



## The Effects of Machiavellianism and Cultural Dimensions on Business Students' General Distrust of Corporations

Rafik Z. Elias, California State University, Los Angeles

### Abstract

*The great recession of 2008-2012 had negative consequences in the U.S. and abroad. Several major corporations went bankrupt. The current paper tests whether business students developed a general distrust of corporations, immediately after the recession was over, and during a period of economic recovery. A survey of 474 business students in two universities revealed above average general distrust of corporations, with significant differences in distrust based on demographic factors. Two psychological variables: Machiavellianism and Individualism/Collectivism were found to be strongly related to negative perceptions of corporations. Students high in Machiavellianism and those higher in Collectivism had higher general distrust of corporations compared to other students. The results have implications for business instructors and employers.*

**Keywords:** Corporate distrust, Business Students, Machiavellianism, Individualism/Collectivism.

### Introduction

In the last two decades, the public has witnessed a wide array of corporate scandals (e.g. Enron, Lehman Brothers). These scandals centered around corporate fraud committed at the highest levels, mostly using accounting techniques. Such incidents have shaken the public's trust in corporations in general (Verschoor, 2004). Without the willingness of parties to rely on one another to fulfill obligations, markets breakdown and exchange grinds to a halt (Hurley et al. 2014). The effect of such loss of trust was felt globally during the global financial crisis of 2008 and the U.S. is still trying to recover from the effect of this crisis.

The current study examines business students' general distrust of corporations. The study is conducted in the aftermath of "the great recession of 2008-2012", which represented the worst economic downturn in the U.S. since the great depression (Hurley et al. 2014). The purpose of the study is two-fold: First, understand business students' perceptions of corporations after significant negative media publicity during the great recession. Second, understand two individual personality characteristics that might be related to corporate distrust: Machiavellianism and the cultural dimensions of Individualism/Collectivism. Machiavellianism is the tendency of

certain individuals to act in their own self-interest and manipulate others for their personal gain (Christie and Geis 1970). The study finds that such individuals had a higher negative perception of corporations in general. In addition, the study finds that business students higher in Collectivism (i.e. believing in the importance of strong groups throughout a person's life) had higher levels of corporate distrust compared to low Collectivists.

## **Corporate Distrust**

Multinational corporations have seen significant growth in the last few decades, especially in countries with formerly hostile governments, due to the belief that such corporations would improve their citizens' lives (Greider, 1997). In the U.S., the benefits of corporations and their roles in general have been controversial. On one hand, Friedman (1970) argued that the only corporate social responsibility was to increase profit and maximize shareholders' value. This concept was termed "the stockholder approach" and generally forms the foundation of business education (Freeman, 1984). On the other hand, the last few decades have witnessed what is called "the stakeholder approach" to corporate responsibility which holds that corporations are responsible to a wide array of stakeholders, in addition to stockholders, such as consumers, suppliers, communities and society in general (Calvano, 2008).

Significant research has investigated the concept of corporate reputation. Corporate reputation represents the knowledge and feelings held by individuals about a corporation (Hall, 1992). Companies that fail to fulfill societal expectations lose social legitimacy and develop a negative reputation (Aguilera et al. 2007). Baucus and Baucus (1997) found that when corporations were convicted of illegal acts, their sales growth significantly declined. Brammer and Millington (2005) concluded that stakeholders held more positive views of philanthropic corporations. Hardeck and Hertl (2014) noted that society increasingly demand companies to be good corporate citizens in tax matters.

The loss of corporate reputation has become apparent in the recent past, especially after the wave of corporate bankruptcies of the early 2000's (e.g. Enron, Worldcom) and the massive job losses ensuing from these bankruptcies. These corporate scandals have shaken the public's trust in corporations. The concept of trust was defined as "the confidence in a partner's reliability and integrity" (Morgan and Hunt, 1994, 25). Doney and Cannon (1997) defined trust as a belief in the credibility and benevolence of the partner. Trust is essential to keeping the economy moving (Hurley et al. 2014). For example, employees place their trust on their employers to keep their job (Verschoor, 2004) and communities trust corporations to be good tenants (Calvano, 2008). A survey of CEOs of large corporations after the Enron and Worldcom bankruptcies revealed that 81% of them were aware of the significant erosion of trust in their corporations and vowed to make corporate ethics a top priority for them. Such loss of trust would deepen a few years later and evolve into a global financial crisis. In the U.S. the great recession of 2008-2012 represented the worst economic downturn since the great depression (Yandle, 2010). During this time, capital markets were frozen and more large companies collapsed in a new wave of scandals (e.g. Lehman Brothers and several large banks).

The growing loss of trust in corporations in general, as opposed to a specific corporation, has been attributed to the greater amount of information about ethical matters in the mass media, as well as the public's exposure to cases involving unethical business practices (Leonidou et al. 2013). Elias (2004) showed that business students viewed corporate social responsibility to be more important to profitability and long-term success of the firm after media exposure to corporate scandals. The current study examines the importance of negative media publicity of

corporate behavior during the great recession and investigates the perception of business students of corporations in general toward the end of such recession. During the time this study was conducted, the U.S. economy was emerging from the great recession and showing signs of recovery. It is expected that business students will hold higher than average distrust of corporations due to the overwhelmingly negative publicity of corporations during the great recession. The following hypothesis is tested:

H1: Business students will have high general distrust of corporations in the aftermath of a major recession and many corporate scandals.

The study also investigates if there are personality characteristics that some students might possess that might affect their distrust in corporations. Specifically, the study examines Machiavellianism and the cultural dimensions of Individualism/Collectivism.

### **Machiavellianism**

Machiavellianism is a negative personality trait characterized by the willingness to use manipulative tactics and the endorsement of a cynical, untrustworthy view of human nature (Christie and Geis, 1970). In social settings, such individuals tend to be disagreeable (Elfenbein et al., 2008) and emotionally manipulative (Austin et al., 2007). In business settings, significant research has documented the negative consequences of possessing such a personality trait. Machiavellian employees were disruptive to the effective functioning of organizations (Dahling et al., 2009), more likely to steal, and had lower job satisfaction and higher turnover (Fehr et al., 1992). Research has also consistently found that Machiavellians exhibited lower ethical values. Murphy (2012) found that accountants high on Machiavellianism were more likely to misreport financial statements compared to those who were less Machiavellian and such individuals were less likely to feel guilty about it. Dalton and Radtke (2013) found that high Machiavellians were less likely to blow the whistle on unethical practices in their organizations compared to low Machiavellians. The authors attributed this finding to the Machiavellian characteristic of favoring self-interest over organizational-interest.

Research has examined the relationship between Machiavellianism and corporations in general. In the aftermath of the financial crisis, Marshall et al. (2013) argued that individuals with Machiavellian tendencies tended to cluster in global financial institutions in what they termed “corporate psychopathy” characterized by their incapacity to feel moral guilt. Shafer and Simmons (2008) found that Machiavellians tended to endorse the traditional “stockholder view” of corporate responsibility and were less likely to support the “stakeholder view”. Zhang and Gowan (2012) noted that employees scoring high on Machiavellianism were less attracted to companies with high legal and ethical performance. Noting that high Machiavellians tended to distrust others because they themselves have a tendency to manipulate others (Marshall et al. 2013), the current study examines the relationship between Machiavellianism and general distrust of corporations and theorizes a positive relationship as follows:

H2: Business students scoring higher on Machiavellianism will have a higher general level of corporate distrust compared to those scoring lower on Machiavellianism.

### **Individualism/Collectivism**

Hofstede (1980) introduced the cultural dimension of Individualism/Collectivism. He conceptualized it as a variable that captures a group’s beliefs, norms and roles regarding an individual’s membership in that group as well as his/her relationship with others (Triandis,

1996). Individuals scoring high on Individualism prefer being independent, unique and maintain relationships only when the benefits of such relationships outweigh the costs. By contrast, those scoring high on Collectivism value group membership, and yield to the obligations expected by their families, friends and greater communities (Triandis, 1996). Individuals living in multicultural societies such as the U.S. typically exhibit a variety of cultural dimensions based on their ethnic backgrounds and the larger society in general (Chao and Moon, 2005).

Significant research has examined the consequences of Individualism/Collectivism on ethical perception. The results were generally mixed. For example, Swaidan (2012) found that consumers high on Collectivism rejected unethical business practices more often compared to those high on Individualism. However, Williams and Zinkin (2008) found that consumers in countries high on Individualism were more likely to punish bad corporate behavior compared to those in Collectivist societies.

Greenfield (2009) introduced the theory of social change and human development. In that theory, he argued that a society's cultural dimension of Individualism/Collectivism is dynamic and is subject to change based on economic factors. He argued that material affluence contributes to increased Individualism while economic hardships can increase collectivism. Based on this theory, Park et al. (2014) showed that high school students' Collectivism scores increased and individualism scores decreased after the great recession compared to before. They attributed that shift to the Collectivists' concern for others during difficult times. Interestingly, during this time period, increasing materialism reversed among those students and the importance of money leveled off. Based on this research, the current study examines the link between Individualism/Collectivism and the general distrust of corporations immediately after the great recession. The following hypothesis is tested:

H3: Business students scoring higher on Individualism would have a lower distrust of corporations while those scoring higher on Collectivism would have a higher distrust of corporations.

## **Sample Selection**

The subjects for this study consisted of undergraduate business students in two universities on the West Coast (a large public AACSB-accredited and a medium-sized private liberal- arts). Two significantly different types of universities were surveyed in order to maximize the generalizability of the results. A survey containing the study's measures was administered to students in different undergraduate classes during class time. Anonymity was guaranteed and the survey took about 15 minutes to complete. The survey also included demographic questions regarding age, gender, class grade and chosen major. After disregarding surveys with missing responses, the final useable sample consisted of 474 students (333 students in the large university and 141 in the medium one). A comparison of each measure between the two universities was conducted and no significant differences were found.

## **Study Measures**

Several scales were used to conduct this study. In order to measure general distrust of corporations, the scale developed by Adams et al. (2010) was used. The authors developed a 13-item questionnaire that reflected variation in expectations about the perceived fairness and trustworthiness of corporations in general during a certain time period, rather than a particular corporation. The respondents recorded their agreement/disagreement with each statement on a

seven-point scale ranging from 1 (strongly disagree) to 7 (strongly agree). Higher scores indicate higher general distrust of corporations. Survey reliability was estimated at .95. In the current study, it showed reliability of .88. Adams et al. (2010) found that the corporate distrust measure shared only minimal variance with self-reported liberalism and a stronger relationship with cynicism and belief in a just world. In the original study, a single factor for total distrust of corporations was found. However, in the current study, factor analysis was conducted and two factors emerged with eigenvalues greater than 1 as follows: Accountability (the respondent distrusts that corporate executives are accountable for their actions) and Intention (the respondent distrusts the corporate executives' intention). Highhouse et al. (2014) used the scale to measure outrage over CEOs extreme bonuses and found that general distrust of corporations was a major factor in the development of such outrage.

In order to measure Machiavellianism, the scale developed by Dahling et al. (2009) was used. In that study, the authors developed a 16-item questionnaire where each respondent recorded his/her agreement with each statement on a seven-point scale ranging from 1 (strongly disagree) to 7 (strongly agree). Higher scores indicate higher Machiavellianism. Survey reliability in the original study was .84 and it was .81 in the current study. Four factors emerged as follows: Amorality (the lack of ethics in different situations), Desire for Control (manipulating others for a person's self-interest), Desire for Status (Showing off wealth and power) and Distrust of Others (the constant suspicion of others' intent). A total score is also calculated.

In order to measure the cultural dimension of Individualism/Collectivism, the scale developed by Triandis and Gelfand (1998) was used. In their study, they introduced Horizontal and Vertical dimensions to Individualism/Collectivism. Horizontal Individualists want to be distinct from groups and self—reliant but not necessarily interested in achieving higher status compared to others. Vertical Individualists are independent actors who compete with others for status. Horizontal Collectivists experience a sense of group membership and oneness but do not like to yield to authority, while Vertical Collectivists make personal sacrifices for the benefit of the group (Triandis and Gelfand, 1998). The questionnaire consisted of 12 statements (three for each factor) and respondents recorded their agreement/disagreement with each statement on seven-point scale ranging from 1 (strongly disagree) to 7 (strongly agree). Factor loadings ranged from .58 to .69 for all factors.

## **Study Results**

Table 1 presents the means and standard deviations for all scales used in the study. The results indicate that students had slightly above average general distrust of corporations (Mean 4.64/7.00). The students had higher distrust of corporate executives' intentions compared to their accountability. Therefore H1 is modestly supported. However, demographic analyses showed significant differences based on age, gender and major. Nontraditional (older) students had a much higher distrust of corporations compared to younger students. Male students had a higher distrust of corporations than female students. In addition, Management, Marketing and CIS majors had the highest distrust of corporations while Economics and General Business majors had the least distrust.

Table 1: Demographic Differences (N=474)

<i>Panel A:</i>		<u>Means (SD)</u>						
Accountability		4.41	(1.39)					
Intention		4.79	(1.25)					
Total Distrust		4.64	(1.23)					
Amorality		2.43	(1.36)					
Desire for Control		4.15	(1.53)					
Desire for Status		5.07	(1.45)					
Distrust of Others		3.93	(1.28)					
Total Machiavellianism		3.79	(1.02)					
Horizontal Individualism		5.78	(1.06)					
Vertical Individualism		5.24	(1.14)					
Horizontal Collectivism		5.14	(1.03)					
Vertical Collectivism		5.78	(1.07)					
<i>Panel B: Age Differences</i>								
	<u>&lt; 25 years</u>	<u>25 and &gt;</u>						
Accountability	4.21***	4.89***						
Intention	4.59***	5.26***						
Total Distrust	4.45***	5.12***						
<i>Panel C: Gender Differences</i>								
	<u>Male</u>	<u>Female</u>						
Accountability								
Intention	4.95***	4.60***						
Total Distrust	4.77***	4.49***						
Amorality	2.64***	2.24***						
Control	4.38***	3.92***						
Total Machiavellianism	3.90***	3.64***						
Vertical Individualism	5.38***	5.08***						
Horizontal Collectivism	5.06*	5.22*						
<i>Panel D: Major Differences</i>								
	<u>Acct.</u>	<u>Man.</u>	<u>Mark.</u>	<u>Econ.</u>	<u>CIS</u>	<u>Fina.</u>	<u>Gen.</u>	<u>Nonbus.</u>
<u>Distrust of Corporations</u>								
Accountability	4.39	4.76	4.89	4.03	5.02	4.40	3.71	4.64***
Intention	4.81	5.08	5.05	4.40	5.28	5.05	4.15	4.92***
Total Distrust	4.65	4.96	4.99	4.26	5.18	4.80	3.98	4.81***
Amorality	2.24	2.47	2.45	2.36	2.52	2.78	2.38	3.15**
Distrust	3.82	4.14	4.00	3.63	4.05	4.08	3.62	4.50**
Total Machiav.	3.65	3.93	3.76	3.67	3.78	3.99	3.61	4.38***
<b>1 = strongly disagree; 7 = strongly agree</b>								
<b>*** p&lt;.01   ** p&lt;.05   * p&lt;.10</b>								

Regarding Machiavellianism, data analyses revealed low levels of amorality (lack of ethics) and high desire for status among business students, with an overall average score for Machiavellianism (Mean 3.78/7.00). Demographic differences emerged based on gender and

major. Male students had higher levels of amorality, desire for control and overall total Machiavellianism compared to female students. Nonbusiness majors had the highest levels of amorality, distrust of others and total Machiavellianism while Accounting, Economics and General Business majors had the lowest levels.

Regarding the cultural dimension of Individualism/Collectivism, business students had high levels of Individualism and Collectivism. Differences emerged only based on gender where female students had lower levels of Vertical Individualism and higher levels of Horizontal Collectivism compared to male students.

In order to test the relationship between personality variables and the general distrust of corporations, correlation analyses were conducted. The results are reported in Table 2.

Table 2: Correlation between All Measures

	<u>Corporate Distrust</u>
Amorality	.08**
Desire for Control	
Desire for Status	
Distrust of Others	.30***
Total Machiavellianism	.16***
Horizontal Individualism	
Vertical Individualism	
Horizontal Collectivism	.06*
Vertical Collectivism	.17***
*** p<.01    ** p<.05    * p<.10	

The results indicate a significant positive relationship between amorality, distrust of others and total Machiavellianism and the general distrust of corporations. These results support H2. In addition, students high on Horizontal and Vertical collectivism had higher levels of corporate distrust compared to others. Therefore H3 is also supported.

## Discussion and Implications

The current study sheds light on business students' perceptions of corporations in the aftermath of the great recession and numerous ethics scandals. The results generally indicate a higher than average distrust of corporations in general. Older students had higher distrust than younger students, a finding that could be attributed to older students' greater attention to media reporting during the great recession, their work experience and life experience in general. The finding that male students had a higher distrust of corporations deserves further analysis and could be the subject of a future study. Interestingly, Economics majors (the ones least likely to be employed in corporations) had the least distrust of corporations while CIS, Management and Marketing majors (most likely to seek corporate positions) had the highest distrust. Since the negative publicity typically focused on executives' wrongdoing, Management and Marketing majors were paying attention and were noticing the behavior of such executives.

The results regarding Machiavellianism were not particularly surprising. Fortunately, business students had low levels of amorality (low ethics) and overall average levels of

Machiavellianism. It is somewhat comforting to also find that nonbusiness majors had higher Machiavellianism levels than any business majors.

The study found that business students exhibiting higher levels of the negative Machiavellianism personality trait had higher distrust of corporations compared to others, a finding attributed to Machiavellians recognizing similar personality traits exhibited by top executives during the great recession (Marshall et al., 2013). As theorized, Collectivists also had higher general distrust of corporations, a finding attributed to the potential harm negative corporate behavior had inflicted on communities in general, such as the loss of jobs.

The study's findings regarding Machiavellianism are useful to business instructors and employers. Since instructors emphasize negative corporate behavior in various case studies, they should also point out the personality characteristics of the executives who committed such fraud. Emphasizing the Machiavellian attitude of fraudsters could eventually lead to Machiavellian business students examining their own tendencies. Murphy (2012) reported that ethics training had the highest positive impact on accountants with Machiavellian personalities. Employers should also pay close attention to their potential recruits' personalities, especially their Machiavellian attitude, during the interview process. Eliminating such disruptive employees could potentially reduce ethical failures within the company.

## References

- Adams, J. E., Highhouse, S., and Zichar, M. J. (2010). Understanding general distrust of corporations. *Corporate Reputation Review*, 13, 38-51.
- Aguilera, R. V., Rupp, D., Williams, C. and Ganapathi, J. (2007). Putting the S back in CSR: A multi-level theory of social change in organizations. *The Academy of Management Review*, 32(2), 836-863.
- Austin, E. J., Farrelly, D., Black, C. and Moore, H. (2007). Emotional intelligence, Machiavellianism, and emotional manipulation: Does EI have a dark side? *Personality and Individual Differences*, 43, 179-189.
- Baucus, M. S., and Baucus, D. B. (1997). Paying the piper: An empirical examination of longer-term financial consequences of illegal corporate behavior. *Academy of Management Journal*, 40(1), 129-151.
- Brammer, S., and Millington, A. (2005). Corporate reputation and philanthropy: An empirical analysis. *Journal of Business Ethics*, 61, 1-29.
- Calvano, L. (2008). Multinational corporations and local communities: A critical analysis of conflict. *Journal of Business Ethics*, 82, 793-805.
- Christie, R., and Geis, F. (1970). *Studies in Machiavellianism*. New York, NY: Academic Press.
- Dalton, D., and Radtke, R. R. (2013). The joint effects of Machiavellianism and ethical environment on whistleblowing. *Journal of Business Ethics*, 117, 153-172.
- Dhaling, J. J., Whitaker, B. G., and Levy, P. E. (2009). The development and validation of a new Machiavellianism scale. *Journal of Management*, 35(2), 219-257.
- Doney, P. M., and Cannon, J. P. (1997). An examination of the nature of trust in buyer-seller relationships. *Journal of Marketing*, 61(4), 35-51.
- Elfenbein, H. A., Curhan, J. R., Eisenkraft, N., Shirako, A., and Baccaro, L. (2008). Are some negotiators better than others? Individual differences in bargaining outcomes. *Journal of Research in Personality*, 42, 1463-1475.
- Fehr, B., Samson, D., and Paulhus, D. L. (1992). The construct of Machiavellianism: Twenty

- years later. In C. Spielberger and J. Butcher (eds.) *Advances in Personality Assessment*: 77-116. Hillsdale, NJ: Lawrence Erlbaum.
- Chao, G. T., and Moon, H. (2005). The cultural mosaic: A metatheory for understanding the complexity of culture. *Journal of Applied Psychology*, 90, 1128-1140.
- Freeman, R. (1984). *Strategic Management: A Stakeholder Perspective*. Englewood Cliffs, NJ: Prentice Hall.
- Friedman, M. (1970). The social responsibility of a business is to increase its profit. *New York Times*, 13, 122-126.
- Greenfield, P. M. (2009). Linking social change and developmental change: Shifting pathways of human development. *Developmental Psychology*, 45, 401-408.
- Greider, W. (1997). *One World, Ready or Not: The Manic Logic of Global Capitalism*. New York, NY: Touchstone.
- Hall, R. (1992). The strategic analysis of intangible resources. *Strategic Management Journal*, 13(2), 135-144.
- Hardeck, I., and Hertl, R. (2014). Consumer reactions to corporate tax strategies: Effects on corporate reputation and purchase behavior. *Journal of Business Ethics*, 123, 309-326.
- Highhouse, S., Wood, N. L., Lake, C. J., and Kirkendall, S. R. (2014). Dispositional and contextual moderators of public outrage over outsized executive bonuses. *Corporate Reputation Review*, 17(4), 290-299.
- Hofstede, G. (1980). *Culture's Consequences*. Beverly Hills, CA: Sage Publications.
- Hurley, R., Gong, X., and Waqar, A. (2014). Understanding the loss of trust in large banks. *International Journal of Bank Marketing*, 32, 348-366.
- Leonidou, L. C., Kvasova, O., Leonidou, C. N., and Chari, S. (2013). Business unethicity as an impediment to consumer trust: The moderating role of demographic and cultural characteristics. *Journal of Business Ethics*, 112, 397-415.
- Marshall, A., Baden, D., and Guidi, M. (2013). Can an ethical revival of prudence within prudential regulation tackle corporate psychopathy? *Journal of Business Ethics*, 117, 559-568.
- Morgan, R. M., and Hunt, S. D. (1994). The commitment-trust theory of relationship marketing. *Journal of Marketing*, 58(3), 20-38.
- Murphy, P. R. (2012). Attitude, Machiavellianism, and the rationalization of misreporting. *Accounting, Organizations, and Society*, 37, 242-259.
- Park, H., Twenge, J. M., and Greenfield, P. M. (2014). The great recession: Implications for adolescent values and behavior. *Social Psychological and Personality Science*, 5(3), 310-318.
- Shafer, W. E., and Simmons, R. S. (2008). Social responsibility, Machiavellianism, and tax avoidance: A study of Hong Kong tax professionals. *Accounting, Auditing & Accountability Journal*, 21, 695-720.
- Swaidan, Z. (2012). Culture and consumer ethics. *Journal of Business Ethics*, 108, 201-213.
- Triandis, H. C., and Gelfand, M. J. (1998). Converging measurement of horizontal and vertical individualism and collectivism. *Journal of Personality and Social Psychology*, 74, 118-128.
- Triandis, H. C. (1996). The psychological measurement of cultural syndromes. *American Psychologist*, 51, 407-415.
- Verschoor, C. C. (2004). CEOs set ethics priorities: Ordinary citizens define ethics broadly. *Strategic Finance*, 86, 17-18.

- Williams, G. and Zinkin, J. (2008). The effect of culture on consumers' willingness to punish irresponsible corporate behavior: Applying Hofstede's typology to the punishment aspect of corporate social responsibility. *Business Ethics: A European Review*, 17, 210-226.
- Yandle, B. (2010). Lost trust: The real cause of the financial meltdown. *The Independent Review*, 14, 341-361.
- Zhang, L., and Gowan, M. A. (2012). Corporate social responsibility, applicants' individual traits, and organizational attraction: A person-organization fit perspective. *Journal of Business Psychology*, 27, 345-362.

### **Author Biography**

**Rafik Z. Elias** is a Professor of Accounting at California State University, Los Angeles. He received his Doctorate of Business Administration in Accounting from Louisiana Tech University and he is a CPA. His research has been published in *Journal of Business Ethics*, *Advances in Accounting*, *Advances in Public Interest Accounting*, *Journal of the Academy of Business Administration*, *Managerial Auditing Journal*, and many national and regional conference proceedings. His research interests are in the areas of Auditing, Accounting Education and Ethics.