

BRIBES, LUNCHES AND CHAI PANI

Avoiding bribery and corruption in your supply chain

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Supplier Relationship Management

Dealing with suppliers could potentially put you at risk bribery and corruption. In much of Northern Europe, North America, Australia and Japan, such practices are rare and regarded as unacceptable (Global Corruption Barometer, 2013 - <http://www.transparency.org/gcb2013>). They could also be illegal. Elsewhere, it could just be how business is done and is simply more about building good business relationships.

In the UK, the Bribery Act (2010) places the liability on organisations which fail to prevent employees from bribing.

As such, policies, procedures and training for anti-bribery have now become essential in the workplace and the management team needs to ensure that the right arrangements are in place. This is particularly important for those of us in purchasing as it is integral to how we work with suppliers.

But what should the policy include? One key element is a definition of anti-bribery and corruption obligations. It might include specific rules that prohibit the giving or accepting of the following:

- anything that could be viewed as illegal or improper or which violates the company's or the supplier's policy;
- cash;
- gifts, either entirely or over a specified value. Companies can choose to stipulate a threshold and if they do, it usually only allows for gifts of low intrinsic value;
- hospitality, either entirely or above a certain specified value individually or in aggregate;
- anything where there is a suggestion that a return favour is expected or implied; and
- anything where a public or government official is involved or a politician or political party.

Of course, there are some instances where it is appropriate to accept a gift. A good example of this is when negotiating with a Chinese supplier who has

travelled to meet with you. You must always bear in mind that if you are doing business cross-culturally your norms could be very different to the supplier's and there could be a very good reason to accommodate a different approach. Whatever approach is taken, it should not be left up to an individual's judgement - it should be open, transparent and agreed in advance within the business.

A few years ago, I was introduced to a company that worked closely with a range of Middle Eastern businesses, each of which had been awarded large contracts. Good relationships with the suppliers were essential yet the company wanted to operate in an appropriate and transparent way. Suppliers were known to give gifts of significant value such as Rolex watches and Mont Blanc pens to those in a buying role. Instead of declining these gifts and damaging the relationship, they were accepted, declared and formally acknowledged via a thank you letter to the supplier. A label was then attached to the gift with the name of the supplier and it was placed in a designated gift cabinet. Whenever a buyer met with a supplier they would 'check out' the relevant item from the cabinet, wear or use it during the engagement, and return it afterwards. Thus, the suppliers were not offended, they believed their gifts were well received and the buyer was not placed in a difficult position. Systems like these are fraught with risk and difficulty which is why it is important to seek legal advice before such an approach is introduced to ensure both the company and the individuals are not put at risk.

While it is easy to justify something for the sake of a cultural difference, it is not always necessary. Always remember that bridging cultural differences is a two-way street, meaning that we can and should place expectations on the other party to understand what is or is not appropriate in our culture.

WHAT IF...

A supplier pushes a Rolex across the table or tries to slip a cash-stuffed envelope into your hand then, quite clearly, you are being offered a bribe.

In my experience, such open bribes are rare. Instead, inducements are made in a subtle way and often

those involved don't think they are doing anything wrong. Attending a golf day or a sporting event at the invitation of a supplier could be permitted under a company's policy. But what if that event takes place at a very expensive venue and there's the chance to meet celebrity players? There could even be prizes for playing well and it may not be a one-off. That hospitality is now much more than a simple golf day.

Of course, it's not just golf days that can cause a buyer to unwittingly accept high value hospitality. Having lunch or dinner with a supplier may be necessary or appropriate to our relationship, and essential to developing social interaction. However, regular lunches at high-end restaurants at the supplier's expense is perhaps more of an inducement than building good relations. If both parties believe that social interaction is necessary to the relationship, then both parties should recognise this and either share the cost or take turns picking up the tab. If we are serious about building relationships with important suppliers, then policies around lunch or dinner and how this should be fair and transparent are important.

It is not easy to define the boundaries between giving or receiving something for the sake of a good business relationship and an inducement. This point will be different from organisation to organisation and between countries. For this reason, a clear company-wide policy within the context of the prevailing culture is essential. If this is not in place, it absolutely must be developed and the purchasing function should also consider deliberately adopting a stricter policy to that of the rest of the company.

With a few exceptions, it is not typically bad people who end up taking a bribe, often it is good people who end up in a situation they hadn't expected. For this reason, it is essential for any buyer dealing with a supplier to anticipate what could happen and be ready with a response or a course of action to deal with it. This means clearly understanding the company policy on what is and is not acceptable. You should also have in mind a clear set of personal boundaries and be ready to stop proceedings whenever things drift outside these. It will help to have some pre-prepared lines and courses of action in mind which might include:

- If a supplier appears to be suggesting something inappropriate say "Could you please clarify exactly what you are proposing".
- If a supplier makes an offer that might be marginally appropriate - "I'm sorry but I'm not able or willing to accept this as it might fall outside our policy on such matters and it is imperative that there is nothing within our dealings that would not bear scrutiny".

- If a supplier clearly offers a bribe – firmly decline what is being offered, stop proceedings and immediately end the meeting. You need to report what happened straight away to your line manager or a nominated individual for such matters and seek advice on how to proceed. The question is then how appropriate it is to proceed with a company whose representative has attempted to bribe you.

Bribes from suppliers are rarely as obvious as them producing a wad of cash. Instead, a corrupt supplier will work up to the offer of a bribe. Firstly, they need to gauge interest and suss out your personality (those who are naive or inexperienced can be more susceptible to a bribe). They also need to establish your personal circumstances to see if you have a specific need, and establish what you might want or be tempted to accept. This could be money but could also be sex, power or it could even be fear driven, such as the promise of safety against the suggestion of unfavorable consequences. It is therefore important to watch for any signs that a supplier might be working up to some sort of bribe so that you can cut it off before it gets anywhere. Things to watch out for might be a supplier using phrases like:

- We see this as more of a give and take situation.
- If you scratch my back, I will scratch yours.
- OK, so that's the deal, but what can we do to help you?
- What would it take to make this easier for you?
- There is nothing wrong here, it is part of what is expected.
- Everyone does this, now it's your turn.

You also need to watch out for euphemisms which are used to suggest something extra is called for. For example, in India a supplier might offer "Chai pani", literally meaning tea and water, but they are actually suggesting a bribe. So, make sure you know the company policy inside out, understand the local culture and consider such offers very carefully as you never know what you could be accepting!

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