

# BUSINESS BRIEF: CONFLICT OF INTEREST

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Companies should establish policies and procedures to identify, monitor and manage conflicts of interest which may give rise to a risk of bribery – actual, potential or perceived.

Conflict of interest is a global issue for companies of all forms and sizes. When private interest is put before the company's best interest there is increasing risk for the company to become a victim of corruption. Therefore it is crucial for companies to be aware of the private interest of staff members at all levels from the board to low level staff. This is done through asset declarations and/or declaration of interest, where staff members list down other assets or positions that might influence their decision making. This business brief will explain the concept of conflict of interest as well provide companies with a brief outline of a good conflict of interest policy.

## WHAT IS CONFLICT OF INTEREST?

Conflict of interest is defined by Transparency International as a *"situation where an individual or the entity for which they work, whether a government, business, media outlet or civil society organisation, is confronted with choosing between the duties and demands of their position and their own private interests"*.

Article 4 in the Cambodian Anti-Corruption Law (2010) defines conflict of interest as *"Conflict of Interest shall mean a family, financial, political, or other personal interest, which may influence, or appear to influence the performance of that person's official duties"*.

This becomes a problem for companies because their best interest might not be prioritized by employees, for example family, personal business interest and/or other relationships will influence the

decision making. This can create situations where companies are buying goods/services at a higher cost or of a lower quality because of some private interest of the person in charge of making such purchases.

A conflict of interest situation can also be created when a person responsible of procurement is accepting gifts or commission in exchange for favouring a supplier-company. It is important to keep in mind that corruption takes many forms - cash, gifts and promises of favours are all forms of corruption.

Conflict of interest can also lead to internal situations where staff members' objectivity and efficiency are questioned because of a perceived conflict interest. For example, a staff member buys a service from a close family member business. The procurement of a service from a close family member company is not per definition corruption but it will create a situation where it can be perceived as corruption. Therefore, it is of great importance for companies to avoid this situation, for example by excluding the family member who is working at the company from the procurement process. Companies should therefore ask their staff members to declare conflict of interest in order to minimize the corruption risk. For companies, the challenge is to create a culture of integrity where staff members are aware of and honest with situations of conflict of interest. A good first step is to implement a clear policy on conflict of interest.

## POLICY ON CONFLICT OF INTEREST

The starting point for a strong conflict of interest procedure is the definition and scope; because of the complicated nature of conflict of interest, a clear definition including examples is required. Companies need to ensure that staff members are fully aware of what is classified as conflict of interest, especially in a business environment like

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Cambodia where gifts and commissions are very common. In the policy it is very important to stress that all staff members are required to submit declaration upon joining the company and/or from the day the policy is implemented. Staff should also declare if any new potential conflict of interest arises. The policy should be monitored and staff members should make an annual declaration of interest and submit it to Human Resources. It is the responsibility of Human Resources to ensure that all staff submits the declaration in a timely manner and notify relevant heads of units of their staffs' declarations.

In order to make the policy efficient it needs to have sanctions stretching from written sanctions to dismissal depending on how severe the misconduct is.

## THE BENEFITS OF HAVING A CONFLICT OF INTEREST POLICY

An immediate benefit of having a conflict of interest policy is a stronger protection of companies' best interest. With a conflict of interest policy, companies can avoid being used by staff members for personal gains; this will save the company money on procurement and ensure that services/staff are chosen based on merits rather than relationship. A good conflict of interest policy will also help staff to avoid situations where they can have a perceived conflict of interest. This is crucial for maintaining a good working environment because perceived conflict of interest has deteriorating effect on staff morale. In a high corruption risk environment like Cambodia, a conflict of interest policy is an excellent tool to control the internal corruption risk, increase awareness and limit staff possibility to use the company for personal gains. A key to implement a conflict of interest policy successfully is by having clear sanctions for staff who fail to comply and regular monitoring of staff interest by mandatory declarations of interest. A conflict of interest policy is a good starting point for companies who want to cut overhead and other costs and build a culture of integrity.

For more information on conflict of interest policy, please contact Mats Stridsman, Technical Advisor Business Integrity, Transparency International Cambodia through [matsstridsman@ticambodia.org](mailto:matsstridsman@ticambodia.org).