

'POLICY' ALWAYS COMES OVER THE 'PROFIT' DURING CONFLICT OF INTEREST: A CASE STUDY

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ABSTRACT

Policies and regulations are set at different levels of all organization to ensure proper guidance on day today activities, to give clarity, promote efficiency, safety and soundness of the firm. Policies are a set of rules that are tailored to an organization based on its business operations and they follow the local guidelines to keep the information safe and secure. These 'policies' will have priority over 'profits' Often there arises a situation where the business operations make slight adjustments to the policies to coup up with ongoing market needs. Whenever a policy gets updated it is done with a board of experts and ensures there is no personal benefit in making these updates.

Purpose

The present case narrates a real-time situation that occurred in an investment firm where the partner of the firm was involved in obtaining information against 'policy' that resulted in gaining personal benefit as well as loss of job. The case examines study of the fact - 'how he was able to get the update' even though the strict protocols were in place and come up ways to identify the gaps and protect the 'policy' over 'profit'. The purpose of the case is to discuss 'ethical' issues during 'conflict of interest'.

Scope

Similar situation may happen in organisations and employees. This case discussion is relevant to such situations where 'policy' stands first and 'profits' next. The result of the discussion finds a way to maintain ethical values. Such discussions will help in enlightening the organisations and employees on information security and level of ethics.

Conclusion

The discussion reveals conflict of interest in a corporate setting. There is a strong need to understand and follow the policies set within the organization at every level. This case clearly sets an example of how unethical practices show impact on the employee and business. Using any confidential information of an organization in an unintended way for personal benefits of self or family is to be strongly discouraged.

KEYWORDS: *Policy Conflict, Conflict of Interest, Non-disclosure Agreement.*

Introduction

Brief background of the Case

Policies and regulations are set at different levels of all organization to ensure proper guidance on day today activities, to give clarity, promote efficiency, safety and soundness of the firm. Policies are a set of rules that are tailored to an organization based on its business operations to follow the guidelines to ensure smooth operations, information safety and security. These 'policies' will have priority over 'profits' Often there arises a situation where the business organizations make updating the policies to coup up with ongoing market changes. Whenever a policy gets updated it is done with a board of experts and ensures there is no personal benefit in making these updates and strict compliance to non-disclosure agreement with employees and other stake holders.

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The present case narrates a real-time situation that occurred in an investment firm where the partner of the firm was involved in obtaining information against policy that resulted in gaining personal benefit as well as loss of a job. The case examines study of the fact - 'how he was able to get the information' even though the strict protocols were in place and come up ways to identify the gaps and protect the 'policy' over 'profit'. The purpose of the case is to discuss 'ethical' issues during 'conflict of interest'. This type of situations rarely happens in across sectors where the decisions heavily impact the investors, financial service providers and personal benefit seekers. This analysis can help several firms to resolve the policy issues of confidentiality, non-disclosure and ethical levels of employees in an effective and efficient manner.

Content the Case

It was another uneventful day at the NextGen Investments LLC. Richard, the co-founder of the firm just got off the call with the partners. He was recollecting the conversations from the meeting and was lost in thoughts. Richard worked as a lead investment banker at a popular firm for 18 long years. He had a great reputation for managing the investments of his clients successfully. It was three years ago when he decided to partner with two more of his buddies from his graduation school to start his own business, something he has been always dreaming about. The NextGen Investments LLC was thus spun off.

Richard with the reputation he earned in the previous firm managed to ramp up the firm's business very well in the first two years. He got well established clients with good margin investments. He was enjoying rich life as he is making good profits and his wife Linda drawing handful salary. Richard and his partners had a successful two years in their own business.

However, the third year turned out quite negative. The economy was on a downward roll. That put the firm in pressure to start expanding the business beyond the current client base to make profits. Richard and his friends had several brainstorming sessions and came up with ideas on the expansion.

One such idea on the table was to expand the business into the specialty chemical manufacturing line of clients. The partners liked the idea and started looking for different chemical manufacturing line of clients to choose from. Richard's wife Linda is an associate sales manager in Carbon chemicals a leading specialty chemical manufacturing company. She has access to all the inside information of the company. The insider information includes the supply shortages, inventory levels and import/export dealings of the company. However, she has a non-disclosure agreement with her firm and is not allowed to share any of the non-public information.

Richard explained his wife the situation of his investment firm and shared with her the idea of expanding the business to specialty chemical segment clients. He also indicated that he would like to start talking to some of the vendors/suppliers of Carbon chemicals. He asked if he could use her reference when he meets them. Linda thought for a second went in to conflict of interest between her company's 'policy' and her husband's 'profit'. The conflict resolved unethically to help her husband's business. She shared some of the insider information of Carbon chemicals and some vendor contacts with him. She agreed to use her reference but not quote it on the paper when making a deal with their clients.

Richard and his partners proceeded with their plan and they managed to get two big clients in the specialty chemical manufacturing segment. They were able to make good profit for the first year. Carbon chemicals noticed changes in their vendors' base, supplies and profit. Carbon chemicals called for a third-party audit where it was revealed that Linda broke the company 'policy' agreements on the non-disclosure grounds and protection of the non-public information of the company. A legal team was setup to conduct enquiry on the incident where Linda proved guilty, asked to leave the job and the vendors were informed to withdraw their contracts with the NextGen Investments with immediate effect. Richard lost business; Linda lost job and the Carbon chemicals chosen priority to 'policy' over 'profit'.

Points to Discuss

- What is the main issue in this case?
- Is it fair for Linda to break the non-disclosure agreement and leak the information?
- How this case sets an example for ethical issues relating to non-disclosure agreements by the employees in an organization?

Teaching Notes

The main theme of this case is conflict of interest in a corporate setting. There is a strong need to understand and follow the policies set within the organization at every level. This case clearly sets an example on how unethical practices show impact on the employee and business. Using any confidential information of an organization in an unintended way for personal benefits of self or family is to be strongly discouraged.

- The main issue in this case is Linda violating her non-disclosure agreements with the company, sharing the insider information and vendor contacts with her husband to promote his business. This is against the employee compliance and ethics of the organization policies.
- It is fair for Linda to lose her job because she has not been able to display ethics and loyalty towards the organization. Every organization has an expectation for its employees to protect the confidential information.
- There are multiple ways of using this case as an example to redefine the policies, ethics and agreements by employees at the corporate level. Some of the ideas are:
 - Creating a policy for all employees to declare any business/trades that employee or immediate family is involved. This will ensure the human resources of the organization to review any potential conflicts of interest that may arise and discuss with the employees beforehand.
 - Conducting training and workshops at the organization level for all the employees on an ongoing basis to reinforce the ethics, need for compliance with the corporate policies.
 - Establishing a help desk where employee can reach out with any ambiguous or uncertain situations to confirm if that will raise any conflict of interests. This can be done in an anonymous platform to ensure maximum participation without fear.

Conclusion

The discussion reveals conflict of interest in a corporate setting. There is a strong need to understand and follow the policies set within the organization at every level. This case clearly sets an example of how unethical practices show impact on the employee and business. Using any confidential information of an organization in an unintended way for personal benefits of self or family is to be strongly discouraged.

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