



ISCPA's "An Inconvenient Blindness: Navigating Corruption and Conflicts of Interest"

Presented by Bret Hood

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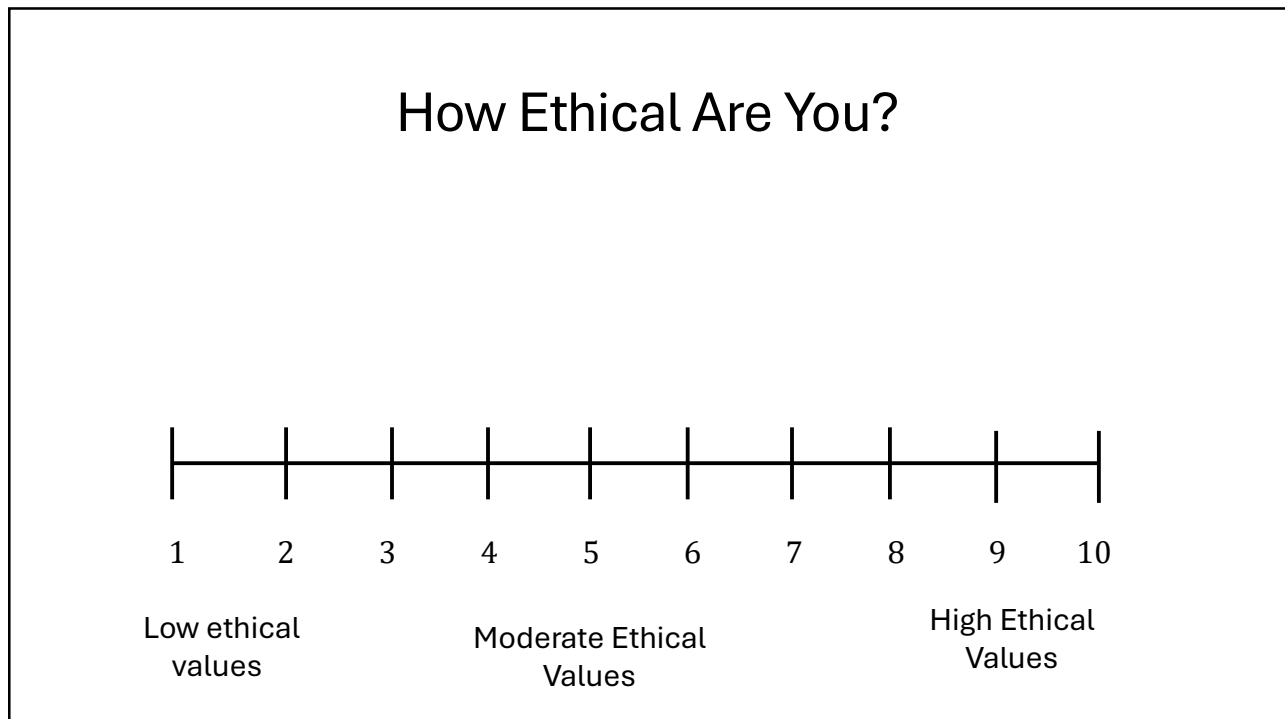
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How Bad Are The Following Behaviors?



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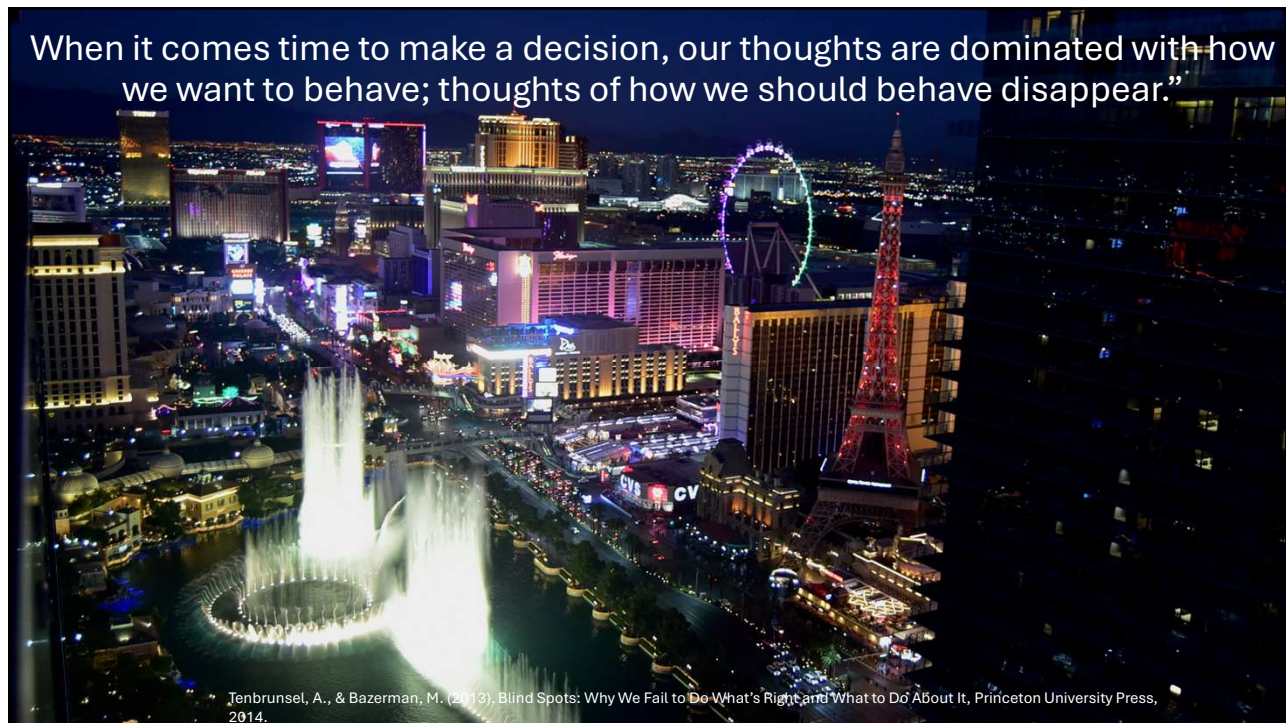
How Bad Are The Following Behaviors?

- How bad is it to use your friend's special password to buy discounted concert tickets with the plan to resell them at a significant profit to yourself?
- How bad is it to slip a fancy restaurant's maître' de some cash to bypass a long wait for dinner on a special night for you and your loved one?
- How bad is it to post a glowing restaurant review online when you didn't really enjoy the meal, but were given a 20% discount on the bill?
- How bad is it to accept a lunch (under \$20) from a sales representative who is trying to get your organization to use his/her product?

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Think of something expensive you want to buy.

REASONS TO BUY	REASONS NOT TO BUY	REASONS TO BUY	REASONS NOT TO BUY
I want it.	It is very expensive.	I want it.	It is very expensive.
It would be fun.	I could use the money elsewhere.	It would be fun.	I could use the money elsewhere.
	It is not very practical.	I can afford it.	It's not very practical.
	It loses value quickly.	You only live once.	It loses value quickly.
	I could get hurt using it.	Other family members would benefit.	I could get hurt using it.
		The chances of getting hurt are minimal.	

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Scenario #1

- Your best friend has been out of work for a year. His/her family's savings has run out and they are struggling to survive. You become aware of a job opening in your organization that fits your best friend's skills perfectly. You recommend your best friend for the position, and he/she gets the job. Your best friend is very appreciative for your help and says that you saved his/her family. A few weeks after being hired, you arrive at work at the same time as your best friend. When you talk about what each of you did over the weekend, your best friend discloses that he/she took the family to the beach utilizing the company car. You are aware that such use of the company car is a serious violation of policy and covered extensively in the new hire ethics program that your best friend took a week prior. What will you do in this situation?

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Scenario #2

- Your best friend has been out of work for a year. His/her family's savings has run out and they are struggling to survive. You become aware of a job opening in your organization that fits your best friend's skills perfectly. You recommend your best friend for the position, and he/she gets the job. Your best friend is very appreciative for your help and says that you saved his/her family. A few weeks after being hired, you and your best friend take a business trip to another city. While out that night, your best friend has an extramarital affair with someone he/she met in the hotel bar. You are going out to dinner with your spouse, your best friend, and your best friend's spouse the next weekend. What will you do in this situation?

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Motivated Blindness, aka Motivated Reasoning

- Human tendency to overlook information that works against what people want to believe either because the belief is in their self-interest or because they have held the belief a long time and they are emotionally invested in retaining it.



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How Confident Are You in Other People's Ability to Avoid Succumbing to Conflicts of Interest?

- A [study of radiation oncologists](#) found that only 5 percent thought that they might be affected by gifts. But a third of them thought that other radiation oncologists would be affected. [Another study](#) asked medical residents similar questions. More than 60 percent of them said that gifts could not influence their behavior; only 16 percent believed that other residents could remain uninfluenced. This 'magical thinking' that somehow we, ourselves, are immune to what we are sure will influence others is why conflict of interest regulations exist in the first place. We simply cannot be accurate judges of what's affecting us."



Kaplan, J. (2014). Conflicts of Interest, Compliance Programs & "Magical Thinking", Conflict of Interest Blog, September 2014. Accessed March 25, 2024 at <https://conflictofinterestblog.com/2014/09/conflicts-of-interest-compliance-programs-and-magical-thinking.html>

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Overconfidence Bias

- The more you perceive yourself to be professional, the more likely you are to succumb to a conflict of interest. (Sah, 2022)
- When faced with a conflict of interest, participants tended to lie gradually until it increased to a significant level.
- MRI revealed the brain became habituated to the lying causing less reaction in the amygdala.
- Your emotional response to your own dishonesty is initially strong, but ebbs over time as your brain habituates. (Sharot and Sunstein, 2024)



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Scenario #3

- You recently started your own fraud examination business. Initial success has been hard to come by as you experience great difficulty in obtaining clients. As part of your business strategy, you attend a local bar association meeting where you give a presentation on fraud. One lawyer attending the session is impressed and starts funneling clients to you allowing you to grow your business to where you are now considered very successful. Many of your new clients are in positions to file civil lawsuits. Would you refer these clients to the same lawyer who was so instrumental in the success of your business?
- If you disclosed your relationship, would you refer these clients?

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Scenario #4

- Your fraud examination business has been extremely successful, and you are looking to invest some of the retained earnings into a retirement fund. As such, you seek advice from a financial advisor who was referred to you by a friend. After listening to your retirement goals, the financial advisor offers two options. The first is a well-known fund that has a steady rate of return over the last five years. The other option, which the advisor recommends is a smaller fund (still safe) that almost equaled the well-known fund, but according to the advisor, has significantly more upside. Before you make your decision, however, the financial advisor informs you that he/she will make a much higher commission if you choose the smaller fund which he/she has recommended. What choice will you make and why?

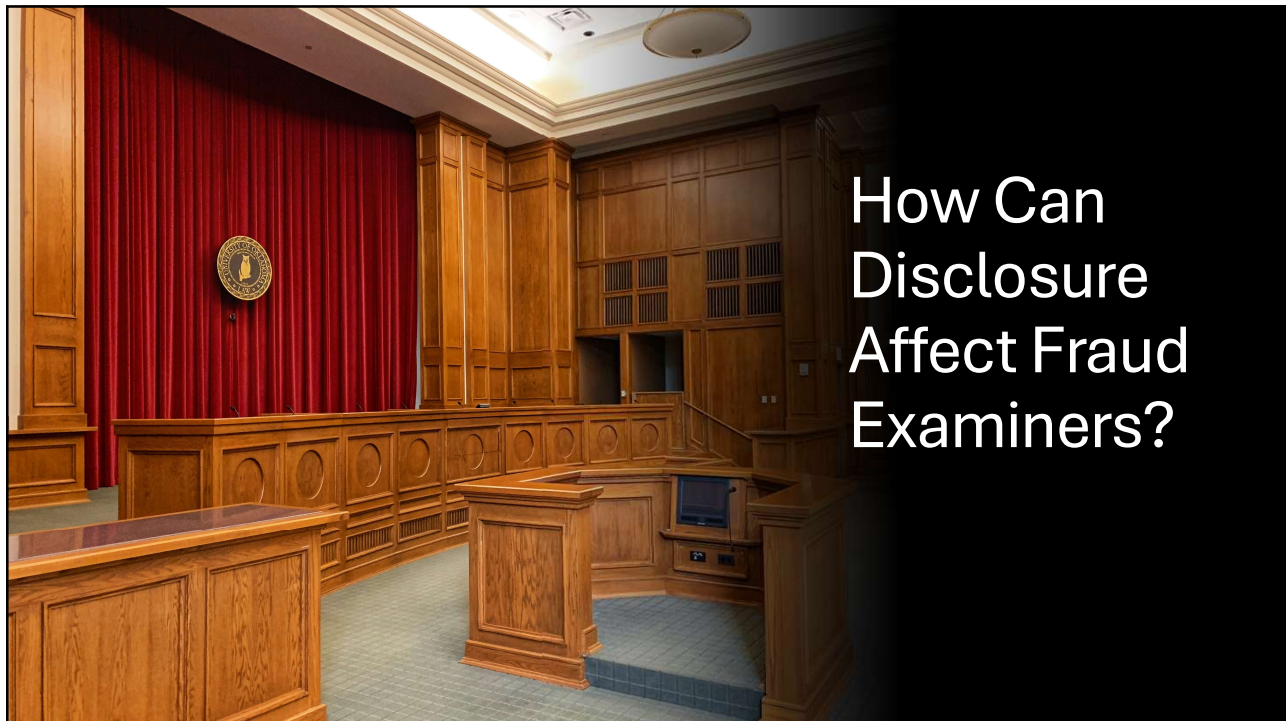
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Are Conflicts of Interest An Issue if Disclosed?

- What effect does a conflict disclosure have on your decision-making?
- What effect does it have on the party who is made aware of the conflict?
- Research has shown that when a party discloses a conflict of interest, the disclosure leads to more biased advice.
- Moral Equilibrium
- People who were made aware of the conflict showed greater trust in the person making the disclosure and tended to follow their advice even if it was to their financial detriment.



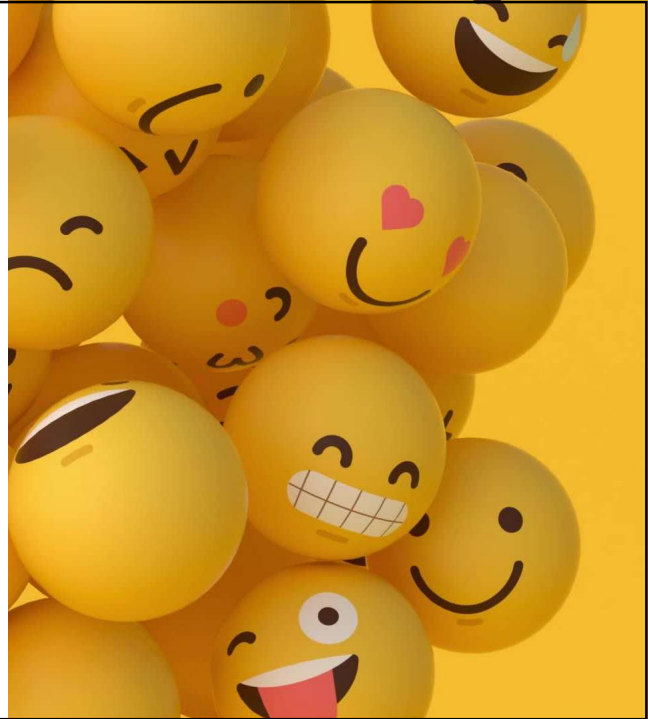
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Emotions and Social Norms

- We can be so consumed by being polite, we forget to be ourselves.
- Emotional reactions drive our judgments, and it is only after making such judgments that we engage in deliberate moral reasoning to justify our initial reaction.



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Scenario #5

- Your top salesperson, responsible for 40% of the business in your firm, has declared that he/she plans on acquiring a 60% ownership stake in one of your primary suppliers. The salesman is doing so because of his/her expertise as well as a stated desire to place his/her adult child as the CEO. The salesperson has indicated that he/she will have no say over management decisions for this company and the child will make all decisions. Everyone in your company loves the salesperson and looks up to him/her. Per the salesperson, his/her child also plans to discount the parts supplied to your company because of the existing long-term relationship between the parties. How will you handle this situation?

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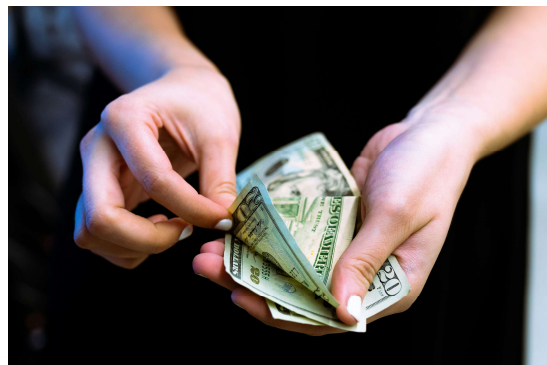


What is your gift policy?

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Gifts & Compensation

- Do you trust your doctor?
- When you go to your doctor, do you feel your well-being is the primary driver in decision-making?
- While most physicians say yes, research shows physicians are indeed influenced by gifts and compensation from pharmaceutical companies and medical device manufacturers. Physicians who receive payment from industry are more likely to prescribe drugs sold by their pharmaceutical reps as well as requesting these same drugs be added to hospital formularies.
- How much money does it take to influence you?



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The Rule of Reciprocity

- A. 10%
- B. 30%
- C. 5%
- D. 56%
- E. None of the Above

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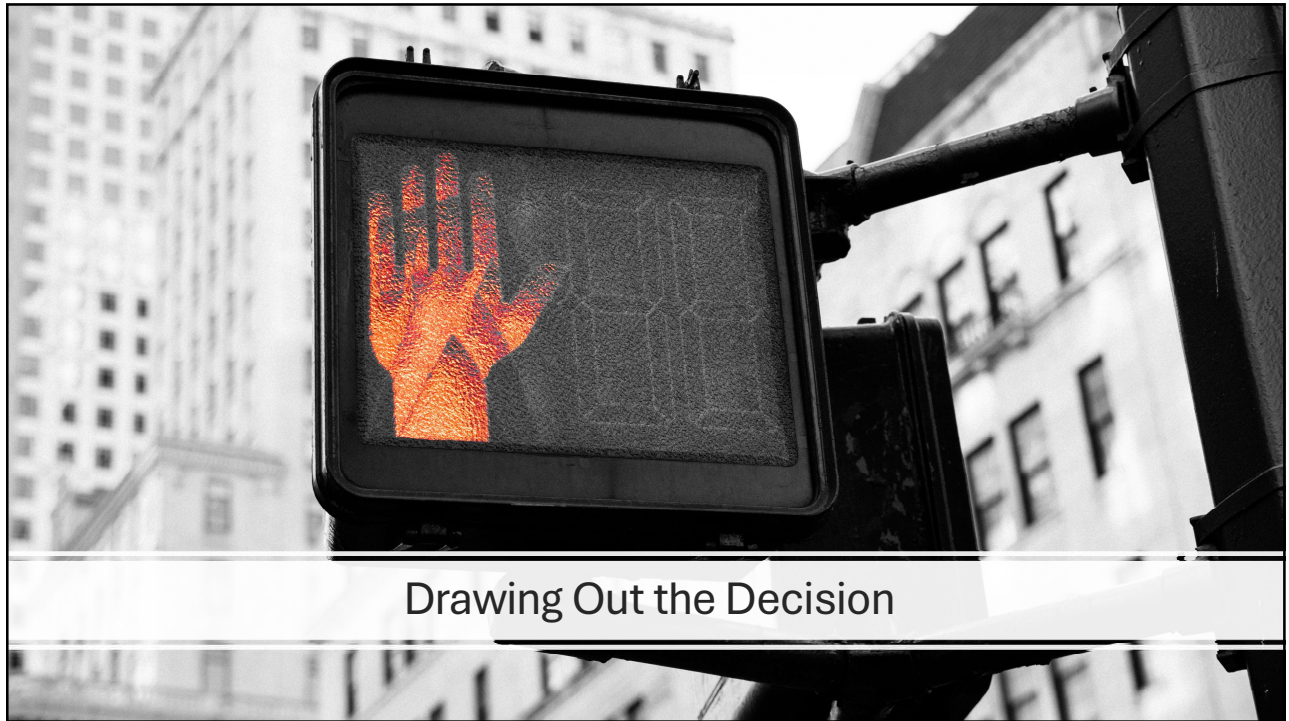
An Example: Fingerprint Evidence

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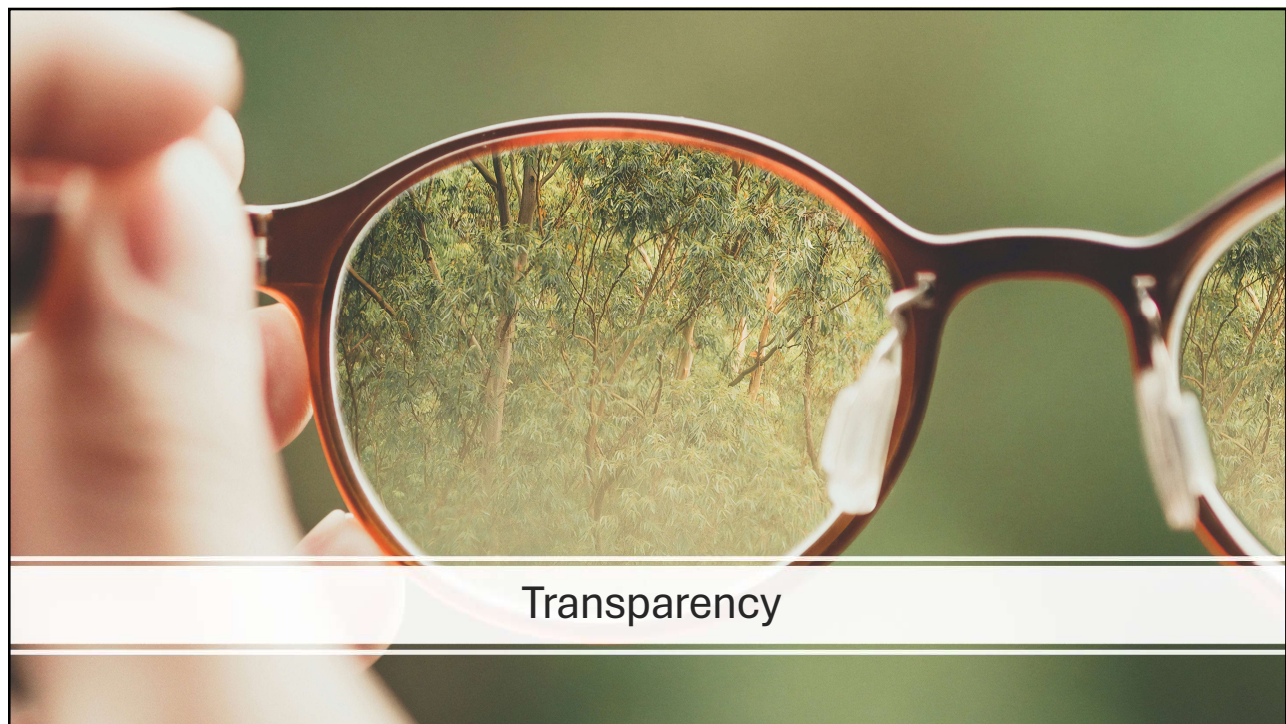
Are you an Early Bird or a Night Owl?

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Drawing Out the Decision

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Reminding People of Their Morality



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Bret Hood, Founder
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LEARNING & CONSULTING

About Bret

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