Ethics and Personality: Empathy and Narcissism as Moderators of Ethical Decision Making in Business Students

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Many studies have reported that business students have been more apt to act in self-interested ways when compared to their counterparts in other academic fields. Beginning with the premise that ethical behavior derives in part from personality characteristics, the authors tested whether (a) measures of an empathetic or narcissistic personality predicted self-reported ethical decision making in business students and (b) individual business majors have a tendency to exhibit these personality traits. First, findings demonstrate that empathetic and narcissistic personality traits are significant predictors of ethical decision making. Second, they found that finance majors showed a marked and statistically significant tendency to be less empathetic and more narcissistic as compared to other business students.

Keywords: business school pedagogy, business school students, empathy, ethics, narcissism, selfishness

It has been well established that business students often cheat more and act in less cooperative ways than do students from other academic fields (Frank, 2004; Khaneman, Knetsch, & Thaler, 1986; McCabe & Trevino, 1995). The complexities surrounding the causes and consequences of unethical behavior make it difficult to capture the full picture of what sorts of attitudes or personality characteristics lead to dubious acts in the business world. However, we believe that at least part of this complexity resides in underlying personality dispositions that result from repeated exposure to the sort of pedagogy applied in business schools. We set out to test, first, whether certain psychological dispositions lead to different self-reported answers on ethics questions among business students and, second, if these differences in personality dispositions are associated with different business majors or with more mathematically rigorous and pecuniary majors, such as finance, tending to manifest personality traits that make them more likely to violate ethical standards.

There is substantial literature that indicates undergraduate business students cheat more than other undergraduate majors. Baird (1980) reported that business students are more
likely than are education majors to cheat, and more likely to conceal instructors’ mistakes. Brown (1995) showed that in a survey of graduate business, education, and engineering students, business students were substantially more inclined to participate in academic dishonesty. In another study, McCabe and Trevino (1995) looked at reported cheating at 31 of America’s best undergraduate colleges and universities. Their sample consisted of 6,096 responses. Business students had a 50% higher rate of reported cheating than any other major.

Khaneman et al. (1986) showed that commerce, or Canadian business students, were more likely to offer less in an ultimatum bargaining experimental game. In ultimatum bargaining, an individual is asked to divide an amount of money between himself or herself and another player. The other player has the option of accepting or rejecting the offer made by the decision player. Khaneman et al. compared commerce students to psychology students of the same year in school, finding that the business-oriented students in general offered less to the opposing player.

In his book, What Price the Moral High Ground, Frank’s (2004) asked a similar question in regard to economics students. Frank posed the question of how non-economics students would compare to economics students in a prisoner’s dilemma game. He reported that, under a variety of circumstances, economics students at Cornell University were more likely to defect. In fact, more than half of the economics majors who returned an exit survey said they would defect in the game even if they knew with certainty that their opponent was going to cooperate. What is more intriguing is that other majors had a strong and progressive tendency toward cooperation in the prisoner’s dilemma the closer they were to their senior year. This pattern was clearly absent among economics majors.

Frank (2004) also used ethics surveys in two undergraduate economics courses that were taught in contrasting ways: one was taught in the standard fashion and the other was taught by an economist specializing in economic development in Maoist China, who stressed the less material objectives of economics. The ethics questions asked students how they would react to certain situations. Students were surveyed once in September at the beginning of the class semester and once at the end in December. Economics students in the mainstream, traditional class were more likely to answer the questions with a cynical view in mind than were students in the class with a less material focus.

There is an important point that these studies only address mildly. How do these sorts of behaviors become engendered on a psychological level in business students? In a study conducted by Allen, Fuller and Luckett (1998), it was suggested that the underlying differences in rates of cheating among business students between universities rest in how school administrations institute antickeating policies. Schools that treat cheating as a behavioral rather than as a moral development issue tend to have higher rates of dishonesty. In contrast, a school that incorporates moral logic into the general curriculum fares better. This would seem to support a notion set forward by Frank (2004), that ethics in the classroom are less tangible than merely holding individuals accountable for their actions, but rather reside more in the pedagogical experience fused with the ideology of the subject matter. This suggests that stressing morals and having a people-centered focus matters when it comes to resulting ethical behavior.

The very nature of a business school is to equip individuals with an academic and social skill set that helps them to succeed in a competitive business world. What may be left out of this equation is the proverbial moral line in the sand that helps students discern the ethical from the merely profitable. A study by Sims (1993) demonstrated that many business professionals learn selfish behavior while in undergraduate or graduate business school. He shows that these behavioral attitudes follow them into the professional world. Sims’s work highlights the importance of attitude development in dealing with dishonest or selfish actions. Thus, attitudes that are cultivated and fostered in business school form the basis of how the corporate cultures evolve. Indeed, Hartikainen and Torstila (2004) found that younger finance professionals that had only up to 2 years out of business school had dramatically different ethical standards, compared to those who had been working for many years. These findings suggest that the business school experience has a direct impact on the ethical behavior of professionals.

METHOD

Participants
We contacted 309 business students at a large research university and had 244 respondents, for a 79% response rate. The sample consisted of 97 finance students, 73 management students, 42 marketing students, and 32 accounting students. The median age was 21.4 years. The average GPA for this sample of business students was 3.32 on a 4-point scale.

Apparatus
A Web-based survey was used, allowing the order of all non-demographic questions to be randomized, thus eliminating a potential source of data pollution. The survey was completely anonymous. Our survey instrument was designed to accomplish two main research goals. First, we were interested in gathering information on students’ psychological profiles and how they felt they would act in certain hypothetical ethical situations. Second, we gathered information pertaining to each student’s demographic and academic backgrounds.

The personality profile portion of the survey had two specific focuses, including a selfism (narcissism) test and an empathy test. After consulting the pertinent psychology literature and discussing the strengths and weaknesses of
alternative assessment tools with experts in the field of psychology, we decided on two mainstream and widely accepted scales to test narcissism and empathetic tendencies. There were a total of 16 questions in this section. All personality profile questions are included in the Appendix.

The Phares and Erskine Selfism Test (Phares & Erskine, 1984) was designed to measure relative narcissism. As defined by Phares and Erskine, the test measures

“an orientation, belief, or set affecting how one construes a whole range of situations that deal with the satisfaction of needs. A person who scores high on the NS (narcissism scale) views a large number of situations in a selfish or egocentric fashion” (p. 598).

The Phares and Erskine Selfishism Test has been tested and found to have a very high rate of internal consistency. Each test used a 7-item Likert-type scale ranging from 1 (strongly agree) to 7 (strongly disagree). A sample question used on the test was the following: “Call it selfishness if you will, but in this world today, we all have to look out for ourselves first.”

The other personality measure used in the survey focused on testing individuals for empathetic tendencies, or the ability to understand the needs of others and their community. Goldberg (1999) developed a series of questions to test for empathetic patterns of behavior in respondents. The study of the manner in which individuals attempt to understand and place themselves emotionally in the place of another is of great importance in contemplating how social groups and networks are motivated to carry out prosocial behavior.

Thoits (1989) stated that “empathetic role-taking emotions, or vicarious emotions, result from mentally placing oneself in another’s position and feeling what the other might feel in that situation” (p. 328). Indeed, this sort of emotional capacity has been important to researchers looking at what motivates moral and prosocial actions, finding that higher levels of empathy tend to make individuals more likely to be morally outraged or to take action to prevent unjust acts (Davis, 1996; Smith-Lovin, 1995). A heightened sense of morality or an active vigilance in regard to justice are exactly the sorts of behavioral tendencies that lead to more ethical behavior. With narcissism and empathy, we felt that two important dimensions of personality could be tested: one that should lead to more selfish or less ethical behavior, and another that is more group-oriented, which should lead to more ethical behavior. In order to elicit a positive survey return rate, it was necessary to use a subset of each test, with eight narcissistic and eight empathetic questions.

The hypothetical ethical dilemma questions were taken from Frank (2004) and are present in the Appendix. The first question deals with a business-related situation in which a student is asked what the chances are that he or she would return merchandise if it was accidentally given to him or her. The next question is formatted in a similar manner. It describes a situation in which the student has found $100, and then asks him or her what the chances are that he or she would return the money to the rightful owner. In each case, students were given response choices that indicated the probability between 0–100% (at 10% increments) that they would act in an ethical manner.

Hypotheses

First, based on the nature of personality traits being tested, our hypotheses were the following:

Hypothesis 1A (H1A): Higher rates of narcissism would predict less ethical decision making.

Hypothesis 1B (H1B): Higher rates of empathy would predict more ethical decision making.

Second, based upon Frank’s (2004) findings that a traditional economics curriculum was a significant predictor of the chances that a student would tend to act in an ethical manner, we formed the following two hypotheses:

Hypothesis 2A (H2A): Finance and accounting majors would have higher rates of narcissism than would management and marketing majors.

Hypothesis 2B (H2B): Finance and accounting majors would have lower rates of empathy than would management and marketing majors.

We felt that the people-centered focus of the management and marketing curriculum would engender personality traits more in line with ethical behavior, as compared to the computationally centered and more mathematically rigorous curriculum of accounting and finance majors.

Dependent and Independent Variables

The raw responses on the ethical questions were used directly as dependent variables. This gave us dependent variables for the hypothetical ethical behavior that was ordinal in nature, ranging from 0 to 10. It was necessary to develop two sets of dependent variables for the personality trait tests: one set for narcissism and another for empathy. Factor analysis was used in order to give each respondent a relative score on each test. The factor analysis used a principle component analysis with varimax rotation. Only one component with an Eigen value greater than 1 was extracted for each test. Internal consistency of each test was measured by using a reliability analysis (for the Selfism test, $\alpha = .6964$; for the Empathy test, $\alpha = .8117$).

Variables describing individual characteristics included gender, GPA, and age. We felt it necessary to control for these three main characteristics as a reflection of their general classification as a student. Gender is important because women tend to be more empathetic than do men (Schie- man & Van Gundy, 2000). GPA was necessary to control, as cheating rates (or unethical behavior) have been higher...
among students with a lower GPA because those students have more incentive than do those with better grades (Bunn, Caudill, & Gropper, 1992). Finally, age is also an indicator of a student’s level of maturity. As a result, it was felt that older students would tend to be more ethical and less impacted by the pedagogical experience of business school.

RESULTS

We first tested the relationship between students’ self-reported probability that they would act ethically in a given situation. Our results corresponded to our hypotheses. The first regression in Table 1 shows that empathy and narcissism were significant predictors of our proxy for ethical behavior. In this case, the question posed students a business-related ethical dilemma: would they return extra merchandise accidentally shipped to their company, or would they keep it and not say anything to the supplier? Empathy had a positive coefficient, as was predicted. Furthermore, it was significant at the $p < .01$ level. The coefficient for the narcissism variable was negative, as was hypothesized, and was significant at the $p < .01$ level as well.

In the next hypothetical situation, students were asked if they would return $100 cash in an envelope found at a football game to the rightful owner. In this case, the question was formulated in a manner that puts emphasis on the student’s ethical behavior in a nonbusiness situation. The previous hypothetical question asked about a student’s behavior in a business-specific context. It is of note that there is no difference between the significance of empathy and narcissism in predicting the behavior in both hypothetical situations. As in the previous model, empathy and narcissism were significant at the $p < .01$ level. Both of these regression models support the $H_{2A}$ and $H_{1B}$, in which we predicted that ethical decision making would correspond to more general measures of empathetic and narcissistic personality traits in business students.

The next two regressions set the personality traits as dependent variables in order to test if a business student’s major was predictive of their relative level of empathy or narcissism. The same control variables (age, gender, GPA) used in the ethical dilemma models were again used to control for important differences that might affect a student’s personality type outside of their exposure to their particular business major. Business students were classified into four major groups, including accounting, finance, management, and marketing. Management majors were dropped from the two personality trait regression equations in order to use them as the baseline analysis. In the empathy model, the finance variable had a negative coefficient and was significant at the $p < .01$ level. The accounting variable was also negative, but was only significant at the $p < .10$ level. Both of these results correspond to $H_{2A}$, that finance and accounting majors would be relatively less empathetic than would be the more people-focused marketing and management majors.

The narcissism regression model produced slightly different results. First, the finance variable corresponded to $H_{2B}$. The coefficient for the finance variable was positive and significant at the $p < .10$ level. However, the accounting major variable was not statistically significant, indicating that our data does provide evidence for the second part of $H_{2B}$: Accounting students do not register higher levels of narcissism compared to other business majors. This indicates that finance majors generally tended to have higher levels of narcissism than did accounting, marketing, and management students.

DISCUSSION

The results support the two hypotheses set forth in this article. The first hypothesis predicted that personality traits would be

<table>
<thead>
<tr>
<th>Variable</th>
<th>Ethical dilemma 1 ($n = 241$)</th>
<th>Ethical dilemma 2 ($n = 241$)</th>
<th>Empathy ($n = 242$)</th>
<th>Narcissism ($n = 242$)</th>
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<tbody>
<tr>
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<td>Age</td>
<td>.011</td>
<td>.036</td>
<td>.003</td>
<td>-.118†</td>
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<td>Gender</td>
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<td>.063</td>
<td>.095</td>
<td>-.035</td>
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<td>GPA</td>
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<td>.192**</td>
<td>.020</td>
<td>-.211**</td>
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<tr>
<td>Empathy</td>
<td>.162**</td>
<td>.211**</td>
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<td>Narcissim</td>
<td>-.167**</td>
<td>-.229**</td>
<td>—</td>
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<tr>
<td>Finance major</td>
<td>—</td>
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<td>-.174**</td>
<td>.102†</td>
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<td>Accounting major</td>
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<td>-.032†</td>
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<td>Marketing major</td>
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<td>.050</td>
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<tr>
<td>$R^2$</td>
<td>3.276**</td>
<td>8.396**</td>
<td>2.020**</td>
<td>2.300*</td>
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<tr>
<td>Adjusted $R^2$</td>
<td>.04</td>
<td>.13</td>
<td>.025</td>
<td>.031</td>
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Note. Regressions using Empathy and Narcissism as dependent variables used Management majors as the baseline for the analysis. For gender, men were coded as 0 and women were coded as 1.

†$p < .10$. *$p < .05$. **$p < .01$. 

TABLE 1
Ordinary Least Square Regressions
an important predictor of ethical behavior. In the business-specific context and in the general context of finding $100 cash, empathy and narcissism were statistically significant predictors of reported behavior even when controlling for a student’s age, gender, and GPA. These findings suggest that ethical decision making has deep roots in an individual’s whole personality and is not merely something that can be taught. Business school education cannot merely tell students that ethics are important. Rather, the pedagogical experience must be infused with examples, exercises, and opportunities to develop personality traits that are conducive to ethical behavior. In short, paying the proverbial lip service to ethics does not create ethical students.

The second set of findings showed that there were significant differences between the students that inhabited different business majors. That finance majors had significantly lower levels of empathy was not entirely surprising, considering the sort of pecuniary values that are emphasized in their discipline: profit maximization, the time value of money or the need to commodify all aspects of a business, including human resources. There is a strong emphasis in financial education on using mathematics to quantify all aspects of business management. However, this focus may also engender in students an intuitive belief that it is not rational, in a financial sense, to be empathetic toward others. It may be that the entire financial educational experience affects a student’s ethical disposition by influencing his or her broader personality. Furthermore, the finding that being a finance major is also a significant predictor of narcissism relative to other business majors suggests that students focusing in financial education have at least a mildly more self-centered view of the world.

These findings raise other important questions that need to be explored in future research. Most notably, do more selfish and less empathetic individuals self select into finance because it fits their view of the world, or is it that students enter the discipline cart blanche and through the educational experience develop differing personality traits over time? It is likely a combination of each of these causes. It seems perfectly reasonable that a student’s predisposition toward a particular personality type would become more entrenched when exposed to a way of thinking that emphasizes the values that a student held previously. Thus, innately less empathetic individuals entering the mathematically rigorous finance education curriculum would find no need to alter their worldview and would most likely feel very comfortable in making decisions based on mathematical reasoning. Further studies using panel data that could track changes in personality traits in an individual student over time are needed to fully control for testing biases inherent in using a survey based methodology.

CONCLUSION

Personality traits, including empathy and narcissism, are important factors in determining whether a business student will make ethical decisions. Furthermore, it is evident that the financial education subdiscipline seems to either attract or cultivate students with those personality traits that lead to less ethical behavior. Further research is needed to find out if finance educators can make changes in their curriculum in order to combat this disturbing trend.

REFERENCES


APPENDIX

Please help us understand your ideas about business practices. Please do not answer any question that makes you feel uncomfortable. Be honest with yourself and think very carefully how you these questions fit you. Thanks.

Question #1
In an effort to increase productivity, the owner of a small business has ordered ten personal computers for use by his staff. When the UPS shipment arrives, he notices that the invoice from the mail-order house bills only nine PCs, even though all ten were included with the shipment.

The owner has two options. (1) He can inform the mail-order house of its error and ask to be billed for the correct amount; or (2) he can pay the amount shown on the invoice and take no further action.

If the owner pays the amount shown, the worst thing that can happen is that the mail-order house may later discover its error and bill him for the tenth computer. There is a high probability (99% say) that the error will never be discovered.

If YOU were the owner in the situation described above, what are the chances you would inform the mail-order house of its mistake and ask to be billed for the correct amount? (Check one.)

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<th>90%</th>
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Question #2
After attending a football game, you return home to discover that you have lost an envelope from your jacket pocket. The envelope contains $100 in cash and has your name and address written on the outside. A stranger has found the envelope.

If YOU found $100 in an envelope like the one described above what are the chances that you would return the stranger’s cash? (Check one.)

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<td>No chance</td>
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Please help us understand your ideas about life. If you tend to disagree with the statement, circle a number on the left side of the scale; if you tend to agree, circle a number on the right side. If you are neutral, circle the “4”. Please circle one number in each row. Please do not answer any question that makes you feel uncomfortable. Be honest with yourself and think very carefully how you these questions fit you. Thanks.

Selfism Questions
1. Thinking of yourself first is no sin in this world today.
2. It is more important to live for yourself rather than for other people, parents, or for posterity.
3. I regard myself as someone who looks after his/her personal interests.
4. It’s best to live for the present and not worry about tomorrow.
5. Getting ahead in life depends mainly on thinking of yourself first.
6. Call it selfishness if you will, but in this world today, we all have to look out for ourselves first.
7. In striving to reach one’s true potential, it is sometimes necessary to worry less about other people.
8. Not enough people live for the present.

Empathy Questions
1. I make people feel welcome.
2. I anticipate the needs of others.
3. I love to help others.
4. I am concerned about others.
5. I have a good word for everyone.
6. I am sensitive to the feelings of others.
7. I make people feel comfortable.
8. I take time for others.