

**CASE #4: BUSINESS PROCUREMENT DECISIONS INFLUENCED BY
SOCIAL & PERSONAL SITUATIONS**
“Procurement Officer Caught In the Swirl of Too Much Closeness”

Concern for what is good and right is the very stuff of ethical life.

~ David B. Ingram and Jennifer A. Parks

It is not easy to become a person of character. Becoming a person of character is a lifelong quest to be better.

~ Michael Josephson

John is one of several Assistant Procurement Agents for General Products Corporation, a large manufacturing company with diverse product lines. John’s specialty is procurement and management of fabricated steel products to be used in his company’s varied manufacturing processes. He has a bachelor’s degree in business administration and has taken college courses in metallurgy.

Company policy requires three sealed bids for all procurement orders over \$100,000. John’s procurement activities all exceed this amount; however, he is not required to award the order to the lowest bidder and has complete authority to consider other factors such as reliability, quality, “just-in-time” activities, etc. in awarding contracts. As a matter of procurement strategy he tries to spread the business over the five available sources if all other factors are reasonably equivalent. He has travelled to all the vendor facilities. John’s direct contact with the vendors is with the assigned vendor sales personnel.

Ed is a sales contact for BI-LO Metals, one of the five suppliers. He invites John to lunch occasionally. They have developed a good personal relationship. At one of these lunches Ed says that some neighbors are coming by for drinks on Saturday night and he and his wife Mary would be pleased to have John and his wife join them. After checking home John accepts and he and his wife Alice attend the cocktail party. Alice hits it off with Mary immediately and during the course of the evening Mary suggests that John and Alice wait after the other guests leave and then go out to dinner together. Both couples had a good time.

Alice and Mary begin to see each other occasionally and the two couples become friendly and get together periodically for dinner at each other’s homes. Ed has access to a boat owned by BI-LO Metals for use to entertaining customers. John and Alice spend a pleasant long weekend on the boat with Ed and Mary. On another occasion Ed and Mary invite John and Alice to share the company box seats with them at the opera.

At Christmas John receives a case of expensive champagne from BI-LO Metals, courtesy of Ed. John immediately calls Ed and tells him that he is grateful, but cannot accept the champagne. Ed says that there is nothing wrong; that he sends this to all his customers. John is adamant and Ed finally

agrees that he will pick it up when he and Mary go to John's house for dinner the following week.

At the dinner Ed suggests that they open a bottle to celebrate the holiday season and he will take back the rest. John agrees to this since he doesn't want to seem ungracious. In the course of the evening Ed tells John "in confidence" that BI-LO Metals has developed a new fabricating process for steel and will release the news shortly after the first of the year. Ed believes the announcement will have a dramatic effect on the price of BI-LO Metals stock, which is traded on the NASDAQ. After Ed leaves, John and Alice talk about whether they should risk their savings to purchase some BI-LO Metals stock. They decide that it would deplete their cash reserve too much at this time.

An exceptionally large order for fabricated steel is upcoming and when Ed brings in his company's sealed bid he tells John that BI-LO Metals would like very much to increase its business with General Products and he would be grateful if John would tell him what they must do to achieve the increase.

When John opens the bids he discovers that BI-LO Metals bid is next to lowest and tied with another, while the two other bids are higher. John believes "objectively" that BI-LO Metals' quality and service would justify giving them the contract, but he feels uncomfortable about it. That evening he tells Alice about this concern and she suggests that he tell Ed that if BI-LO Metals could lower their bid by a sufficient amount the order could be awarded to them. Ed calls John at home to ask if a decision has been made yet, and John says they are still analyzing the bids.

John spends a restless night debating with himself what to do.

Question: What personal, business and ethical issues does this situation raise?

There are five factors that most often come into play when someone compromises his ethics: pressure, pleasure, power, pride, and priorities. ~ John C. Maxwell

Be the change that you want to see in the world. ~ Mahatma Gandhi