Conflict of Interest

This video introduces the behavioral ethics bias known as conflict of interest. A conflict of interest arises when we have incentives and responsibilities in our personal and professional lives that are at odds and cause harm to others and to society. Conflicts of interest can appear in a variety of contexts and for many different reasons. For example, we may fail to see the ethical dimensions of a decision depending on the "role" we're playing at work or in our broader lives. Or, the way in which we "frame" a situation may omit or obscure a conflict of interest. Or, a potential conflict of interest can lead us to develop incentives that "game the system."

To learn about related behavioral ethics concepts, watch *Ethical Fading*, *Framing*, *Incentive Gaming*, and *Role Morality*.

The case studies on this page explore the legal and ethical ramifications of conflict of interest in politics and sports media. "*Cheney v. U.S. District Court*" illustrates a controversial court case where Justice Scalia's personal friendship with Vice President Cheney presents a possible conflict of interest. "Covering Yourself? Journalists and the Bowl Championship Series" examines whether news outlets covering a Bowl Championship Series can fairly report sports news if their own polls are used to create the news. "Negotiating Bankruptcy" presents a case study focusing on conflict of interest in a business context.

Behavioral ethics draws upon behavioral psychology, cognitive science, evolutionary biology, and related disciplines to determine how and why people make the ethical and unethical decisions that they do. Much behavioral ethics research addresses the question of why good people do bad things. Many behavioral ethics concepts are explored in detail in ***Concepts Unwrapped***, as well as in the video case study ***In It to Win: The Jack Abramoff Story***. Anyone who watches all (or even a good part) of these videos will have a solid introduction to behavioral ethics.

Terms defined in our ethics glossary that are related to the video and case studies include: behavioral ethics, bounded ethicality, conformity bias, moral emotions, moral equilibrium, moral reasoning, and obedience to authority.

Discussion Questions

1. What conflicts of interest have you personally experienced in personal or professional roles?
2. If you perceive a potential conflict for yourself, what are some ways you might ensure that this conflict doesn't lead to unethical behavior for you and others?
3. When have others' conflicts of interest impacted how you or those you know were treated?

4. What types of policies can or do organizations implement to try to reduce conflicts of interest or their costs?
5. Why do you believe conflicts of interest are so pervasive in society? Why don't we take more steps to avoid them?
6. Why is it so hard for individuals to recognize their own conflicts of interest, and how is this impacted by behavioral biases?

Additional Resources

Ariely, Dan. 2012. *The (Honest) Truth About Dishonesty: How We Lie to Everyone—Especially Ourselves*. New York: HarperCollins Publishers.

Brawley, Otis Webb, and Paul Goldberg. 2011. *How We Do Harm: A Doctor Breaks Ranks about being Sick in America*. New York: St. Martin's Press.

De Cremer, David (Editor). 2009. *Psychological Perspectives on Ethical Behavior and Decision Making*. Charlotte, NC: Information Age Publishing.

McFadden, David W., Elizabeth Calvario, and Cynthis Graves. 2007. "The Devil Is in the Details: The Pharmaceutical Industry's Use of Gifts to Physicians as Marketing Strategy." *Journal of Surgical Research* 140 (1): 1-5.

Moore, Don A., Daylian M. Cain, George Loewenstein, and Max H. Bazerman (Editors). 2005. *Conflicts of Interest: Challenges and Solutions in Business, Law, Medicine, and Public Policy*. New York: Cambridge University Press.

For resources on teaching behavioral ethics, an article written by Ethics Unwrapped authors Minette Drumwright, Robert Prentice, and Cara Biasucci introduces key concepts in behavioral ethics and approaches to effective ethics instruction—including sample classroom assignments. The article, published in the *Decision Sciences Journal of Innovative Education,* may be downloaded here: "Behavioral Ethics and Teaching Ethical Decision Making."

A detailed article by Robert Prentice with extensive resources for teaching behavioral ethics, published in *Journal of Legal Studies Education,* may be downloaded here: "Teaching Behavioral Ethics."

An article by Robert Prentice discussing how behavioral ethics can improve the ethicality of human decision-making, published in the *Notre Dame Journal of Law, Ethics & Public Policy*, may be downloaded here: "Behavioral Ethics: Can It Help Lawyers (And Others) Be their Best Selves?"

A dated but still serviceable introductory article about teaching behavioral ethics can be accessed through Google Scholar by searching: Prentice, Robert A. 2004. "Teaching Ethics, Heuristics, and Biases." *Journal of Business Ethics Education* 1 (1): 57-74.

Transcript of Narration

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"Incentives are pervasive in every aspect of society. People are rewarded for taking certain actions, and not rewarded for taking others. Workers are paid for their effort and productivity, salespeople are paid for their sales, and small business owners are rewarded with profits for successful ventures. So long as these incentives are well-understood by everyone, they work reasonably well. They motivate effort, performance, and social welfare. But sometimes, individuals have incentives that conflict with their professional responsibilities, often in ways that are not transparent to the public or in their own minds. These conflicts of interest produce serious economic and social problems.

Conflicts of interest are pervasive in markets and in society, and can motivate professionals to act in ways that violate their responsibilities and hurt their client and employers. Doctors, for example, may face a conflict of interest when they are paid more for some procedures than for others. Their professional responsibility is to do what is best for a patient, but their financial incentive is not always aligned with this responsibility. If an oncologist profits from selling chemotherapy agents to their patients, and some agents are more expensive than others, this conflict becomes a problem. Most doctors would never think of profiting in ways that hurt their patients, but some may either consciously or subconsciously.

When there are conflicts of interest, you can almost guarantee that they will at least sometimes lead to bad outcomes. Surprisingly, in many states, real estate agents can represent both the buyer and the seller in a home transaction. The conflict in such transactions is clear. The agent could never have both parties' best interests in mind, just as an attorney could never adequately represent both a plaintiff and defendant in civil lawsuit. Even professors face a conflict of interest when they're designing courses that will be evaluated by students seeking high grades and low workload. If the professor is ultimately promoted based on their popularity with students, will they consider making the course a little bit easier?

The key implication is that managers and policy-makers must constantly evaluate whether professionals and employees might face incentives to act counter to their responsibility. Eliminating conflicts of interest is one of the simplest and most effective ways to reduce unethical behavior. But in order to do so, we must be willing to acknowledge that professional codes of conduct, like those followed by doctors, lawyers, accountants, and real estate agents, do not make people immune to these conflicts, and that these codes are rarely a justification for ignoring the likely outcomes that conflicts of interest create."