

# STAKEHOLDER INTERESTS IN CONFLICT OF INTEREST POLICIES

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## ABSTRACT

Where conflicts of interest exist for professionals, difficult decisions must be made regarding when conflicts of interest should be allowed, while being disclosed, monitored, and managed. At other times, the conflicts need to be eliminated or avoided. Current trends in practice trend towards the elimination of conflicts of interest, partly as a response to extensive publicity over some very questionable activities. In many instances the public interest is best served when conflicts of interest are clearly avoided, public trust is reinforced, and there is not even the appearance of impropriety. Yet at times conflicts of interest are better managed than avoided, especially when the potential interests of all stakeholders are considered.

When new rules governing conflicts of interest are developed, the primary emphasis is typically on the implications for the principal organization writing the rules, and the public perception of this organization. The interests of the employees of this organization, to whom the rules are applied, are also considered. With much less frequency, the implications of conflict of interest rules on other stakeholders are considered.

There is no doubt that individuals confronted with true conflicts of interest are in a difficult position, and their decisions have the potential to lead to poor decisions by others, personal harm to some, erosion of public trust, and may be counter to public interest. But some good can also come from conflicts of interest, and an outright ban on situations where the potential for conflict of interest may arise can also create harm and likewise be counter to the public interest. When government and businesses choose to regulate situations where conflicts of interest may arise, it is appropriate that other alternatives are explored in addition to outright bans. Materiality, information efficiency, disclosure, public interest, and personal freedom should all be considered when designing appropriate controls on potential conflicts of interest.