

## Conflicts of Interest

Companies, even small ones, have a right to expect and rely upon the loyalty of their employees. That loyalty can be challenged by what is called a conflict of interest, which occurs when the judgment or objectivity of an employee is compromised, or appears to be compromised, by relationships with other business entities. The risk is sufficient that companies, especially larger ones with elaborate and detailed Codes of Business Ethics, make clear that conflicts of interest will not be tolerated.

Here are some examples of common situations that are considered to be a conflict of interest and therefore unethical:

Having a financial or management interest in an enterprise belonging to customers, suppliers, competitors or any other entity that your employee knows, or should reasonably believe, has a business relationship with your company;

An employee holding a second job that interferes with her duties at her principal employer;

An employee arranging or facilitating a business transaction between her relatives and any customer or supplier of her own employer.

An employee offering or accepting money for the employee's personal benefit from a supplier or customer.

Another way that a potential conflict might occur is if a customer of one company does an important personal favor for a key person in another company, and then asks for and expects a favor in return (for example, an important sales order). Some call this expecting a "*quid pro quo*."

In other words, the parties have, or appear to have, gone beyond ethical arms-length transactions: sales are instead being made under circumstances that are unethical, done probably for reasons that are kept secret from others. An observer could easily assume that a special deal or advantageous terms are part of the relationship.

Every company has its own relationships with customers, suppliers, creditors and others that are of sufficient significance that its employees perhaps should not have business relationships with those customers, etc., and vice-versa. To be certain and supportive of the company's ethical culture, a clear policy must be established for conflicts, and should be enforced for the benefit of all concerned.