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The link between guanxi and customer-salesperson collusion: The case of Taiwan's insurance industry

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Abstract

Purpose – In the insurance industry, it is common for the insurance salespeople to sell insurance products to friends, relatives and associates. However, permitting (or encouraging) salespeople to sell insurance through personal relationships may result in some ethical conflicts. For example, some insurance salespeople may help relatives or friends with pre-existing medical conditions buy the health insurance. Previous studies on insurance fraud have rarely focused on this problem. Thus, this study aims to investigate the effects of guanxi (guanxi refers to the durable social connections and relationships a Chinese person uses to exchange favors for a specific purpose) on the salespeople's acceptance of customer–salesperson collusions. Two types of guanxi are discussed in the research. The author further focuses on how the ethical attitudes and intentions are affected by the salespeople's guanxi considerations, consequence evaluations, perception of peers' attitudes, perceived harm to other policyholders and perceived probability of being caught.

Design/methodology/approach – Full-time life insurance salespeople from Taiwan were surveyed, and partial least squares method was used in the study.

Findings – The results showed that the types of guanxi, guanxi considerations, consequence evaluations, perception of peers' attitudes and perceived harm to other policyholders were important in forming the salespeople's ethical decision-making in the customer–salesperson collusions.

Originality/value – This is the first time that guanxi has been studied as the factor influencing collusive behaviors in the problems of insurance fraud. The results challenged an established belief that the insurance salespeople should first target close relations as they build their portfolio of customers.

Keywords Conflict, Collusion, Guanxi, Insurance, Ethical attitude, Ethical intention

Paper type Research paper

Introduction

Exposure to customer insurance frauds has been shown by researchers to be a widespread problem and has wide-ranging negative consequences for the insurance policyholders and companies (Morris, 2009). Recent calls from insurance researchers and regulators have also been made for more attention to be paid to the problems of customer insurance frauds (Artís *et al.*, 2002; Dionne *et al.*, 2009; Lian and Schlesinger, 2012; Tennyson, 2002; Tennyson, 2008). However, although the previous work on customer insurance frauds has provided some meaningful discussions (Brinkmann, 2005; Brinkmann and Lentz, 2006; Miyazaki, 2009; Tennyson, 1997), few studies have examined the problem of customer–salesperson collusions.

The problems of customer–salesperson collusions should not be ignored in the insurance fraud research because researchers have pointed out that some insurance salespeople may collude with customers to obtain unlawful benefits (Picard, 1996, 2000). Moreover, it is common for the insurance salespeople to sell insurance products to

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friends, relatives and associates. Permitting (or encouraging) the salespeople to sell insurance through personal relationships may result in some ethical conflicts because some insurance salespeople may help the relatives or friends with high-risk conditions to buy the insurance.

In this study, I argue that "guanxi" could be one reason contributing to the customer–salesperson collusions. "Guanxi" refers to the durable social connections and relationships a Chinese person uses to exchange favors for a specific purpose. Previous studies have found that guanxi can be a double-edged sword in the market, because although guanxi could lead to good performance, it may also generate unethical behaviors (Guenzi and Georges, 2010). Yet, the relationship between guanxi and the insurance salesperson's intention to engage in customer–salesperson collusions is unclear. The first purpose of this research is to investigate the potential influences of guanxi on the insurance salespeople's ethical decision-making in customer–salesperson collusions. More specifically, the focus of this research is to study the customer–salesperson collusions by discussing the types of guanxi and guanxi considerations (Fan, 2002; Hwang *et al.*, 2009; Jacobs, 1979).

On the other hand, researchers have mentioned that factors such as consequence evaluations, peers' attitudes, perceived harm to others and perceived probability of being caught may also influence people's ethical decision-making (Jones, 1991; Paolillo and Vitell, 2002; Singhapakdi *et al.*, 1996; Valentine and Hollingworth, 2012). I believe these factors may also affect the insurance salespeople's acceptance of customer–salesperson collusions. Thus, the second purpose of this paper is to examine the relationship between those variables and the insurance salespeople's ethical attitudes toward the customer–salesperson collusions.

Finally, previous studies have shown that people's ethical attitudes could explain a significant portion of the variance in people's ethical intention (Loe *et al.*, 2000). Several recent studies have also confirmed that ethical attitudes have significant impacts on ethical intentions (Carrington *et al.*, 2014; Craft, 2013). Hence, the current study also discusses the relationship between ethical attitudes and the insurance salespeople's ethical intentions to engage in the customer–salesperson collusions.

Figure 1 presents the conceptual framework of this study. In summary, this study focuses on the insurance salespeople's ethical intentions to engage in the customer–salesperson collusions. I investigate how the intention can be affected by guanxi types and the salespeople's ethical attitudes. I then discuss how the attitudes are affected by the salespeople's guanxi considerations, consequence evaluations, perception of peers' attitudes, perceived harm to other policyholders and perceived probability of being caught. The research hypotheses are tested using a survey with a scenario of healthcare fraud.

The importance of this research

Researchers have called for more empirical studies on salespeople's attitudes toward unethical selling (Chonko, 2015). Previous studies on insurance fraud also suggested that employees, such as insurance salespeople and claim adjusters, could play an important role in the problems of collusions (Viaene and Dedene, 2004). However, the studies on collusion problems should involve the consideration of guanxi, because guanxi has a major influence on ethical decision-making (Dunfee and Warren, 2001). This research attempts to examine how the salespeople's

recognition of guanxi may affect their ethical decisions about customer–salesperson collusions. To my knowledge, researchers interested in insurance frauds have ignored the impacts of guanxi on insurance salespeople's attitudes toward frauds. The findings of this study may provide some contributions to the insurance literature. On the other hand, the insurance regulators and practitioners should eliminate customer–salesperson collusions. The purpose of this research is to investigate which factors may increase insurance salespeople's acceptance of customer–salesperson collusions. The findings of this study may also provide some implications for the regulators and practitioners.

Literature and hypotheses

Customer–salesperson collusions in the insurance industry

Collusion is a form of secret agreement between two or more parties. Collusion could exist inside the organization where employees act together to cheat, as well as between insiders (e.g. employees) and outsiders (e.g. customers). The former can be called internal collusion, where the people involved in the collusion are all working for the same organization. The latter can be termed external collusion, where one or more insiders collude with people from outside the company for their mutual benefit. In the insurance industry, customer–salesperson collusion can also take a number of forms (Picard, 1996, 2000). For example, some insurance salespeople may help the customers exaggerate claims, and some insurance salespeople may help the customer lie on the insurance application to lower the insurance premium. Picard (2000) further pointed out that:

> The agent may be aware of the fact that the customer tells lies or that he conceals relevant information but he overlooks this violation in order not to miss an opportunity to sell one more insurance policy. (Picard, 2000, pp. 353).

Picard's (2000) argument has shown the possibility of customer–salesperson collusion in the insurance industry.

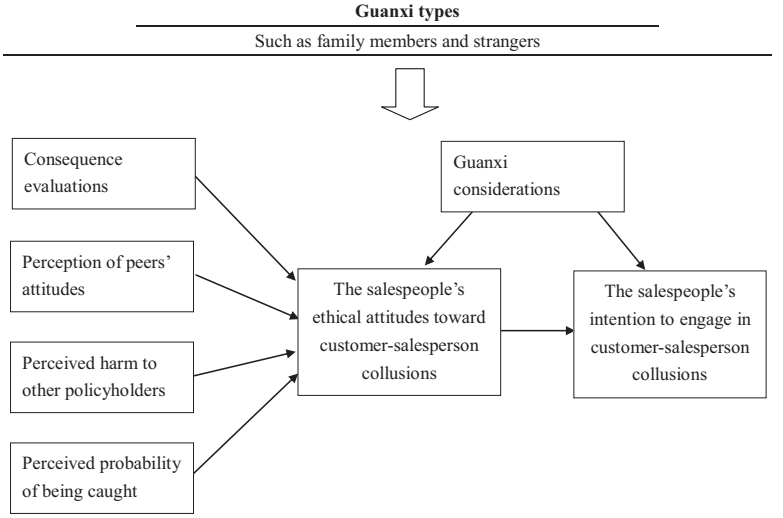


Figure 1.
The salespeople's ethical decision-making process under the guanxi types

Previous studies have shown the importance of the agency theory in explaining people's collusive behaviors. The agency theory described the agency relationship in which a principal delegated responsibilities to an agent and the agent was expected to be loyal to the principal (Akerlof, 1970; Eisenhardt, 1989). However, there may be a principal–agent problem between principals and agents because it is difficult or expensive for the principals to verify what the agents are actually doing (Anderson, 2008; Eisenhardt, 1989). In the insurance industry, it is true that the insurers have no perfect information to verify what salespeople have done during the transaction process. As a result, a moral hazard may arise, and the salespeople may behave in the interests of themselves (Anderson, 2008). Insurance researchers have also shown that the principal–agent problem between insurers and salespeople could create the potential for unethical conducts because of the incomplete information on the part of insurers (Picard, 1996; Viaene *et al.*, 2007; Viaene and Dedene, 2004). Based on the agency theory, it could be posited that some salespeople may help high-risk customers buy insurance because the insurers have no perfect information to verify the behavior.

Salespeople's attitude as a predictor of the salespeople's intention to engage in the customer–salesperson collusions

Previous studies have investigated people's intention to engage in a certain behavior by using Ajzen's theory of planned behavior (Ajzen, 2011; Stone *et al.*, 2009). The theory of planned behavior indicates that the first factor which affects people's intention is attitude. According to Ajzen (2005), attitudes refer to the people's positive or negative evaluations of an action. A positive attitude is helpful for developing a behavioral intention (Ajzen, 2005). The relationship between ethical attitude and ethical intention has also been mentioned in the business ethics literature (O'Fallon and Butterfield, 2005; Pettijohn *et al.*, 2008). Ethical attitude refers to how a behavior is defined as ethical or unethical. Peace *et al.* (2003) conducted an empirical study and found that the respondents may be more likely to use pirated software when they had positive attitudes toward the illegal software copying behavior. Other researchers also showed that intention to conduct unethical behaviors was correlated with ethical attitudes (Bray *et al.*, 2011; Drover *et al.*, 2012). The rationale of the studies suggests that in the problems of customer–salesperson collusions, the insurance salespeople could be more likely to engage in the collusions when the salespeople possess a positive attitude toward the misconducts.

To check whether the salesperson's ethical attitude can affect the salespeople's intention to engage in the collusions, a hypothesis is proposed:

H1. An insurance salesperson is more likely to engage in the customer–salesperson collusion when the insurance salesperson has a positive attitude toward the collusion.

Guanxi types and the insurance salespeople's intention to engage in customer–salesperson collusions

Guanxi refers to the durable social connections and networks a Chinese person uses to exchange favors for a specific purpose (Gu *et al.*, 2008). The importance of guanxi was mentioned in the marketing and conflict management literature (Frankwick *et al.*, 2001; Hwang, 1998; Singh and Koshy, 2011; Standifird and Marshall, 2000; Wong and

Tjosvold, 2010), and many of the researchers agreed that guanxi could have positive effects on job performance (Guenzi and Georges, 2010).

The concept of guanxi has been categorized in previous studies. It was argued by Jacobs (1979) that guanxi was a particular type of personal relationship that could be classified into two categories: family relationship and non-family relationship. Tsui and Farh (1997) then differentiated non-family relationship into two categories, familiar people and strangers. Fan (2002) further concluded that there are three types of guanxi in Chinese society, family guanxi, helper guanxi and business guanxi (Fan, 2002). Family guanxi is the strongest and most stable of all kinds of relationships. Helper guanxi is established on credibility and aims to exchange favors between one another (Fan, 2002). Business guanxi, on the other hand, is set up to exchange with money, power or resources, and, hence, the motivation of building guanxi between two or more people is purely utilitarian and reciprocal.

Guanxi types were the important factors in forming people's behaviors. Researchers agreed that guanxi types could determine the quality of human relationships, and this in turn could bring out different consequences, such as resources distributions, to people who are involved in certain types of guanxi (Park and Luo, 2001). It was also mentioned that guanxi types could determine the social distance among people, and the stronger guanxi an individual has for others, the shorter psychological distance and stronger obligations to the others would be perceived by the individual (Chen and Chen, 2004; Lovett *et al.*, 1999).

Researchers then indicated that family guanxi is the most important and basic unit for Chinese people to exchange love, support and affection (Giskin and Walsh, 2001). As family guanxi provided a blood-based connection and the connection was strongly protected by Chinese culture, previous studies pointed out that it was reasonable to conclude that family guanxi could significantly affect ethical decisions (Dunfee and Warren, 2001; Provis, 2008). Based on the previous studies, I argued that guanxi types may play an important role in determining the insurance salesperson's intention to engage in customer–salesperson collusions. More specifically, I expected that the insurance salespeople may be more likely to help the customer in the collusion when the guanxi is strong, for example, when the customer and salesperson are family members. The argument may be reasonable because family guanxi is the strongest guanxi that creates strong obligations for the reciprocity of favor (Luo, 2008). Furthermore, it has long been acknowledged in Chinese society that relationships with family members should be much closer than with other people (Park and Chesla, 2007). Hence, I propose that strong guanxi could represent a kind of norm that affects the salespeople's behavioral intention in customer–salesperson collusions. The following hypothesis is developed:

H2. An insurance salesperson is more likely to engage in the customer–salesperson collusion when the customer is a family member rather than a stranger.

The impacts of guanxi considerations on ethical attitudes and intentions

In Chinese society, guanxi needs to be maintained through the process of repaying favors (Barnes *et al.*, 2011; Lin, 2011; Luo *et al.*, 2012; Mavondo and Rodrigo, 2001). As guanxi cannot always be put to one side, Chinese people are encouraged to give favors and repay favors to each other (Hwang, 1987, 2000; Hwang *et al.*, 2009). In the insurance

industry, this kind of giving and repaying activity is quite common or even necessary between insurance salespeople and customers.

This kind of guanxi consideration could be considered as a factor influencing the salespeople's attitude, because Chen and Chen's (2004) research showed that in Chinese society, a person's interests are largely influenced by the person's guanxi with others. Moreover, a person can also use guanxi to influence others. Chinese culture highlights the value of guanxi in the commercial market. Therefore, the guanxi considerations may affect the salespeople's positive and negative evaluations (Chen *et al.*, 2015). In other words, guanxi consideration may affect the salespeople's attitude. To test this argument, I develop the following hypothesis:

H3-1. An insurance salesperson is more likely to have a positive attitude toward the customer–salesperson collusion when the guanxi considerations are severe.

The guanxi consideration may also affect the salespeople's intention directly. Chen and Chen (2004) pointed out that when a person used her/his guanxi to obtain benefits, the person would be expected to repay the benefits in the future. Thus, guanxi creates a person's obligation to others (Chen and Chen, 2004). In fact, researchers agreed that if a person fails to honor the guanxi obligations, the person could be deemed as insincere or shameless in Chinese society (Park and Luo, 2001). The idea of guanxi obligation is deeply embedded in Chinese culture. Therefore, it could be argued that the insurance salespeople who perceive strong guanxi consideration may possess a strong feeling of obligation to help the people who have guanxi with them. In other words, the guanxi consideration may also influence the salesperson's intention to engage in the customer–salesperson collusion. A hypothesis is formulated below:

H3-2. An insurance salesperson is more likely to engage in the customer–salesperson collusion when the guanxi considerations are severe.

The influence of consequence evaluations on the insurance salespeople's ethical attitudes

Consequence evaluations refer to the expected outcomes of behavior. According to Jones' (1991) theoretical model of ethical decision-making, perceived magnitude of consequences of an action was an important factor influencing ethical attitude. Jones argued that people would not behave unethically when the behavior could lead to very serious and negative outcomes. Some empirical studies have been done on examining Jones' (1991) idea. For example, Singhapakdi *et al.* (1999) showed that consequence evaluations significantly relate to the ethical decision-making of marketing professionals. Barnett and Valentine (2004) also reported that consequence evaluations were associated with the salespeople's ethical decision-making. All these studies suggested that consequence evaluations may have some influence on the insurance salespeople's attitude toward customer–salesperson collusions. That is, if the customer–salesperson collusion was perceived to have tiny negative consequences, then the collusion would be considered more acceptable by the insurance salespeople.

In summary, it was believed that negative consequence could increase people's negative attitude toward the behavior (Ferrell and Gresham, 1985; Fritzsche and Becker, 1983; Hunt and Vitell, 2006; May and Pauli, 2002). To test this argument, I propose the following hypothesis:

H4. An insurance salesperson is more likely to have a positive attitude toward the customer–salesperson collusion when the salesperson believes that the collusion is not harmful.

Association between perception of peers' attitudes and the insurance salespeople's ethical attitudes

Perception of peers' attitudes refers to a person's expectation and belief of peers' attitudes toward a certain action. Based on Jones' (1991) research, significant others' (such as peers) attitudes toward a certain action would reflect their view of whether the action is correct. Jones (1991) further indicated that a person's attitude obviously involved a consideration of the opinions of the significant others such that the person would tend to view an action as acceptable when the significant others viewed the action as acceptable. Other researchers have also pointed out that people often reflect on the attitudes and opinions of others and then express voluntary adoption of the attitudes (Bennett and Blaney, 2002; Prislin and Wood, 2005).

Some empirical studies have shown that perception of peers' attitudes is the factor influencing ethical decision-making (Morris and McDonald, 1995; Singhapakdi *et al.*, 1996; Vitell and Patwardhan, 2008). Leitsch (2006) then found that perception of peers' attitudes provides cues for people to know what kinds of behaviors are acceptable in the community. Therefore, the empirical studies also supported the idea that perception of peers' attitudes could have the power to guide people's attitudes toward the behavior (Davis *et al.*, 1998; Mudrack and Mason, 2013). Based on the studies, perception of peers' attitudes may be related to the salespeople's ethical attitude toward customer–salesperson collusions. Hence, a hypothesis can be proposed:

H5. An insurance salesperson is more likely to have a positive attitude toward the customer–salesperson collusion when the salesperson believes other salespeople have the same attitude.

The relationship between perceived harm to other policyholders and the insurance salespeople's ethical attitudes

According to Jones' (1991) model of ethical decision-making, the more people were negatively affected by an action, the less likely a person would be to hold a positive attitude toward the action. It has also been proposed by other researchers that people are more likely to possess a negative attitude toward a behavior if innocent people are hurt by the behavior (Christensen, 2008). The rationale suggests that the customer–salesperson collusions could be more unacceptable to the insurance salespeople when the collusions have harmful impacts on other policyholders, whereas if the perceived harm to other policyholders is weak, the customer–salesperson collusion could become more acceptable to the insurance salespeople.

Previous studies on insurance frauds implicitly assume that it was the unethical salespeople who made unethical decisions on their own, and self-interest consideration was the key factor that produced the salespeople's unethical decisions (Picard, 1996). Within this framework, the role of the perceived harm to others seems to be ignored. Researchers indicated that perceived harm to others would significantly affect people's attitudes toward unethical conducts (Christensen, 2008; Singhapakdi *et al.*, 1999). I also posit that the insurance salespeople's perception of harm to other policyholders may be

another element that affects the salespeople's ethical attitudes toward the customer–salesperson collusion. Thus, a hypothesis is proposed:

H6. An insurance salesperson is more likely to have a positive attitude toward the customer–salesperson collusion when the salesperson believes the harm to other policyholders is small.

Does perceived probability of being caught affect the insurance salespeople's ethical attitudes?

Another factor that may influence salespeople's ethical attitude toward the customer–salesperson collusion is the perceived probability of being caught. According to previous studies on criminology, a negative relationship could exist between the probability of being caught and the occurrence of crime (Bouchard, 2007; Klepper and Nagin, 1989). Researchers argued that it was a kind of psychological law that the offenders would be more likely to commit offences when they believed there was no chance of being caught. Thus, a low perceived probability of being caught could increase the offenders' positive evaluation of a criminal behavior, because the low probability of being caught decreases their perception of costs and risks (Akers, 1990).

Cole (1989) pointed out that a high perceived probability of being caught could reduce fraudulent behavior. Peace *et al.* (2003) then found that a lower level of perceived probability of being caught may lead to a lower moral consideration for working people to use pirated software. Other researchers also believe that there is a negative relationship between perceived probability of being caught and people's attitudes toward dishonest behaviors (Beams *et al.*, 2003; Mazar *et al.*, 2008; Wright *et al.*, 2004). These studies suggested that the perceived probability of being caught could affect salespeople's ethical attitude toward customer–salesperson collusions. Hence, a hypothesis is proposed:

H7. An insurance salesperson is more likely to have a positive attitude toward the customer–salesperson collusion when the salesperson believes that there is no possibility of the collusion being detected.

Methodology

Questionnaires with scenarios have often been used as an instrument in sales ethics studies (Valentine and Fleischman, 2008). The use of questionnaires could promise the anonymity of the respondents, and this could help the respondents to avoid social desirability responses and common method bias (Podsakoff *et al.*, 2003). Using questionnaires with scenarios also helps to standardize the questions and wordings received by the respondents. In addition, using questionnaires with scenarios allows for greater control over the variables of interest and saves time by summarizing customer–salesperson collusive behaviors that may be difficult to observe in reality. Thus, to gather data about the salespeople's acceptance of customer–salesperson collusions, using questionnaires with scenarios could be appropriate.

Scenarios

Two types of guanxi, family member and stranger, were mentioned in the scenarios. I designed two versions of questionnaires (Versions A and B), and each version of the questionnaire contained a scenario. Before reading the scenarios, each respondent was told that:

> We are interested in understanding insurance salespeople's ethical attitudes toward customer–salesperson collusions. Please read the following scenario and imagine that the event happened to you, and then answer the following questions.

I reminded the respondents that the questionnaire was anonymous, and there were "no right or wrong answers" to help them avoid social desirability responses. To ensure that respondents were blind to the interventions (i.e. the types of guanxi), all the respondents were randomly assigned to one of the two questionnaires (Versions A and B), and every respondent would only receive one version of the questionnaire. Below, I present the scenarios in Table I.

The scenarios in questionnaire Versions A and B presented an ethical dilemma. In the scenarios, the customer X had found himself suffering from mild diabetes, and X wished to have his medical expenses for diabetes covered by the insurance company in Taiwan. According to Tillman and Indergaard (1999), a customer hiding previous or existing conditions to obtain health insurance would be regarded as fraudulent behavior. As can be seen in the scenarios, the risk event (diabetes) was found in China, and X intended to get insurance from a Taiwanese insurer. The insurance agent Y assisted X in buying the insurance. The misconduct in the scenarios is, therefore, a kind of customer–salesperson collusion. I then incorporated the types of guanxi (family member versus stranger) into the scenarios. The scenario design could help us investigate to what extent the respondents would rely on the guanxi types in forming their ethical decisions in the situations involving the customer–salesperson collusion.

Measurement

After reading the scenarios, the respondents were asked to answer the structured questions (Table II). Except for the guanxi types, all questions used a Likert-type seven-point response scale, ranging from totally disagree (value = 1) to totally agree (value = 7). The questions were averaged for an overall score in the correlation and independent *t* tests.

Guanxi types. The guanxi types were measured as a categorical variable. In questionnaire Version A, I mentioned that the relationship between X and Y is "a parent

Version	Scenario content
A Family member	X is a Taiwanese who has been working in China in recent years. During the time in China, X took a medical examination and found that he was suffering from mild diabetes. Insurance companies in Taiwan cannot inquire about medical or treatment records of X from China. Therefore, X wishes to have his medical expenses for diabetes covered by the insurance company in Taiwan. Y is a life insurance agent from an insurance company in Taiwan. After finding out the circumstances of X, Y suggested that X take some hypoglycemic drugs before having another health check. After that, Y assisted X in buying insurance from the insurance company Y worked for Based on the point of view of a spectator, if the guanxi between X and Y is a parent (X) and child (Y) relationship, then:
B Stranger (A friend's friend)	The contents of the scenario are the same as Version A, except for . . . Based on the point of view of a spectator, if X and Y actually did not know each other, but X was introduced to Y through Y's friend, then:

Table I.
Scenarios in Versions A and B

(X) and child (Y)" (Table I). In questionnaire Version B, I stated that "X and Y actually did not know each other, but X was introduced to Y through Y's friend".

Guanxi considerations. I measured guanxi considerations by using a two-item scale reflecting the degree to which respondents believed that the guanxi between X and Y is important and a reason for the salesperson to help the customer. The items were developed by the authors (Table II).

Consequence evaluations. Drawing upon the relevant literature (Sweeney and Costello, 2009), I measured consequence evaluations with a two-item scale reflecting the respondents' perception that the negative consequences occurred as a result of Y's behavior.

Perception of peers' attitudes. The measure for the perception of peers' attitudes was adapted from the studies of Barnett and Valentine (2004) and Brass *et al.* (1998). I also averaged the items for an overall score with larger values representing higher beliefs in peers' positive attitude toward the customer–salesperson collusion.

Perceived harm to other policyholders. In this study, the perceived harm to other policyholders was measured by asking the respondents whether they perceived that Y's behavior would only cause little harm to other policyholders. Two items for the perceived harm to other policyholders were designed based on the relevant discussions of previous studies (Barnett and Valentine, 2004; Sweeney and Costello, 2009).

Perceived probability of being caught. The items for the perceived probability of being caught were also designed based on the previous studies (Lurie and Albin, 2007).

Table II.
Items

Construct	Item
Guanxi considerations	I agree that the relationship between X and Y is important
	In terms of the relationship between X and Y, I think Y should help X solve the problem that X currently has
Consequence evaluations	I think Y's behavior is (Y assisted X in buying insurance) not harmful
	I think the overall harm occurred as a result of Y's behavior (Y assisted X in buying insurance) being very small
Perception of peers' attitudes	Most of my peers would agree that Y's behavior could be normal
	Most of my peers would agree that Y's behavior is acceptable
Perceived harm to other policyholders	I think Y's behavior will cause little harm to all the policyholders
	I think Y's behavior is not harmful to other policyholders
Perceived probability of being caught	I think there is no possibility of Y's behavior being detected
	I think there is no possibility of Y's behavior being caught
Ethical attitudes	I think Y's behavior is right
	I think Y's behavior is acceptable
Ethical intentions	If I were Y, I would assist X in buying insurance as well
	If this case occurred in reality, I would also like to help X buy insurance

Ethical attitudes. To measure the respondents' ethical attitudes, the items were developed by adapting the scales from previous studies (Ajzen, 2005; White *et al.*, 2012).

Ethical intentions. A two-item measure was designed for the respondents' ethical intentions. The items were developed by adapting the scales from previous studies on intentions (Ajzen, 2005; White *et al.*, 2012).

Method of analyses

Independent *t* tests and structural equation modeling of partial least squares (PLS) were applied. The independent *t* tests were used to compare the differences between two independent groups. PLS is a powerful tool for examining a conceptual model with various latent variables and systems of equations with measurement errors (Henseler *et al.*, 2009). In addition, PLS can estimate the model by using few observations without imposing assumptions on data distribution (Hair *et al.*, 2013). Based on these advantages, PLS method was used in the current study.

Construct checks

PLS analysis was performed in the research. By using PLS analysis, I examined the factor loadings, average variance extracted (AVE) and composite reliability of the items. I then tested the hypotheses by applying the software application of SmartPLS 2.0.

Table III presented the loadings, AVE and composite reliability. The results suggested that all the factor loadings exceeded the 0.70 criterion. The values of AVE were higher than 0.50, indicating adequate convergent validity. The composite reliability scores also exceeded the advocated value of 0.80, suggesting appropriate reliability.

Table IV presents the square root of AVE and correlations for the constructs. The square root of the AVE was used to assess the discriminant validity. If the square root of the AVE for each construct was higher than the correlation between the construct and other constructs, the measures may have adequate discriminant validity. As shown in Table IV, the square roots of AVE exceeded the correlation

Constructs	Item	Factor loading	AVE	Composite reliability
Guanxi considerations	1	0.88	0.75	0.86
	2	0.86		
Consequence evaluations	1	0.96	0.91	0.95
	2	0.95		
Perception of peers' attitudes	1	0.97	0.94	0.97
	2	0.97		
Perceived harm to other policyholders	1	0.93	0.89	0.94
	2	0.95		
Perceived probability of being caught	1	0.97	0.95	0.97
	2	0.97		
Ethical attitudes	1	0.97	0.94	0.97
	2	0.97		
Ethical intentions	1	0.98	0.96	0.98
	2	0.98		

Note: All loadings are significant at $p < 0.01$

Table III. Factor loadings, AVE and composite reliability

coefficients of all constructs, suggesting that the model has adequate discriminant validity.

Pilot test

To ensure the questionnaire design was reasonable and understandable, pilot tests were used before the formal investigations, and these were conducted in two stages. In the first stage, some in-depth interviews with experienced full-time life insurance salespeople were conducted to modify the research design. Some questions were discussed in the interviews. The questions included what they thought of the research purpose and design of the study. The interviews with these life insurance salespeople also helped us identify the collusion problems they faced in reality. In the second stage, I developed two versions of questionnaires. To check whether the questionnaires worked as intended, a focus group with ten life insurance salespeople was scheduled to collect their feedback. The feedback was then used to modify the questionnaires. Basically, the respondents found the questionnaires realistic and easy to understand. After the inappropriate wording had been revised, I proposed the final versions of questionnaires.

Sample

By using full-time life insurance salespeople in Taiwan as a research sample, the present study investigated the effects of guanxi on the insurance salespeople's acceptance of customer–salesperson collusion. I invited the life insurance salespeople as research respondents because Taiwan's life insurance companies usually encourage their salespeople to sell insurance through personal relationships. It is also true that the customers usually need to rely on the salespeople to complete the underwriting and claim application process. For these reasons, I believe life insurance salespeople were appropriate for studying the research topic at hand.

The population for this study only included the full-time salespeople who are hired by the life insurance companies in Taiwan. A purposive sampling was used in the research because many life insurance companies in Taiwan often hire part-time sales representatives. Many of the part-time salespeople are not eligible to sell specific life insurance products. Hence, only full-time and licensed life insurance salespeople were recruited as the sample. The full-time insurance salespeople can

Table IV.
Correlations for the constructs and the square root of AVE

Constructs	1	2	3	4	5	6	7
1. Guanxi considerations	(0.87)						
2. Consequence evaluations	0.32**	(0.96)					
3. Perception of peers' attitudes	0.48**	0.67**	(0.97)				
4. Perceived harm to other policyholders	0.29**	0.81**	0.65**	(0.94)			
5. Perceived probability of being caught	0.20**	0.62**	0.53**	0.68**	(0.97)		
6. Ethical attitudes	0.42**	0.68**	0.69**	0.70**	0.53**	(0.97)	
7. Ethical intentions	0.53**	0.64**	0.75**	0.64**	0.51**	0.81**	(0.98)

Notes: The number in parenthesis is the square root of AVE; ** significant at $p < 0.01$

sell life, health and investment-linked insurance to individual and organizational customers.

To invite the insurance salespeople to attend this empirical survey, I contacted the sales managers of the selected insurance companies and followed this with a personal visit to ask for cooperation with data collection. Five well-known life insurance companies in Taiwan agreed to join the research. The researchers visited the companies in person and collected the completed questionnaires on the spot. During the formal investigation, the respondents were requested to stay in a training room, with the researchers assigning the questionnaires (Versions A and B) randomly to them. Every questionnaire would come with an envelope and a cover letter. The cover letter described the purpose of the study. To alleviate the problems of social desirability responses, the respondents were reminded in the cover letter that the questionnaire was anonymous and confidential. At the end of the questionnaire, respondents were asked to complete some demographic information.

In summary, a total of 325 questionnaires were issued by the researchers, and 268 questionnaires were returned. Because of incomplete responses on several questionnaires, 237 valid questionnaires were used in the analyses. This generated a valid return rate of 72.92 per cent. The potential non-response bias was checked by using the method suggested by Armstrong and Overton (1977). I compared the first quartile of responses and the last quartile of responses for the differences in research variables. The p values of all independent t tests exceeded 0.05, indicating that no significant difference existed between the two groups. Table V presents the profile of respondents. As can be seen in the table, 118 respondents received questionnaire Version A (49.78 per cent of the sample). Based on the demographic information, 62.87 per cent of the respondents were females.

Variable	Frequency	(%)
Version		
A	118	49.78
B	119	50.22
Age (years)		
20-30	111	46.83
31-40	65	27.43
41-50	37	15.61
51 and above	24	10.13
Gender		
Female	149	62.87
Male	88	37.13
Education		
Post-graduate degree	14	5.91
Bachelor's degree	135	56.96
Five years of college	43	18.14
Senior high school	45	18.99

Table V. The profile of respondents

Results

To test the impacts of guanxi types on the salespeople's acceptance of customer–salesperson collusions, independent *t* tests were conducted to check whether there was a significant difference between the means of the two groups.

H2 stated that the salespeople were more likely to engage in the customer–salesperson collusion when the customer was a family member rather than a stranger. The respondents' average responses are presented in Table VI. As shown in the table, the mean value for the guanxi considerations in questionnaire Version A was 5.55 (standard deviation = 1.36). The respondents scored this item higher than the guanxi considerations in questionnaire Version B (means = 4.40, standard deviation = 1.71). Table VI also shows that the respondents' intention to help the customer buy the health insurance has the mean value of 4.21 in questionnaire Version A, whereas the mean value is 3.48 in questionnaire Version B; *t* and *p* values for the independent *t* tests are shown in the table as well. The results of the independent *t* tests suggested that the mean values of guanxi considerations, ethical attitudes and ethical intentions may be affected by the guanxi types (*p* values = 0.00**, 0.01* and 0.00**, respectively). In other words, the findings of the independent *t* tests supported *H2*.

Structural model analyses

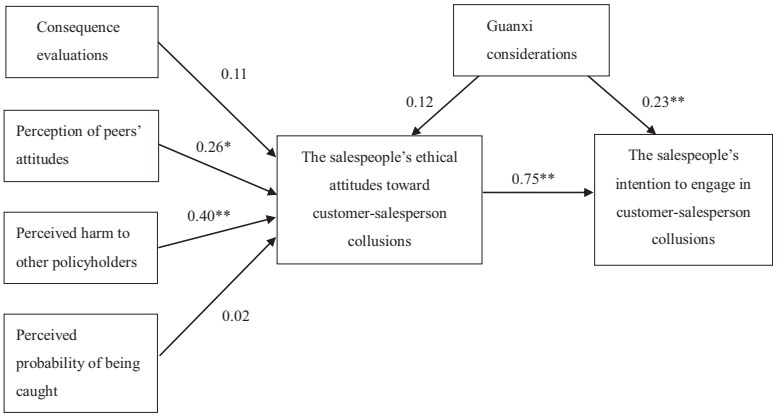
The present study investigated the effects of the salespeople's ethical attitudes on their intention to engage in the customer–salesperson collusion. This study also investigated the effects of guanxi considerations, consequence evaluations, perception of peers' attitudes, perceived harm to other policyholders and perceived probability of being caught on the salespeople's ethical attitudes. The path coefficients of the structural model were used to examine the hypotheses.

It was postulated in *H1* that insurance salespeople would be more likely to engage in the customer–salesperson collusion if the salespeople had a positive attitude toward the collusion. *H3-1* and *H3-2* focused on the relationships among guanxi considerations, ethical attitudes and ethical intention. *H4*, *H5*, *H6* and *H7* then predicted the impacts of consequence evaluations, perception of peers' attitudes, perceived harm to other policyholders and perceived probability of being caught on the salespeople's ethical attitudes toward customer–salesperson collusion. Figure 2 and Table VII show the

Table VI. Means, standard deviations and independent *t* tests

Constructs	Guanxi types: Version A (Family member)		Version B (Stranger)		*t*	*p*
1. Guanxi considerations	5.55	(1.36)	4.40	(1.71)	5.69	0.00**
2. Consequence evaluations	3.55	(1.69)	3.48	(1.74)	0.30	0.76
3. Perception of peers' attitudes	4.02	(1.71)	3.77	(1.88)	1.05	0.30
4. Perceived harm to other policyholders	3.33	(1.69)	3.20	(1.69)	0.59	0.56
5. Perceived probability of being caught	3.21	(1.80)	3.37	(1.65)	0.77	0.47
6. Ethical attitudes	3.71	(2.01)	3.10	(1.62)	2.55	0.01*
7. Ethical intentions	4.21	(2.01)	3.48	(2.02)	2.78	0.00**

Notes: $*p < 0.05$; $**p < 0.01$; standard deviations are given in parentheses



Notes: *Significant at $p < 0.05$; ** significant at $p < 0.01$

Figure 2.
PLS results for Version A

Hypothesis		Path coefficient	*t*-value	Supported?
H1	Ethical attitudes → intention	0.75**	16.24	YES
H3-1	Guanxi considerations → ethical attitudes	0.12	1.64	NO
H3-2	Guanxi considerations → intention	0.23**	4.42	YES
H4	Consequence evaluations → ethical attitudes	0.11	0.740	NO
H5	Peers' attitudes → ethical attitudes	0.26*	2.24	YES
H6	Other policyholders → ethical attitudes	0.40**	2.89	YES
H7	Probability of being caught → ethical attitudes	0.02	0.18	NO

Notes: *Significant at $p < 0.05$; **significant at $p < 0.01$

Table VII.
Results for Version A

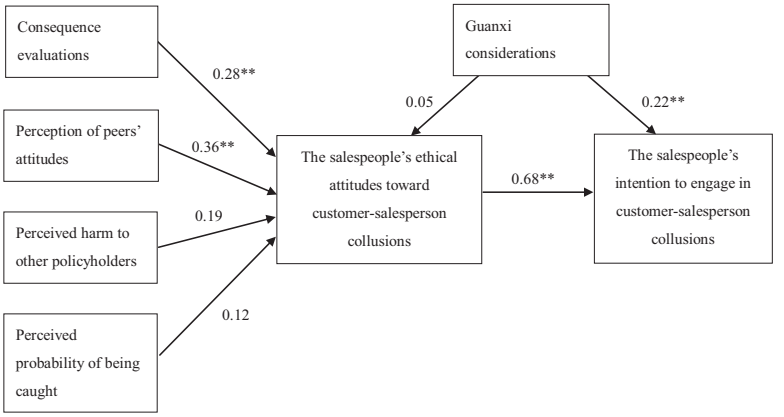
standardized path coefficients (for questionnaire Version A). In Table VII, the salespeople's ethical attitudes were positively related to the salespeople's ethical intentions ($\beta = 0.75$, *t*-value = 16.24 and $p < 0.01$). Thus, *H1* was supported. The results further indicated that guanxi considerations predicted the salespeople's intention to engage in the customer–salesperson collusion ($\beta = 0.23$, *t*-value = 4.42 and $p < 0.01$). This shows that the salespeople who have higher guanxi considerations may also possess higher intentions to help the unhealthy customer buy health insurance. The perception of peers' attitudes and perceived harm to other policyholders were positively related to the salespeople's positive ethical attitudes toward the customer–salesperson collusion ($\beta = 0.26$, *t*-value = 2.24 and $p < 0.05$; and $\beta = 0.40$, *t*-value = 2.89 and $p < 0.01$, respectively), suggesting that when the respondents believed most of their peers would accept the collusion and when the respondents believed the collusion would cause little harm to other policyholders, those respondents would also have positive attitudes toward the customer–salesperson collusion. Based on the results in Table VII, *H1*, *H3-2*, *H5* and *H6* were supported in the PLS analyses.

Figure 3 and Table VIII illustrate the standardized path coefficients for questionnaire Version B. The results indicated that ethical attitudes and guanxi considerations were

the significant predictors of the respondents' intention to engage in the customer–salesperson collusion ($\beta = 0.68$, t-value = 10.57 and $p < 0.01$; and $\beta = 0.22$, t-value = 3.32 and $p < 0.01$). The positive relationship between consequence evaluations and the salespeople's ethical attitudes toward the customer–salesperson collusion were also verified ($\beta = 0.28$, t-value = 2.75 and $p < 0.01$, respectively). Finally, the relationship between the perception of peers' attitudes and the salespeople's ethical attitudes toward the customer–salesperson collusion was found to be significant ($\beta = 0.36$, t-value = 4.49 and $p < 0.01$). In summary, the results of the PLS analyses supported *H1*, *H3-2*, *H4* and *H5*.

Discussions

Over the years, researchers have investigated which factors can lead to insurance frauds (Abramovsky, 2008; Dionnes *et al.*, 2000; Lesch and Brinkmann, 2011; Miyazaki, 2009; Radermacher and Brinkmann, 2011). Previous research has asserted that the principal–agent problem between companies and agents could enhance the agents' intention to behave opportunistically (Akerlof, 1970). Ajzen's (2005) theory of planned behavior showed that attitude is a crucial antecedent of behavioral intention. Researchers also showed that guanxi, consequence evaluations, peers' attitudes, perceived harms on



Note: ** Significant at $p < 0.01$

Figure 3.
PLS results for Version B

Hypothesis		Path coefficient	t-value	Supported?
H1	Ethical attitudes → intention	0.68**	10.57	YES
H3-1	Guanxi considerations → ethical attitudes	0.05	0.70	NO
H3-2	Guanxi considerations → intention	0.22**	3.32	YES
H4	Consequence evaluations → ethical attitudes	0.28**	2.75	YES
H5	Peers' attitudes → ethical attitudes	0.36**	4.49	YES
H6	Other policyholders → ethical attitudes	0.19	1.64	NO
H7	Probability of being caught → ethical attitudes	0.12	1.43	NO

Table VIII.
Results for Version B

Note: **Significant at $p < 0.01$

others and perceived probability of being caught could add to our understanding of the agents' ethical decision-making. The present study takes a closer look at the influences of these variables on the salespeople's decision-making in the customer–salesperson collusions. The summary of findings is presented in Table IX.

As can be seen in the table, the insurance salespeople could be more likely to help high-risk customers buy insurance when the salespeople had a positive attitude toward the collusion. In addition, it was shown that the insurance salespeople would possess a higher intention to help the high-risk customer if the salespeople had strong guanxi with the customer. According to the PLS results for Version A, the supportive finding was shown for a positive relationship between guanxi considerations and intention. It was also found that the perception of peers' attitudes and harm to other policyholders were positively associated with attitudes. Yet, the results for Version A showed that the perceived harm to other policyholders had a stronger effect on the intention ($\beta = 0.40$**) than did the perception of peers' attitudes ($\beta = 0.26$*). The results suggested that the low perceived harm to other policyholders could encourage the respondents to have a positive attitude toward customer–salesperson collusions more than an encouragement from the perception of peers' attitudes. On the other hand, the proposed relationship between consequence evaluations and attitude (and between perceived probability of being caught and attitude) was not supported in this sample (Version A). A possible reason for the findings could be that the salespeople who help family members with pre-existing medical conditions buy the insurance would form their ethical attitudes mainly based on perceived attitudes of peers and perceived harm to others. In other words, concerns about peer attitudes and interests of other policyholders may be the key factors that affected the attitudes in Version A.

For the PLS results for Version B, it was found that the salespeople's attitudes and guanxi considerations were positively related to intention. Again, the findings highlighted the importance of attitudes and guanxi considerations in forming the salespeople's ethical intention. The results then showed that the consequence evaluations and perception of peers' attitudes enhanced the respondents' positive attitude toward the customer–salesperson collusion, whereas the perceived harm to other policyholders and perceived probability of being caught were insignificantly related to the attitude. The findings implied that the salespeople would exhibit a higher acceptance of the customer–salesperson collusion when they believed that the consequences were not harmful or when they believed that the collusive behavior was acceptable to their peers.

Table IX. Summary of findings

Hypothesis		Version A	Version B
H1	Ethical attitudes → intention	Supported	Supported
H2	Guanxi types → intention	Supported	
H3-1	Guanxi considerations → ethical attitudes	NO	NO
H3-2	Guanxi considerations → intention	Supported	Supported
H4	Consequence evaluations → ethical attitudes	NO	Supported
H5	Peers' attitudes → ethical attitudes	Supported	Supported
H6	Other policyholders → ethical attitudes	Supported	NO
H7	Probability of being caught → ethical attitudes	NO	NO

The PLS results for Versions A and B did not find any positive relationship between guanxi considerations and attitude (*H3-1* was not supported). A possible reason could be that the guanxi considerations may create more feeling of obligation to the salespeople, and, therefore, some salespeople may believe it was their responsibility to help the customers even if they had no positive attitude toward the collusive behavior. The study did not find a significant relationship between the perceived probability of being caught and attitude. The perceived probability of being caught appears to play an insignificant role in the salespeople's attitude toward the collusion. Nonetheless, few empirical studies have examined the link between perceived probability of being caught and salespeople's attitudes toward insider frauds. The finding of this research indicated the need for more studies to discuss whether the perceived probability of being caught creates a significant impact on salespeople's ethical attitudes toward customer–salesperson collusions.

The PLS results for Versions A and B also showed that the salespeople's consequence evaluations had no significant effect on attitude in Version A (Figure 2), whereas the consequence evaluations had a significant effect on attitude in Version B. It was also found that the perceived harm to other policyholders had a significant effect on attitudes in Version A, but I found no significant result for the perceived harm to other policyholders in Version B. The PLS results for Versions A and B then indicated that the perception of peers' attitudes had a weaker impact on attitudes in Version A ($\beta = 0.26$*) than did the perception of peers' attitudes in Version B ($\beta = 0.36$**). These results implied that the factors influencing the respondents' attitudes may vary when they face different guanxi types.

Implications

The results of this study may have some implications. For instance, the results confirmed that the insurance salespeople would be more likely to help relatives with pre-existing medical conditions buy health insurance. The results challenged an established belief that the insurance salespeople should first target close relations as they build their portfolio of customers. The finding also suggested that the insurance regulators and companies should highlight the importance of sales ethics in the referral programs and relationship marketing, because encouraging insurance salespeople to sell insurance through personal relationships may result in some ethical conflicts.

As mentioned, the factors influencing the salespeople's attitudes may vary when they face different guanxi types, and the results suggested that the guanxi types were moderating variables in this study. Therefore, to prevent the customer–salesperson collusions effectively, the insurance regulators and companies should know which guanxi types and which factors may encourage the salespeople more to have higher acceptance of the customer–salesperson collusions. As it appeared that by changing the guanxi from strong guanxi (family member) to weak guanxi (a stranger), the salespeople's level of unethical intention may be decreased; it could be suggested that the insurance regulators and companies could try to monitor more closely the policies written for salespeople's family members.

Some of the results also suggested that the salespeople's acceptance of customer–salesperson collusion was increased when the salespeople had strong concerns about guanxi, weak evaluations of the negative consequences of the collusion and weak perceived harm to other policyholders. Based on these findings, I suggest that the insurance companies should communicate frequently with the salespeople about

the companies' zero tolerance policy on any form of collusion. By showing a zero tolerance policy on customer–salesperson collusions, the insurance companies actually set the tone for what is not acceptable in the relational selling process. The insurance companies should also emphasize on the negative consequences of the customer–salesperson collusion on the policyholders and society and ensure that these salespeople understand the negative consequences of the collusive behavior. As the perceived harm to other policyholders was found to be influential to the ethical attitude, based on the result, it could be suggested that an anti-fraud policy and training should include teaching about the harm to other policyholders. More importantly, the harm needs to be perceived by salespeople to decrease their positive attitude toward customer–salesperson collusions.

Some of the results further showed that the salespeople were more likely to have positive attitudes toward customer–salesperson collusions when they perceived that their peers also had the positive attitudes toward the misconducts. Based on the results, I suggest that the insurance companies should focus on developing an ethical climate in the organizations. The ethical climate could be enhanced by ethical leadership because it was pointed out that employees desire more assistance from the ethical leadership in terms of being able to solve the ethical dilemmas they face in the workplace (Mayer *et al.*, 2012; Schminke *et al.*, 2005).

The contributions of this research

Building a good relationship with customers is an important task for insurance salespeople. However, the salespeople also have ethical responsibilities to their insurance companies and other honest policyholders. Customer–salesperson collusions can be very harmful to the insurance industry. This study uncovered the salespeople's ethical attitudes toward customer–salesperson collusions and investigated which factors could influence the salespeople's intention to engage in the collusions. According to my knowledge, factors such as guanxi, peers' attitudes and perceived harm to other policyholders have seldom been mentioned in the insurance fraud studies. I focused on these variables in particular because they were often associated with ethical decision-making, and, therefore, there seems to be no reason to ignore these important aspects in the insurance fraud studies. By including the variables in the research, the current study could provide a more comprehensive assessment of customer–salesperson collusions. Moreover, the results of this research may not only assist insurance researchers and practitioners in identifying what factors may contribute to the occurrence of customer–salesperson collusions but also extend the existing knowledge of insurance fraud prevention.

This paper further discussed how salespeople's guanxi considerations influence their ethical decision-making. The findings of this research may improve our knowledge of agency problems in the personal selling industry because Chinese salespeople are often encouraged to expand their business through guanxi networks. The findings of this study could also be applied to other industries that face the similar agency issues because it was pointed out that guanxi can make the difference in obtaining job or bank loans in China (Shih, 2004). It was also shown that a board of directors may pass insider information on to relatives and friends to help them use the insider information in stock trading (Grzebielski, 2001). Future research could focus on guanxi types and explore the effects of guanxi types on the agents' reactions in the context of insider–outsider collusion.

Limitations and future research

This study has several limitations. First, the data were collected in the life insurance industry in Taiwan, which raises the question of the generalizability of the findings to other industries. Previous research has also shown that people from different nations could have different patterns of ethical decision-making (Ralston *et al.*, 1997). Hence, the role of nationality and culture in the problems of customer–salesperson collusions could be examined, and future studies with other service industries are needed. Second, the paper used multiple scales with only two items, and this may raise the validity issue of the measures and findings. Future empirical research is suggested to improve the measurement of the constructs. Different research methods, such as interviews and longitudinal studies, are also recommended to reveal the relationship between guanxi and the customer–salesperson collusions. Third, the use of survey may also be a limitation in this study. Although survey can be used in the ethical behavior research to enhance the internal validity, the scenarios used in the surveys were not real situations, and it is difficult to know whether the respondents would act in the same way in reality. Another useful direction for future studies would be to explore how salespeople's job loyalty and intention to leave can influence the salespeople's intention to help their customers in the collusions. This may make a broader contribution to the insurance fraud literature by providing insight into the relationships between organizational behaviors and customer–employee collusions.

Finally, the AVE was used to check the discriminant validity issue in this research. The AVE represents the average amount of variance that a latent variable captures from its manifest variables in relation to the error variance. It was suggested that an acceptable value of AVE index should be at least 0.50, and the square root of the AVE for each construct should be higher than the correlation between the construct and other constructs. The results of this study satisfied the requirements. However, it has been pointed out that the application of the AVE criterion is not without limitations. In fact, Rönkkö and Evermann (2013) showed that the AVE method could inflate the loading estimates of variables. Henseler *et al.* (2015) also agreed that the AVE method was insufficiently sensitive to detect discriminant validity problems. To make future research more rigorous, I suggest using different methods when judging discriminant validity. Recent studies on this issue suggested that the heterotrait-monotrait (HTMT) ratio of correlations can be a new method to uncover discriminant validity problems. To estimate the HTMT ratio of correlations, one should calculate the average of the heterotrait-heteromethod correlations and the average of the monotrait-heteromethod correlations (Henseler *et al.*, 2015, p. 121). If the HTMT ratio of correlation is higher than a specific threshold value (e.g. 0.85), then it shows a lack of discriminant validity. According to the research of Voorhees *et al.* (2015), the HTMT ratio with a threshold value of 0.85 provided the most conservative criterion for assessing discriminant validity problems. Future research could use this method when estimating the discriminant validity issues.

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