Lea Stewart's Commentary on "Hospitality from a Vendor"

Commentary On
Hospitality from a Vendor

Organizational communication theory tells us that successful organizational employees participate in both the formal communication network within the organization (the chain of command) and informal communication networks outside the organization (such as formal clubs, sports activities or community groups). Although some extra-organizational networks are open to everyone, many business deals have been concluded in private clubs or on the golf course. As more and more women have entered the work force, private clubs and other male-dominated activities have been criticized for excluding women. There have been instances, for example, in which women business executives have been asked to eat lunch in the kitchen while their male colleagues were permitted to eat in the dining room of a private club. The government has responded to these problems by passing laws that make informal networks that restrict their membership based on gender, race, ethnicity, or religion illegal in most instances.

This case presents an instance in which participation in an informal communication network (the Cherry Orchard Country Club) was not technically illegal, but caused problems for an organizational employee nevertheless. Paul Ledbetter accepts Duncan Mackey's invitation to the Cherry Orchard Country Club to play golf and subsequently become a member. Their relationship develops into what Paul believes is a friendship. Paul also wins a considerable sum of money betting on golf games with Duncan and others at the club. This situation is complicated by the fact that Duncan is a vendor who supplies services or parts to Paul's employer, Bluestone Ltd. Paul's relationship with Duncan goes smoothly until Paul informs him that Bluestone will probably drop him as a vendor. Duncan gets upset and indicates that he has been cheating at golf so that Paul will win, feel good about their relationship, and do more business with Duncan's company.

Paul clearly has made some poor choices in this case. His initial choice to play golf with Duncan is problematic from an ethical standpoint. He knows Duncan's company wants to do business with his company, yet he accepts Duncan's offer to play at Cherry Orchard as if there were "no strings attached." He seems surprised when he discovers that Duncan has been letting him win at golf. (This assumes, of course, that Duncan has been cheating and does not just say this in anger when he learns that he is being dropped as a vendor for Paul's company).

Paul's decision to tell Duncan that he will probably be dropped as a vendor is also a poor choice. At this point in time, this information is confidential company information, and it may not even be true. His group of three engineers has been discussing eliminating Duncan's company as a vendor, but an official decision has not been made. In fact, their recommendation has not even been presented to higher management. There are many factors that could intervene and reverse this decision. Leaking rumors to vendors is not a good business practice. Paul has a clear ethical responsibility to his employer to keep company information confidential.

Although Paul clearly is not above criticism in this instance, the primary difficulty in this case is caused by Bluestone's vice-president of manufacturing. Paul made some poor decisions, but he did not receive appropriate guidance from specific company policies. It is the responsibility of the vice-president for manufacturing to set organizational policies that govern the relationships between the manufacturing engineers and the vendors. There should be clear organizational policies concerning the behavior of the manufacturing engineers with respect to the vendors. The organization should have a policy regarding voluntary outside activities, such as golfing, with vendors. If the organizational policy permits such activities, the vice-president can then make her decisions with the knowledge that her subordinates are engaging in these activities with vendors. In addition, she should have set specific guidelines on the nature of information that could be shared with vendors and the timing of the information transmission. It should have been clear to Paul that he was not to speak with any vendor until the cuts had been officially decided upon by management. The vice-president of manufacturing should have had a policy for distributing the news about the cuts. She asked for recommendations from the units, but she should have stated how the information would be used and how the decisions would be disseminated once she received the information.

In this case, Paul's naivete about the business world made a bad situation even worse. He believed that he could take something from a vendor without being expected to return the favor in some way. He forgot that Duncan was not just a friend but was also a business associate. Paul confused his responsibility to share information with a friend with the fact that Duncan was also a vendor who might expect a return on his investment. The lesson to be learned from this case is that the information that is appropriate to share with social friends is not necessarily the same information that would be appropriate to share with business associates. Organizations need clear policies to make sure their employees are able to handle the ethical challenges of dealing with people outside the organization who are trying to influence their decisions.