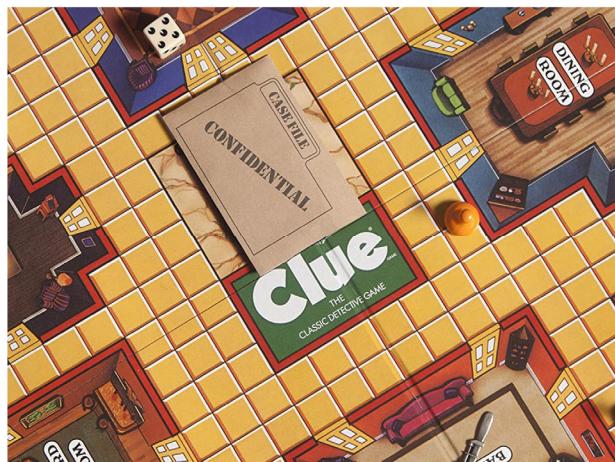


What Were They Thinking? Why Good Crop Insurance Agents Go Bad

(and why they did what they did)

Professor David Schultz,
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Do you remember the board game Clue?

Learning Objectives and Goals

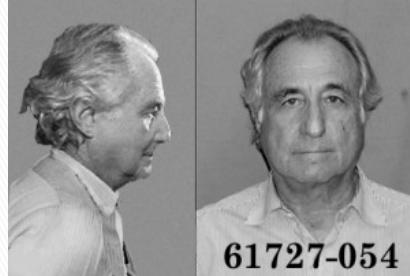
- ▶ Examine the ethical behavior of crop insurance and advisors and firms by reading and discussing case studies
- ▶ Discuss why unethical or illegal behavior took place
- ▶ Evaluate the decision-making process of illegal or unethical behavior
- ▶ Describe what should have been the correct action
- ▶ Summarize lessons learned

This session is a whodunnit with Crop Insurance Agents

- ▶ Did the agent use a spreadsheet to murder ethical behavior in the office (or the field)?



Why do good people and organizations do bad things?



Debra Muse, age 63, commits fraud of nearly \$6 million by cheating the federal government

Bernie Madoff (RIP)

Question

- ▶ Why do crop insurance agents and firms act unethically and illegally?
- ▶ A) Money is the Root of all Evil
- ▶ B) Pride
- ▶ C) We are human
- ▶ D) All of the above and many more reasons



But is the ethical world that cut and dry?
Are there gray zones?



dreamstime.com

What does it mean to be ethical personally and professionally?



The traits of an ethical person?

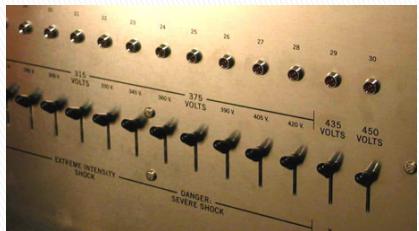
The traits of a crop insurance agent?

Question

- ▶ Do you think a person who is unethical in their private life can be ethical at work?
- ▶ Yes
- ▶ No
- ▶ It depends



The Anatomy of Bad Behavior: Stanley Milgram's Shock Experiment



- ▶ Previous Training Sessions have looked at the forces at play in the 1961 Stanley Milgram shock experiments as a basis for understanding the pressures to act unethically

How to Keep your Moral Bearings:

Ten rules from Cynthia Cooper's *Extraordinary Circumstances*

- ▶ Know what you believe is right and wrong
- ▶ When making decisions, apply the golden rule.
- ▶ Guard against being lulled into thinking you're not capable of making bad decisions.
- ▶ Would I be comfortable with my decision landing on the front page of a newspaper?
- ▶ Practice ethical decision making everyday.
- ▶ Discuss tough ethical dilemma with other you respect.
- ▶ Find your courage.
- ▶ Apply the same code of ethics whether at home, work, school, or in a house of worship.
- ▶ Pay attention to your superiors.
- ▶ Above being loyal to your superiors, be loyal to your principles.



Explaining the Experiment: Testing the Teacher

- ▶ Three participants
 - Learner
 - Teacher
 - Researcher
- ▶ Teacher to shock learner for failure to learn words
- ▶ How many teachers would go on to administer the 450-volt maximum shock?



Results

RESULTS EXPERIMENT 1

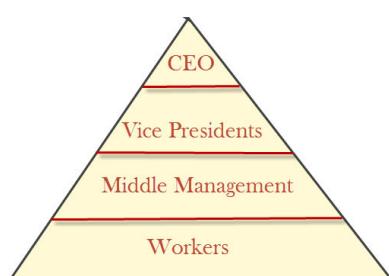
- 26 went to max 450 volts
- 65% obedient
- Mean max 450 volts

Possible reasons explaining the results

- Evil people
- Compensation for their efforts
- Made a promise
- Appeal to authority
- Peer pressure
- Be a team player

Applying the Milgram Experiments to the World of Work

- The Milgram experiment is a microcosm of the workplace
- The pressures of conformism
 - Leadership and authority: Blind allegiance
 - Fear of alienation, being labeled a fink
 - Take one for the team
 - The profit motive
 - We can all do evil if pressured



Case Study 1: Seven Kentucky Farmers

**FARMER SENTENCED IN CROP INSURANCE FRAUD SCHEME
BOYLE COUNTY**

- Larry Walden, 69, sentenced to more than 4 years in prison
- Guilty plea to conspiring to commit money laundering
- One of seven farmers to be sentenced
- Used services to falsify documents on crop production
- Ordered to pay nearly \$10 million in restitution

WKYT

Case Study 2: Mt Sterling/ Michael McNew



Case Study 3: Debra Muse



Question

- ▶ Should individuals who steal from clients be barred from ever practicing or advising again?
- ▶ Yes
- ▶ No
- ▶ Depends on what it means to steal

Case Study 4: Silveus Insurance Group



What do we learn from all these case studies?



- ▶ What are the forces leading to all this bad behavior? What can we do to prevent or check unethical and illegal behavior?

Are You Next?



Creating Ethically Healthy Organizations

- ▶ Five Parts
 - Governance and management:
 - Leadership
 - Ethical culture
 - Social values and expectations
 - Personal values and training

Question

- ▶ Did you learn anything from these case studies?
- ▶ Yes
- ▶ No
- ▶ Unsure

Questions?

Thank you!
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