

Conflicts of Interest Can Eat Your Lunch

Recently, a client had an expensive and disappointing experience. Their Human Resources service provider suddenly had a problem with a difficult employee-related action my client felt obligated to take. Apparently, the HR provider did not want to take any responsibility for the difficult decision. This conflict of interest was a total surprise to my client and was never discussed up front.

Conflicts of interest can slip – often unnoticed – into what seem like a good relationship. Here they create a dangerous mix of quicksand. Even the appearance of a conflict can sink an otherwise great business rapport.

What ~

A conflict exists when someone's personal, usually financial, interests clash with the interests of a customer, partner or other business relationship, or conflict with a duty or responsibility (see Black's Law Dictionary). Some conflicts of interest can be illegal, and are often regulated by statutes and Codes of Ethics.

Who ~

A clash or conflict can exist between *your* business interests and a wide variety of vendors, officials and regulators, and even clients, partners and employees. It can be anyone who has different interests that are hidden or not obvious and can cause you harm.

How ~

Differences of interest that are open and obvious are not usually a problem: a buyer and seller negotiate from different sides of the table and typically have different goals.

Hidden conflicts are dangerous and most damaging. They can arise, for example, from regulators "bending" the rules to their advantage, people acting on insider information or trade secrets, ex-employees using your stolen client lists, or "trusted" service providers unexpectedly playing the CYA game.

Protect yourself ~

- Be pro-active to protect yourself. Get objective advice whenever you're unsure.
- Work to also protect your business associates and relationships. This helps you – because when these go bad, the waste of time and energy is huge.
- Be suspicious! Dig and uncover the conflicts – both real and potential – that are hidden or not clear. Ronald Reagan is famous for saying, "Trust but verify."
- Insist on transparency and open discussions; be vigilant and raise these issues – even if they're uncomfortable – on a regular basis.

Keep potential conflicts "top of mind" so you and your business colleagues avoid useless hassles and create success in one more area of risk management. The RM steps are always: 1) avoid; 2) prevent; and 3) manage. In this case, manage your business relationships so messy conflicts never get in the way.

Contact me to brainstorm any of these issues.