

CEP Magazine – December 2019 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.

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