

Carl O. Hilgarth's Commentary on "Gifts From a Supplier"

Commentary On
Gifts From a Supplier

I

Beware of any lurking sales representatives, especially when you encounter them outside of normal business related matters. They seem to belong to many of the clubs and sports leagues, chapters or sections of professional societies, or social organizations as their customers. They sponsor attendance prizes and hospitality suites at professional events. They offer to buy you lunch. They offer tickets for sports events and free passes to trade shows. Many send gifts at holidays, leave you coffee mugs, baseball caps, ties, etc. Their spouses try to establish social relationships with your spouse. They're always looking for an opening. It goes on and on.

After 25 years as an engineer with purchasing authority, I've become very cautious in my encounters with sales representatives outside of normal business. Larry Newman fits my paradigm, and I must assume that he is in the golf league for business as much as for leisure reasons. That Scott mentioned his upcoming vacation in Florida is natural conversation. That Larry offered to check the availability of his uncle's condo for Scott at a quite moderate rental cost is too much of a coincidence. If I'm in Scott's position, I'll decline the offer even though it's presented in a friendly, offhand manner by explaining to Larry that I don't want do anything that has the potential to cloud the objectivity of our supplier relationship or provide any cause to raise any question regarding a potential conflict of interest.

II

Well, the offer was too good for Scott to decline. So he accepted it and began planning his vacation. Now Scott's company sends out a new policy that says among other things: "Accepting incentives from vendors is strictly prohibited." I'll bet that Scott's first reaction will be that since the use of the condo was offered outside of the business relationship, it does not count as an incentive. But what does the company define as an incentive? Usually it is anything having a value of \$25 or more. Does the rental cost price break fall into this category? Perhaps.

If I were Scott, I wouldn't want to find out the hard way. So at this point I would tell Larry that due to the new company policy, my stay at the condo could be construed as an incentive, explaining that I don't want to do anything that has the potential to cloud the objectivity of our supplier relationship or provide any cause to raise any question regarding a potential conflict of interest. With the loosely worded policy that doesn't define incentives, it's important to avoid even any appearance of impropriety. Make it your own rule not to accept anything from a vendor that costs more than \$25 on the open market.