



# Customer orientation, social consensus and insurance salespeople's tolerance of customer insurance frauds

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## Abstract

**Purpose** – The idea of customer orientation is widely recognized by service people. However, there has been a lack of investigation into how the recognition of customer orientation may affect the service people's attitudes toward customer misconducts. As a result, our knowledge about the potential impacts of customer orientation philosophy on the ethical decisions made by service people could be insufficient. Hence, by using the life insurance salespeople in Taiwan as an example, the purpose of this paper is to investigate service people's tolerance of two types of customer misconduct (opportunistic frauds and planned frauds) and how those service people would react to the customer misconduct based on their marketing philosophy (customer orientation), perceived fraud size and perceived social consensus.

**Design/methodology/approach** – The sample of this study comes from life insurance companies in Taiwan. Questionnaires have been used as a data gathering instrument.

**Findings** – The results showed that customer orientation of the responders is negatively associated with the responders' tolerance of the customer claim frauds. The responders' unethical decision is most significantly influenced by perceived fraud size and social consensus.

**Originality/value** – The duties of insurance salespeople include helping customers settle insurance claims. However, insurance salespeople's tolerance of customer claim frauds is less mentioned in the insurance literature. Few studies have examined the relationship among customer orientation, social consensus and insurance salespeople's tolerance of customer claim frauds.

**Keywords** Taiwan, Insurance companies, Sales force, Employees behaviour, Ethics, Fraud, Customer orientation, Social consensus, Salespeople

**Paper type** Research paper

## Introduction

Customer insurance fraud is a serious problem in the insurance industry (Crocker and Tennyson, 2002; Derrig, 2002; Dionne and Gagne, 2002), and the amount of empirical insurance research on customer insurance frauds has been increasing (Tennyson, 1997, 2002, 2008). Previous studies in this area have also mentioned the key factors that influence customers' intentions to commit frauds. For example, Tennyson (1997) found that customers' perceptions of the insurance companies are related to their attitudes toward exaggerating an insurance claim. Tennyson (2002) further found a negative relationship between customers' insurance experience and the customers' tolerance of insurance frauds. Dean (2004) showed that female customers perceived exaggerating an insurance claim to be significantly less ethical than male customers did. Miyazaki



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(2009) pointed out that higher deductible amounts may lead to stronger perceptions that filing exaggerated claims is fair to the insurer, weaker perceptions that the exaggerating behavior is unethical, and higher proposed claim award amounts. Among the literature, the customers' ethical attitudes toward customer insurance frauds has been identified as one of the crucial factors that affect the consumers' intention to carry out the frauds.

However, it has been found that some customer insurance frauds were not only related to customers' ethical attitudes, but also associated with the questionable decisions made by some insurance salespeople (Picard, 1996, 2000; Morley *et al.*, 2006; Jou and Heberton, 2007). Since the duties of insurance salespeople include selling new policies to customers, making sure the policies are continually renewed and helping customers settle insurance claims, it is possible for insurance salespeople to have some private information about the customers (Ross, 1980; Viaene and Dedene, 2004; Skipper and Kwon, 2007). Yagil (2008) further pointed out that overstating the importance of customers may lead to service people's tolerance of customer misconducts. Thus, given that today the marketing channels in the insurance industry are largely made up of insurance salespeople and the concept of customer orientation is highly recognized in the insurance market, we think insurance salespeople may experience conflict in dealing with customer frauds.

Yet, although the idea of customer orientation is widely recognized by service industries (Brown *et al.*, 2002), there has been a lack of investigation into how the recognition of customer orientation may affect the service people's attitudes toward customer misconducts. As a result, our knowledge about the potential impacts of customer orientation philosophy on the ethical decisions by service people could be insufficient. Hence, by using life insurance salespeople in Taiwan as an example, the present work investigates service people's tolerance of two types of customer misconducts (opportunistic frauds and planned frauds) and how those service people would react to the customer misconducts based on their marketing philosophy (customer orientation).

Moreover, many of the studies have addressed the idea that social consensus is related to ethical decision making (Chia and Lim, 2000; Bennett and Blaney, 2002; Thorne *et al.*, 2004). Social consensus is defined as "the degree of social agreement that a proposed act is evil or good" (Jones, 1991, p. 375). It is argued that most people are influenced by the extent to which others (e.g. peers) agree or disagree with their behavior. If peers in the organization agree that the behavior is acceptable, then the perceived social consensus may motivate an individual employee to act in the same way. Researchers have also found a significant impact of social consensus on the ethical decision-making process (Schmidtke, 2007). Thus, it seems that social consensus may affect insurance salespeople's ethical attitudes toward the customer insurance fraud problems. However, little insurance research has directed attention on how social consensus would affect insurance insiders' (such as insurance salespeople or claim adjusters) decision making in the customer insurance frauds. We therefore investigate this issue in the research.

Finally, it has been found that the magnitude of consequences is related to the ethical attitude toward an ethical issue (McMahon and Harvey, 2006; Hayibor and Wasieleski, 2009). Magnitude of consequences refers to "the sum of the harms (or benefits) done to victims (or beneficiaries) of the moral act in question" (Jones, 1991, p. 374). It was proposed that a low magnitude of consequence (e.g. a small consequence) may cause decision makers to underestimate the perceived immorality that results

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from an unethical action (Singhapakdi *et al.*, 1996). Some researchers also found a significant relationship between magnitude of consequences and ethical decision making. For example, Tan (2002) found that a lower perceived magnitude of consequences of using pirated software may be related to a higher consumer intention to buy the pirated software. The magnitude of consequences has been examined as a key factor influencing ethical decision making. Hence, we think there is a significant relationship between fraud size (the sum of the fraudulent claim that is proposed by the customers) and the salespeople's tolerance of customer frauds.

To date, no clear evidence has emerged to suggest how insurance salespeople would react to customer insurance frauds, while the relationship between customer orientation and salespeople's tolerance of customer misconduct is also unclear. This study may lead to a better understanding of these issues. The remainder of this paper has been organized as follows. The next section introduces the conceptual development of the hypotheses, followed by the methodology. The findings are then presented and discussed. Finally, the paper concludes with discussions, implications and limitations.

### Literature

#### *Customer orientation and salespeople's tolerance of customer claim frauds*

Customer orientation refers to the degree to which salespeople try to help their customers make decisions that will solve the customers' problems and satisfy the customers' needs (Saxe and Weitz, 1982; Cherry and Fraedrich, 2002). Highly customer-oriented salespeople aim at increasing long-term customer satisfaction and avoiding behaviors which might result in customer dissatisfaction (Singh and Ranchhod, 2004). The customer orientation has stimulated a great deal of research interest, partly because it is viewed as important in its own right and partly because of its association with several organizational performances (Franke and Park, 2006; Blocker *et al.*, 2011). Previous studies have also shown a significant correlation between employees' customer orientation and customers' satisfaction (Hennig-Thurau, 2004; Grizzle *et al.*, 2009). Some have suggested that customer orientation can lead to the relationship between the service people and customers becoming more harmonious, providing a good basis for customer repurchase activities and creating positive word of mouth that benefits the company (Da Silva *et al.*, 2002; Jones *et al.*, 2003; Lin and Germain, 2003). Joshi and Randall (2001) concluded that customer orientation leads to an increase in portability and growth by making customers more loyal. Homburg *et al.* (2011) further argued that customer orientation is valuable to organizations because it maintains positive customer expectations. It has also been found that employees with high levels of customer orientation have a more positive response than other employees to personal attitudes related to their job satisfaction, job involvement and job commitment (Lengnick-Hall and Lengnick-Hall, 1999; Kennedy *et al.*, 2003; Singh and Koshy, 2011). In summary, customer orientation is now widely adopted by companies to achieve competitive advantage (Mohr-Jackson, 1998; Rafaeli *et al.*, 2008).

Previous research has also identified customer orientation as an important factor influencing ethical decisions by salespeople. The early work on customer orientation and ethical decision making was conducted by Howe *et al.* (1994). They found that customer-oriented salespeople are found to engage in less unethical behavior than the sales-oriented salespeople. Schwepker *et al.* (2004) further found a significant relationship between customer orientation and the company's ethical climate.

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Those findings suggested that highly customer-oriented individuals tend to be more ethical in the selling process, compared to those who are highly sales-oriented.

However, some researchers have also acknowledged that there could be a relationship between perceived customer importance and the tolerance of customer misconduct (Adkins, 1995). That is, service people could be more likely to tolerate the customer misconducts when they believe the customer interest is highly important. Over-highlighting customer interests might also increase employees' attention to customer needs and tolerance of questionable customer behaviors. Thus, the employees who receive higher levels of customer-orientated philosophy may feel stressed in exposing customer misconducts (Yi and Gong, 2008; Yagil, 2008; Daunt and Harris, 2012). Moreover, customer satisfaction is an important goal for service people, because many benefits are to be gained from customer satisfaction (Liu *et al.*, 2002; Cross *et al.*, 2007; Ivory and Alderman, 2009). The desire to gain customer satisfaction may turn into the desire to avoid anything that increases customer dissatisfaction (Langerak, 2001). Hence, if dealing with questionable customer behaviors can lead to customer dissatisfaction, we think some service employees may feel too stressed to deal with it.

Customer orientation is emphasized in the insurance industry. Yet, the impact of customer orientation on insurance salespeople's tolerance of the customer insurance frauds is still unknown. To test whether or not customer orientation affects salespeople's tolerance of the customer insurance frauds, the following hypothesis was proposed:

- H1.* Insurance salespeople would be more likely to tolerate customer insurance frauds when the concept of customer orientation is highly recognized by them.

*Social consensus and salespeople's tolerance of customer claim frauds*

Social consensus reflects the perceived social norms of ethical issues. According to Jones (1991, p. 376), people care about the ethical attitudes of other people who are close or important to them (e.g. friends or peers). If those important people regard certain misconduct as acceptable, it may motivate the individuals to accept the misconduct as well. In other words, if a social consensus guaranteed the rightness of the misconduct, some people may behave in accordance with the social consensus (Stott and Drury, 2004; Farrow and Tarrant, 2009). A number of empirical studies have examined how social consensus could affect individuals' ethical decisions and behavior. For example, Marchese *et al.* (2002) pointed out that social consensus is one of the crucial factors that affects working people's ethical decision making. Strube and Rahimi (2006) further pointed out that the awareness of social consensus has a significant impact on ethical attitudes. Other researchers have also confirmed that people's attitudes toward the unethical behavior may be strongly associated with the social consensus they perceived (Haslam *et al.*, 1999; Schmidtke, 2007; Mayer, 2008). Against this backdrop, we think insurance salespeople may tolerate customer insurance frauds when they think peers (other salespeople) would also tolerate the customer insurance frauds. It is worth investigating the relationship between the awareness of social consensus and the salespeople's tolerance of the customer insurance frauds. The following hypothesis is therefore proposed:

- H2.* Insurance salespeople would be more likely to tolerate customer insurance frauds when they believe their peers would also tolerate the frauds.

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*Perceived fraud sizes and salespeople's tolerance of customer claim frauds*

Magnitude of consequences refers to the sum of harms (or benefits) resulting from the moral act in question (Weber, 1996; Vitell and Patwardhan, 2008). Previous empirical studies have found that magnitude of consequences influences ethical decision making (Davis *et al.*, 1998; Butterfield *et al.*, 2000; Barnett and Valentine, 2004; Leitsch, 2004). For example, Singhapakdi *et al.* (1996) found that the larger the negative consequence of an unethical behavior, then the lower the decision maker's intention to conduct the behavior. Stein and Ahmad (2009) and Ng *et al.* (2009) also argued that an unethical behavior with large negative consequences would be more unacceptable to people. Those findings suggest that the insurance claim frauds with small negative consequences (e.g. when the claim amount that is proposed by the dishonest policyholder is small) are more likely to be accepted because people may believe that small frauds have smaller impacts on insurer and other policyholders. In sum, the consequences of customer insurance frauds imply that the overall harm would affect the insurer and other policyholders adversely. We expected that the frauds with large negative consequences could be seen as more unethical than those with a relatively small magnitude of consequences. Thus, in cases of small customer insurance frauds being perceived by the insurance salespeople, the insurance salespeople may feel more willing to tolerate those frauds. The following hypothesis is proposed:

- H3.* Insurance salespeople would be more likely to tolerate customer insurance frauds when they believe the overall harm done as a result of the frauds would be small.

**Methodology**

Questionnaires have been used as a data gathering instrument in the insurance fraud studies (Tennyson, 1997, 2002; Dean, 2004; Brinkmann and Lentz, 2006; Miyazaki, 2009). The questionnaires with scenarios method was used because it allows for a greater degree of control over the independent variables and saves time by summarizing customer fraud problems that might be difficult to observe in reality (Dean, 2004; Miyazaki, 2009). Moreover, using questionnaires with scenarios helps to standardize the information that is received by the respondents and, at the same time, is one of the simplest procedures that allows a large number of questions to be investigated (Dooley, 2001). Using anonymous questionnaires can also promise the anonymity and confidentiality of the respondents when investigating some sensitive issues (such as salespeople's attitudes toward customer claim frauds). Finally, since different questionnaires with different manipulations (fraud sizes) need to be assigned in the research design, using questionnaires with scenarios is suggested (Dooley, 2001). For these reasons, we think that the questionnaire is an appropriate methodology for our research topic.

We have three versions of questionnaires (versions A, B and C) and each version of the questionnaire contains two scenarios. Before reading the scenarios, each responder was asked to answer some questions about their customer orientation. The questions, such as "I try to help customers achieve their goals," were asked (see Table XI). When the questions were answered, responders turned to the next page, which presented the two scenarios (Tables I and II). At the beginning of the scenarios, all responders were told that "We are interested in understanding what insurance salespeople think about customer claim frauds. Please read the following scenarios carefully and imagine that the event happened to you, and then answer the following questions." We also

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Version A	Mr X was hospitalized for several days and the total medical expense was 5,000 NT dollars. According to Mr X's insurance policy, he could request the full hospital charges from the insurer. However, to take advantage of the insurer, Mr X successfully persuaded the doctor to tamper with the medical record and say the medical expense was 10,000 NT dollars. Andy was the salesman of Mr X, and he knew that the actual loss was 5,000 NT dollars. Andy also knew that the claims department was totally unaware of this and would pay the full hospital charges immediately. Finally, Andy helped Mr X apply for the insurance money of 10,000 NT dollars
Version B	The contents of the scenario are the same as version A except for: Mr X successfully persuaded the doctor to tamper with the medical record and say the medical expense was 35,000 NT dollars Finally, Andy helped Mr X apply for the insurance money of 35,000 NT dollars
Version C	The contents of the scenario are the same as version A except for: Mr X successfully persuaded the doctor to tamper with the medical record and say the medical expense was 305,000 NT dollars Finally, Andy helped Mr X apply for the insurance money of 305,000 NT dollars

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**Table I.**  
Scenario 1  
(an opportunistic fraud)

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Version A	Mr Y owed gangsters some money. To pay the debts, Mr Y submitted a false medical record to the insurer. According to the record, the total cost of the medical treatment was 5,000 NT dollars. Bob was the salesman of Mr Y, and he actually knew that Mr Y cheated on the insurer purposely. However, Bob also knew that the claims department was totally unaware of this and would pay the full claim immediately. Finally, Bob helped Mr Y apply for the claim (5,000 NT dollars)
Version B	The contents of the scenario are the same as version A except for: According to the record, the total cost of the medical treatment was 30,000 NT dollars Finally, Bob helped Mr Y apply for the claim (30,000 NT dollars)
Version C	The contents of the scenario are the same as version A except for: According to the record, the total cost of the medical treatment was 300,000 NT dollars Finally, Bob helped Mr Y apply for the claim (300,000 NT dollars)

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**Table II.**  
Scenario 2  
(a planned fraud)

reminded the responders that the questionnaire is anonymous, and there were “no right or wrong answers” to help them avoid social desirability bias.

Fraud types (opportunistic frauds and planned frauds) and fraud sizes were manipulated in the scenarios. Scenario 1 contained an opportunistic fraud and scenario 2 contained a planned fraud. In this study, the definitions of the opportunistic frauds and planned frauds have been adapted from Weisberg and Derrig (1993). Opportunistic frauds normally involve attempts to get excessive payments for an insured event that is otherwise legitimate, while planned frauds refer to a systematic effort to gain insurance payments by falsifying an accident or injury. Fraud size was manipulated in three degrees (30 NT dollars is about 1 US dollars in April of 2012), as can be seen in Tables I and II.

In scenario 1, the customer tended to get excessive payments for an insured event. The misconduct in the scenario is a kind of opportunistic fraud (Weisberg and Derrig, 1993). We told the responders who received questionnaire version A that, although Andy (the hypothetical salesperson) knew that the actual loss was 5,000 NT dollars, Andy also knew that the claims department was totally unaware of this and would pay

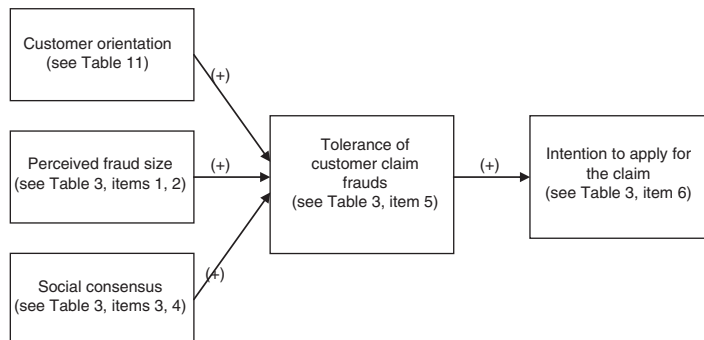
the full hospital charges immediately. This kind of incident could occur in reality because insurance salespeople could have private information about the customer and the claim management procedure. In fact, some life insurance salespeople often sell insurance products to friends and family members. Hence, it is possible for some salespeople to know the actual loss of the event.

In scenario 2, the customer would like to submit a false medical record to the insurer and apply for the insurance money. The salesperson in the scenario knew that the customer cheated on the insurer purposely (the misconduct in the scenario is a kind of planned fraud), and also knew that the claims department was totally unaware of this and would pay the full claim immediately. Again, the fraud sizes were manipulated in the scenarios at three levels.

*Conceptual diagram and measurement*

Figure 1 presents the conceptual framework and the relationships. As shown, responders' tolerance regarding the customer insurance frauds influences their intention to apply for the claim. It is also proposed that the perceived fraud size, social consensus and customer orientation of the responders may influence responders' tolerance of the customer insurance frauds. We hypothesized that the responders would be more likely to tolerate customer claim frauds when the concept of customer orientation was highly recognized by them. Hence, the relationship between customer orientation and the tolerance of customer fraud is positive. We also assumed that the responders would be more likely to tolerate the customer claim frauds when they believed the overall harm done as a result of the claim fraud would be small. Finally, the relationship between social consensus and the tolerance of customer fraud is hypothesized to be positive, indicating that the responders would be more likely to tolerate customer insurance frauds when they believed their peers would also tolerate the frauds.

Customer orientation was measured based on Saxe and Weitz's (1982) research. The 12 items concerning customer orientation (see Table XI) were measured by seven-point Likert type scales anchored with "totally agree" to "totally disagree," and has Cronbach's  $\alpha = 0.733$ . The responders were then asked to read the written scenarios and answer the questions, including perceived fraud size (two items), social consensus (two items), the responders' tolerance of the customer frauds and intention to apply for the claim (one item for each construct). The variables and scales are given in Table III. In summary, perceived fraud size was measured using the scale adapted from



**Figure 1.**  
Conceptual diagram

Items	Questions	Constructs
Item 1	The overall harm done as a result of Mr X's (or Y) action would be small	Perceived fraud size
Item 2	The overall harm done as a result of the salesperson's action would be small	Perceived fraud size
Item 3	Most of my peers would agree that what the salesperson did is not at all wrong	Social consensus
Item 4	If my peers were the salesperson, I think most of them would also apply for the claim	Social consensus
Item 5	I think what the salesperson did is not at all wrong	Ethical attitude
Item 6	If I were the salesperson, I would also apply for the claim	Ethical intention

**Table III.**  
Items and  
measurement

Singhapakdi *et al.* (1996), the constructs have Cronbach's  $\alpha$  as 0.847 in scenario 1 and 0.804 in scenario 2, respectively. Social consensus was also measured using the scale from Singhapakdi *et al.* (1996). The constructs have Cronbach's  $\alpha = 0.802$  in scenario 1 and 0.864 in scenario 2. Ethical attitude (the responders' tolerance of the customer frauds) and ethical intention (intention to apply for the claim) were measured using the scale from Ajzen (2005). The Cronbach's  $\alpha$  for the two items are 0.747 in scenario 1 and 0.596 in scenario 2.

To ensure the readability and effectiveness of the questionnaire design before the formal investigation, the original questionnaires were checked by two experienced life insurance sales managers. The purpose of doing this was to have feedback from the experienced practitioners, including how plausible the scenarios were, how easy the questionnaires were for the respondents to make responses, and what they thought the anonymity and confidentiality of the questionnaire were. The feedback they provided confirmed that the scenarios and questions were realistic and reasonable. After correcting wording, we then made the formal version of the questionnaires.

### Sample

Life insurance salespeople in Taiwan were recruited as participants. As mentioned by Viaene and Dedene (2004), insurance fraud is usually processed in the underwriting and claim application stage. Insurance salespeople are substantial participants in both of these stages (Ross, 1980). Hence, our interest in insurance salespeople is because we consider that the insurance salespeople have a great involvement in the issue of customer insurance frauds.

Only full time and self-employed life insurance salespeople were included, ensuring that the topic had particular relevance to those involved. A purposive sampling was used because some Taiwanese life insurance companies do not use insurance salespeople as marketing channels. We contacted the sales managers of the sales departments, and then arranged the formal investigation after receiving agreement from the sales managers. In the end, three private life insurance companies in Taichung city agreed to take part in this study. The formal investigations were conducted during October 14, 2011 to November 20, 2011. In the formal investigations, the responders were randomly assigned to one of the three groups (questionnaire versions A, B or C). The cover letter of the questionnaires stated the purpose of the experiment and required participants to imagine themselves as the salesperson in the scenarios. At the end of the questionnaires, respondents were asked to complete some demographic information.



In summary, a total of 290 questionnaires were issued, and a total of 227 valid questionnaires were returned. Thus, the valid return rate was 78.3 percent, which can be considered acceptable for the purpose of this study. Of the participants, 74 responders were in the control condition (version A), 77 responders were in the medium fraud size condition (version B) and 76 responders were in the large fraud size condition (version C). About 38.9 percent of the responders have managerial work. About 67.0 percent of the responders were female (Table IV).

*Method of analyses*

The variables were measured on an ordinal scale. Hence, non-parametric statistics such as Spearman’s  $\rho$  test, Mann-Whitney-Wilcoxon test (MWW) and a Kruskal-Wallis test (KW) were used. Spearman’s  $\rho$  test is used for investigating the correlations between the response variables. MWW test and KW test were used to compare the mean values of the variables across groups.

**Findings**

*Correlations*

Scenario 1 focussed on an opportunistic fraud problem. Table V correlations showed that the perceived fraud sizes (items 1 and 2) were positively related to the social consensus (e.g. item 1 and items 3 and 4, the correlation coefficients = 0.554\*\* and 0.433\*\*), suggesting that when the responders believed the fraud size was small, they believed their peers would agree that there was nothing wrong with the salesperson’s misconduct. The results also showed that the perceived fraud sizes were positively related to the responders’ tolerance of the customer frauds (items 1 and 5, the correlation coefficient = 0.450\*\*) and intention to apply for the claim (items 1 and 6, the correlation coefficient = 0.341\*\*), indicating that the responders would tend to

Variables	Frequency	%
<i>Versions</i>		
A	74	32.6
B	77	33.9
C	76	33.5
<i>Gender</i>		
Female	148	67.0
Male	73	33.0
<i>Age</i>		
20-29	68	31.8
30-39	70	32.7
40-49	60	28.0
50-59	16	7.5
<i>Education</i>		
Postgraduate degree	9	4.0
Bachelor’s degree	79	35.0
5 years of college	66	29.2
High school degree or less	72	31.9
<i>Current position</i>		
With managerial work	86	38.9
No managerial work	135	61.1

**Table IV.**  
Profile of participants

**Note:** Missing value is not included

tolerate the salesperson’s misconduct if the fraud size was small. We also found that item 3 was positively associated with the responders’ tolerance of the customer frauds (items 3 and 5, the correlation coefficient = 0.518\*\*) and intention to apply for the claim (items 3 and 6, the correlation coefficient = 0.388\*\*). We did not find a positive relationship between customer orientation and the responders’ tolerance of the customer frauds (here the mean values of the customer orientation items were used in the analyses). Instead, the results showed that the responders with a lower tolerance of the customer frauds also reported higher scores in customer orientation (e.g. items 5 and 7, the correlation coefficient = -0.281\*\*), suggesting that the salespeople with high-ethical standards may also care about the customer’s needs, while they may not tolerate the customer claim frauds.

Scenario 2 focussed on a planned fraud problem. The correlation coefficients for scenario 2 are shown in Table VI. Similarly, the perceived fraud sizes, social consensus and the responders’ tolerance of the customer frauds were correlated, which showed that the smaller fraud sizes those responders perceived, then the higher social consensus (believing peers would agree that the salesperson misconduct was not at all wrong) and lower tolerance (the responders believe the salesperson misconduct was not at all wrong) those responders would have. Moreover, it was found that the respondents’ intention to apply for the claim was significantly correlated with perceived fraud sizes, social consensus and ethical attitudes.

*Manipulation checks for scenario 1*

In order to compare the effects caused by the experimental manipulations, a manipulation check was conducted by using a MWW test and a KW test. Table VII

Items	1	2	3	4	5	6	7
1. The harm done by Mr X	1						
2. The harm done by the salesperson	0.714**	1					
3. Peers’ attitudes (social consensus)	0.554**	0.527**	1				
4. Peers’ behavior (social consensus)	0.433**	0.409**	0.656**	1			
5. The responder’s attitude	0.450**	0.514**	0.518**	0.461**	1		
6. The responder’s intention	0.341**	0.404**	0.388**	0.254**	0.568**	1	
7. Customer orientation (mean value)	-0.257**	-0.389**	-0.197**	-0.104	-0.281**	-0.214**	1

Notes: \* $p < 0.05$ ; \*\* $p < 0.01$

**Table V.**  
Correlation coefficients for scenario 1 (opportunistic fraud)

Items	1	2	3	4	5	6	7
1. The harm done by Mr Y	1						
2. The harm done by the salesperson	0.670**	1					
3. Peers’ attitudes (social consensus)	0.659**	0.759**	1				
4. Peers’ behavior (social consensus)	0.438**	0.525**	0.750**	1			
5. The responder’s attitude	0.486**	0.556**	0.506**	0.328**	1		
6. The responder’s intention	0.476**	0.460**	0.455**	0.336**	0.416**	1	
7. Customer orientation (mean value)	-0.345**	-0.373**	-0.213**	-0.108	-0.291**	-0.296**	1

Notes: \* $p < 0.05$ ; \*\* $p < 0.01$

**Table VI.**  
Correlation coefficients for scenario 2 (planned fraud)

illustrates the means and standard deviations for scenario 1 across versions. Table VIII shows that some of the results ( $p$ -values) were significant. For example, a MWW test showed that the responses in the items were significantly different between versions A and C (please see A/C,  $p$ -value = 0.001 for item 5;  $p$ -value = 0.000 for item 6). The results indicated that the presence of the fraud size factor may affect the responders' tolerance of the opportunistic fraud in that it would be seen as less ethical to apply for the claim in questionnaire version C, and the responders would have a lower intention to apply for the claim in questionnaire version C. The difference in the means for items 3 and 4 was also significant between versions A and C (please see A/C,  $p$ -value = 0.000 for item 3;  $p$ -value = 0.001 for item 4). In other words, when the fraud size is large (305,000 NT dollars), the responders would believe that applying for the claim would be seen as more unethical by peers (see Tables VII and VIII). In short, the perceived fraud size could be the main factor that affects the responses in scenario 1. To see whether there was any difference in the responders' tolerance of the opportunistic fraud problem among the three groups, a KW test was applied to test the data. In sum, the KW test showed that those items were significantly different ( $p < 0.05$ ) across versions. It is suggested that the salespeople's tolerance of the opportunistic fraud problem could be influenced by the perceived fraud size.

*Manipulation checks for scenario 2*

Some significant results were found. The results (Table X,  $p$ -values were presented) showed that the responders' tolerance of the planned fraud problem varied depending on the perceived fraud sizes. When versions A and C were compared, applying the claim was a more welcome choice in questionnaire version A (the MWW results between versions A and C is 0.000 for items 5 and 6). It is suggested that insurance companies should be more active in communicating with insurance salespeople and offering appropriate claims policies to small claim applications. Tables IX and X also revealed that the responders believed their peers would be more willing to apply for the claim when a small fraud size was perceived (see versions A and C, mean values and  $p$ -values). The MWW results showed that, when versions A and C were compared, the responders think their peers would be more willing to apply for the claim in

**Table VII.**  
Means and standard deviations for scenario 1 across versions

Versions	Item 1	Item 2	Item 3	Item 4	Item 5	Item 6
Version A	3.486 (1.263)	3.291 (1.358)	4.027 (1.105)	4.191 (1.220)	3.375 (1.215)	3.464 (1.039)
Version B	3.078 (1.251)	3.118 (1.264)	3.792 (1.206)	4.000 (1.224)	3.257 (1.182)	3.320 (1.015)
Version C	2.716 (1.349)	2.635 (1.266)	3.039 (1.341)	3.418 (1.394)	2.685 (1.116)	2.480 (1.200)

**Table VIII.**  
Mann-Whitney-Wilcoxon and Kruskal-Wallis for scenario 1

Scenario 1	Version	Item 1	Item 2	Item 3	Item 4	Item 5	Item 6
Mann-Whitney-Wilcoxon	A/B	0.069	0.383	0.242	0.359	0.580	0.473
	A/C	0.001	0.004	0.000	0.001	0.001	0.000
	B/C	0.108	0.027	0.001	0.016	0.003	0.000
Kruskal-Wallis	A/B/C/	0.004	0.010	0.000	0.004	0.001	0.000

**Note:**  $p$ -value is used

questionnaire version A (they also believe their peers would think there is nothing wrong in doing so). Insurance frauds

**Discussions**

Researchers have found a significant link between customer orientation and ethical decisions by salespeople (Howe *et al.*, 1994) (Table XI). The finding underscores the importance of customer orientation in sales management and sales ethics. However, although there have been some findings on the influence of salespeople’s customer orientation on the salespeople’s ethical decision making, those studies have normally focussed on the misconducts by the salespeople, while few studies have examined the relationship between customer orientation and salespeople’s tolerance of “customer misconducts.” There is also little insurance fraud research linking social consensus and salespeople’s attitudes toward customer insurance frauds. However, insurance

Versions	Item 1	Item 2	Item 3	Item 4	Item 5	Item 6
Version A	3.041 (1.252)	3.203 (1.313)	3.583 (1.183)	3.391 (1.191)	3.356 (1.182)	3.135 (1.076)
Version B	2.883 (1.192)	3.144 (1.262)	3.466 (1.143)	3.274 (1.193)	3.090 (1.172)	2.831 (1.40)
Version C	2.600 (1.252)	2.746 (1.274)	2.921 (1.283)	2.800 (1.273)	2.270 (1.138)	2.171 (1.181)

**Table IX.**  
Means and standard deviations for scenario 2 across versions

Scenario 1	Version	Item 1	Item 2	Item 3	Item 4	Item 5	Item 6
Mann-Whitney-Wilcoxon	A/B	0.471	0.857	0.576	0.593	0.192	0.097
	A/C	0.034	0.044	0.003	0.005	0.000	0.000
	B/C	0.137	0.062	0.012	0.023	0.000	0.001
Kruskal-Wallis	A/B/C	0.091	0.080	0.006	0.012	0.000	0.000

**Table X.**  
Mann-Whitney-Wilcoxon and Kruskal-Wallis for scenario 2

**Note:** *p*-value is used

Items	Questions
Item 1	I try to help customers achieve their goals
Item 2	I try to achieve my goals by satisfying customers
Item 3	A good salesperson has to have the customer’s best interest in mind
Item 4	I try to get customers to discuss their needs with me
Item 5	I try to influence a customer by information rather than by pressure
Item 6	I offer the product of mine that is best suited to the customer’s problem
Item 7	I try to find out what kind of product would be most helpful to a customer
Item 8	I answer a customer’s questions about products as correctly as I can
Item 9	I try to bring a customer with a problem together with a product that helps him solve that problem
Item 10	I am willing to disagree with a customer in order to help him make a better decision
Item 11	I try to give customers an accurate expectation of what the product will do for them
Item 12	I try to figure out what a customer’s needs are

**Table XI.**  
Customer orientation scale

**Source:** The scale is adopted from Saxe and Weitz (1982, pp. 345-6)

salespeople are substantially involved in the claim application process while highly encouraged to be customer oriented at the same time. Therefore, we think the relationship between customer orientation and their attitudes toward customer claim frauds should not be ignored in insurance fraud research.

This study therefore examined whether customer orientation, perceived fraud size and social consensus relate to the insurance salespeople's decision making in two types of customer insurance frauds. The findings showed that high customer orientation may not enhance insurance salespeople's tolerance of customer claim frauds. Instead, the results indicated that a high customer orientation may be associated with a lower tolerance to the customer insurance frauds. The findings also provided support for the concerns that unethical decisions are most significantly influenced by perceived fraud size and social consensus. Furthermore, perceived fraud size and social consensus are correlated to each other. The findings in turn showed that small fraud size may lead to the belief that peers would accept the salesperson misconduct in the scenarios, and that may influence the responders' ethical decisions. This study may extend the results of Howe *et al.*'s (1994) empirical research (which found that customer orientation may hold a positive influence on the ethical behavior of salespeople) by showing a negative relationship between customer orientation and salespeople's tolerance of customer misconducts. The results of this study also propose some empirical observations about the relationships among customer orientation, social consensus and salespeople's decision making in opportunistic frauds and planned frauds, which may extend Weisberg and Derrig's (1993) study. In short, this could be the first time that customer orientation and social consensus have been studied in insurance fraud research. This study may provide a useful addition to the insurance fraud literature and help insurance companies and insurance regulators to understand salespeople's decisions in cases of customer insurance frauds.

#### *Implications*

Two managerial implications could be proposed. First, although insurance companies may view the unethical behavior of customers as uncontrollable, our findings indicate that insurance salespeople may be crucial in determining the outcomes of customer claim frauds. The responders show a lower level of unethical decision when they believe that what the salesperson did in the scenarios was serious, unacceptable by peers or wrong. Thus, insurers must acknowledge that the ethical climate in the sales department is important for insurance fraud prevention. This can be achieved with ethical training from the insurance company. When customers are aware of the high-ethical standard of the salespeople, the customers may be unlikely to ask the salespeople to engage in the collusion.

Second, the insurers should also have policies and procedures to manage customer-salespeople collusion, with a view toward diminishing the occurrence of the customer claim frauds so that honest policyholders do not become victims of the misconducts (Crocker and Morgan, 1998). This can be done by trying to convey a clear and unambiguous claim policy to the customers and salespeople that any type of frauds would not be tolerated by the company; and identifying the root causes of unethical customer-to-salespeople interaction.

#### *Limitations and suggestions for future research*

As with any research, the present undertaking is not without limitations. First, our data were collected in Taiwan, which raises the question of the generalizability of our

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findings to other cultural regions. However, cultural variables (such as collectivism, individualism, materialism, masculinity and power distance) have not been examined in the research. Thus, the role of culture could be examined with respondents drawn from different countries. Next, although the data collection process was achieved through a questionnaire, using questionnaires could bias the results in the way that some participants may present a much greater negative (or positive) attitude to the issue of customer insurance frauds than they actually have in reality. It is also possible that respondents provided biased information about how ethical they are, and overstated the difference between their beliefs of themselves and the beliefs of the attitudes of peers. Those limitations need to be considered for future research.

However, there are some opportunities for future studies, some of which are made evident by the limitations of this research. For example, many insurance companies operate globally, and therefore an understanding of the effects of cultural differences on salespeople's tolerance of customer frauds is important. Recent evidence has also shown that the traditional and business cultures between western and eastern countries are still different (Ralston *et al.*, 2008), and this may be a factor contributing to the business ethics problems. Furthermore, traditional Asian people (such as Japanese and Chinese) are described as more collectivist and obedient (Oliver and Lee, 2010). Hence, the relationship between culture and customer insurance frauds could be developed further and there could be further reflection on how the results may differ in other cultures/contexts.

Second, we have only focussed on the concept of customer orientation in this research. Additional research is needed to survey sales orientation (sales-oriented salespeople focus on selling but not satisfying customer needs) and explore marketing ethics more fully in order to better understand the relationships among marketing philosophies, marketing ethics and insurance frauds. Furthermore, since customer orientation philosophy is not only recognized in the sales department, to understand the relationship between customer orientation and insurance insiders' (e.g. underwriters or claim adjusters) attitudes toward customer frauds, we believe future research into other insurance insiders (or other financial institutions, such as banks) is needed.

Third, it is observable in reality that some insurance salespeople often sell insurance to their friends and family members. It is implied that the customer-salespeople relationship may have its effects on insurance salespeople's attitudes toward customer insurance frauds. Yet, social connection is an unmeasured dimension in our research. Future research may include this concept into the research to further examine how social connection may be associated with the collusion problems in the insurance industry. This will not only assist claim departments to build better strategies when customer frauds occur, but will also make a broader contribution to the insurance literature by providing insight into interpersonal relationships in response to other kinds of customer frauds.

Finally, the responders in this study are self-employed life insurance salespeople. It could be argued that salespeople working for an intermediary (such as an insurance broker company) may be more disposed to assist customer fraud than those working for the life insurance company itself. Thus, in addition to assessing the impact of culture, researchers should also consider the difference between self-employed and independent insurance salespeople.

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### Further reading

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