2.2 MANAGING AND MAINTAINING

Managing conflicts of interest

USE IT
To help partners anticipate, identify and deal with conflicts of interest

WHEN
Scoping and building, then whenever circumstances change

WHO
Each partner internally, then partners together

In a complex world there will almost always be actual or potential conflicts of interest in a partnership, even without a commercial partner. They can be real or perceived, and both must be managed carefully and transparently.

Direct conflict of interest

When a partner's interests, inside or outside the partnership, actually or potentially contradict the partnership's objectives.

Commercial conflict of interest

When a company's commercial gains from a partnership are disproportionate to, and take precedence over, the social gains.

Profit is not in itself a conflict of interest. A return on investment can drive and enable scale, so has great potential for widespread impact. As long as social outcomes are linked to the commercial benefits, this is an alignment of interest. The conflict arises when the benefits are out of balance.

Initial assessment of a company partner

The company is…	Meaning	Potential conflict of interest
Directly part of the solution	Its business model is in some way associated with the outcome the partnership seeks	Low potential for direct conflict; some potential for commercial conflict
Indirectly part of the solution	Its core business is not directly connected with the issue, but it has critical resources to bring	Low potential for either
Potentially contributing to the problem	Its core business includes profiting from goods or services that contribute to the problem	High potential for direct conflict, real and perceived; high potential for commercial conflict

Organisations can fit into more than one category.

Commercial conflict of interest: questions to ask

Question	Consider
Additionality. Would it happen anyway? Do we really need to use our public or charitable resources to make it happen?	If the investment would happen anyway, make a clear case for how your involvement accelerates it or creates greater scale of benefit.
Market disruption. Does working with the company give it unwarranted legitimacy or special status, or discourage competitors from acting?	Where feasible (usually only in pre-competitive areas), partner with several companies at once. Where exclusivity is part of the commercial advantage, take special care not to disrupt the market.
Balanced benefits. Are the likely social benefits proportionate to (preferably many times) our investment, and is the company's gain proportionate to its risk and investment?	The more any partner invests, the more it can legitimately expect to benefit. Commercial benefits should never be disproportionately greater than, or take precedence over, social gains.
Linkage. Are social and commercial outcomes directly linked: the better the company does, the better the outcomes?	The more direct the link, the lower the risk that commercial outcomes are prioritised, since the two go together.

Direct conflict of interest: assessment

Low Low Med Medium High High

Company partner assessment

	Low	Med	High
Does the company have products or services likely to contribute to the problem?	☐	☐	☐
Would its "problem" business interests suffer if the partnership succeeds (for example, lower alcohol sales if a safe-drinking campaign works)?	☐	☐	☐
Will any aspect of the partnership directly harm the outcomes the partnership seeks?	☐	☐	☐
Is the company involved in other partnerships or activities that could affect the outcome of this one?	☐	☐	☐
Will the benefits the company gains (reputation, publicity) feed its "problem" business interests?	☐	☐	☐

Reaching a decision

Ask: what are the actual and potential conflicts of interest? What can we do to mitigate them? Are the benefits strong enough to go ahead despite them? The answers should lead to one of three decisions.

No go

The conflicts are so overwhelming and harmful that you withdraw. Tell the partner as soon as possible.

Caution

Potentially harmful, but you need more information. Carry out due diligence with trusted peers, or discuss the uncertainties directly with the partner if the relationship is strong enough.

Proceed

The conflicts are manageable. Draft principles of engagement to agree with the partner, and take care that this is not just a paper exercise.

Different organisations will tolerate different levels of potential conflict, depending on the risk to their reputation and the views of their main constituencies.

Worked example

A confectionery company wants to partner with a non-profit, "Healthy Living for All", on a cause-related marketing campaign: for every specially marked chocolate bar sold, it will donate 3c to provide sports equipment in poor communities.

Question	Assessment
Additionality	The donation would not happen without the partnership.
Market disruption	The market is mature enough not to be disrupted, but working with this company would reduce the chance of working with others.
Balanced benefits	The company makes 6c profit per bar and sells 100 million a year. The promotion runs on 10 million bars, raising $300,000. It expects to sell an extra million bars (an extra $300,000 profit after the donation) and to improve its reputation.
Linkage	There is a direct link between commercial gain and the equipment bought, with a theory of change leading to better health.
Direct conflict	**High.** The products potentially contribute to the very problem the non-profit tackles: the health benefit of sports equipment is directly contradicted by increased chocolate sales, and indirectly by the company's reputational gain. Mitigation would mean breaking the link between donations and sales, which is unlikely to be acceptable to the company.

Verdict: as designed, the conflict of interest means Healthy Living for All cannot enter the partnership. A different non-profit focused purely on promoting sport might run the same exercise and find a much lower conflict of interest.

Adapted from Better together (Tool 9). © The Partnering Initiative. More tools at thepartneringinitiative.org/resources/type/tool/