

W. Gale Cutler's Commentary on "Gifts From a Supplier"

Commentary On Gifts From a Supplier

Accepting incentives from vendors is a road which sooner or later will lead an engineer, a purchasing agent, etc. into trouble. Even though many such incentives are offered in the spirit of building good will, the vendor who offers major incentives does so to build a "sense of obligation" in the recipient. In the absence of a company policy about incentive gifts, the safe rule is to accept only a gift of token value from a vendor and to be strict about your definition of a token. A necktie at Christmas, a dinner after a working sales conference with a vendor, a package of golf balls inscribed with the vendor's logo probably can be accepted as tokens. A round of golf at the Country Club, tickets to a major football game, free use of a condo in Florida (or even use at a reduced price) cannot be considered token gifts and should be politely refused when offered. The intended recipient need only say, "Thank you, company policy does not permit me to accept your gift," or, in the absence of company policy say, "My personal policy is to decline such a generous gift." A company should have a policy on incentive gifts to take pressure off its employees. This company policy should be published for all employees and company management should enforce it promptly and fairly. The following appropriate statements have been extracted from policies of major companies:

- Raytheon: "When you negotiate with suppliers, you must base all prices, terms, conditions and agreements on sound business judgment. If you fail to do so, you can get fired. You must show no favoritism or preference to anyone at the expense of the company. You must do no one any favors. **NOR CAN YOU ACCEPT ANY FAVORS.** Gifts, free services, discounts on personal purchases—these are also wrong, whether they are for you or for anyone else in your family or household. So are trips, entertainment or special considerations of any kind. You must decline favors and return gifts. Do it pleasantly and diplomatically, but firmly."

- Martin Marietta: "Employees may accept meals, refreshments, or entertainment of nominal value in connection with business discussions. A common sense determination should dictate what one would consider lavish, extravagant or frequent. Employees are not permitted to accept gifts from individuals, firms or representatives of firms who have or seek to have business relationships with Martin Marietta. Employees should report to the Ethics Office any instance in which they are offered money, gifts, or anything else of value by a supplier or prospective supplier."
- Air Products: "It is contrary to Company policy for employees to accept or furnish gifts, favors, or entertainment of a size or nature which might influence or raise doubts as to the impartiality of the recipient." A company that has a policy of offering generous incentive gifts (with apparently "no strings attached") may believe it is not doing anything wrong, but almost inevitably the offering company does expect to maintain or increase its business by doing so. Ideally, a company's product, quality and price should speak for themselves and not require the support of incentive gifts to those making buying recommendations and decisions. In this case, Scott should refuse the first offer of condo rental at "moderate cost" and certainly, with Upscale's policy in effect, must let Larry know he cannot- because of his adherence to company policy- accept the offer Larry has made. The guidelines for use with the fundamental canons of ethics of the Accreditation Board for Engineering and Technology (ABET) recommend a hard line on gratuities: "Engineers shall not solicit nor accept gratuities, directly or indirectly, from contractors, their agents, or other parties dealing with their clients or employers in connection with work for which they are responsible." Most employers consider this position excessive and only ban gratuities which have more than a "nominal value." "Other people do it" is not a valid reason for accepting a gift! Two questions you may want to ponder further:

1. What is the difference between "an incentive gift" and a bribe?

2. Should companies have an ethics statement about giving gifts as well as receiving gifts?