



Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry

Conflicts of Interest and Disclosure

A RESEARCH PAPER FOR

THE ROYAL COMMISSION INTO MISCONDUCT IN THE BANKING,
SUPERANNUATION AND FINANCIAL SERVICES INDUSTRY

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The views expressed are the author's views and are not to be understood as expressing the views of the Commission.

Questions

I have been asked by the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry to respond to the following questions:

1. How can conflicts of interest influence advisers?
2. What can the effects of the disclosure of conflicts of interest by advisers be on the behaviour of advisers, including the quality of the advice provided? Please identify any specific effects with respect to financial advisers.
3. What can the effects of the disclosure of conflicts of interest by advisers be on the behaviour of recipients of advice in acting on or considering the advice? Please identify any specific effects with respect to financial advice.
4. What other policy responses (apart from disclosure) to conflicts of interest on the part of advisers have you considered and what is the evidence as to the effectiveness of these other policy responses?

1. How can conflicts of interest influence advisers?

- a. A conflict of interest exists when there is a clash between professional responsibilities and personal (often material) interests.^{1,2} There is a large body of evidence that documents how conflicts of interest play a substantial role in influencing advisers' attitudes and decision-making. Such conflicts can lead advisers to give biased advice. I will outline some of the literature in this report and describe how conflicts of interest can lead to biased opinions, often with the conflicted adviser being unaware of the influence.
- b. Information asymmetries can lead to exploitation by savvy market insiders.³⁻⁵ As shown in many research studies, the presence of a conflict of interest can intentionally or unintentionally increase bias in advice. For example, in research I have conducted and published in the *Journal of Personality and Social Psychology* (Sah, Loewenstein and Cain, 2013), participants (members of the public who consented to participate in the experiment) were randomized into the role of adviser or advisee. Advisers had to give advice on which of two different lotteries an advisee should choose. In Experiment 1, some advisers were subject to a conflict of interest in that they would receive a bonus if the advisee chose an inferior lottery. Other advisers were unconflicted; they would receive a bonus regardless of which lottery the advisee chose. The unconflicted advisers gave good quality advice – 93% of advisers recommended the superior lottery. However, when conflicted, only 18% of advisers recommended the superior lottery. Additional experiments in the same paper also revealed that conflicted advisers consistently gave poor quality advice (approximately less than 25% of advisers recommended the superior lottery).⁶
- c. Many other studies show similar consistently large effects on advisers when giving advice in the presence of a conflict of interest relative to advisers who are unconflicted; advisers subject to such conflicts give **significantly** more biased advice, to the detriment of their advisees.⁷⁻¹⁰
- d. An audit study conducted by Mullainathan, Schoar and Noeth (2012)¹¹ revealed that financial advisers (retail advisers whom the average citizen could access via their bank, independent brokerages, or investment advisory firms) were likely to give advice that benefited their own self-interests rather than the best interests of their clients. Financial advisers downplayed fees to their clients and sometimes made the client worse off financially.
- e. Various contextual factors further increase bias in advice when advisers are subject to conflicts of interest. These include multiple advisers and advice recipients, and unidentified advice recipients.

- f. For example, second opinions are often proposed as an antidote to a primary adviser's possible bias from a conflict of interest. However, in research I published in *Organizational Behavior and Human Decision Processes* (Sah and Loewenstein, 2015),⁷ I show that although clients who received a high-quality second opinion made better decisions than clients who did not, primary advisers who were aware that their clients might seek a second opinion adopted a profit-maximizing frame (rather than placing the client first) and gave even more biased advice. The unexpected impact of the availability of second opinions—even if clients do not solicit them—on primary advisers' behaviour could therefore have substantial negative consequences for their clients.
- g. Advisers may also more easily succumb to bias from conflicts of interest if they give advice to multiple recipients, despite potentially causing greater harm if that advice is biased.¹⁰ This is due to a number of psychological processes that increase the psychological distance between advisers and advisees so that advisers are less likely to think about the harm they may be inflicting on their advisees.
- h. As Bandura and colleagues argue, self-regulatory mechanisms that govern moral standards do not operate unless they are triggered or activated, i.e., they may not view the conflict of interest as a moral or ethical dilemma. Many psychological processes can be used to selectively disengage from moral self-sanctions. Collectively, these processes are known as "moral disengagement."^{12,13}
- i. For financial advisers, moral disengagement may focus on sanctifying harmful activities by social, moral and economic justifications or obscuring personal accountability by diffusion and displacement of responsibility, so that advisers do not hold themselves accountable for the harm that they may cause. For example, advisers may absolve themselves of responsibility by viewing their activities as ordered by others and by observing other advisers engaging in that activity so that no one adviser feels personally responsible.¹⁴
- j. Moral disengagement is also likely to include minimizing, distorting or denying the harm that flows from detrimental activities and dehumanizing and blaming advisees for bringing the harm on themselves. Although research specific to financial advisers is limited, many of these rationalizations that minimize or deny harmful consequences have been documented in employees who work in industries that produce harmful products such as tobacco, lead or silicosis¹⁴
- k. Moral disengagement does not happen instantaneously. The process is gradual with repeated weakening of self-sanctions during which people may not fully recognize the changes that are occurring (see Section 1.1).¹⁵

- l. Selective moral disengagement can operate at the individual adviser level but also, with even greater pervasive consequences, at the institutional level.¹⁴ Collective moral disengagement at the institutional level requires a network of employees vindicating immoral systemic practices. Employees of the institution act together on similar shared beliefs and in doing so provide exonerations for each other.^{12,14}
- m. Moral disengagement can also lead to unethical business practices being perpetuated if those who engage in questionable practices are rewarded and seen to rise in the organization. This leads to the advancement of those most likely to morally disengage and to organizational corruption.¹⁶
- n. Cognitive dissonance is the discomfort that arises from a discrepancy in conflicting beliefs, or between beliefs and behaviours. These competing beliefs and/or behaviours create pressure that much be resolved.^{17,18} Thus, cognitive dissonance theory predicts that the once advisers start promoting a product, they become more convinced of the benefits of the product that they are promoting. Research on conformity also demonstrates that individuals gradually internalize the norms that they publicly display.¹⁹ Private opinion often changes to bring it closer in correspondence with overt behaviour.¹⁸ This suggests that financial advisers may start believing their own (biased) advice and, importantly, the rationalizations they tell themselves for giving such advice (see section 1.1 and 1.2).
- o. Norms are powerful predictors of behaviour. They are perceptions or beliefs of “understood rules for accepted and expected” behaviour,²⁰ and consist of both prescriptive norms (what we think we *should* do) and descriptive norms (what we think others *actually* do). People tend to draw on numerous, select sources of information to perceive norms, including other people, mass media, and institutional/legal signals.²¹ Financial advisers are likely to perceive acceptable behaviour by observing other financial advisers and noting institutional and legal signals.
- p. Related to norms is what Cialdini and his colleagues refer to as *social validation* or conformity.²² We decide what to do in a situation by looking at what others are doing.^{23,24} If other financial advisers are accepting and succumbing to conflicts of interest by placing self-interest over clients’ interests, this norm will influence each individual adviser to succumb to conflicts of interest in a similar way. This is likely to increase further if advisers believe their managers or authority figures are consenting to unethical practices, either directly or indirectly.²⁵

1.1 Subconscious and unintentional nature of biases due to conflicts of interest

- a. Advisers routinely deny being influenced by financial and non-financial inducements despite data demonstrating the opposite, i.e. they sincerely believe they are remaining objective and impartial when asked about a possibility of influence. This is due to several psychological factors and misbeliefs about the nature of conflicts of interest which I describe below.
- b. Many people have the wrong mental model of conflicts of interest and believe that succumbing to such conflicts is a matter of corruption: deliberate favouring of self-interest over professionalism. In reality, many conflicts of interest that influence advisers occur on a *subconscious* and *unintentional* level.^{26,27}
- c. Much psychological research on the human susceptibility to self-serving bias lends credibility to the concern that advisers' conflicts of interests may bias their opinions.^{28–32} This research suggests that advisers are prone to subjective interpretation of facts, fallible memories, and other errors. Thus, even advisers who are ethically engaged can give biased advice.
- d. These subconscious biases enable advisers to rationalize the acceptance of conflicts of interest and, accompanied with self-serving rationalizations, also work to convince advisers that they can remain objective and unbiased due to their failure to understand many of the psychological processes that occur below their conscious awareness.
- e. To draw from an example in the medical literature, Chimonas, Brennan, & Rothman (2007)³³ found that although physicians interviewed in focus groups understood the concept of conflict of interest, these conflicts set up psychological dynamics that influenced their reasoning. Cognitive dissonance theory¹⁷ specifies three methods, not mutually exclusive, by which people manage or reduce dissonance:
 - Eliminating the dissonance by altering one or more of conflicting attitudes or behaviours. This is often difficult or painful and requires giving up a pleasurable behaviour or closely held belief, and often provokes feelings of regret, foolishness or immorality.
 - Rationalization, using additional information to reduce dissonance between conflicting cognitions.
 - Denial, by forgetting or rejecting the significance of one or more of the conflicting elements.

In this study, the physicians used a variety of denials and rationalizations to reduce their dissonance. Some are listed here:

- i. Avoided thinking about the conflict of interest
- ii. Disagreed that the conflict could affect their behaviour
- iii. Denied responsibility for problem (it's in the procedure)
- iv. Enumerated techniques for remaining impartial
- v. Reasoned conflicts benefited advisees

It is easy to imagine similar rationalizations in financial advisers who are subject to conflicts of interest.

- f. Similar outcomes have been documented in experimental bargaining settings examining self-serving bias.^{31,34,35} Further studies attempted to reduce bias with education and tested individuals understood the concept; this succeeded in convincing individuals that others would be biased but not themselves.^{31,34,35} For those individuals that did concede they may be biased, they tended to drastically underestimate the extent of their bias. These studies demonstrate how individuals are unable to remain objective, even when motivated to be impartial (which suggests an *unintentional* element), and individuals deny and succumb to bias even when explicitly instructed about it (which suggests a *subconscious* element). It also appears that subconscious and unintentional bias cannot be eliminated by education.^{31,34,35}
- g. These psychological arguments are conceptually well-established. Underwriter analysts recommend more stocks that perform poorly than those recommended by unaffiliated brokers.³⁶ Unintentional and subconscious self-serving biases have also been implicated for the impossibility of auditor independence.³⁷ Auditing firms benefit from being rehired by their clients to perform audits and are paid by their clients. Hence, they have an incentive to please their clients with (supposedly independent) auditing work. Individual employees of auditing firms are often hired by their past or present clients, and auditing firms often sell other services such as consulting to their clients which again provides reasons to please. This lack of independence is linked to the failure of auditors to notice scandalous finances of firms such as Enron, Worldcom, and Xerox.³⁷
- h. Furthermore, advisers' sense of "professionalism" was often stated by CEOs of the accounting firms when testifying before the U.S. Securities and Exchange Commission in 2000 as a reason they could remain unbiased and objective in the presence of

conflicts of interest.³⁸⁻⁴⁰ While a sense of professionalism may help in protecting against intentional corruption, it cannot reduce unintentional bias that the individual is unaware of committing. In fact, such belief in one's own ability to remain impartial and professional may actually make matters worse (see section 1.4).

- i. When in the presence of a conflict of interest, advisers in a corporate or business context may engage in a process called "ethical fading,"⁴¹ in which moral issues are pushed to the background or even removed from the decision-making process and business issues become more salient. This is especially likely if there is pressure to meet business or sales targets.⁴¹
- j. To summarize, financial advisers' conflicts of interest are not merely problems for the intentionally corrupt (i.e., "bad apples"), but also for well-meaning professionals who succumb to unintentional bias.

1.2 Self-serving and subconscious rationalizations

- a. In my own research (Sah and Loewenstein, 2010),⁴² I investigated a self-serving rationalization that physicians use which enables them to accept gifts and other conflicts of interest from industry: this is the physicians' sense of entitlement. In this paper, I demonstrate that physicians' sense of entitlement to benefits from industry is subjective and can be easily manipulated by implicit or explicit rationalizations provided to the physician.
- b. We (Sah and Loewenstein, 2010) randomized physicians to one of three online surveys. Each survey asked the same questions of the physician but presented them in a different order. In the "implicit reminders" survey, doctors were first asked about the sacrifices they had made in getting their medical education and their working conditions before responding to a series of questions regarding the acceptability of receiving different types of conflicts of interest from pharmaceutical companies (these conflicts ranged from accepting sponsored continuing medical education, sponsored research, payment for talks, to gifts). A second group of physicians took the "explicit rationalization" survey, in which before filling out the conflict of interest acceptability questions they were also first asked about the sacrifice and working conditions questions. In addition, this group were also asked to respond to this explicit rationalization before the conflict of interest acceptability questions: "*Some physicians believe that the stagnant salaries and rising debt levels prevalent in the medical profession justifies accepting gifts and other forms of compensation and incentives from the pharmaceutical industry. To what extent do you agree or disagree that this is a good justification?*" A final control group was asked about the acceptability of conflicts of interest without being first asked about personal sacrifices or being cued

with a potential explicit rationalization. The results of the study demonstrated that reminding physicians of their medical training burdens and working conditions more than doubled their willingness to accept conflicts of interest, from 22% in the control group to 48% in the implicit reminders group, and suggesting the potential rationalization further increased their willingness to accept conflicts to 60%. The impact of the suggested rationalization was telling because, when asked whether their hardships justified conflicts of interest, most respondents, 63%, said it did not. This finding shows that even justifications that people don't accept at a conscious level nonetheless help them to rationalize behaviour that they otherwise might find unacceptable. And, it was those respondents who denied that it was a good justification that were the most vulnerable to changing their perception favourably to the acceptability of conflicts of interest with implicit sacrifice reminders and the explicit rationalization.⁴²

- c. These studies add to the evidence that humans are fantastically adept at rationalizing and believing what we want to believe. Rationalization plays an important role in much conflict of interest related behaviour. Therefore, it is relatively easy for advisers to, for example, persuade themselves that the products that they receive commissions for really *are* the best and the clients they recommend investments for really *will* benefit from those investments.
- d. Advisers often remain naïve to the biasing effects of conflicts of interest despite the importance they may articulate on remaining objective.³⁸ Once conflicted, the above data demonstrate it is near impossible to give a truly fair and balanced view.

1.3. The bias blind spot: perceptions of bias in self versus others

- a. Not only are people unaware of their biases (as described in section 1.1) and use self-serving rationalizations to explain them (section 1.2), they are more likely to see the existence of cognitive and motivational biases in others than themselves.^{28,43} Pronin, Lin and Ross term this finding "The Bias Blind Spot."²⁸ Moreover, educating individuals on biases does not eliminate this effect.⁴⁴

1.4. Sense of invulnerability to the biasing effects of conflicts of interest

- a. Advisers, managers and leaders accept conflicts of interest for a variety of reasons. One major reason is that people believe they are immune to the effects of such

conflicts. Fostering a sense of “professionalism,” that is the ability to make ethical, objective, and impartial decisions that transcend self-interest is often touted as an important intrinsic value to protect against unwanted influence.⁴⁵ For example, the CEOs and managing partners of the large accounting firms, including Arthur Anderson and PricewaterhouseCoopers, testifying before the U.S. Securities & Exchange Commission in 2000 claimed that their professionalism would protect them from being influenced by conflicts of interest.^{38–40} One claimed that “We would never be influenced by our own personal financial well-being versus our professional ethics.” These arguments are similar to those perpetuated by physicians who often believe they are not influenced by industry relationships claiming “I would not let an industry representative influence me to do anything that would not be in the best interest of my patients. I can manage my own brain.”⁴⁶

- b. Prior work has shown that the greater self-control people feel, the more likely they are to place themselves in situations of temptation, and the more likely they are to lapse and show a lack of self-control.⁴⁷ My current work investigates similar psychological processes in the conflict of interest domain.⁴⁸ This work empirically investigated the theoretical argument that a sense of invulnerability to such influences may paradoxically increase the likelihood of accepting, and being influenced by, those conflicts.
- c. Part of the challenge of preserving the impartiality and independence of advisers is deciding how best to reduce the influence of conflicts of interest: should they be avoided entirely, or can they be accepted while minimizing influence from them? Two safeguards can encourage impartiality when presented with a conflict of interest. The first safeguard is to avoid the conflict entirely. This is only possible in situations in which a conflict of interest can be rejected, for example a gift to a physician from a pharmaceutical industry representative. The second safeguard is self-regulation after accepting a conflict of interest—that is, recognizing the possible influence of the conflict, and adjusting one’s beliefs and evaluations to block or neutralize the potential influence. Avoiding the conflict entirely (first safeguard) is more effective than self-regulation strategies (second safeguard) because avoiding the conflict precludes the professional dilemma altogether, eliminating the need to exert self-regulation.⁴⁹
- d. However, a danger of believing in one’s invulnerability to the influence of conflicts of interest is the risk of believing that self-regulation corrections to account for any influence from the conflict of interest will be sufficient. Consequently, those with a strong sense of invulnerability may believe they need to work *less* hard than others to correct for potential influence when self-regulation is needed, ironically leading to greater bias.⁴⁸

- e. Advisers (in my study, over 1,500 U.S. managers with at least three years of managerial experience from a range of industries including technology, education, manufacturing and healthcare) who believed that they are less likely to be influenced by conflicts of interest were more likely to accept these potentially biasing conflicts (due to their feelings of invulnerability towards being influenced) and were more likely to be influenced by them.⁴⁸ My co-author and I (Sah and Larrick, 2018) developed a paradigm in which managers were offered a small gift from a potential client or future co-worker. After engaging in several unrelated tasks, managers were asked to judge the work of two people, including (for some participants) that of the gift-giver. This novel setup allowed us to see how managers reacted to the gift-giver in a consequential situation. Managers who believed they were invulnerable to being influenced by small gifts were more likely to accept a gift and were more likely to rate the gift-givers work as superior.

- f. Consequently, although these managers demonstrated bias in their decisions, they felt they were immune to such bias and so denied the existence of any bias within themselves. These results demonstrate that a belief in one's invulnerability to influence does not protect one from subconscious bias and may actually make matters worse.⁴⁸

- g. This stream of research highlights that strategies to eliminate conflicts are critically important rather than relying on intrinsic values of professionalism and impartiality. This is an important enquiry, given the prevailing emphasis on intrinsic values as the primary means to cultivate unbiased ethical workplaces and the cost of conflicts of interest for organizations and society.⁵⁰

2. What can the effects of the disclosure of conflicts of interest by advisers be on the behaviour of those advisers, including the quality of the advice provided? Please identify any specific effects with respect to financial advisers.

- a. As I discuss in my article in *Behavioural Public Policy* (Sah, 2017),¹ a range of potential policy solutions have been recommended for managing conflicts of interest including sanctions and mandated second opinions. However, the most frequently recommended and implemented policy across industries and professions is disclosure.
- b. In a world of perfectly rational people, disclosure would probably be an effective remedy for conflicts of interest: Advisees would discount advice, and advisers, knowing that their conflicts would be disclosed, would attempt to manage or avoid conflicts to increase the likelihood that their advice is trusted.⁵¹ However, disclosing conflicts of interest can have surprising unintended consequences, due to several psychological factors that affect both advisees and advisers. Therefore, disclosure should be implemented carefully; otherwise, it may fail to adequately protect advisees and could even backfire.
- c. Prior research has revealed that advisers may give even more biased advice with disclosure than without. Cain, Loewenstein, and Moore^{8,52} noted that people think it is less morally reprehensible to give biased advice intentionally once a conflict of interest has been disclosed (caveat emptor), and advisers may strategically increase the bias in their advice to counteract anticipated discounting of their advice by their audience. Thus, disclosure can make advice worse, which is especially dangerous if advisees do not sufficiently adjust for biased advice.
- d. However, disclosure can have beneficial effects by prompting advisers to improve the quality of their advice. There are two important ways in which conflict of interest disclosure can improve advice quality in advisers.
- e. First, although disclosure generally has been ineffective at dealing with unavoidable conflicts of interest, it can be beneficial when providers can opt to avoid conflicts. In my research (Sah and Loewenstein, 2014), I show that mandatory and voluntary conflict of interest disclosure can deter advisers from accepting conflicts of interest so that they have nothing to disclose except the absence of conflicts. An elegant feature of this type of disclosure is its self-calibrating quality. Advisers who wish to appear unbiased and ethical will opt to reject conflicts of interest, thus protecting even naïve consumers as the market for unconflicted advisers increases.⁵³

- f. Second, in new research, I (Sah, 2018) report the discovery of two important moderators of the effect of conflict of interest disclosure on advisers when conflicts of interest are unavoidable (i.e., cannot be rejected).⁵⁴ Whether disclosure increases or decreases bias depends on the norms of the context in which the advice is provided and whether the advisers are experts (actual practicing advisers) or non-experts (research participants playing the role of advisers).
- g. In general, disclosure prompts advisers to consider whether the norms are to place their clients, or profits, first. In prior research which used a simulated real estate domain in which research participants gave recommendations of house sales prices,⁸ disclosure appeared to activate norms of self-interest -- i.e., to place profits above clients. Similarly, for research participants giving advice in domains in which self-interested advice may be deemed to be the norms (e.g., giving financial advice), disclosure of a conflict of interest caused an increase in the bias in their advice. However, in domains in which placing advisees first is deemed to be the norm (e.g., giving medical advice), research participants decreased the bias in advice with disclosure.⁵⁴
- h. Notably, experts, who had spent time training in their profession and who had frequent work interactions with other experts, had different perceptions of the moral rules and norms of their profession as compared to research participants asked to role-play an adviser in an experiment. Not surprisingly, then, real investment advisers behaved differently than role-playing research participants. Expert advisers, financial and medical advisers (i.e., investment advisers and physicians) alike, all decreased bias in their advice with conflict of interest disclosure versus without.⁵⁴ Thus, disclosure can have the beneficial effect of decreasing bias in advice for expert professional advisers whose norms emphasize placing advisees' interests first. These findings suggest that conflict of interest disclosure is more beneficial than previously assumed, as it can act as a reminder of norms to place clients first. Note that if the norms for professional advisers are to give self-interested advice then disclosure is still likely to increase bias in advice. In other words, disclosure can either help or harm and the norms of the environment in which advice is given determines whether disclosure increases or decreases advice quality.
- i. To summarize, disclosure can have a positive effect if advisers are encouraged to take advantage of the opportunity to disclose the absence of any conflicts.⁵³ Disclosing the absence of any conflicts has been shown to (justifiably) increase trust in advisers and improve the adviser-advisee relationship.
- j. Evidence from field data also suggests that mandatory disclosure leads providers to improve their service or avoid conflicts.^{55,56} Companies that remain conflict-free may gain a competitive advantage over those that do not by disclosing the absence of any

conflicts.⁵³ Disclosure, therefore, can act as a deterrent to advisory firms and motivate them to adapt their practices so they can disclose that they are conflict-free.

- k. In many situations, however, conflicts of interest are unavoidable, In these situations, as I report (Sah, 2018),⁵⁴ disclosure can significantly *decrease* advisers' bias in their advice in certain contexts if it reminds advisers to place clients first. Similarly, reminding financial professionals of the responsibilities to their advisees may encourage those advisers subject to conflicts of interest to reduce bias in their advice.

3. What can the effects of the disclosure of conflicts of interest by advisers be on the behaviour of recipients of advice in acting on or considering the advice? Please identify any specific effects with respect to financial advice.

- a. Disclosure's great promise is that it arms clients with the knowledge they need to adjust their interpretation of the advice given to them, perhaps by discounting the advice or obtaining a second opinion. For this to occur, however, clients must be able to calculate the amount of bias present in the advice. Of course, this is difficult if not impossible to do. Research has repeatedly shown that discounting bad advice is difficult. One reason is because of "anchoring" biases.^{57,58} Anchoring is the tendency to rely too heavily on, or "anchor," on one piece of information when making decisions. Once an anchor is set, there is bias toward that value. This bias persists even if these anchors are disclosed as being randomly generated.^{59,60} If people have difficulty ignoring advice they know to be random, it seems likely that they will have difficulty discounting advice that is merely disclosed as coming from a source that "may have a conflict of interest."
- b. In fact, not only is disclosure likely to fail as a discounting cue for biased advice, it may even make matters worse. Disclosure can often have the opposite of its intended effect on advisees.⁶¹
- c. Although conflict of interest disclosure can decrease trust in advice (ostensibly the intended effect of the disclosure), it can also unwittingly pressure advisees to comply with that advice. I have identified two mechanisms that can create compliance pressures.
- d. The first, termed "**insinuation anxiety**" (Sah, Loewenstein and Cain, 2018) shows that disclosure can lead advisees to distrust advice yet feel pressured to take the advice for fear of signalling that distrust to the adviser.⁶² Suppose that a physician encourages a patient to join a clinical trial and discloses that she would receive a referral fee if the patient does so. Even if the patient believes the current treatment is satisfactory, the patient might now worry that the physician may view his rejection as an indication that he suspects his doctor is corrupt. This insinuation anxiety persists whether the disclosure is voluntary or required by law and whether the disclosed conflict is big or small.
- e. This insinuation effect may be amplified if advisers are under a fiduciary standard of conduct because clients (who typically do not take unintentional bias into consideration) will fear that turning down a recommendation could be viewed as an indication that they believe the adviser is intentionally corrupt and is flouting the law.
- f. The second, termed the "**panhandler effect**" (Sah, Loewenstein and Cain, 2013) is the tendency for advisees to feel pressured to satisfy their advisers' personal interests.⁶

Although disclosure is intended simply to communicate “I personally gain if you do X rather than Y,” the advisee may interpret the disclosure as, “Please do X because it will benefit me.” In studies we conducted involving interactions between advisers and advisees with real incentives that created financial conflicts of interest, disclosure became, in effect, a favour request from the adviser that put social pressure on the advisee to give in to the adviser’s interests. Hence, working against its purpose as a warning, disclosure can burden those it is ostensibly intended to protect.⁶

- g. To increase the effectiveness of conflict of interest disclosure, it should be delivered in a way that avoids the above compliance pressures (insinuation anxiety and the panhandler effect) on advisees. To do this, advisees could be allowed to make their choices in private and without having to go back to their conflicted advisers. In prior work, I have shown that private decisions of advisees (rather than in the presence of their advisers) result in better decisions by those advisees -- in other words privacy reduces the burden to comply with advisers’ biased advice.⁶ Not only does this eliminate the panhandler effect, it also reduces any insinuation anxiety.⁶² However, it may not be possible for advisees to make final decisions in private if they need to communicate them to an adviser to execute.
- h. Likewise, we have shown that giving advisees a chance to change their minds via a mandatory “cooling-off period” before the deal is exercised could also decrease the compliance pressures on the advisee.⁶
- i. An alternative method we examined is to give advisees disclosure from an external source—a third party—rather than from the adviser themselves. This decreases the pressure that advisees feel to reject advice if they suspect it is of low quality.⁶
- j. Another unintended consequence of disclosure I have uncovered is that in certain contexts, disclosure can lead to *increased* trust and persuasion.^{63,64} This effect occurs when disclosure acts as a cue to infer greater trust in the adviser’s expertise and consequently greater persuasion.
- k. In my past work published in the *Proceedings of the National Academy of Sciences of the United States of the America*, I have examined disclosure of physicians’ “specialty bias.” Speciality bias refers to the bias in physicians who recommend the treatment that they are trained to deliver even when other effective treatment options are available. Using field data (over 200 recorded transcripts of surgeon–patient consultations and medical records) from four U.S. Veteran Affairs hospitals and a randomized laboratory experiment, my investigation revealed that disclosures of specialty bias by a surgeon increased patients’ trust in their surgeon’s expertise and their likelihood of choosing surgery.⁶³ In the experiment, I randomized men over the age of 50 to either a disclosure or nondisclosure condition. The men watched a video of a male actor playing the role of a surgeon who

described two treatment options—surgery and radiation—and recommended surgery. Participants in the disclosure condition, who heard their surgeon disclose that he was biased towards recommending surgery because he is a surgeon, were significantly more likely to choose surgery and report increased trust in the surgeon's expertise than participants in the nondisclosure condition. Thus, the disclosure appeared to provide an expertise cue rather than a warning.

- l. In other work published in *Organizational Behavior and Human Decision Processes*, my collaborators and I (Sah, Malaviya and Thompson, 2018) conducted multiple studies to determine why trust increases with conflict of interest disclosure in certain situations. We found that increased trust with disclosure is more likely to occur when the level of competing information that advisees have to contend with is increased.⁶⁴ The studies in this paper examined how people process disclosures in consumer blogs, which contain information regarding a product or service that may be interesting to the reader. Across one field study and five randomized experiments, an important moderating variable that determined whether trust increases or decreases in blog-readers was the **level of deliberation** on the disclosure. When disclosures are presented with competing information that is relevant or interesting to the advisee, the disclosure itself may be processed peripherally, without much conscious awareness. This can lead to disclosures of conflicts of interest being attributed to the advisers' expertise: an effect we termed "**disclosure's expertise cue.**" This effect is mitigated and sometimes reversed when recipients are asked to deliberate on (think more about) the meaning of the disclosure.
- m. Advisees are often more focused on the decision they must make (whether to buy a product or take a treatment or service) than the disclosure. Thus, it is likely that conflict of interest disclosures will not be deliberated on and thus may lead to increased trust and compliance with the suggested product or service.
- n. To reduce these unintended consequences of disclosure on advisees, attempts to reduce compliance pressure should be made and advisees should be encouraged to deliberate on the disclosures to ensure they do not lead to an automatic increase in trust.
- o. However, even when social pressure is low, and advisees deliberate on disclosures, they may still not react optimally to them. New research I have conducted (Sah and Feiler, 2018) demonstrates that advisees can sometimes over-discount, discarding valuable advice accompanied by a conflict of interest disclosure.⁶⁵
- p. Across six randomized experiments in which advisees receive simulated financial advice which is of high-quality but accompanied with a conflict of interest disclosure, I identify two important independent mechanisms that work in opposing directions with regards to trusting the adviser.⁶⁵

- q. First, disclosures can lower trust in the adviser's character when processed deliberately; an effect we term the "disclosure penalty." Though intuitive at first glance, three important dynamics highlights how they may negatively affect advisees in some situations: The disclosure penalty (i) emerges irrespective of advice quality and, importantly, is present *even when advice quality is high and the adviser is honest* (and advisees have full information to determine advice quality); (ii) emerges even when the adviser's professional responsibility and self-interest are aligned, and (iii) may be mitigated if the conflict of interest is attributed to external factors beyond the adviser's control.
- r. Second, when advisers recommend an option that sacrifices their self-interest, disclosure can produce an altruistic signal, which increases trust in the adviser's character. Disclosure reveals the existence of the conflict as well as the adviser's self-sacrificing recommendation, which would otherwise be unknown to the advisee. For the advisee, the net effect on perceived trustworthiness depends on which effect—the disclosure penalty or altruistic signal—is stronger.
- s. I have demonstrated that conflict of interest disclosure can either decrease trust in advisers if advisees deliberate on them (burden of disclosure effect, disclosure penalty) or increase trust (expertise cue, altruistic signal). However, there is another possibility: Advisees may simply dismiss disclosures.
- t. I conducted a large registered randomized field experiment at a U.S. academic hospital (Cleveland Clinic) to assess the impact of written disclosures of physicians' conflicts of interest on patients' knowledge of those conflicts and trust in their physician.⁶⁶ Disclosure greatly improved patients' knowledge of their physicians' financial conflicts from 9% to 57%, a laudable effect size for a written education tool. However, it did not lead to any significant differences in patients' trust in their physician or hospital, or in any differences in missed or cancelled appointments. Although nearly half of the patients surveyed reported that they wanted the disclosure information, most also reported that these disclosures were not important to their medical decisions. These findings, therefore, suggest that disclosures could be seen as harmless or at least mitigate concerns that advisees may overreact to them. However, the lack of effect on trust suggests that disclosure cannot be a panacea to addressing conflicts of interest if the intended purpose is for advisees to assimilate the information into their decision-making and account for potential adviser bias.
- u. Similarly, other researchers discovered via a large online experiment focusing on retail investment decisions that unless the disclosure was flagged in bold red font (which is likely to increase deliberation on the disclosure), participants did not respond to conflict of interest disclosures.⁶⁷

- v. Simple salient disclosures given in private before advisees meet their advisers may decrease some unintended consequences of disclosure but such disclosures still do not eliminate motivated reasoning from advisees to disregard their advisers' conflicts of interest.⁶⁶ Indeed, prior research of mine has also shown that when it is costly to obtain a second opinion, advisees are more likely to trust their primary advisers.⁷

- w. It is important for policy-makers to understand that while clarity and salience are important psychological factors in making disclosure more effective, even the clearest and boldest disclosure may fail to protect consumers. Many of the experiments reviewed here utilized short and salient disclosures, yet many perverse effects and failures of disclosure ensued. Once bad advice is provided, it may be difficult to ignore, regardless of how clear any disclosure is.

- x. In the research studies in the blogging context (Sah, Malaviya and Thompson, 2018), we examined the location of conflict of interest disclosure statements. Research on the psychology of belief suggests that it is better to disclose that advice might be conflicted *before* giving the advice, rather than afterward.⁶⁴ In other words, it is easier for an advisee to compensate for possible bias by listening with scepticism to advice that he or she already knows is conflicted than to hear the advice first and *then* be warned about it after. My collaborators and I noted that disclosures of a conflict of interest given at the top of a blog post instead of the end of a post sometimes mitigated disclosure's expertise cue (the automatic increased trust in blogger's expertise described in paragraph I in this section) from conflict of interest disclosure.⁶⁴ However, even then, it was often not sufficient to protect consumers from unintended consequences of disclosure such as interested trust and persuasion.

- y. Given the mixed response of advisees to conflict of interest disclosures, it is apparent that we cannot rely on consumers to respond as anticipated by policy-makers. Other policy measures are needed to protect consumers from their advisers' conflicts of interest.

4. What other policy responses (apart from disclosure) to conflicts of interest on the part of advisers have you considered and what is the evidence as to the effectiveness of these other policy responses?

4.1. Education and training

- a. Research on self-serving biases shows that educating people on biases increases awareness of bias in general but is often ineffective in decreasing the level of bias. It usually succeeds in convincing people that others are biased but not oneself.⁴⁴
- b. Ethical fading,⁴¹ and rationalizations^{12,42} also substantially decrease the effectiveness of education and training. The power to rationalize and push ethical concerns into the background increases people's vulnerability to the biasing influence of conflicts of interest. Indeed, Enron's 64-page Code of Ethics booklet did not prevent the ethical failures of many employees within that institution. A systematic analysis of the organizational culture at Enron demonstrated how the culture of an organization can have profound effects on the ethics of its employees despite the existence of codes of conduct, corporate social responsibility initiatives, ethics officers, etc. It is the "deep" culture of the organization that matters.⁶⁸

4.2. Sanctions or penalties for failing to place clients first

- a. Church and Kuang⁶⁹ proposed that sanctions (in combination with disclosure) reduce bias in advisers' recommendations when recipients have a choice of whether to invest or not. Although this is promising, sanctions only work when it is clear that the advice is biased. In subjective situations, such as giving investment advice (where several options may be available for an advisee and where considerable uncertainty in outcomes exists), it is easy to find evidence to support a particular recommendation. Advisees, as well as regulatory bodies, may find it difficult to determine if advice was biased, let alone whether the bias was intentional and/or culpable.
- b. Introducing fines can also create an unintended consequence of encouraging institutions or employees to view decisions in terms of a cost-benefit analysis rather than an ethical issue.^{41,70} Sometimes, the size of such penalties may not be large enough to prevent self-interested behaviour and institutions may accept such fines as the "cost of doing business."^{71,72}
- c. Often, succumbing to bias is subconscious and unintended (see section 1.1). As personalized advice can often be subjective with multiple options available, advisers can convince themselves that they are giving good quality advice and may be unaware of the

presence or extent of their bias. Rationalizations can make it difficult to prove the existence of bias and often poor decisions are not uncovered for years after the fact, making sanctions ineffective in managing bias from conflicts of interest.

4.3 Second opinions

- a. Second opinions are often proposed as an antidote to potential bias caused by a primary adviser's conflict of interest. For example, financial journalist Ross Sorkin described the most talked-about idea at an annual corporate attorney conference: "If a company's advisor has a conflict, the best practice for a corporate board is to hire a second advisor to help cleanse [diminish the effects of bias from] the first advisor" (Ross Sorkin, 2012).⁷³
- b. As described in Section 1, I (Sah and Loewenstein, 2015) found that the presence of a second adviser can encourage primary advisers to adopt a profit-maximizing frame (rather than placing the client first) and give even more biased advice. Clients rarely seek second opinions for a variety of reasons such as cost, effort, time and an unwillingness to offend their primary advisers leaving them more vulnerable to increased bias from their primary advisers.^{1,7,74}

4.4 Structural changes

4.4.1 Incentives

- a. In much of the conflict of interest research presented in earlier sections of this report, the effect of the conflict of interest on the quality of advice was much greater than that of any mitigating policy recommendations such as disclosure or mandatory second options. This highlights the importance of policies designed to curb conflicts of interest rather than simply managing them. Disclosure can cause indirect harm if it replaces more effective measures against conflicts of interest and encourages complacency about the inherent problem. Realigning incentives for advisers to eliminate or reduce conflicts of interest will thus have a much larger effect than disclosure in encouraging higher-quality unbiased advice in the marketplace.
- b. Eliminating incentives that create conflicts of interest and the potential of biased advice have been implemented in other countries. For example, the Sarbanes-Oxley Act (U.S. Congress 2002) limits the ability of accounting firms to provide both auditing and consulting services to the same client.

- c. Supportive evidence for eliminating conflicts of interest exists in recent research by my colleagues and I in the medical domain utilizing a large (over 16 million prescriptions) dataset. In an effort to regulate physician conflicts of interest, some U.S. academic medical centres implemented policies that restricted pharmaceutical sales representatives from visiting physicians and physicians receiving gifts from pharmaceutical representatives such as branded stationary. Comparing changes in prescribing by physicians at academic medical centres before and after implementing these policies with a matched control group of similar physicians at centres without the policies, we found that policies that restricted interactions between the pharmaceutical industry and physicians led physicians to prescribe less (expensive) branded drugs and more (cheaper) generic drugs.⁷⁵ This suggests that eliminating conflicts of interest may have beneficial effects for advisees in improving the quality of advice.
- d. Similar rules for financial service firms could limit compensation that analysts receive from investment banking activity and restrict analysts from trading stocks that they cover.
- e. Separating two activities—advising and deal-making—could also go a long way toward decreasing some conflicts of interest. However, care must be taken to ensure that an attempt to eliminate some conflicts will not create others. Separating adviser/seller roles may allow conflicts of interest to persist if advisers are in the same organization or social network as sellers (and may thus engage in quid pro quo).

4.4.2 Organizational Norms

- f. Corporate culture, norms, and goal setting within institutions play a large role in succumbing to the biasing influence of conflicts of interest. For example, in the United States, Wells Fargo incentivised employees to sell new products to its customers. Pressure to sell these products led employees to open accounts such as deposit or credit-card accounts for customers who never asked for them. Short term results-orientated environments can lead to perceived implicit messages from those in authority to give greater attention to job completion than to ethical concerns.^{16,76}
- g. Ethical rules and procedures are often put in place to reduce conflicts of interest.²⁶ However, these formal and structural mechanisms intended to reduce the influence of conflicts of interest remain imperfect, and these rules are often not adhered to.^{48,77} For example, managers in a recent study noted the prevalence of small gifts intended to bribe or influence the decisions of managers and the rationalizations they conjured to bypass ethical concerns (i.e., reasons for why the policy did not apply for this action). One manager said, “I worked in a department store chain and the buyers were given tickets to

the Superbowl when the local team was in the Superbowl. The company policies said NO gifts, but those policies did not apply, or they paid for the "face value" for the tickets, which were clearly worth more and impossible to obtain without this favor being extended."⁴⁸

- h. One safeguard could be to make the rationalizations and other strategies used by advisers to morally disengage and succumb to conflicts of interest explicit. For example, publishing common rationalizations that minimize, distort or even deny harmful consequences to advisees would highlight that these rationalizations are unacceptable. The more transparent the unethical practices and rationalizations used, the less successful it may be for advisers to morally disengage.¹⁴ However, care must be taken that this does not backfire in some situations as noted by my prior work (described in section 1.2) which revealed that even explicit rationalizations that are rejected on a conscious level may persuade advisers to engage in unethical practices.⁴⁴
- i. Advisees who have been harmed by poor quality advice from financial advisers often lack social influence or status making it easier for advisers to not think about the harm they have caused or blame the advisees for bringing the harm on themselves. This is amplified as financial advice is often complex and poorly understood by advisees who may resort to placing full trust in their advisers due to their lack of expertise. As financial advice is often subjective and the negative effects not realized until years later, it is near impossible for advisees to determine the quality of advice that they receive.¹
- j. Advisees need to be personalized and the harm they have suffered publicized.¹⁴ This decreases the psychological distance between advisers and advisees. Remote infliction of suffering is less likely to affect advisers than observing direct consequences of their harm.²⁰
- k. Previous research has argued that extrinsic sources of motivation, such as monitoring and incentives, are less effective than building intrinsic sources of motivation to behave ethically.^{48,78} Yet, the challenge of conflicts of interest and self-regulation suggests that a purely intrinsic approach may not be effective either. Relying on self-regulation and an intrinsic sense of integrity, objectivity and professionalism can leave advisers susceptible to influence (as described in section 1.4).⁵⁰ A combination of both extrinsic and intrinsic sources of motivation may be the best approach.⁷⁹
- l. As described in Section 1, norms are powerful predictors of behaviour. They are perceptions or beliefs of "understood rules for accepted and expected" behaviour,²¹ and consist of both prescriptive norms (what we think we *should* do) and descriptive norms (what we think others *actually* do). People draw on numerous sources to perceive norms, including other people, mass media, and institutional/legal signals.²²

- m. Institutional signals are particularly powerful and include the behaviour of leaders, other employees, and the formal (codes, sanctions, surveillance) and informal (ethical culture, climate, communication) infrastructure.⁸⁰ Authority figures are particularly important and even conflicting authority commands (one ethical and one unethical) have been shown to substantially reduce unethical behaviour, highlighting the importance of the presence of vocal ethical leaders.²⁰ To change norms within institutions, one must look at the institutional signals from both the formal and informal infrastructure. Perceptions of both the prescriptive (what we should do) and descriptive norms (what others actually do) will need to shift.

- n. Sah (2018) describes the power of an ethical organizational culture. Such a culture can serve as a powerful defence against conflicts of interest. “Even when legal regulations are weak or unenforceable, or awareness of bias is low, professionals may comply with standards when reminded of relevant ethical norms simply because putting the advisee first is the right thing to do.”²⁴

- o. Any proposed policy action to manage conflicts of interest should ideally undergo further testing in the field in which it will be implemented to assess the likely real-world impact. This would improve the design of the policy and monitor the consequences, both intended on unintended, on both advisers and advisees.

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Appendix

Curriculum Vitae of Professor Sunita Sah

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ACADEMIC POSITIONS

<i>Cornell University, Johnson Graduate School of Management</i> Assistant Professor of Management and Organizations Balen Sesquicentennial Faculty Fellow	2015–present
<i>Georgetown University, McDonough School of Business</i> Assistant Professor of Strategy, Economics, Ethics and Public Policy	2012–2015
<i>Harvard University, Edmond J. Safra Ethics Center</i> Research Fellow	2011–2015
<i>Duke University, Fuqua School of Business</i> Post-doctoral Associate	2010–2012

EDUCATION

Ph.D.	Organizational Behavior, (M.S. and Ph.D. completed in 2 years) <i>Tepper Business School, Carnegie Mellon University</i> <i>Concentration: Behavioral Decision Making, Judgment and Decision Making</i> <ul style="list-style-type: none">Academy of Management Dissertation Award Finalist (2012), Social Issues in Management	2008–2010
M.S.	Organizational Behavior <i>Tepper Business School, Carnegie Mellon University, USA</i>	2008–2010
M.B.A.	Executive MBA, Awarded with Distinction <i>London Business School, UK</i> Elected Class Representative (liaison between faculty and students) Women’s Scholarship Prize for Leadership Potential	2003–2005
M.B.Ch.B. (M.D.)	Medicine and Surgery <i>University of Edinburgh, UK</i>	1991–1997
B.Sc. (Hons)	Psychology <i>University of Edinburgh, UK</i>	1991–1994

RESEARCH INTERESTS

My research focuses on institutional corruption, ethics, bias, transparency, disclosure, influence, and advice; in particular, how professionals who give advice, as well as recipients who receive advice, alter their behavior as a result of conflicts of interest and disclosure policies. Using a multi-method approach of laboratory and field experiments, as well as archival and qualitative data, my work employs theories from organizational behavior, psychology, and behavioral economics to study different aspects of giving, and reacting to, biased or over-confident advice.

- Behavioral Ethics
- Trust
- Advice
- Influence
- Conflicts of Interest
- Disclosure

Sunita Sah

AWARDS AND HONORS

Paper Awards

- Best Paper Proceedings, Academy of Management Conference, 2018
- Best Paper Proceedings, Academy of Management Conference, 2017
- Social Science Research Network Top Ten Paper Download List, 2013, 2014, 2015, 2016, 2018
- Finalist, Best Paper Award in the Fields of Experimental Economics, Behavioral Economics and Decision Theory, Exeter Prize, 2014
- Winner, Best Paper Award, International Academy of Management and Business, 2013
- Dissertation Award Finalist, Academy of Management, Social Issues in Management, 2012
- Winner, Best Paper Award, Managerial and Organizational Cognition, Academy of Management, 2011
- Best Paper Proceedings, Academy of Management Conference, 2011
- Winner, Society for Judgment and Decision Making Poster Presentation Award, 2010
- Winner, Best Paper Award, Society for Business Ethics, 2010
- IACM-DRRC (International Association of Conflict Management and Dispute Resolution Research Center, Kellogg School of Management) Scholar Award, 2010
- Society for Personality and Social Psychology, Poster Presentation Award and Honorable Mention (2nd place), 2010
- Winner, Best Paper Award in Organizational Behavior, Trans-Atlantic Doctoral Conference, London Business School, 2009

Scholarship Awards

- Institute of Social Sciences Fellowship, Cornell University, 2018-2019
 - Half-Century Club Faculty Research Fellowship, Cornell University, 2017-2019
 - Balen Sesquicentennial Faculty Fellowship, Cornell University, 2015–2020
 - Greenwall Foundation (for research on real-world disclosures of conflicts of interest), \$187,570, Co-Principal Investigator with Chris Robertson and Susannah Rose, 2015
 - Edmond J. Safra Center of Ethics Fellowship Award, Harvard University, 2011–2015
 - Georgetown Center for Financial Markets and Policy Research Award, 2013, 2014
 - Georgetown Institute for Consumer Research Award, 2013, 2014
 - National Institute of Mental Health (for research on the impact of conflict of interest policies on physicians' prescribing behavior), with George Loewenstein, 2010–2012
 - Society of Personality and Social Psychology: Judgment and Decision-Making Pre-Conference, Awarded Two Travel Awards, 2010
 - Carnegie Mellon Graduate Student Association Funding Award, 2010
 - National Science Foundation Grant awarded by Society for Medical Decision Making, 2009
 - fMRI Training Course Scholarship Award, University of Michigan, 2009
 - Decision Neuroscience Workshop Scholarship Award, Ross Business School, 2009
 - Carnegie Mellon Graduate Student Association Funding Award, 2008
 - William Larimer Mellon Fellowship Award, Carnegie Mellon University, 2008–2010
 - MBA funding, IMS Health, London, 2003–2005
 - Women's Scholarship Prize for Leadership Potential, London Business School, 2003
 - Medical Research Council Scholarship (UK), Psychology BSc (Hons), full tuition plus grant, 1994
-

Sunita Sah

JOURNAL PUBLICATIONS

Management and Psychology

1. **Sah, S.**, Loewenstein, G., & Cain, D. (*forthcoming*). Insinuation anxiety: Concern that advice rejection will signal distrust after conflict of interest disclosures. *Personality and Social Psychology Bulletin*.
 - **Best Paper Award: Organizational Behavior, Trans-Atlantic Doctoral Conference, London Business School, 2009**
2. **Sah, S.** (2018). [Understanding the \(Perverse\) Effects of Disclosing Conflicts of Interest: A Direct Replication Study](#). *Journal of Economic Psychology*.
 - **Special Issue on Replications in Economic Psychology and Behavioral Economics**
3. **Sah, S.**, Malaviya, P., & Thompson, D. (2018). [Conflict of interest disclosure as an expertise cue: Differential effects of automatic and deliberative processing](#). *Organizational Behavior and Human Decision Processes*, 147, 127-146.
 - **Academy of Management Best Paper Proceedings 2018**
4. **Sah, S.**, Fagerlin, A., & Ubel, P. (2016). [Effect of physician disclosure of specialty bias on patient trust and treatment choice](#). *Proceedings of the National Academy of Sciences*, 113(27), 7465-7469.
5. Wolf, E., Lee, J., **Sah, S.**, & Brooks, A. (2016). [Managing perceptions of distress at work: Reframing emotion as passion](#). *Organizational Behavior and Human Decision Processes*, 137, 1-12.
6. **Sah, S.**, & Loewenstein, G. (2015). [Conflicted advice and second opinions: Benefits, but unintended consequences](#). *Organizational Behavior and Human Decision Processes*, 130, 89-107.
7. Gunia, B., Barnes C., & **Sah, S.** (2014). [The morality of larks and owls: Unethical behavior depends on chronotype as well as time-of-day](#). *Psychological Science*, 25(12), 2272-2274.
 - **TV and Radio coverage: BBC World (live television), BBC Radio 4, NPR, KABC Los Angeles/OC**
 - **Top Ten Download List 2014, Social Science Research Network**
8. **Sah, S.**, & Loewenstein, G. (2014). [Nothing to declare: Mandatory and voluntary disclosure leads advisors to avoid conflicts of interest](#). *Psychological Science*, 25(2), 575-584.
 - **Best Paper Award: International Academy of Management and Business, 2013**
9. **Sah, S.**, Loewenstein, G., & Cain, D. (2013). [The burden of disclosure: Increased compliance with distrusted advice](#). *Journal of Personality and Social Psychology*, 104(2), 289-304.
 - **Finalist, Best Paper in the Fields of Experimental Economics, Behavioral Economics and Decision Theory, Exeter Prize, 2014**
 - **Best Paper of Annual Conference: Society of Business Ethics, 2010**
10. **Sah, S.**, Moore, D., & MacCoun, R. (2013). [Cheap talk and credibility: The consequences of confidence and accuracy on advisor credibility and persuasiveness](#). *Organizational Behavior and Human Decision Processes*, 121(2), 246-255.
 - **Best Paper Award: Managerial and Organizational Cognition Division, Academy of Management, 2011**
 - **Poster Presentation Award, Honorable Mention, 2nd place: Society for Personality and Social Psychology, 2010**

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11. Sah, S., & Loewenstein, G. (2012). [More affected = more neglected: Amplification of bias in advice to the unidentified and many](#). *Social Psychological and Personality Science*, 3(3), 365-372.
 - **Best Poster Presentation, 1st Place: Society for Judgment and Decision Making, 2010**

Behavioral Science and Medicine

12. Larkin, I., Ang, D., Steinhart, J., Chao, M., Patterson, M., Sah, S., Wu, T., Schoenbaum, M., Hutchins, D., Brennan, T., & Loewenstein, G. (2017). [Association between academic medical center pharmaceutical detailing policies and physician prescribing behavior](#). *Journal of the American Medical Association*, 317(17), 1785-1795. Impact Factor = 47.66.
 - **Special issue on Conflicts of Interest in Medicine**
13. Hwong, A., Sah, S., Lehmann, L. (2017). [The effects of public disclosure of industry payments to physicians on patient trust: A randomized experiment](#). *Journal of General Internal Medicine*, 32(11), 1186-1192. Impact Factor = 3.70.
14. Sah, S. (2015). [Investigations before examinations: This is how we practice medicine here](#). *JAMA Internal Medicine*, 175(3), 342-343. Impact Factor = 19.99.
 - **Editor's note: Testing before seeing the patient**
15. Sah, S., Elias, P., & Ariely, D. (2013). [Investigation momentum: The relentless pursuit to resolve uncertainty](#). *JAMA Internal Medicine*, 173(10), 932-933. Impact Factor = 19.99.
16. Loewenstein, G., Sah, S., & Cain, D. (2012). [The unintended consequences of conflict of interest disclosure](#). *Journal of the American Medical Association*, 307(7), 669-670. Impact Factor = 47.66.
17. Sah, S., & Loewenstein, G. (2010). [Effect of reminders of personal sacrifice and suggested rationalizations on residents' self-reported willingness to accept gifts: A randomized trial](#). *Journal of the American Medical Association*, 304(11), 1204-1211. Impact Factor = 47.66.
 - Reprinted in P. Nichols & D. Robertson, (2017). *Thinking About Bribery: Neuroscience, Moral Cognition and the Psychology of Bribery*, Cambridge University Press
 - Working paper version of original paper (with different title, "Because I'm worth it," analyses, and some different content)

Behavioral Science, Policy and Ethics

18. Bell, S., Sah, S., Albright, T., Gates, J., Denton, B., & Casadevall, A. (2018). [A call for more science in forensic science](#). *Proceedings of the National Academy of Sciences*, 115(18), 4541-4544.
19. Sah, S. (2017). [Policy solutions to conflicts of interest: The value of professional norms](#). *Behavioural Public Policy*, 1(2), 177-189.
20. Sah, S., Tannenbaum, D., Cleary, H., Feldman, Y., Glaser, J., Lerman, A., MacCoun, R., Maguire, E., Slovic, P., Spellman, B., Spohn, C., & Winship, C. (2016). [Combating biased decision making and promoting justice and equal treatment](#). *Behavioral Science and Policy*, 2(2), 78-87.
21. Sah, S., Robertson, C., & Baughman, S. (2015). [Blinding prosecutors to defendants' race: A policy proposal to reduce unconscious bias in the criminal justice system](#). *Behavioral Science and Policy*, 1(2), 69-76.
 - **Top Ten Download List 2015 and 2016, Social Science Research Network**

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22. **Sah, S.**, & Fugh-Berman, A. (2013). [Physicians under the influence: Social psychology and industry marketing strategies](#). *Journal of Law, Medicine and Ethics*, 41(3), 665-672.
 - Translated into Spanish and reprinted in: *Gaceta de Psiquiatría Universitaria* (2013), 9(4), 427-435
 - **Special issue on Institutional Corruption and the Pharmaceutical Industry**
 - **Top Ten Download List, 2014 and 2015, Social Science Research Network**
23. **Sah, S.** (2012). [Conflicts of interest and your physician: Psychological processes that cause unexpected changes in behavior](#). *Journal of Law, Medicine and Ethics*, 40(3), 482-487.
 - **Special issue on Conflicts of Interest in Medicine**

Invited Articles

24. **Sah, S.** (2013). [Essays on conflicts of interest in medicine](#). *Business and Society*, 52(4), 666-678.
 - **Finalist, Academy of Management, Social Issues in Management, Dissertation Award 2012**
25. Loewenstein, G., Cain, D., & **Sah, S.** (2011). [The limits of transparency: Pitfalls and potential of disclosing conflicts of interest](#). *American Economic Review; Paper and Proceedings*, 101(3), 423-428.

PUBLISHED BEST PAPER PROCEEDINGS: ACADEMY OF MANAGEMENT

26. **Sah, S.**, Malaviya, P., & Thompson, D. (2018). Conflict of interest disclosure as an expertise cue: Differential effects of automatic and deliberative processing. *Academy of Management Best Paper Proceedings*.
 - An earlier version was also published as: **Sah, S.**, Malaviya, P., & Thompson, D. (2015). Persuasive Experts do it with Disclosure! The Perverse Impact of Conflict of Interest Disclosures in Consumer Blogs. In. NA - Advances in Consumer Research Volume 43, eds. Kristin Diehl & Carolyn Yoon, Duluth, MN: Association for Consumer Research, pg. 713-714.
27. **Sah, S.**, & Read, D. (2017). Disclosure and the dog that didn't bark: Consumers are too forgiving of missing information. *Academy of Management Best Paper Proceedings*.
 - [Harvard Business Review](#) article
28. **Sah, S.**, & MacCoun, R. (2011). Unconvinced but persuaded: How confident advisors influence you. *Academy of Management Best Paper Proceedings*.
 - **Best Paper Award: MOC Division, Academy of Management, 2011**

BUSINESS AND POPULAR ARTICLES

29. **Sah, S.** (2016, July 8). [The Paradox of Disclosure](#). *The New York Times*.
30. **Sah, S.**, & Read, D. (2017, September 28). [Missing Product Information Doesn't Bother Consumers as Much as It Should](#). *Harvard Business Review*.
31. Barnes, C., Gunia, B., & **Sah, S.** (2014, June 23). [Morning People Are Less Ethical at Night and Evening People are Less Ethical in the Morning](#). *Harvard Business Review*.
32. **Sah, S.**, Casadevall, A., Bell, S., Gates, J., Albright, T., & Denton, B. (October, 2017). [Let's Keep the Science in Forensic Science](#). *Scientific American*, 12.
 - A longer version of this article was published online: **Sah, S.**, Casadevall, A., Bell, S., Gates, J., Albright, T., & Denton, B. (2017, May 8). [We Must Strengthen the "Science" in Forensic Science](#). *Scientific American*

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33. Baughman, S., Robertson, C., & Sah, S. (2016, October 14). [For Fairer Courts, Address Prosecutor Bias](#). *New Republic*.
34. Sah, S. (2015, July 29). [The Problem with Investigation before Examination](#). *Psychology Today*.
35. Sah, S. (2013, April 28). [What can radiology do to curb investigation momentum?](#) *Health Imaging*.
36. Sah, S. (2012, October 1). [The burden of disclosure: What you do know can hurt you](#). *Harvard Ethics Lab Blog*.

WORKING PAPERS

37. Sah, S. Conflict of interest disclosure as a reminder of professional norms. Clients First! *Revised and Resubmitted*. *Organizational Behavior and Human Decision Processes*.
38. Sah, S., & Larrick, R. Self-perceived professionalism predicts increased acceptance of, and influence from, conflicts of interest. *Revise and Resubmit*. *Organizational Behavior and Human Decision Processes*.
39. Rose, S., Sah, S., Dweik, R., Schmidt, C., Mercer, M., Mitchum, K., Karafa K., & Robertson, C. A randomized field experiment of patient responses to physician disclosures of industry conflicts of interest. *Revise and Resubmit*. *Organizational Behavior and Human Decision Processes*.
 - **Co-PI with Susannah Rose and Christopher Robertson**
 - **Registered clinical trial**
 - **Special Issue on Behavioral Field Evidence on Ethics and Misconduct**
40. Sah, S., & Read, D. Mind the (information) gap: Strategic non-disclosure by marketers and debiasing interventions for consumers.
 - [Academy of Management Best Paper Proceedings 2017](#)
 - [Harvard Business Review](#) article
 - **Top Ten Download List 2018, Social Science Research Network**
41. Sah, S., & Feiler, D. Conflict of interest disclosure with high quality advice: The disclosure penalty and the altruistic signal. *Under Review*. *Organizational Behavior and Human Decision Processes*.
 - **Pre-registered studies**
42. Rader, C., Sah, S., & Larrick, R. (Mis)judging the use of advice: Why advisors systemically misunderstand their influence.
 - **Pre-registered studies**

BOOK CHAPTERS

43. Sah, S., & Loewenstein, G. (2017). Effect of reminders of personal sacrifice and suggested rationalizations on residents' self-reported willingness to accept gifts. in P. Nichols & D. Robertson, (ed.), [Thinking About Bribery: Neuroscience, Moral Cognition and the Psychology of Bribery](#), Cambridge University Press.
44. Sah, S., Cain, D., & Loewenstein, G. (2013). Confessing One's Sins but Still Committing Them: Transparency and the Failure of Disclosure. In A. J. Oliver (ed.), [Essays in Behavioural Public Policy](#). Cambridge University Press.

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45. Barry, M., Chan, E., Moulton, B., **Sah, S.**, Simmons, M., & Braddock, C. (2013). [Disclosing conflicts of interest in patient decision aids](#). *BMC Medical Informatics and Decision Making* (Special Issue), 13(S2), S3.
- An earlier version was also published in: Barry, M., Braddock, C., Chan, E., Moulton, B., **Sah, S.**, & Simmons, M. (2012). [Disclosing Conflicts of Interest](#). In Volk R, Llewellyn-Thomas H (Eds.). *Update of the International Decision Aids Standards (IPDAS) Collaboration's Background Document. Chapter G*.

INVITED PRESENTATIONS & SELECTED REFEREED CONFERENCES

2018

- *Invited:* University of Chicago Booth School of Business; Wharton School of Management; Harvard Kennedy School; Rady School of Business, University of California, San Diego; Bureau of Consumer Financial Protection; University of Pennsylvania Law School, Robo Advice at the Regulatory Crossroads; University of Rutgers Law School, Rutgers Institute on Corporate Compliance.
- *Conferences:* Academy of Management; Society of Personality and Social Psychology; Society of Judgment and Decision Making.

2017

- *Invited:* Securities and Exchange Commission, Investor Advisory Committee Meeting; Harvard University Institutional Corruption Panel, Edmond J. Safra Center for Ethics.
- *Conferences:* Academy of Management; American Law and Economics Association, Yale Law School; Academy Health; Society of Personality and Social Psychology; Academy of Consumer Research; Conference on Empirical Legal Studies; Cognitive Development Society.

2016

- *Invited:* Yale School of Management; Cornell University, Social Psychology; Johnson School, Cornell University, Behavioral Economics and Decision Research Seminar Series; Cornell University, Institute for Health Economics, Health Behaviors and Disparities; Cornell University, School of Industrial and Labor Relations.
- *Conferences:* Academy of Management; Society for Business Ethics; Behavioral Decision Research in Management; Advances with Field Experiments; Southern Economic Association; 10th Triennial Invitational Choice Symposium; Behavioral Science & Policy.

2015

- *Invited:* Tuck School of Business, Dartmouth College; Cornell University, School of Industrial and Labor Relations; Harvard University, Ethics Center; Johnson School, Cornell University.
- *Conferences:* Academy of Management; Society of Business Ethics; Academy of Consumer Research; International Association for Conflict Management; Behavioral Science & Policy.

2014

- *Invited:* UCLA Anderson School of Management; University of Chicago Law School; McDonough School of Business, Georgetown University; Rotman School of Management, FAIR Canada/Capital Markets Institute; University of Virginia Law School; Georgetown University, Institute for Consumer Research; Association of American Medical Colleges (AAMC).
- *Conferences:* Academy of Management; Society of Business Ethics; Behavioral Decision Research in Management; Advances in Decision Analysis; Society of Personality and Social Psychology; Society of Judgment and Decision Making.

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2013

- *Invited:* Wharton, University of Pennsylvania; Harvard University; Columbia University; University of Pennsylvania, Center for Health Incentives and Behavioral Economics, Penn Medicine; University of Pennsylvania, Behavioral Ethics Lab; The Pew Charitable Trusts; International Forum for Investor Education (IFIE), International Organization of Securities Commissions (IOSCO) Global Investor Education Conference; PharmedOUT, Georgetown Medical School; RAND Behavioral Finance Forum.
- *Conferences:* Academy of Management; Society of Business Ethics; International Academy of Management and Business; Conference on Empirical Legal Studies, University of Pennsylvania Law School; SPUDM24, IESE Business School; 25th Association for Psychological Science Annual Convention, Society of Judgment and Decision Making.

2012

- *Invited:* Fuqua School of Business, Duke University, Health Sector Advisory Council; Harvard Medical School, Division of Pharmacoepidemiology and Pharmacoeconomics; McDonough School of Business, Georgetown University; Academy of Management, Dissertation Award Presentation; RAND Behavioral Finance Forum.
- *Conferences:* Academy of Management; Society of Judgment and Decision-Making.

2011

- *Invited:* INSEAD, Social Innovation Centre and Marketing Department; London School of Economics and Political Science, Organizational Behavior Group; University College London, Management Science and Innovation; Harvard University, Center for Ethics; Universitat Pompeu Fabra, Department of Economics and Business; American Society of Law, Medicine, and Ethics.
- *Conferences:* Academy of Management; Conference on Empirical Legal Studies, Northwestern Law School; Society of Judgment and Decision-Making.

2010

- *Invited:* London School of Economics, Choice Group; King's College London, Medical Decision Making Research Group; American Orthopedic Association.
- *Conferences:* Academy of Management; Society of Business Ethics; Conference on Empirical Legal Studies, Yale Law School; International Association of Conflict Management; Behavioral Decision Research in Management Conference; Princeton Graduate Student Conference on Psychology and Policymaking; Judgment and Decision-Making Pre-Conference of the Society of Personality and Social Psychology; Society of Personality and Social Psychology, Society of Judgment & Decision Making.

2009

- *Invited:* Society for Medical Decision Making
- *Conferences:* Society for Judgment and Decision Making; Ninth Annual Trans-Atlantic Doctoral Conference, London Business School

TEACHING

Johnson Graduate School of Management, Cornell University

- **Dean's Honor Roll for mean teaching evaluations > 4.5 / 5.0** for all courses taught:
 - Managing and Leading Organizations (Core MBA Course, Johnson-Weill dual degree Executive MBA/MS in Healthcare Leadership)
 - Critical and Strategic Thinking (Core MBA Course)
 - Negotiation Essentials (MBA and EMBA Elective)

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McDonough School of Business, Georgetown University

- Social Responsibility of Business/Business Ethics (Core Senior Capstone Course: Spring 2013-2015)

Executive Education / Industry Courses (selected programs, 2005 - 2008)

- To: CEOs, Finance Directors, Vice Presidents, General Managers, Sales and Marketing Heads, National Managers, Directors, Corporate Affairs, Physicians, Health Care Professionals, and Medical Directors.

Selected Topics Taught:

- Managerial Decision-Making; Principles of Influence; Strategy Dynamics; Crisis Communication

SELECTED MEDIA COVERAGE

- [The Chronicle of Higher Education](#) (October 7, 2018) – How Academic Corruption Works.
- [Bloomberg](#) (October 4, 2018) – Doctors Like to Think Big Pharma Doesn't Sway Them. It Does.
- [Financial Planning](#) (December 11, 2017) – Would ratings system for advisors prompt better behavior? It helped food industry.
- [Harvard Business Review](#) (September 28, 2017) – Missing Product Information Doesn't Bother Consumers as Much as It Should.
- [Scientific American](#) (October 1, 2017) – Let's Keep the Science in Forensic Science (article in print magazine).
- [Scientific American](#) (May 8, 2017) – We Must Strengthen the "Science" in Forensic Science (blog post).
- [New Republic](#) (October 14, 2016) – For Fairer Courts, Address Prosecutor Bias.
- [The New York Times](#) (July 8, 2016) - The Paradox of Disclosure.
- [Department of Justice](#) (August 6, 2015) - Department of Justice and The National Institute of Standards and Technology Name Six Experts as New Members of National Commission on Forensic Science.
- [The New Yorker](#) (February 25, 2015) – No, mornings don't make you moral.
- [Forbes](#) (November 17, 2014) – What you should know before seeking a second opinion.
- [The Star, Toronto](#) (October 28, 2014) – Disclosure may not work in investing.
- [Nature](#) (October 3, 2014) – Disclosing Conflicts of Interest has Unintended Effects.
- [NPR](#) (September 9, 2014) – Morning person, or night owl? It matters.
- [The Atlantic](#) (July 23, 2014) - Morning People Are More Likely to Lie to Their Bosses in the Afternoon.
- [The Washington Post](#) (July 22, 2014) - The 9-to-5 workday is practically an invitation to ethical lapses.
- [BBC News](#) (July 17, 2014) - Early risers 'less moral at night.'
- [The Telegraph](#) (July 17, 2014) - Early risers more likely to cheat and behave dishonestly at night, US study finds.
- [Metro](#) (July 17, 2014) - Early birds more likely to behave badly at night, says study.
- [Huffington Post](#) (October 25, 2013) - No Conflict: Transparency and Morals.
- [Forbes](#) (May 22, 2013) - The Dark Side of Confidence.
- [Psychology Today](#) (May 12, 2013) - How Uncertainty Overpowers Evidence in Matters of Health.
- [Forbes](#) (April 14, 2013) - Study: Many Invasive Medical Procedures are the Result of Uncertainty, Not Evidence.
- [Huffington Post](#) (March 28, 2013) - You Follow Advice Despite Conflicts of Interest.
- [British Psychological Society Occupational Digest](#) (March 6, 2013) - How disclosing conflicts of interest can pass the burden to the customer.
- [Georgetown Magazine](#) (Winter 2013) - The Business of Medicine.
- [Financial Times](#) (May 11, 2012) - Something for the weekend.
- [Forbes](#) (May 9, 2012) - If You Want Honest Investment Advice, Only Get It One-on-One.
- [The Atlantic](#) (May 23, 2011) - Disclosure: Transparency May Be Hazardous to Your Health.
- [Boston Globe](#) (May 15, 2011) - Deeply Conflicted.
- [NPR](#) (Sept 15, 2010) - Why Do Doctors Take Drugmakers' Gifts?
- [The Wall Street Journal](#) (Sept 15, 2010) - Study: Medical Residents' Attitudes Towards Gifts Easily Swayed.

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SERVICE

National Commission on Forensic Science, U.S. Department of Justice:

Commissioner 2015–2017
Human Factors Subcommittee 2015–2017

Board Member:

Human Factors Committee, National Institute of Science and Technology 2014–2016
Forensic Science Standards Board, U.S. Department of Commerce

Expert Witness

U.S. Department of Justice 2011–2012

Editorial Board:

Organizational Behavior and Human Decision Processes 2013–present

Ad-hoc reviewer:

<i>Organization Science</i>	<i>Journal of Business Ethics</i>
<i>Management Science</i>	<i>Medical Decision Making</i>
<i>Journal of Personality and Social Psychology</i>	<i>Social Cognition</i>
<i>Journal of Experimental Social Psychology</i>	<i>Journal of Legal Studies</i>
<i>Journal of Experimental Psychology: General</i>	<i>Journal of Empirical Legal Studies</i>
<i>Psychological Bulletin</i>	Oxford University Press
<i>Behavioral Science and Policy</i>	Columbia University Press
<i>Behavioral Public Policy</i>	National Science Foundation
<i>Science Advances</i>	

Dissertation Committee Member:

David Butler, Warwick Business School (External Examiner) September 2018
Christina Rader, Fuqua School of Business, Duke University May 2015

Society for Judgment and Decision Making:

Women in SJDM Annual Event 2015–2018
Beattie Award Committee 2014–2017
Judge for Student Posters 2012–2016

Johnson Graduate School of Management, Cornell University

M&O Seminar Series Coordinator 2017–present
Behavioral Simulation Laboratory Committee 2015–present
Management and Organizations Faculty Recruitment Committee 2015–2016, 2017-2018
M&O Ph.D. Program Coordinator 2016–2017
M&O Representative, PhD Open House Faculty Panel 2015

McDonough School of Business, Georgetown University

Ethics Area Faculty Recruitment Committee 2014–2015
Ethics Speaker Series 2012–2015
PharmedOut Steering Committee 2012–2015
MBA Academic Integrity Board 2012–2013

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OTHER ACHIEVEMENTS

- Chaired Symposia / Workshop:
 - Invitational Choice Symposium, May 2016, Lake Louise, AB, Canada
 - Society of Business Ethics, August 2014, Philadelphia, PA
 - Society of Business Ethics, August 2013, Orlando, FL
 - 25th Association for Psychological Science Annual Convention, May 2013, Washington DC
 - Society of Judgment and Decision-Making, November 2011, Seattle, WA
- Academy of Management OMT/MOC Doctoral Symposium, August 2011
- Negotiation and Decision-Making Course, Harvard Business School, January 2010
- Decision Neuroscience Workshop, Ross Business School, August 2009
- Flute (Grade 8 with Merit from Royal Schools of Music, UK)
- PADI Open Water Diver

OTHER PROFESSIONAL EXPERIENCE

United States Department of Justice, National Commission on Forensic Science 2015–2017

Commissioner on the National Commission on Forensic Science established to enhance the practice and improve the reliability of forensic science.

Human Factors Subcommittee Member

United States Department of Commerce, National Institute of Standards and Technology (NIST), Forensic Science Human Factors Committee 2014–2016

Member of the new Human Factors Committee, Organization for Scientific Area Committees (OSAC) formed to coordinate the development of standards and guidelines for the forensic science community to improve quality and consistency of work in forensic science.

United States Department of Justice, Expert Witness 2011–2012

Prepared and evaluated expert witness reports and provided deposition testimony on a multi-million dollar national healthcare fraud case on behalf of the federal government.

Organisational Dynamics Ltd, CEO, Managing Director and Founder (London) 2006–2010

Consultancy and executive education in Managerial Decision-Making, Leadership, Organizational Behavior, Negotiations, Communication and Strategy. Executive board and CEO recruitment and development. Clients include Amgen, AstraZeneca, Novo Nordisk, London Business School, Scandinavian International Management Institute, UK Motor Neurone Disease Association, and the National Health Service.

IMS Health Consulting, Senior Consultant then European Marketing Director (London) 2002–2006

Management and healthcare expertise to the Brand and Launch Management business lines. Responsible for the development, implementation, training, and alignment of marketing strategy across 22 European countries. Developed and aligned pharmaceutical industry consulting services for promotion and performance management to enable more effective decision-making, and evaluation of influences on doctors' prescribing behavior.

NHS Trust UK, Medical Doctor; Registration & Licensure: UK General Medical Council 1997–2011

Practiced General Medicine, Respiratory Medicine, Nephrology, and Accident & Emergency in the Edinburgh Western General Hospital (United Kingdom), Royal Melbourne Hospital (Australia), and Rarotonga Government Hospital (The Cook Islands).