.30	−0.22	0.96											
Dyad mean of emotion perception (WLEIS)	5.44	0.78	−0.36	−0.19	0.92	0.84										
Dyad mean of emotion perception (BSREIS)	5.00	0.71	−0.12	−0.10	0.91	0.83	0.73									
Dyad mean of extraversion	4.84	0.83	0.20	0.19	0.17	0.14	0.10	0.24								
Dyad mean of agreeableness	5.47	0.65	−0.42	−0.26	0.60	0.57	0.62	0.50	0.14							
Dyad mean of conscientiousness	5.16	0.66	−0.20	−0.10	0.41	0.41	0.36	0.37	0.16	0.36						
Dyad mean of neuroticism	3.44	0.85	0.15	0.08	−0.26	−0.25	−0.11	−0.36	−0.33	−0.53	−0.50					
Dyad mean of openness	5.43	0.51	0.01	−0.06	0.46	0.37	0.46	0.48	0.09	0.35	0.22	−0.14				
Dyad mean of numeracy	10.16	0.77	0.13	0.10	0.06	0.05	0.03	0.09	−0.07	0.04	0.34	−0.24	0.09			
Dyad mean of positive emotions	4.70	0.74	−0.03	−0.17	0.22	0.20	0.22	0.19	−0.07	0.23	0.14	−0.08	0.25	0.03		
Dyad mean of negative emotions	2.17	0.70	0.00	0.14	−0.24	−0.29	−0.12	−0.25	−0.22	−0.13	−0.40	0.31	0.07	−0.21	0.05	
Dyad mean of age	24.72	3.87	−0.11	−0.01	−0.09	−0.07	−0.08	−0.11	−0.19	−0.04	0.07	0.07	−0.19	0.07	−0.04	−0.19

Notes: Incentive scheme: 1 = contingent pay, 0 = fixed pay; for Level 1, correlations of 0.18 or above are significant at the level of 0.05; correlations of 0.24 or above are significant at the level of 0.01; correlations of 0.30 or above are significant at the level of 0.001 (all two-tailed tests); for Level 2, correlations of 0.26 or above are significant at the level of 0.05; correlations of 0.34 or above are significant at the level of 0.01; correlations of 0.42 or above are significant at the level of 0.001 (all two-tailed tests)

Predictors	Model 1 (Emotion perception: Meta-scale) γ (*SE*)	*t* (*df*)	Model 2 (Emotion perception: SSREIS) γ (*SE*)	*t* (*df*)	Model 3 (Emotion perception: WLEIS) γ (*SE*)	*t* (*df*)	Model 4 (Emotion perception: BSREIS) γ (*SE*)	*t* (*df*)
Level-1 main effects								
Intercept	1.58 (0.18)	8.98 (47)***	1.61 (0.17)	9.37 (47)***	1.55 (0.17)	8.88 (47)***	1.53 (0.18)	8.32 (47)***
Buyer	−0.03 (0.28)	−0.13 (45)	−0.05 (0.27)	−0.19 (45)	0.01 (0.28)	0.04 (45)	0.01 (0.28)	0.02 (45)
Female	0.02 (0.22)	0.11 (45)	−0.02 (0.22)	−0.09 (45)	0.04 (0.22)	0.16 (45)	0.07 (0.21)	0.31 (45)
Age	−0.02 (0.03)	−0.47 (45)	−0.00 (0.04)	−0.07 (45)	−0.04 (0.03)	−1.31 (45)	−0.01 (0.03)	−0.30 (45)
Prior relationship	0.21 (0.10)	2.00 (45)	0.20 (0.10)	1.91 (45)	0.22 (0.10)	2.30 (45)*	0.20 (0.10)	1.99 (45)
Prior training	0.68 (0.28)	2.43 (45)*	0.66 (0.28)	2.39 (45)*	0.68 (0.29)	2.31 (45)*	0.75 (0.28)	2.63 (45)*
Numeracy	0.01 (0.18)	0.05 (45)	0.01 (0.18)	0.06 (45)	−0.06 (0.18)	−0.36 (45)	0.03 (0.18)	0.18 (45)
Extraversion	0.10 (0.19)	0.50 (45)	0.07 (0.19)	0.36 (45)	0.21 (0.20)	1.01 (45)	0.09 (0.20)	0.46 (45)
Agreeableness	−0.21 (0.18)	−1.13 (45)	−0.24 (0.18)	−1.34 (45)	−0.13 (0.20)	−0.65 (45)	−0.19 (0.18)	−1.06 (45)
Conscientiousness	−0.07 (0.19)	−0.37 (45)	−0.06 (0.18)	−0.34 (45)	−0.07 (0.20)	−0.33 (45)	−0.07 (0.18)	−0.41 (45)
Neuroticism	−0.12 (0.21)	−0.55 (45)	−0.12 (0.20)	−0.61 (45)	−0.04 (0.22)	−0.17 (45)	−0.09 (0.22)	−0.39 (45)
Openness	0.09 (0.32)	0.29 (45)	0.13 (0.32)	0.41 (45)	0.03 (0.34)	0.07 (45)	0.16 (0.33)	0.47 (45)
Positive emotions	0.34 (0.21)	1.63 (45)	0.26 (0.20)	1.33 (45)	0.43 (0.21)	2.06 (45)*	0.32 (0.21)	1.53 (45)
Negative emotions	−0.45 (0.23)	−1.97 (45)	−0.44 (0.23)	−1.95 (45)	−0.45 (0.23)	−1.97 (45)	−0.42 (0.22)	−1.90 (45)
Emotion perception	0.02 (0.20)	0.08 (45)	0.12 (0.15)	0.78 (45)	−0.21 (0.19)	−1.09 (45)	0.02 (0.21)	0.10 (45)
Level-2 main effects								
Value-creating performance	0.48 (0.03)	14.92 (47)***	0.48 (0.03)	15.48 (47)***	0.48 (0.03)	14.20 (47)***	0.48 (0.04)	13.28 (47)***
Incentive scheme	−0.07 (0.06)	−1.16 (47)	−0.06 (0.06)	−1.16 (47)	−0.07 (0.06)	−1.12 (47)	−0.08 (0.06)	−1.25 (47)
Dyad mean of age	−0.00 (0.01)	−0.56 (47)	−0.00 (0.01)	−0.66 (47)	−0.00 (0.01)	−0.53 (47)	−0.00 (0.01)	−0.55 (47)
Dyad mean of numeracy	−0.04 (0.04)	−0.96 (47)	−0.05 (0.04)	−1.07 (47)	−0.04 (0.04)	−0.91 (47)	−0.04 (0.04)	−0.91 (47)
Dyad mean of extraversion	−0.07 (0.04)	−1.78 (47)	−0.06 (0.04)	−1.71 (47)	−0.07 (0.04)	−1.76 (47)	−0.07 (0.04)	−1.82 (47)
Dyad mean of agreeableness	0.00 (0.06)	0.01 (47)	0.02 (0.06)	0.26 (47)	0.00 (0.07)	0.01 (47)	−0.01 (0.06)	−0.14 (47)
Dyad mean of conscientiousness	0.07 (0.05)	1.25 (47)	0.07 (0.05)	1.37 (47)	0.07 (0.06)	1.17 (47)	0.07 (0.05)	1.26 (47)
Dyad mean of neuroticism	−0.00 (0.05)	−0.04 (47)	0.01 (0.05)	0.16 (47)	−0.01 (0.05)	−0.12 (47)	−0.00 (0.05)	−0.03 (47)
Dyad mean of openness	0.05 (0.07)	0.79 (47)	0.06 (0.07)	0.89 (47)	0.05 (0.07)	0.79 (47)	0.05 (0.07)	0.79 (47)
Dyad mean of positive emotions	−0.06 (0.05)	−1.26 (47)	−0.06 (0.05)	−1.33 (47)	−0.06 (0.05)	−1.25 (47)	−0.06 (0.05)	−1.19 (47)
Dyad mean of negative emotions	−0.01 (0.05)	−0.30 (47)	−0.02 (0.05)	−0.48 (47)	−0.01 (0.05)	−0.30 (47)	−0.01 (0.05)	−0.20 (47)
Dyad mean of emotion perception	0.03 (0.04)	0.65 (47)	0.01 (0.03)	0.17 (47)	0.02 (0.04)	0.54 (47)	0.04 (0.04)	1.01 (47)
Cross-level interaction effect								
Emotion perception × incentive scheme	1.19 (0.33)	3.65 (45)***	1.08 (0.25)	4.40 (45)***	0.76 (0.31)	2.44 (45)*	1.28 (0.39)	3.26 (45)**
Deviance	371.00		370.27		377.09		371.44	

Notes: Incentive scheme: 1 = contingent pay, 0 = fixed pay; the continuous variables at Level 1 were centered to their respective group means; level-2 variables are centered to their respective grand means; $N_{\text{Level-1}} = 120$ and $N_{\text{Level-2}} = 60$; robust standard errors are presented; * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$ (two-tailed)

Table II.
Multilevel analysis predicting value-claiming performance

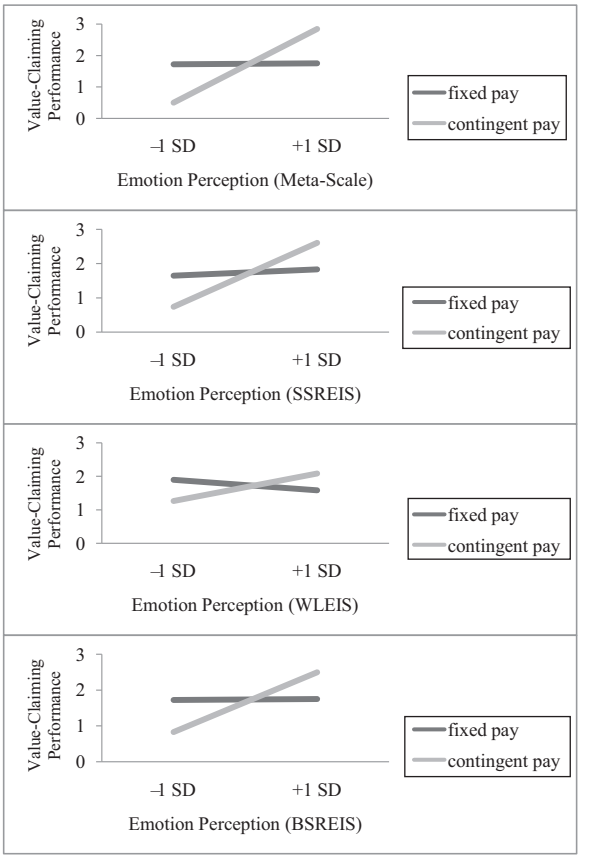

Figure 1.
The incentive scheme (contingent vs fixed pay) as a moderator for the relationship between self-evaluated emotion perception and value-claiming performance

Note: Fixed pay represents pay non-contingent upon value-claiming performance, whereas contingent pay represents pay contingent upon value-claiming performance

relationship, prior training, emotions and demographics. However, consistent with prior research showing a positive linkage between EI and relationship satisfaction, emotion perception did have a direct, positive relationship with relationship satisfaction. These findings shed light on both negotiation and emotion perception (EI) research.

Theoretical implications

Negotiation research. The contribution of the current research to the negotiation literature is threefold. First, although Fulmer and Barry (2004) claimed that EI can provide an edge in value claiming, empirical evidence has so far been mixed. We focused on emotion perception – the most basic facet of EI – and examined its value in predicting negotiators' value-claiming performance under two incentive schemes. The current research is among the few studies that have demonstrated the value of self-evaluated emotion perception in negotiation settings. We theorized and then empirically examined

Table III.
Multilevel analysis predicting relationship satisfaction

Predictors	Model 1 (Emotion perception: Meta-Scale) γ (*SE*)	*t* (*df*)	Model 2 (Emotion perception: SSREIS) γ (*SE*)	*t* (*df*)	Model 3 (Emotion perception: WLEIS) γ (*SE*)	*t* (*df*)	Model 4 (Emotion perception: BSREIS) γ (*SE*)	*t* (*df*)
Level-1 main effects								
Intercept	5.14 (0.16)	32.18 (47)***	5.12 (0.16)	32.31 (47)***	5.15 (0.16)	31.57 (47)***	5.15 (0.16)	32.36 (47)***
Buyer	−0.05 (0.16)	−0.34 (45)	−0.02 (0.16)	−0.13 (45)	−0.06 (0.17)	−0.34 (45)	−0.08 (0.16)	−0.47 (45)
Female	0.09 (0.18)	0.51 (45)	0.09 (0.17)	0.52 (45)	0.13 (0.18)	0.71 (45)	0.08 (0.17)	0.46 (45)
Age	0.03 (0.02)	1.47 (45)	0.04 (0.02)	1.70 (45)	0.02 (0.02)	1.09 (45)	0.02 (0.02)	1.05 (45)
Prior relationship	0.08 (0.24)	0.34 (45)	0.11 (0.24)	0.45 (45)	−0.03 (0.24)	−0.14 (45)	0.08 (0.25)	0.32 (45)
Prior training	−0.10 (0.18)	−0.55 (45)	−0.08 (0.17)	−0.50 (45)	−0.10 (0.18)	−0.55 (45)	−0.09 (0.18)	−0.48 (45)
Numeracy	−0.16 (0.11)	−1.44 (45)	−0.14 (0.11)	−1.34 (45)	−0.20 (0.11)	−1.71 (45)	−0.19 (0.11)	−1.71 (45)
Extraversion	0.03 (0.10)	0.28 (45)	0.03 (0.09)	0.36 (45)	0.06 (0.11)	0.54 (45)	0.06 (0.10)	0.62 (45)
Agreeableness	−0.07 (0.11)	−0.62 (45)	−0.07 (0.11)	−0.63 (45)	−0.03 (0.13)	−0.25 (45)	−0.02 (0.10)	−0.21 (45)
Conscientiousness	0.08 (0.12)	0.61 (45)	0.06 (0.13)	0.45 (45)	0.10 (0.12)	0.81 (45)	0.08 (0.12)	0.65 (45)
Neuroticism	0.13 (0.16)	0.84 (45)	0.13 (0.16)	0.84 (45)	0.15 (0.17)	0.88 (45)	0.15 (0.16)	0.93 (45)
Openness	−0.13 (0.17)	−0.81 (45)	−0.12 (0.17)	−0.73 (45)	−0.12 (0.17)	−0.70 (45)	−0.16 (0.16)	−0.99 (45)
Positive emotions	0.31 (0.11)	2.78 (45)**	0.30 (0.11)	2.67 (45)*	0.34 (0.11)	3.08 (45)**	0.33 (0.11)	2.89 (45)**
Negative emotions	−0.40 (0.10)	−4.05 (45)***	−0.39 (0.10)	−3.85 (45)***	−0.41 (0.10)	−3.91 (45)***	−0.42 (0.09)	−4.39 (45)***
Emotion perception	0.25 (0.12)	2.02 (45)*	0.25 (0.11)	2.24 (45)*	0.10 (0.13)	0.75 (45)	0.21 (0.10)	2.03 (45)*
Level-2 main effects								
Value-creating performance	−0.05 (0.12)	−0.42 (47)	−0.04 (0.11)	−0.34 (47)	−0.05 (0.13)	−0.42 (47)	−0.09 (0.12)	−0.73 (47)
Incentive scheme	−0.05 (0.19)	−0.29 (47)	−0.04 (0.18)	−0.19 (47)	−0.06 (0.20)	−0.29 (47)	−0.07 (0.19)	−0.38 (47)
Dyad mean of age	−0.01 (0.03)	−0.46 (47)	−0.01 (0.03)	−0.41 (47)	−0.02 (0.03)	−0.58 (47)	−0.02 (0.03)	−0.53 (47)
Dyad mean of numeracy	0.05 (0.12)	0.42 (47)	0.05 (0.12)	0.45 (47)	0.05 (0.13)	0.41 (47)	0.06 (0.13)	0.45 (47)
Dyad mean of extraversion	−0.07 (0.11)	−0.65 (47)	−0.07 (0.10)	−0.66 (47)	−0.05 (0.11)	−0.49 (47)	−0.06 (0.11)	−0.51 (47)
Dyad mean of agreeableness	−0.21 (0.18)	−1.17 (47)	−0.22 (0.17)	−1.26 (47)	−0.16 (0.19)	−0.80 (47)	−0.10 (0.17)	−0.60 (47)
Dyad mean of conscientiousness	0.14 (0.17)	0.83 (47)	0.14 (0.17)	0.79 (47)	0.16 (0.18)	0.84 (47)	0.19 (0.17)	1.13 (47)
Dyad mean of neuroticism	−0.18 (0.20)	−0.89 (47)	−0.18 (0.20)	−0.93 (47)	−0.18 (0.19)	−0.96 (47)	−0.09 (0.19)	−0.46 (47)
Dyad mean of openness	−0.39 (0.16)	−2.37 (47)*	−0.36 (0.16)	−2.23 (47)*	−0.28 (0.18)	−1.62 (47)	−0.39 (0.17)	−2.34 (47)*

(*continued*)

Table III.

Predictors	Model 1 (Emotion perception: Meta-Scale) γ (*SE*)	*t* (*df*)	Model 2 (Emotion perception: SSREIS) γ (*SE*)	*t* (*df*)	Model 3 (Emotion perception: WLEIS) γ (*SE*)	*t* (*df*)	Model 4 (Emotion perception: BSREIS) γ (*SE*)	*t* (*df*)
Dyad mean of positive emotions	0.42 (0.12)	3.37 (47)**	0.41 (0.12)	3.42 (47)***	0.45 (0.13)	3.32 (47)**	0.42 (0.13)	3.34 (47)**
Dyad mean of negative emotions	−0.34 (0.17)	−1.99 (47)	−0.30 (0.17)	−1.74 (47)	−0.40 (0.17)	−2.41 (47)*	−0.35 (0.17)	−2.06 (47)*
Dyad mean of emotion perception	0.40 (0.17)	2.32 (47)*	0.43 (0.14)	3.08 (47)**	0.17 (0.18)	0.95 (47)	0.31 (0.17)	1.86 (47)
Cross-level interaction effect								
Emotion perception × incentive scheme	−0.14 (0.25)	−0.57 (45)	−0.07 (0.22)	−0.32 (45)	−0.19 (0.22)	−0.86 (45)	−0.18 (0.25)	−0.73 (45)
Deviance	361.73		359.99		366.48		362.70	

Notes: Incentive scheme: 1= contingent pay, 0 = fixed pay; the continuous variables at Level 1 were centered to their respective group means; level-2 variables are centered to their respective grand means; $N_{\text{Level-1}} = 120$ and $N_{\text{Level-2}} = 60$; robust standard errors are presented. * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$ (two-tailed)

the neglected linkage between ability-motivation interaction and value-claiming performance. Following the ability-motivation interaction perspective, we provided strong evidence that *only* when incentives are directly tied to value-claiming performance would negotiators' emotion perception be positively related to value-claiming performance (economic edge). Incentive schemes are rarely discussed in the negotiation literature. Many negotiation experiments might even have no incentive at all. The current research has clearly shown that they *matter*.

Second, the current research speaks directly to the debate over the predictive value of trait factors mentioned earlier. Flawed interpretation of initial studies led to a view that traits are irrelevant to negotiation, which discouraged researchers from examining them thoroughly (Sharma *et al.*, 2013). This study indicates that researchers need to adopt a person–situation interaction perspective and focus more on situational moderators in investigating the performance implications of negotiator traits. A narrow focus on either situational or trait factors can lead to limited or even biased understanding of the negotiation process. Only when situational and trait factors are jointly considered will we reach a more comprehensive understanding. Such efforts should energize more productive inquiry regarding negotiators' traits yielding guidance for more comprehensive negotiation training. Although Sharma *et al.* (2013) examined the bivariate relationships between negotiators' traits and behaviors/outcomes, they did not examine relative predictive value. By showing the unique variance of value-claiming performance in the contingent pay condition and relationship satisfaction explained by emotion perception, above and beyond the Big Five personality traits, numeracy and other individual differences, we argue that different traits affect different aspects of negotiations. Self-evaluated emotion perception is not redundant with the other traits but, rather, plays a distinct and important role affecting both substantive (economic) and relational outcomes.

Third, our finding of the positive relationship between emotion perception and relationship satisfaction is also important to negotiation research and practice. It suggests that emotion perception renders negotiators not only tactical advantage in claiming value over the agreement terms under a contingent pay scheme but also potential strategic advantage in reaping benefits from the implementation of the negotiated agreement, as well as from future negotiations with the same counterpart (Bottom *et al.*, 2006; Mislin *et al.*, 2011). As a key input to negotiation success, emotion perception should receive more research attention. We also urge negotiation instructors to consider emotion perception training (via feedback and self-assessments) as a part of negotiation training.

Emotion perception research. Our contribution to the emotion perception (EI) literature is twofold. First, by using three measures of self-evaluated emotion perception, all of which were developed from Mayer and Salovey's model, we were the first to demonstrate the convergent pattern of the linkage between emotion perception and value-claiming performance in the contingent pay condition. The result pattern derived from the meta-scale of emotion perception was largely similar to those derived from the three scales (particularly, SSREIS and BSREIS). Therefore, if a high-reliability measure of emotion perception is needed, then future research may consider using this meta-scale. Otherwise, researchers may simply use the emotion-perception sub-scales of SSREIS or BSREIS in their research. However, the result pattern of the relationship between emotion perception (WLEIS) and relationship satisfaction differed from those

for emotion perception (SSREIS and BSREIS), presumably because WLEIS was developed in East Asia, whereas SSREIS and BSREIS were developed in the USA. Therefore, WLEIS may be more appropriate for research conducted in East Asia, whereas SSREIS and BSREIS are more appropriate for research conducted in the USA.

Second, as Rynes *et al.* (2005, p. 572) noted:

> […] the vast majority of organizations (at least in the USA) claim to use pay-for-performance (PFP) systems, and most USA workers say they want to be paid on the basis of performance.

Many employees in private and public sectors, such as public and private schools (Ballou, 2001), hospitals (Werner *et al.*, 2011), professional organizations (Young *et al.*, 2012) and companies (Deckop *et al.*, 1999; Larkin *et al.*, 2012), are paid based on their performance. Rosenthal and Dudley (2007) noted that:

> [m]ore than half of commercial health maintenance organizations are using pay-for-performance, and recent legislation requires Centers for Medicare & Medicaid Services (CMS) to adopt pay-for-performance for Medicare (p. 740).

Given the prevalence of pay for performance, our findings shed some light on the role of EI in work settings. They are consistent with previous findings, showing a positive relationship between employees' emotion perception and their individual (economic) performance (Byron *et al.*, 2007; Momm *et al.*, 2015). Ybarra *et al.* (2014, pp. 93-94) noted that "[c]ontrary to the "big idea" motivating much EI research […] EI actually does little to explain how well people successfully navigate their lives.". According to our findings, this negative claim appears premature. We urge researchers to consider situational moderators in carefully designed studies to generate more insights into how EI operates in work and social lives. It is likely that EI operates differently in determining instrumental/economic versus intrinsic/relational outcomes; the linkage between EI and instrumental/economic outcomes may be more situation-dependent than that between EI and intrinsic/relational outcomes.

Limitations and directions for future research

Our findings should be considered in light of their limitations and corresponding directions for future research. First, we focused on self-evaluated emotion perception, rather than emotion perception assessed by performance tests; this helped us address whether self-report measures of emotion perception, which are much easier to administer and less costly than performance measures, were valuable in predicting important outcomes. Our findings have proven that it is. Yet one may argue that self-evaluated emotion perception is nonetheless susceptible to biases. As Petrides and Furnham (2003, p. 52) noted:

> [p]erhaps it must be accepted, however, that the degree to which the entire constellation of trait EI self-perceptions is accurate cannot be determined. Extant maximum-performance measures of EI cannot serve as benchmarks for assessing the accuracy of self-reports […]. One cannot but second the position that when discrepancies arise, self-reports must be given priority over objective measures.

Second, the negotiation study was conducted with a student sample, thus raising the question regarding the generalizability of the current findings to other populations. Some research has shown that negotiation research based on student samples provides valid and generalizable results, when samples of students and working professionals

are compared (Herbst and Schwarz, 2011). That said, we acknowledge our study sample as a limitation and encourage researchers to replicate and extend our findings using samples from different populations.

Third, the negotiation study was conducted in the USA, and thus, the results may not generalize to other cultural contexts. Negotiators who are able to recognize emotions within their own cultures may not be as able in other cultures (Elfenbein and Ambady, 2002b). The measures of emotion perception we used in the present research might not capture the ability to recognize emotions in foreign cultures. *Cultural intelligence*, representing the ability to function effectively across cultures (Ang *et al.*, 2006; Imai and Gelfand, 2010), is likely to strengthen the interaction effect of emotion perception and the incentive scheme on value-claiming performance. That is, we speculate a three-way interaction effect of emotion perception, cultural intelligence and the incentive scheme on negotiators' value-claiming performance. Future research can test this hypothesis.

Finally, we focused on value-claiming performance as the only instrumental outcome. Yet negotiators *may* have to increase the value for both parties (i.e. value-creating performance) to increase their value-claiming performance. Parenthetically, we found a positive correlation between value-creating performance and the incentive scheme, suggesting that applying contingent (versus fixed) pay to *both* negotiators can increase value-creating performance of a dyad. Future negotiation research can further investigate this issue. Under what incentive scheme can emotion perception or other kinds of socioemotional ability facilitate value-creating performance? Answers to this question can enrich our understanding of how ability-motivation interaction operates in negotiations.

Conclusion

We examined how negotiators' self-evaluated emotion perception was related to their value-claiming performance when they received contingent versus fixed pay for their value-claiming performance. By adopting the framework of ability-motivation interaction, the current study demonstrated that the relationship between emotion perception (measured by three self-report scales and the meta-scale based on these three scales) and value-claiming performance was stronger in the contingent versus fixed pay condition. Tangentially and consistent with prior research, emotion perception had a direct, positive linkage with relationship satisfaction, regardless of the incentive scheme. These findings shed light on both negotiation and emotion perception (EI) research, highlighting the context-dependent predictive value of negotiator traits.

Notes

1. Emotion perception represents the *cognitive* ability to take another's perspectives and successfully recognize another's emotions, rather than the tendency to vicariously experience another's emotions or feel what another feels (Ickes, 1993; Preston and de Waal, 2002; Soto and Levenson, 2009 for discussion on cognitive and emotional empathy). Therefore, it is a form of *cognitive empathy* regarding emotions (Neal and Chartrand, 2011) rather than *emotional empathy*.
2. Contingent agreements are if-then agreements that specify the actions negotiation parties to take if certain future circumstances (the contingencies) materialize (Bazerman and Gillespie, 1999; Kong, 2012). The construction of a contingent agreement is based on negotiators' utilization of their different preferences and beliefs (Bazerman and Gillespie, 1999; Lax and

Sebenius, 2002). It is often considered a problem-solving approach in negotiations with integrative potential (Kray *et al.*, 2005).

3. Self-evaluated emotion perception is "a stable latent disposition and assessed by self-report" (Tett *et al.*, 2005, p. 28). There has been limited success in demonstrating the incremental predictive validity of EI and its facets above and beyond the Big Five personality traits (Tett *et al.*, 2005; Brackett and Mayer, 2003). Negotiation research rarely includes all Big Five personality traits as control variables (Sharma *et al.*, 2013).
4. Our exploratory analysis indicated that whether the dyad was a same- or cross-sex one made no significant difference to the results. This is consistent with our expectation, given that we randomly assigned participants to a dyad.

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