

The European Way - Bribery



When I was last working in a foundry as Plant Metallurgist and QC manager, the Purchasing agent was suddenly fired for an undisclosed reason and I was given the job of supervising that department. I found out that there were several “perks” to the job which included home delivery of nice gifts of color TV’s, work shop tools, and even a side of bacon from our Jewish scrap dealer – I guess he didn’t need the bacon.

Being a straight shooter, I quickly shut this funny business down and started investigating the pricing we were being offered in return for these kickbacks. We were paying a 15% premium for scrap in return for the bacon – not the best of deals. I quickly knocked the price of scrap down by refusing the bacon and getting back to standard purchasing procedures. My boss was not too happy about the loss of the equal share of bacon delivered to his home, but couldn’t say much. I was saving the company \$10,000 a month.

It is common in Europe and in third world countries to offer “incentives” to decision makers in companies to purchase certain highly profitable produces. And, although it is illegal and can lead to being fired, it also happens here in the States. One L&N Salesman told me a story of a Steel Mill Chief Melter, who received a new garage on his house with a nice pickup parked inside that garage as a reward for steering a huge contract to that company.

I was also told by a metallurgist many years ago that he was offered a 20% kickback on a thermal analysis system from a minor competitor. Fortunately he did decide to go with MeltLab in spite of the enticement - we were less expensive. Some signs that there is funny business going on are:

- No competitive quotes
- No real need or advantage to replace older equipment
- Perceived problems with the old equipment, but no attempt to contact OEM for correction
- Product is not the best on the market but is the most expensive

<http://iacrc.org/procurement-fraud/the-most-common-procurement-fraud-schemes-and-their-primary-red-flags/>

It is not easy to prevent such problems, but an alert purchasing manager can head some of these things off. Those who know me know we don’t offer enticements to decision makers. We offer the best product we can for a low price, but I suspect we may have lost some sales recently, due to this issue.

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