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Marriage, blood, and romance: Managing conflicts of interest involving personal relationships

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When not handled appropriately, romantic relationships in the workplace can cause all sorts of problems, including, in some cases, rather high-profile terminations and serious reputational harm. The problems with workplace relationships are not confined to romantic relationships, however. Family members in the workplace can also create concerns for organizations. In light of the risks, many companies have developed policies governing workplace relationships, which increasingly attempt to strike a balance between protecting the organization's interests and recognizing employees' rights to relationships and to privacy. And, to make matters even more complicated, different cultures and different legal systems tend to view this issue differently, which makes promulgation of an enterprise-wide policy more difficult for multinational companies. In this article, we first explore the potential harms and benefits from employing related persons, then discuss organizational controls in this area, including the scope and content of related persons policies, how policies deal with romantic relationships, and approval procedures.

Harms and benefits

As with all areas of compliance risk, it is helpful to consider the types of harm likely to emanate from the activity in question in order to develop appropriate controls. Personal relationships create conflicts of interest, which can affect an employee's judgment. Indeed, many of the other harms resulting from conflicts of interest (e.g., poor decision-making, bias, economic harms) flow from the initial effect on judgment that conflicts create.

One of the important learnings from the field of behavioral ethics is that our judgment is impacted when we have a conflict of interest, even where we genuinely try not to be influenced by the conflict. In particular, if a person (or their loved one) will benefit from reaching a particular conclusion, the person tends unconsciously to weigh evidence so as to favor that conclusion. In other words, "It has long been understood that when people are better off if something is true, they become more likely to perceive it as true."^[1] An employee's judgment is thus likely influenced by a personal relationship even where they do not realize that their judgment has been impaired. This finding indicates the importance of removing the biased person from any decision-making regarding the source of the bias—in other words, not permitting an employee to influence decisions regarding another employee with whom they have a personal relationship—a rule that most organizations include within their policies.

Other types of harm that may follow from personal relationships in the workplace include unqualified or under-qualified individuals being hired, promoted, or otherwise favored; inappropriate disclosure of confidential information; and the creation of a sense of unfairness and lack of organizational justice, which can be corrosive to a culture of ethics and compliance.

Interestingly, organizations can also experience benefits from employing related persons, which can, for

example, lead to employees having a greater sense of commitment and loyalty to the company. This can result in both longer tenures and a more dedicated workforce. The existence of related persons at a company may also be considered evidence that employment by the company is a valuable asset, which some companies use in their recruitment efforts.

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