

John B. Dilworth's Commentary on "The Information Due to the Customer"

Commentary On
The Information Due to the Customer

The first relevant standard business practice is that of appealing to the letter of the agreement or contract in any dispute between corporations. The most stupid, self-destructive thing a corporation could do is to deliberately violate one of the specific terms of a contract (in this case, the specification of the more expensive materials). By so doing they set themselves up for big losses through the triggering of penalty clauses against them, or through claims for damages (including punitive damages) by XYZ. More generally, violation of any part of a contract may render the whole contract and void, hence relieving XYZ of any its obligations under the contract, including the obligation to pay ABC for the parts.

The second relevant standard business practice is the certainty that corporations such as XYZ will have some kinds of ongoing quality control procedures, including routine spot-checking of all materials and products. Any violation of specifications by ABC, especially one which applies to all of the items (they would all be made of a cheaper material) is bound to be detected.

This is so because, given the contemporary legal and regulatory environment, no company could stay in business for long which did not regularly and exhaustively test every aspect of its products. The reasons for this are simple. It is now relatively easy for customers to complain about poor quality and safety defects to government or other regulatory bodies, and those bodies have the power to paralyse or shut down a company altogether, even on minor infringements of regulations.

At the same time, the legal climate encourages customers to engage lawyers on a contingency basis to sue corporations for actual and punitive damages caused by inadequate products, and juries often impose huge fines against businesses in such cases. No company dares risk such consequences, and so they are increasingly forced to go to extreme lengths to ensure fully effective quality control on their

products.

As an integral part of this quality control, the products of a company's own suppliers inevitably come under the same intense spotlight. So fraudulent behavior by a supplier will inevitably be detected. Admittedly, in a few instances a substitution or defect may not be detected right away, but no company can risk the chance of future detection of their fraud, given that the evidence is incontrovertible (a battery of scientific analyses of material composition constitute irrefutable evidence of fraud) and as permanent as the product itself (the material of most products will last for thousands of years at least).

A more likely scenario for attempted fraud than that given in the current case would be one in which the exact composition of the material was not specified in a written agreement between ABC and XYZ. Perhaps the specification was given orally only, or perhaps XYZ just assumed (following past practices, perhaps) that the more expensive material would be used. Should ABC even consider using a cheaper material in such cases?

Answer: no, because here another reality of the contemporary business environment comes into play. This is the increasingly intense competition occurring in virtually every business and industry. Whereas at one time companies such as ABC one could rely on customers such as XYZ to give them business out of habit or convenience, now the reality is that XYZ will be looking for the best part at the best price. If any supplier (such as ABC) even gives the appearance that it might be shortchanging XYZ, XYZ will immediately remove ABC from its list of approved suppliers.

This is not because XYZ has any increased moral sensitivity to fraud attempts, but simply because, given the contemporary cutthroat business climate, they dare not damage their own credibility or competitiveness through further use of questionable suppliers such as ABC.

Somewhat ironically, then, ethical values such as business honesty, or giving full value for money, are most directly enforced in cases such as these by the brutal, survival-based market realities of our world economy.