Procurement Don’t go to the Dark Side!

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> *Procurement Outsourcing – Keep your Integrity!*

Early in my career I worked in a department that was responsible for the design,testing, sourcing and procurement of packaging materials. It was a great experience and introduction to so many aspects of the Supply Chain.

But one day one of my peers was fired. He was responsible for negotiating with the packaging suppliers. As it turns out he was taking kickbacks. When that was discovered and verified he was summarily dismissed. He went over to the dark side.

I never got the precise details but I don’t believe he could have got more than a few thousand dollars for his illicit efforts. More importantly he got a black mark on his resume, and in his life, that he could never erase.

That was my first lesson on the do’s and don’t of Supplier Relationships.

Proper and positive Supplier relationships are absolutely

critical for running a successful Supply Chain and a successful business. However Supplier relationships must be conducted professionally in every way.

It is never worth compromising your morals, ethics, integrity, or your future in dealing with Suppliers. I believe for most people that is just simply understood. But I guess for some that temptation is too large.



Over the ensuing years I had direct dealings with Suppliers at every turn. I knew that all Supplier relationships had to be managed with the utmost integrity. There was zero room for illegal or questionable behaviour of any kind. It wasn't even a passing thought.

Do you have a Supplier Management Policy?

Many companies have outlined explicit policies to ensure that those who deal with Suppliers know precisely what is and what is not acceptable behaviour. These often include rules regarding the receipt of gifts, the treatment of confidential information, a code of conduct, fair and ethical quotation and negotiation processes, declaration of

conflicts of interest, diversity, personal benefits, and illegal/unethical behaviour.

In dealing with Suppliers it is often the case that either you have travelled to meet them or the Supplier has travelled to meet you. There is usually a meeting wherein the issues at hand are discussed. And on occasion there may be a dinner with the Supplier after work.

I have always viewed these Supplier dinners as a great opportunity to learn more about the people you are dealing with so as to strengthen the professional relationship. As with all of your professional relationships it can be easier to resolve issues and get things done with people who you have met and that you have some level of relationship with.

The Supplier obviously wants more of your business. But there is clearly a line that should not be crossed. At no point should you personally promise more business to a Supplier unless your team has done the fair and proper analysis to ensure that the Supplier had objectively earned and merited getting more business in a fair and open manner. And this analysis always had to be strong enough to withstand the scrutiny of a third-party audit.

In dealing with Suppliers you should avoid, and report, any situation in which the Supplier is trying to gain more business in exchange for some kind of personal favour. In

fact you should report this situation to the Executives within your Supplier's organization and your company should most likely cease doing business with that Supplier. There must be zero tolerance for any illicit behaviour.

Always provide full disclosure to your management team of any conflicts of interest, any potential conflicts of interest, and any inappropriate behaviours from your Suppliers. If you are in doubt then approach your Management and discuss the matter. Do not leave out any details. Full disclosure is essential.

The Dark Side in Conclusion

If your company does not have a policy for dealing with Suppliers you need to create one. There are many resources available on the Internet to help you. Your Legal team and your Human Resources team must be involved and the resultant policy must withstand any challenge from within or outside your organization.

If you do have a policy governing your Supplier relationships you must ensure that this is understood by every single employee. Provide training and education classes as well on a period basis. Further every employee must periodically sign off that they have read and understood the policy.

There is no circumstance in which it is worth gambling with

your future or your company's future by doing business inappropriately with any supplier.

Stay on the straight and narrow! And don't go over to the Dark Side!

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