Conflict of Interest Disclosure: What Works, What Doesn't, and Best Practices

Abstract

Professionals often have conflicts of interest in which self-interests may affect the quality of their advice. Disclosure—informing advisees of the conflict—is a popular solution to manage such conflicts. Using monetary incentives to create real conflicts of interest, and drawing from evidence from both the laboratory and the field with practicing medical and financial advisors, I reveal three unintended consequences of disclosure. First, I demonstrate how disclosure can increase pressure on advisees to comply with distrusted advice. Second, I show that disclosure can also increase, rather than decrease, advisees' trust if the disclosure is interpreted as a cue for expertise. Third, I show that disclosure can significantly decrease bias in advice as well as increase it. Whether disclosure increases or decreases bias depends on the professional norms of the context in which the advice is provided and whether the advisors are experts or non-experts. Finally, I outline strategies to make disclosure more effective.