

W. Gale Cutler's Commentary on "The Information Due to the Customer"

Commentary On
The Information Due to the Customer

XYZ orders 5000 custom made parts from ABC. A price is agreed on based in part on the cost of materials to be used in the part. ABC discovers a less expensive alloy that can be substituted "only slightly compromising the integrity of the part." The customer won't be able to detect the substitution unless they do "a fair amount of testing." The part is still of "good quality" but "might not last quite as long." There is a simple, one word description of this way of doing business: Fraud!!

The alloy substitution should be made, if and only if, the customer (XYZ) agrees to the substitution, with disclosure of what this substitution does to the expected life of the part, and an appropriate price reduction is made.

If ABC goes ahead with the substitution without notifying XYZ and the substitution of the less expensive alloy is subsequently discovered, I can assure you that ABC will have lost a customer. In no way can such substitution be considered good business.

Christine must share her thoughts about the impropriety of substituting the less expensive alloy with Vernon and if he fails to listen to reason, she must carry her feeling about this wrongful act to a higher level of management.

Vernon's actions are unethical and some of his defensive statements border on the ridiculous. For example, "This is business, not engineering" is belittling to the engineers in the company. Sound business is built on having a well-engineered product. Vernon states, "We're not in the business of giving away money." However, he is literally asking XYZ to do just that by paying full price for a part in which a cheaper material has been substituted!

Christine should not sign a report falsifying the composition of the alloy in the part and when Vernon persuades someone else to sign the report, she should go over Vernon's authority to higher management to report this. The future of ABC's

business depends on the elimination of deceitful practices such as Vernon endorses and uses.

I was Director of Research for a major corporation for over 20 years. Our Analytical Department routinely ran a "fingerprint" analysis on many of the components, chemicals, plastics, cleaners, paints, etc. that we purchased and periodically checked for adherence to the specifications agreed on at the time of purchase. We once had a problem in a metal cleaning operation--analysis proved that the problem was due to change in the chemical composition of a cleaning compound. The change in the chemical composition of the compound cheapened its manufacturing cost and reduced its cleaning efficiency; we were not notified of the change and no adjustment was made in our purchase price. WE NOTIFIED THE COMPANY WE WERE AWARE OF THIS UNAUTHORIZED CHANGE AND CEASED TO DO BUSINESS WITH THEM.