ABOUT THE AUTHOR

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Keith Read is an award-winning thought leader and expert in compliance, ethics, culture, bribery, supply chain and risk management.

He was formerly the Group Director of Compliance and Ethics for BT (British Telecom) with responsibility for compliance, ethics and regulatory risk management, covering 150,000 employees and contractors operating in some 176 countries. He is a past winner of the Compliance Register’s Best Compliance Officer award, when he also won the Best Compliance Company award; he was subsequently the subject of a full-page Daily Telegraph national press article - ‘Compliance and Science’.

Keith is a frequently-requested international speaker, drawing on his wide-ranging practical experience of compliance, risk and governance, including the Bribery Act, Anti-Bribery and Corruption and the Modern Slavery Act.
WHY CONFLICTS OF INTEREST MATTERS

In short, a Conflict of Interest (COI) occurs when an individual’s personal interests have the potential to interfere with their ability to act objectively in the best interests of the company. “Personal interests” may include social, financial or political activities and often times include personal relationships.

Indeed, the simple perception of Conflicts of Interest in a business can cast doubt on how level of a playing field the business operates on, as COIs can be corrosive to the perception of — and confidence in — organizational justice at a company. New hires, promotions, vendor selections, partnerships, investments and more that seem to be awarded subjectively can drive skepticism and mistrust among internal and external stakeholders—and lead to losses in productivity, employee retention, business opportunities and a company’s reputational value, among other things.

Left unchecked, Conflicts of Interest can also breed misconduct and risk for companies, including fraud, corruption, insider trading and more. Customer, partner, investor and employee confidence in a business can be shaken—and the long-term financial and reputational stability of your firm diminished—if misconduct driven by conflicts of interest is brought to light.
An investigation highlighted that the Chief Operating Officer had engaged his wife to undertake a human resource review - and subsequently, made payments to a company owned by his wife, of which he was the company secretary. Payments over two years totalled nearly $110,000. There was not a Conflicts of Interest system, no clear procurement controls and totally inadequate separation of duties; the payments were also not disclosed as a related-party transaction.

It was only through a whistleblower that a local history of employing relatives was revealed. A former senior manager employed his wife - and also his daughter, son and the former finance officer’s son. The senior manager’s daughter was engaged as a consultant for 11 months at a cost of nearly $62,000 - yet this figure was not declared in the accounts as a related-party transaction. The investigators were told that it was apparently not clear from the guidance what constituted a ‘close relative’ - the trigger for a declaration. His son was employed for five months and paid around $21,000; his wife was paid $6,600 for consultancy. The senior manager resigned and was subsequently the subject of a police investigation.

A contract for facilities management was awarded to a supplier without any justification. It subsequently came to light that the manager knew the supplier who was awarded the contract well; both were involved in another company together. Clearly, the manager should have had no involvement in getting the contract - but made no declarations of a conflict.
CREATING AN EFFECTIVE CORPORATE SHIELD

In recent years, most organizations have invested heavily in their Anti-Bribery & Corruption (AB&C) programs. However, it could be argued that such investment is largely in direct response to legislative developments, such as: the UK Bribery Act (UKBA), Foreign Corrupt Practices Act (FCPA) and similar statutes, which although differing in detail, have very similar core requirements.

It can be argued the situation is different when it comes to Conflicts of Interest. Some countries, such as the US, adopt a rules-based approach to COI. Other countries, like the UK, take a principles-based approach, take no specific approach or a by-product approach of other legislation.

Whatever the approach, the direct legislative drive for a Conflicts of Interest program is variable, with the consequence that organizations often expose themselves to completely unnecessary risk by failing to realize the benefits of an effective Conflicts of Interest program. Without question, this is a crucial element of an overall compliance program and when properly joined-up with other compliance activities, represents an effective compliance ‘Corporate Shield’.

There is invariable a link between COI and corruption in all of its types. However good an organization’s AB&C program may be, with a comparable COI program, the organization will, undoubtedly, be expose, which can be directly or indirectly link to bribery as a conflict consequence.

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Many organizations recognize that Conflicts of Interest are a key element of their overall compliance and ethics program, but discover that the practicalities of managing Conflict of Interest day-to-day can be challenging. Though challenging, properly collecting and managing disclosures presents a few key opportunities for organizations, not least of which is the reduction in compliance risk a company achieves by having more and better disclosure data to act on—and analyze—around employee relationships that may pose a problem. Gathering these disclosures will allow you to:

**Better Insights Into Employee Behavior**
More disclosures, with richer and more structured data contained in them, arms the compliance team with insight into employee behaviors, risk disposition and drivers, and where compliance initiatives work — or fail short.

**Give Employees Ownership**
Providing employees ownership and a secure portal to disclose their conflicts gives them proverbial “skin in the game.” This ownership increases interest and engagement in creating a compliance-first culture.

**A Simplified Employee Experience**
Provide an easier and positive first interaction with compliance. Disclosures can, and should, be less threatening and provide an overall more positive and welcoming experience than reporting misconduct or other compliance engagement points.

**Compliance as a Value Add**
Shifting the onus of responsibility for disclosures to employees can free your compliance team from data entry and allow them to add value in the field, conducting analysis, issuing clearances, etc.

**Reduce the Noise**
Increase the number of legitimate disclosures—and cut down on the extraneous reports you have to sift through—by providing a more intuitive experience for employees.

**An Open Dialogue**
Focusing on an ongoing, fluid disclosure process keeps the lines of communication open among employees beyond sporadic hotline reports or periodic training and policy requirements.
A WAY TO ASSESS YOUR RISKS

From personal experience, I have found that a COI disclosure program that is intended to cover 150,000 people brings unforeseen consequences. We don’t immediately think of the single mother with three children working part-time at a burger joint for additional income who became distressed at the prospect of a disclosure leading to her losing her low risk job. This was not the environment I wanted to create. However, it caused me to re-assess the program and create the COI risk assessment matrix, based on type and likelihood, that you see to the right.

This enabled a clear focus to be initially established on the highest Conflict of Interest risks - in senior management, procurement and in-country managers - for example, before progressively extending the process further in line with the risk matrix. However, analysis of likely annual ‘churn’ (turnover) in employees, roles, reporting arrangements and personal/professional relationships indicated that keeping the Conflicts of Interest system up-to-date would be very challenging, particularly when the full ‘request reminder escalation feedback’ cycle is taken into account.
A BETTER WAY TO MANAGE
CONFLICTS OF INTEREST

Convercent’s COI Manager comes to surface. It’s
straight-forward and non-threatenng, which
enables employees to be thorough and forthcoming
in their relationship disclosures. As employees’ roles,
reporting lines and relationships change, disclosures
can be auto-requested, quickly updated and
automatically flagged should clearance need to
change. This significantly reduces the administrative
burden of redundant disclosures and minimizes the
time and effort required of employees, which leads
to more high-quality disclosures containing in-depth
authentic information in a simple and
easy-to-understand format. The data can then be
linked with the Case Manager, Policy Manager,
Learning Manager and with core HR data to create
an effective, real-time compliance tool with visibility
of the bigger picture, and potential misconduct.
Linked to integrated compliance communications,
managing Conflicts of Interest then moves from
being a ‘chore’ to becoming an essential tool in the
corporate governance armory.
We live in a technology-driven world where this is an app for nearly everything. Professionally, you tend to look at finding the right solution to bring to the company that best suits the business, fits the budget and impacts the bottom line. More often than not, we abandon looking at how technology can personally help us.

Going to work on paper is a 9-5 responsibility — but let’s be honest — we tend to let our current work challenges impact our well being, which directly impacts our work performance. When looking at a technology solution, don’t only consider if it will please your boss, examine how it will make your life easier. Will it help you become more productive? Will it provide deeper insights you can’t easily provide?

Make your case in the board room and beyond by backing it up with robust, historical data comparisons and compliance trends. Will the solution help you get a promotion or raise by showing the impact compliance has across the business?

Technology doesn’t only need to benefit the company or compliance program, but it can positively impact your career trajectory and simplify your manual day-to-day duties. Choose a solution that benefits all involved, makes your life easier and allows compliance (and your role) to be more effective.
Convercent’s risk-based global compliance solution enables the design, implementation and measurement of an effective compliance program. Delivering an intuitive user experience with actionable executive reporting, Convercent integrates the management of corporate compliance risks, cases, disclosures, training and policies. With hundreds of customers in more than 130 countries – including Philip Morris International, CH2M Hill and Under Armour – Convercent’s award-winning GRC solution safeguards the financial and reputational health of your company. Backed by Azure Capital, Sapphire Ventures (formerly SAP Ventures), Mantucket Capital and Rho Capital Partners, and based in Denver, Colorado, Convercent will revolutionize your company’s compliance program.

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