



## Conflict of interest: To me, or not to me?

BY KATHLEEN EDMOND

You only need to review the news on any given day to find at least one story about a potential conflict of interest – from city officials being accused of voting to close a local airport in order to increase their personal property values, to financial advisors directing clients' money into real estate owned by the advisor (without the client knowing of the financial relationship).

Definitions of the conduct, behavior, and circumstances that can create a conflict of interest abound in both government and business. Collectively, they generally cover—as [businessdictionary.com](http://businessdictionary.com) puts it—“a situation that has the potential to undermine the impartiality of a person because of the possibility of a clash between the person's self-interest and the professional or public interest.”

Though the ideas behind conflict of interest are as old as human relationships, the term itself is of relatively recent origin. U.S. court and legislatures didn't begin tackling the subject until the 1950s and it wasn't defined as a legal concept in Black's Law Dictionary until almost 1980. (See Conflict of Interest in Four Professions for a more complete etymology).

Nor has taking personal advantage of one's official position always been considered a problem. Until relatively recently, in public administration as well as private enterprise, it was assumed that leaders and officials would, in some measure, take advantage of the office to advance their personal interest—but in the past 50 to 75 years that view has evolved in both government and business. Current common belief now holds that conflicts of interest create the potential for damage and can lead to varying degrees of corruption. As a result, most public service and private organizations require that employees and agents of the entity report potential conflicts in order to review and vet them.

Answering the business and human

questions at the heart of the conflict of interest problems provides a beginning framework for avoiding them—and the unwanted attention—they can create.

### Why are conflicts of interest a problem?

Conflicts are a problem because they lead to questions about the impartiality, reliability, and confidence in the advice and service delivered to the client or customer, as well as creating the potential for more egregious and potentially illegal behavior.

### How/why do conflicts begin and grow?

The answer to this question provides interesting insights into the connections that occur among legal compliance, human behavior, behavioral economics, and organizational culture. Sometimes, there's just a deliberate decision to engage in behavior that constitutes a conflict of interest. Other times, however, the prohibited conduct occurs without a conscious choice. In those instances, several reasons exist to explain why the conduct has occurred. These include:

- Lack of understanding;
- Ineffective controls/incentives (i.e. poorly designed reward /compensation system);
- Misplaced confidence/belief in one's immunity to being influenced;
- Organizational culture that endorses personal gain as a privilege of office, or employment; and
- Moral licensing.

### What can prevent conflict of interest problems?

While the creation of a robust program to prevent conflicts of interest takes time and understanding of ethics law, industry demands, and corporate culture, effective conflict of interest prevention almost always includes these sound management practices:

### Clear policies

Access to timely counseling and advice  
Consistent enforcement (not different rules depending who you are or the role you hold in the organization)

Effective internal controls (annual disclosure) and records

Leadership that models the expected behavior.

Regular training and communication on the subject

Problem solving. Most potential conflicts can be remediated in such a way that works out for all involved. Approach the situation with a “how can we make this work?” mindset.

### Conclusion

At some point in time, many employees and leaders will be confronted with a personal or professional conflict of interest that has the potential to affect the workplace. It does not need to be a problem. The best strategy is creating an open, accessible process to discuss, vet and resolve potential conflicts. And when the conflict cannot be accommodated, the enforcement of your policies should be consistent, or at minimum, transparent, across all levels in the organization.

### About the Author

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