Do I have a conflict of interest?

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Let's first define what a conflict of interest is. In a simple and generic way, a conflict of interest is when a person has an interest that interferes with their responsibilities as a professional, or when they use their professional role for inappropriate personal gain. Conflicts of interest can involve nepotism, cronyism, favoritism, corruption, and can lead to reputational risk.

Some examples are:

- A compliance officer who audits/reviews the commercial area that is run by her husband.

- A CEO who authorizes himself a bigger bonus than he should receive.

- A director who puts family members on the payroll with a fake job title; they don't work, but they are paid.

- A compliance officer whose friend is the director of the consultancy firm that provides services for the company he is working for.

Are any of these examples familiar to you? If you have experienced them, was your first thought, *"Oh, I don't think there are any privileges or extra benefits, because we are all professionals…"* or did it make you feel like someone was taking advantage of the situation?

This is why it is so important that—no matter your job position—you avoid conflicts of interest, even in appearance. You could be acting completely objectively, but if there is a tie or link, people may suspect that you are either receiving or giving a benefit. This is precisely why most companies include the topic of conflicts of interest in their code of ethics. Even the United Nations urges all politicians to be conscious of the importance of their role and to not allow personal interests to conflict with professional duties.

We are all at risk

I know, our aim is to be professional all the time, but we are still human beings, and when there are interests—such as money, power, love, and/or social status—one's self-control, objectivity, and independence can be lost. As a result, a person's ability to carry out their

work in a professional way may be compromised. Especially for those who are reviewing other people's work, such as compliance officers, internal and external auditors, and consultants, conflicts of interest should be strictly avoided.

Perhaps because we all have heard of situations where conflicts of interest have been present, we consider conflicts of interest to be relatively harmless. But they are not. They can cause damage to a person's health, employment, and financial stability.

A conflict of interest is an unethical behavior that could generate impunity, privileges, demotivation, discrimination, decrease in productivity, anger, powerlessness, and damage to the image and trustworthiness of individuals and of the companies involved. Regarding the latter, cultural organizations can fracture, companies can lose credibility, and talented people may leave as a consequence.

Conflicts of interest, of course, also arise in governments. For example, money that should be used in a country's budget for health, education, security, or technology is redirected to the personal accounts of a few select people. The more friends and relatives are invited to be in powerful, exclusive circles, the more privileges are given to these people, leading to more poverty, and the cycle goes on.

Stop rationalizing and start acting

One of the most shocking factors is that we rationalize a conflict of interest by saying "it's normal and happens everywhere," so we don't do anything about it and become part of the problem by allowing it to happen. But just because it is a common practice doesn't mean it is right.

So what can be done to minimize conflicts of interest?

Clearly define what a conflict of interest is

Keep the explanation simple so the employees can remember it and abide by it. Also define independence (mentally and in appearance[1]) and emphasize the importance of being independent in both ways, especially to all those who hold positions with leadership duties and to the areas of compliance and internal audit.

Independence in appearance is the outward appearance that third parties perceive. Example: If you audit a company and your husband is the CEO, you would be perceived to not be independent. *Mental independence* refers to your state of mind, your ethics, and how you make decisions. Example: You don't like the cashier in the area you're reviewing. Your mental independence factor would determine if you increase the scope of your review for the sake of comparison or indicate that the area is at risk for money laundering simply because you don't like the cashier.

Include potential scenarios for vulnerable areas

If there have already been cases in your company, include them so the scenario is more accurate to your company's reality. Some scenarios are:

- *Recruitment of employees:* Don't hire current employees' relatives or people with close ties (e.g., friends or lovers of current employees). Include in the recruitment form that the candidate should disclose any potential conflict with competitors, providers, or in any branch if the company has a presence in other states or countries.

- *Promotions:* They should be based on evidence (e.g., facts, results) and complying with the job description, skills, and targets of the role. No favoritism or nepotism is allowed.

- *Purchasing products and/or hiring external services:* At least three quotations should be sought, and evidence should demonstrate that they don't have ties to current employees.

Establish a help line vs. a hotline

Employees can disclose any potential cases of conflict of interest that they know of. Employees should also be permitted to ask questions or leave comments. Just changing the name of the hotline will psychologically affect people so they will use it more, because it purports to help rather than report. Make sure it is available 24 hours, 365 days a year and that the person who is in charge knows what to do, who to escalate the case to, who to question, or who to comment to. And above all, ensure that these things are done promptly. By doing this, people will be encouraged to speak up, and the company will show that it's credible, because it does what it says it will do. Don't lose this opportunity to make it happen!

Implement a procedure for investigating cases, tips, and rumors

At the very least, the procedure should answer the following questions:

- When are we going to carry out an investigation?

- Who is going to be in charge of the investigation?

- What evidence does the company have to prove the point (e.g., security camera footage, documents, video-audio recordings, pictures, witnesses)?

- Where are we going to keep the evidence?

- Who will have access to the evidence?

- How are we going to handle the situation with the people who are involved?

- When and how are we going to disclose the case to the authorities, if need be?

- Have we emphasized that timing is key?[2]

Train all employees

Start with definitions, how conflicts of interest can affect the company and employees, how to report any potential cases, and what the sanctions are. For the content of the training, use as many examples and/or real-life cases as possible. These examples should demonstrate what conflicts of interest look like and how to identify them. If possible, try to use a dynamic roleplay in which people can experience being on either side: the one who takes advantage of the conflict and the victim. In this way, they will become more sensitive to the impact a conflict of interest can have. For leadership positions and for the areas of compliance and internal audit, raise awareness of how their behavior, actions, and decisions can influence other employees. Anything they do or say may be perceived as a conflict of interest; therefore, they must always lead by example.

Implement reminders through training

Don't wait until next year to repeat training; don't wait until a new case presents itself and shakes the company. At least once a month, undertake some training so that the information is present in everybody's minds. Promote values and ethics; talk about conflicts of interest and the dos and don'ts. Use your creativity to get people's attention (e.g., posters, contests, animated videos, a banner when employees turn on their laptops). Make the message short, fun, and straightforward. We are saturated with information, so make your employees refresh key ethical concepts. We all learn with repetition.

Share your code of ethics and policies with third parties

Third parties can then understand your company's stance on conflicts of interest. Let them know that they can also use the help line.

Monitor the cultural organization on a regular basis

Don't just react when someone reports a case. Be proactive. In order to do so, establish an evaluation system by which employees and third parties can evaluate key aspects of the company. How do you make the system successful? Make the evaluation short, with interesting questions, so it's fun to answer. And above all, demonstrate with facts that when someone reports a case, there won't be any retaliation. The feedback that the evaluation elicits will also help to improve the working environment—a win-win for everybody!

Promote a zero-tolerance culture for conflicts of interest

No matter how small a conflict of interest may be, sanction the person or people involved. Even better, sanction more severely those with leadership duties, who should be leading by example. This way, impunity is eradicated, and everyone knows that there are no privileges with regard to sanctioning, even for those at management level.

Learn from experience

If you have faced a conflict of interest case, document it. Not only for legal purposes, but internally. Analyze what went wrong and which control failed. How can the company prevent this situation or any other similar situation from happening again? This is the moment to think about the effectiveness of the controls, training, and if the code of ethics and policies truly express what is needed. Amend the policy where necessary so it can help you to avoid future conflict of interest cases.

Conclusion

No matter your job position, your skills, or the length of time you have worked for a company, certain situations can sometimes test our self-control and values. You, like me, could be tempted by different interests, so it is important to remind people of their ethics for those crucial situations in which we should ask ourselves: Do I have a conflict of interest?

Takeaways

- We are all at risk of having conflicts of interest, which can cost us the objectivity and independence necessary to perform our duties professionally.

- Conflicts of interest are not harmless; such conflicts can involve nepotism, cronyism, favoritism, and corruption, and they can harm individuals and companies.

- One key factor to help employees speak up is to establish a help line rather than a hotline, and make sure third parties also have access to it.

- Use an evaluation system that engages employees to monitor the culture of the organization on a regular basis. It shouldn't feel like an imposition.

- Learn and prevent: Analyze past cases for what went wrong, and make changes that can help you avoid a future case of conflict of interest.