### Conflict of Interest: What is it, why does it matter, and what should we do about it?

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### Note:

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### What is COI?

Surprisingly few have a clear idea.

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# Examples of COI

- Consider ABC Aeronautics...
  - A Board member owns shares in a major producer of aluminum that routinely bids for contracts from ABC.
  - A junior engineer in the IT department has a part-time consulting business that sells IT security services.
  - A respected aeronautical engineering professor from a leading university, who also advises several government agencies on purchasing decisions, is paid a handsome fee to speak at an annual training event for ABC's sales force.
  - A manager has to choose among several well-qualified subordinates for a promotion. One of whom happens to be her lover.

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# Defining COI

"A situation in which a person has a private or personal interest sufficient to appear to influence the objective exercise of his or her official duties as, say, a public official, an employee, or a professional."\*

Key issue: jeopardizing loyal service.

\*MacDonald, C., McDonald, M. & Norman, W. 2002. "Charitable Conflicts of Interest" <u>Journal of Business Ethics</u>, 39(1-2): 67-74.

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### COI is Not an Accusation

- It is a situation.
- How you deal with it is key.

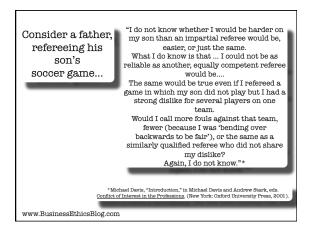
Being in a COI is like having the flu. It's not unethical. The ethical issues are in what you do with it!

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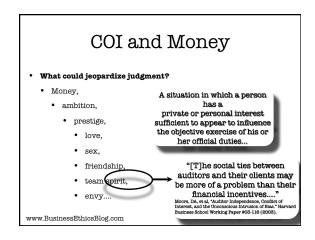
# Since COI is Not an Accusation...

- ...personal integrity is not a solution.
- Nor is "trying to be objective."

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# Standard Advice Sometimes 1 and 3 are impossible. So transparency (2) becomes essential. 1. Avoid; Worries about reaction to (2). 1) Client? 2) Professional? 3. Remove from decision. None of these solves the problem. Sometimes settle for least-bad path.

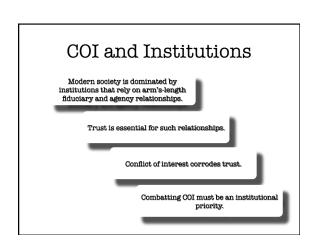


# Conflict of Interest: A "New" Ethical Category

- No use of the term prior to the 1930s;
- First occurrence in a court decision, 1949;
- First appears in Random House Dictionary of the English Language in 1971;
- First in Black's Law Dictionary in 1979.

Why?

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# Organizational Solutions

- Good policies;
- A COI-ready organizational culture.

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### Good COI Policies

C. MacDonald and B.

Williams-Jones "Conflict of Interest Policies at Canadian Universities: Clarity and Content," <u>Journal of</u> <u>Academic Ethics</u>, Vol. 6, No. 1 (18 March 2008), pp. 79-90.

- Readable;
- Up-to-date;
- Statement of scope;
- Definition of COI;
- Examples of COI;
- Procedures to follow;
- Additional sources of info/guidance.

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# A Policy is Just Paper

• ...until interpreted & implemented by organizational culture.

"Culture trumps strategy, every time."

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### Ethical Culture

What is an organization's culture?

"Culture is the social glue that helps hold the organization together...

...by providing appropriate standards for what [members] should say and do."

• R. Sims, <u>JBE</u>, 1991.

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# A COI-Ready Culture

- Openness;
- Ethics on the table;
- COI on the table;
  - "COI happens."
    - Foresee it, handle it, learn from it.

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### Conclusions

- Key points:
  - COI is pervasive;
  - COI is not an accusation:
    - Not corruption or lack of integrity.
  - Good policies should help.
  - A COI-ready culture is even better.

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