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Conflicted advice and second opinions: Benefits, but unintended consequences

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ABSTRACT

Second opinions have been advocated as an antidote to bias in advice when primary advisors have conflicts of interest. In four experiments, we demonstrate how primary advisors alter their advice due to knowledge of the presence of a second advisor. We show that advisors give more biased advice and adopt a profit-maximizing frame when they are aware of the mere availability of a second opinion. The bias increases when primary advisors are aware that the second opinion is of low quality, and decreases when they know the second opinion is of high quality and easy to access. Both economic concerns (e.g., losing future business) and noneconomic concerns (e.g., concern that a second advisor will expose the poor quality advice) decrease bias in primary advisors' advice. Based on these findings, we discuss circumstances in which second opinions are likely to be beneficial or detrimental to advice-recipients.

> "If a company's adviser has a conflict, the "best practice" for a corporate board is to hire a second unconflicted adviser to help cleanse the first adviser."
>
> [Andrew Ross Sorkin, New York Times, 03/12/2012[1]]

1. Introduction

Second opinions are frequently advocated to improve decision-making, particularly when primary advisors have an agenda or conflict of interest that may bias their advice. For example, home sellers who recognize that real estate agents have an incentive to price properties low to get a faster sale (Levitt & Dubner, 2005) can pay a fixed fee for an appraisal from a different realtor. The second realtor will be less conflicted since they will not be selling the home and thus may give a more accurate appraisal. Similarly, a patient whose doctor recommends a drug but also discloses a consulting relationship with the pharmaceutical company that produces the drug, might visit another doctor who is not conflicted by industry relationships for a second opinion. In each of these scenarios, a decision-maker receiving advice from a conflicted advisor has the option of seeking a second opinion from an unconflicted advisor.

Second (and more generally multiple) opinions are known to improve judgments when advisors are prone to random error (Hastie & Kameda, 2005; Soll & Larrick, 2009; Surowiecki, 2004; Taylor & Potts, 2008; Yaniv, 2004). In medicine, second opinions have been shown to improve breast cancer screening, prognosis and treatment (Staradub, Messenger, Hao, Wiley, & Morrow, 2002; Taylor & Potts, 2008) and reduce unnecessary surgeries (Kronz, Westra, & Epstein, 1999; Martin et al., 1982). Second

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[1] Ross Sorkin reporting on the most talked-about idea at an annual corporate attorney conference.

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opinions could also be valuable for reducing the negative impact of primary advisors' conflicts of interest in the many situations in which consumers are reluctant to seek them. Schwartz, Luce, and Ariely (2011), for example, found that dental patients were more likely to receive unnecessarily expensive treatment from a dentist they had interacted with over a longer period of time. Second opinion services are common in professional consulting areas such as engineering, finance, strategy, and law (Sarvary, 2002). In this paper, we investigate whether second opinions can help to neutralize the negative effects of conflicted advice, as well as the impact on conflicted primary advisors when they are aware that their advisees will, or can, seek a second opinion.

2. Quality of advice from the primary advisor

How might awareness that an advisee will, or even could, seek a second opinion affect the quality of advice from a conflicted primary advisor? Fig. 1 outlines the main factors that could impact the primary advisors' advice once they are aware of the presence of a second opinion.

On the one hand (see left hand side of Fig. 1), the potential for advisees to obtain un-conflicted second opinions could *improve* the quality of advice from the first advisor. An advisor who is aware that an advisee will receive an unbiased second opinion may decrease the bias in their advice so it is not too obviously discrepant, in a self-serving direction, from the advice provided by the second advisor. This could be due to economic or noneconomic reasons.

Economic reasons for improving advice quality include concerns regarding the loss of future business due to reputational damage or sanctions for giving biased advice. This is likely to increase if advisors believe the quality of their advice could be verified. Primary advisors who are concerned about their reputation, sanctions, or believe there will be repeated interactions with advisees, should be more likely to consider the economic costs of giving biased advice, and rein in the bias in their advice.

Non-economic reasons that could lead to an improvement in the quality of advice from the primary advisor are the anticipation of shame or other social concerns if the advisee becomes aware of the bias in the primary advisor's advice. People's behaviors are shaped by both economic and noneconomic outcomes. Regardless of economic benefits, most people are motivated to view themselves, and have others perceive them, as moral, ethical, and honest (Aquino & Reed II, 2002; Crocker & Knight, 2005; Jordan & Monin, 2008; Mazar, Amir, & Ariely, 2008; Sah & Loewenstein, 2014). Social concerns (shame or concern for social reputation) would encourage primary advisors to provide less biased advice so that they would not be viewed as selfish or unethical. Providing less biased advice also decreases the need to be faced with a harsh comparison of the gap between the self's action and the self's standards or perceived social standards. Similar to economic concerns, this effect is likely to be greater to the degree that the truth will ultimately be revealed, illuminating any bias in offered advice. The truth is more likely to be revealed, and hence social concerns exacerbated, if the quality of the second opinion is high and if the cost or ease of access to obtain the second opinion is low.

On the other hand, knowledge that an advice recipient might receive a second opinion could provide primary advisors with a rationalization for giving biased advice (right hand side of Fig. 1). A diversity of research shows that people are more likely to engage in ethically questionable behavior when they can rationalize doing so (Anand, Ashforth, & Joshi, 2004). For example, potential aid-givers—'dictators' in the 'dictator game'—who are given a reason for being in the privileged position (Hoffman, McCabe, Shachat, & Smith, 1994), or presented with some uncertainty about the connection between their action and the outcome (Dana, Weber, & Kuang, 2007), act more selfishly. Physicians who are presented with the implicit or explicit rationalization that they might deserve industry gifts due to their grueling training, long working hours and low salaries, are more likely to view accepting industry gifts as ethical (Sah & Loewenstein, 2010). And, people also feel less responsible for, and are less generous toward, aid-recipients who have another potential source of aid (Cryder & Loewenstein, 2012).

2.1. Rationalizations that justify self-interested behavior

People regularly engage in unethical acts without violating their moral self-identity (Bazerman & Tenbrunsel, 2011; Mazar et al., 2008; Moore, Detert, Treviño, Baker, & Mayer, 2012). To retain a positive view of oneself and also indulge in self-interested but immoral behavior, people either cheat—but just a little in order to maintain their self-concept of being an honest person (Fischbacher & Heusi, 2008; Mazar et al., 2008)—or rationalize their unethical behavior in order to view their actions as acceptable; a process closely related to moral disengagement (Bandura, 1990, 1999; Moore, 2008; Moore et al., 2012).

Although professionals often succumb to bias at a subconscious and unintentional level (Bazerman & Tenbrunsel, 2011; Dana & Loewenstein, 2003; Sah, 2012; Sah & Fugh-Berman, 2013), in some situations advisors who provide biased advice will not be able to avoid being aware that they are doing so. For example, stock analysts who are shorting stocks they recommend to clients should have difficulty convincing themselves that they are acting in their clients' best interests. Similarly, in the first three experiments presented in this paper, given that primary advisors were aware of the true value of the quantity they were providing advice about, any bias in the advice they provided had to be conscious and deliberate. In such situations—when self-interest can only be satisfied by consciously lying—the cost to individuals of acting unethically is likely to be higher than when the bias occurs at a subconscious level. To maintain a self-concept of being honest while simultaneously behaving dishonestly in this situation, advisors would have to find rationalizations to justify their actions (Tenbrunsel & Messick, 1999, 2004).

Prior research has demonstrated that people derive value from having justifications to behave in a self-interested manner (Dana et al., 2007; Hoffman et al., 1994; Sah & Loewenstein, 2010; Shalvi, Dana, Handgraaf, & De Dreu, 2011). The potential for advisees to obtain second opinions could provide, or bolster, a number of possible rationalizations that primary advisors might use to justify giving more biased advice. One possibility is that advisors might feel that they need not be generous toward an advisee who displays, or is in a position to display, distrust toward them by seeking a second opinion. Prior research has found that the perception that one is trusted a powerful predictor of generosity (Berg, Dickhaut, & McCabe, 1995).

The Oxford English dictionary defines trust as a "Firm belief in the reliability, truth, ability or strength of someone or something," and as "Acceptance of the truth of a statement without evidence or investigation." Ronald Reagan's invocation of the Russian proverb "trust but verify" in his arms negotiations with Gorbachev got so much attention because the two key words in the phrase seem to be oxymorons. If trust means not having to verify, then the fact that someone does bother to verify, or – a short step away – would be in a position to do so, for example, with a second opinion, could be interpreted as a signal of trust's absence. The absence of trust then positions the parties in the realm of what Fiske (1992) calls a "market pricing" relationship in which the main issue of interest is how the interaction can benefit the self, and the restrictions on maximizing gains are largely dictated by legal, as opposed to