



Managing Conflict of Interest

The Rise of Side Hustles and Their Impact on Workplace Integrity

Good Governance Academy



Agenda



- **Governance Concerns are Not New**
- **Conflicts of Interest**
- **Deep Dive into Data**
- **WFH Case Study**
- **Benefits and Risks**
- **Red Flag Behaviour**
- **Solutions**

Governance Concerns are Not New

Egypt between 3100–2700 BCE The rulers at the time noted that corruption had seeped into the judiciary. A peasant had been robbed of his land. It's noted the peasant accused the judge in the matter to be corrupt, as he was colluding with criminals to get rich.

Rome circa 200 BCE In the Roman Republic, officials often held multiple roles, which created significant conflicts of interest. The first anti-corruption law criminalising electoral bribery, known as the “Lex Baebia,” was written, while Carthaginians acquired public office by openly offering gifts.

USA Gilded Age During the late 19th century in the United States, known as the Gilded Age, political and corporate interests were closely intertwined. "Robber barons" like John D. Rockefeller and Andrew Carnegie exercised vast influence over government policies through financial contributions and personal relationships with politicians.

Key Governance Principles

Accountability

Transparency

Fairness

Responsibility

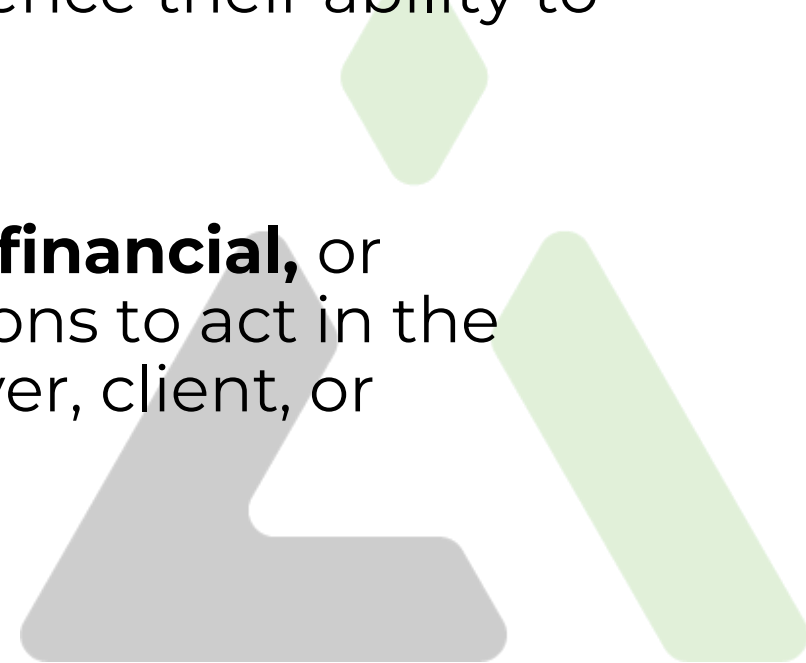
Integrity



Definition of Conflict of Interest

A conflict of interest arises when a **person or entity** has competing interests or loyalties that could potentially influence their ability to act impartially

It typically involves a situation where **personal, financial,** or **professional** interests conflict with the obligations to act in the best interest of a third party (such as an employer, client, or organization).



Examples of Conflicts of Interest



Board member has a financial interest in a company bidding for a contract

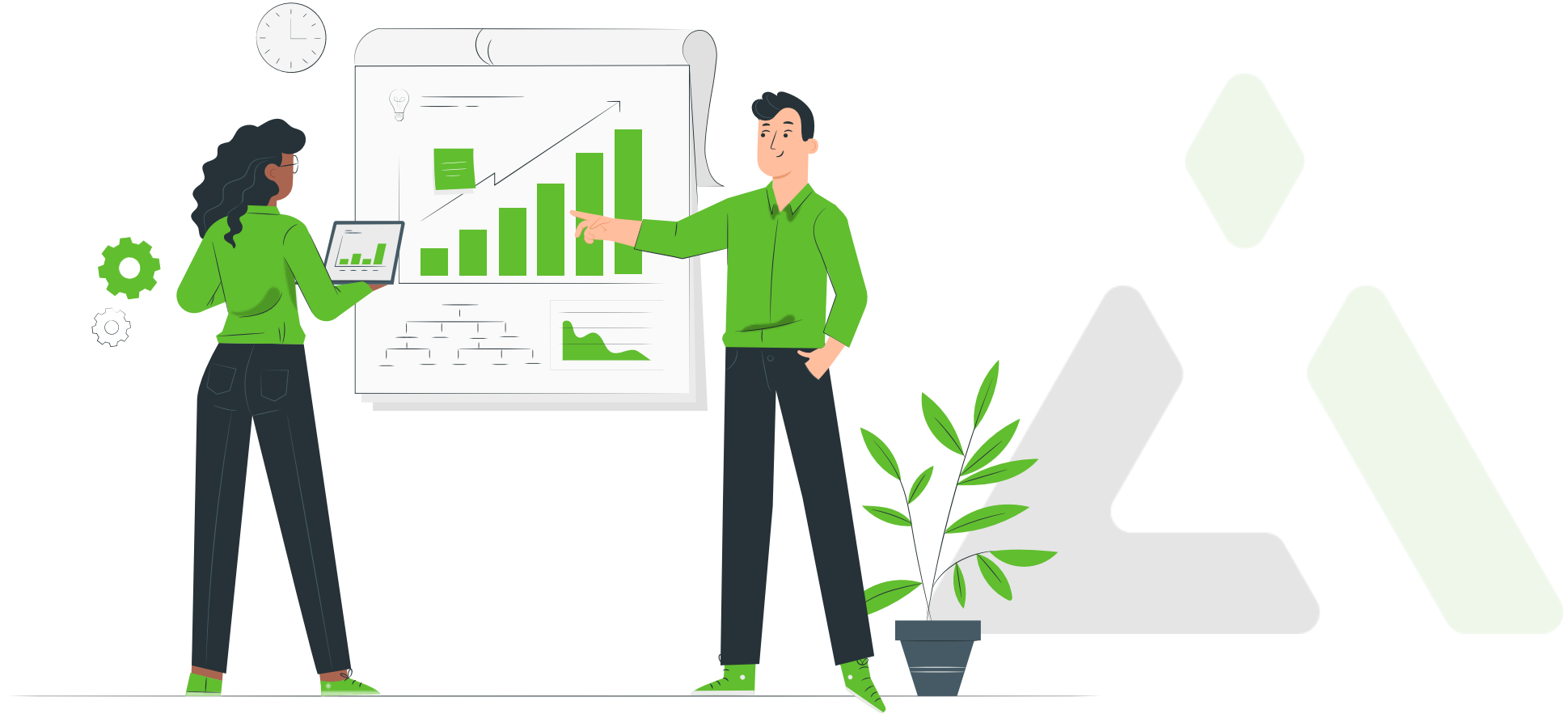


A CEO who sits on the board of a supplier company must be transparent about this relationship



In hiring or procurement processes, a conflict arises if an employee recommends a family member or friend without disclosing the relationship

Deep-Dive into Data

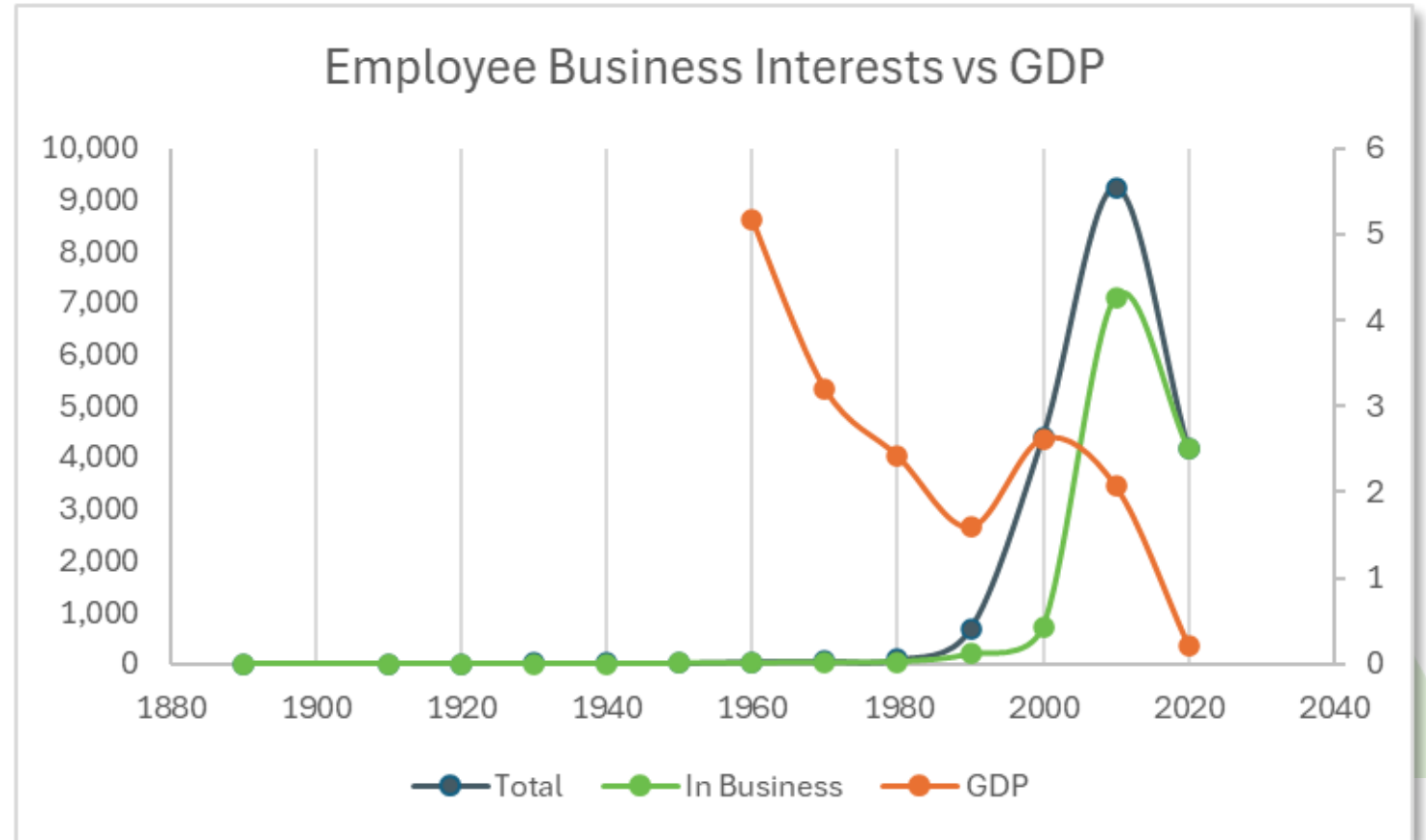


Surge in Entrepreneurship

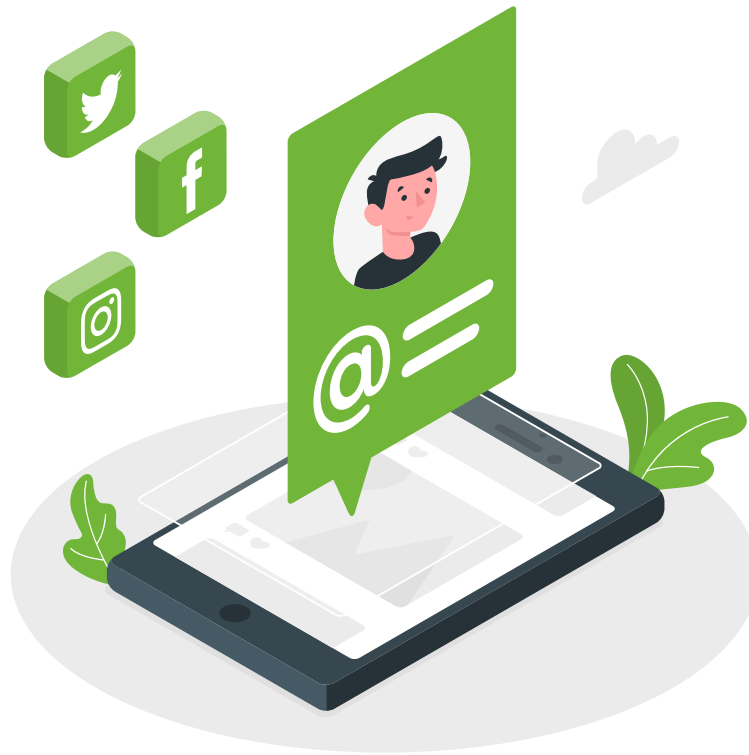


Significant Increase in Business Registrations

34% of all businesses registered since 2020



WFH Case Study



Case Study

Employee **Business Interests**

- **10,000** employees and **20,000** business interests were sampled and analysed

Span of **Business Formation**

- South African businesses formed between **1892** and **2024** were included

Declaration of **Interests**

- **252,200** declaration of interest returns were analysed for accuracy of reporting, connection to suppliers, a range of business interests and side hustles

Key Study Statistics

252,200 Surveyed Completed Declarations of Interest

4,4% Correct Declarations Made

41% of All Information out of date within 4 months

7,3% had links to suppliers

7,5% had some form of undeclared conflict of interest

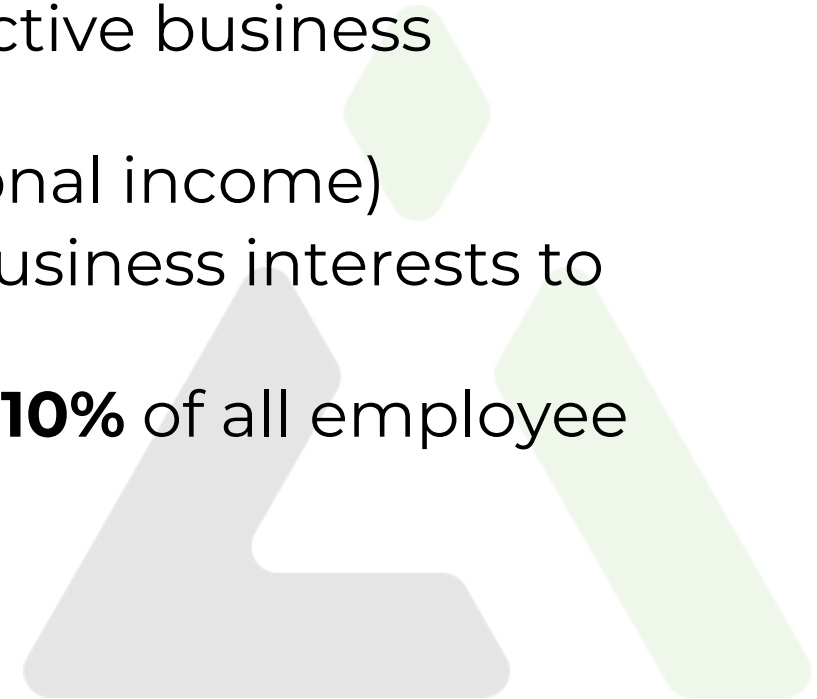
5,8 to **8,3** years of service presented most conflicts



Increased Business Activity

Employee Interests

- Of all individuals surveyed **one-third** had active business interests
- Almost **one-third** had a side hustle (additional income)
- **46** - the maximum number of registered business interests to an employee
- Common business interests accounted for **10%** of all employee business interests



New Ways of Working

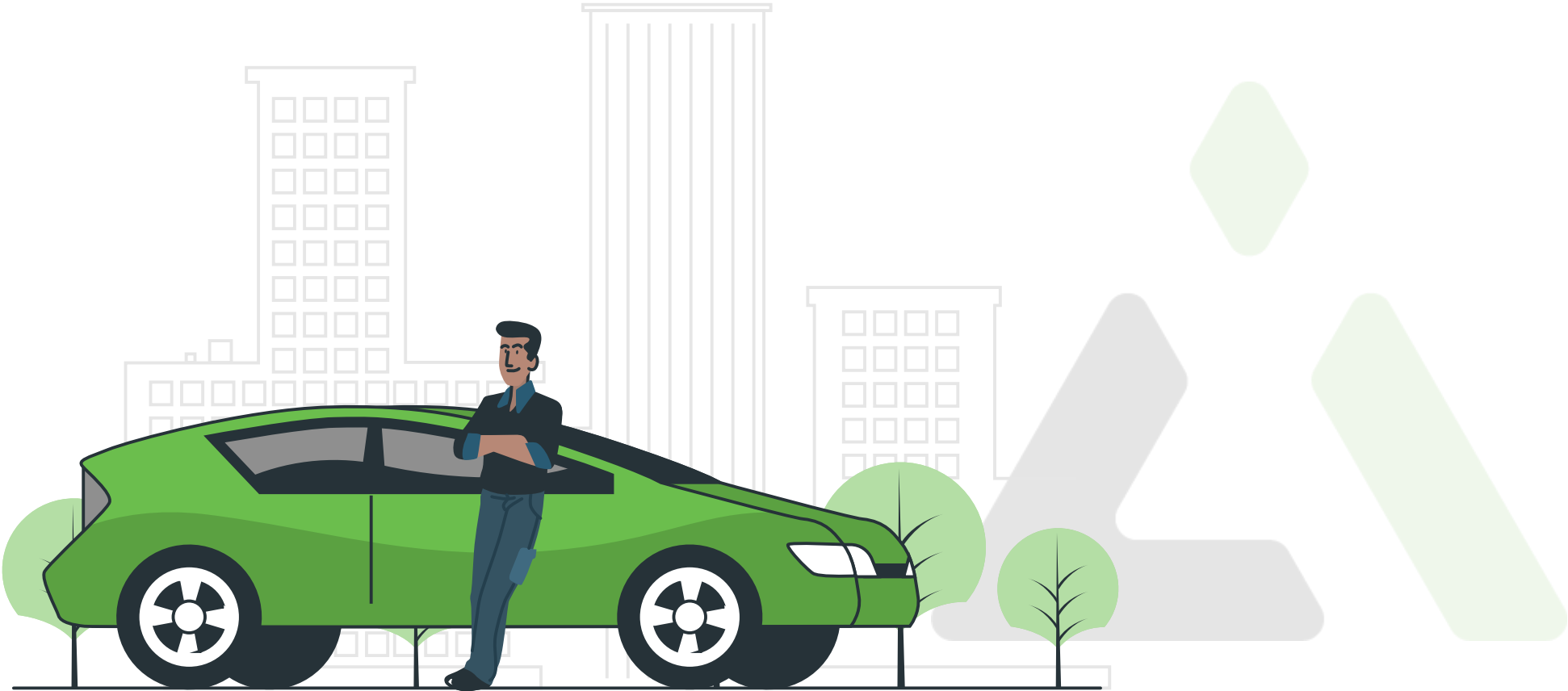
Shift to Remote Work

- Provides employees with greater flexibility

Growing Trend

- Employees running side businesses
- Engaging in freelance work

Benefits and Risks



Benefits and Risks

Benefits of Side Hustles

- Skill Development Opportunities
- Assisting Employees with Work/Life Balance
- Manage Operational Costs

Risks for Employers

- Use of Company Resources
- Double Dipping
- Conflict in Decision Making
- Increased Governance Risk



How Conflict of Interest Impacts Governance

Relaxation of Control

Invisibility of Hybrid working

Disconnect from Workplace Culture

Misuse of Company Resources

Types of Governance Risks

Risk to Decision-Making: COI undermines objective, impartial decision-making, leading to poor governance practices

Reputational Risk: Impact of undisclosed or poorly managed conflicts of interest on an organisation's credibility and public trust

Legal and Financial Risks: Breaches in governance due to COI can lead to legal liabilities, sanctions, or financial loss

Red Flag Behaviour



Red Flag Behaviour

Frequent Absences or Unexplained Time Off

- Aligns with personal business activities

Declining Productivity or Missing Deadlines

- Occurs around key business events in their side hustle
- Time away from work

Misuse of Company Resources

- Unusual access to proprietary data
- Excessive printing, computer, internet use
- Abnormal client interactions

Conflicts of Interest in Supplier or Vendor Relationships

- Employee has personal ties to external businesses

Managing Conflicts of Interest

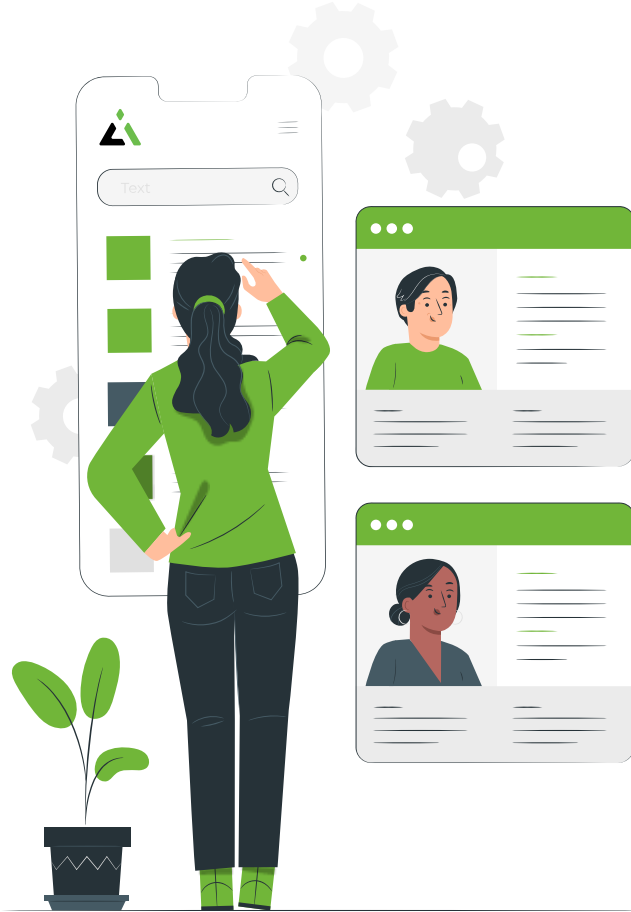
Identification and Disclosure: The importance of having systems in place to identify, declare, and manage conflicts

Mitigation Strategies:

- Recusal from decision-making
- Implementing policies for COI declarations
- Third-party oversight or audit

Training and Awareness: Ensuring that all stakeholders understand COI policies and their role in managing them

Shortcomings of current approaches

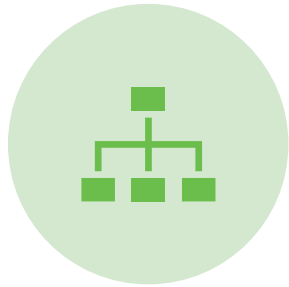


- Current approach provides a fractional view of risk
- Manually generated retrospective reports don't contain the latest data

Solutions



Best Practice



Board Oversight: The role of a strong, independent board in managing COI.



Ethics Committees: Establishing internal governance structures to monitor and resolve conflicts.



Clear Policies: Drafting and enforcing clear policies on COI.



Incorporating Technology



Comprehensive Approach



Continuous Assessment

Cloud based computing and Big data triage
AI enabled algorithms
'Always-on' reporting



Data Analytics for Monitoring

Track and report conflicts of interest in real time
Enable analysis of the whole organization
Move away from paper based or manual methods



Fraud Detection Tools

Implement new age tools to detect fraudulent activities
Enhance security and compliance

Encourage Transparency

Encourage a culture of transparency

- Employees feel comfortable disclosing outside business interests
- Companies can address potential conflicts early

Prevent escalation into fraud

- Identify and mitigate conflicts before they become serious

Award Winning Solutions

Made possible through our partner collaborations and the on-going support of our customers

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2022 SA Innovation League Award
For
Emerging Organisations




★★ Winner ★★

2021 Da Vinci Award
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Best Innovation Concept

Automated Lifestyle Assessment Solution





★★ Winner ★★

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