

The Legal and Ethical Aspects of Purchasing
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Law of Agency

The relationship that exists when one person (agent) acts for another person (principal) with the latter's authority.

Delegation of Authority

Authority
The formal right to require actions of others or to act oneself.

Responsibility
Accountability for the performance of duties.

Two Types of Authority

Expressed Authority

Authority expressly granted by principle.

Implied Authority

Authority not expressed, but normally required to conduct the agent's duties.

Responsibilities of an Agent

Duty of Obedience

Follow the lawful instructions of the principal.

Duty of Loyalty

No personal interest in a contract, obtain no gain from business transacted for the principal, cannot exceed authority.

Fiduciary Duty

A fiduciary obligation exists when one person (principal) places special trust and confidence in another person (you, as an agent) to exercise discretion in acting on their behalf. The fiduciary has a duty to act in the best interests of the principal.

Ethics

Ethics

A set of moral principles or values that define or direct us to the right choice.

Laws

Rules of conduct or action prescribed or formally recognized as binding or enforced by a controlling authority.

Types of Unethical Behavior

- Gifts and gratuities
- Reciprocity
- Sharp practice
- Misuse of confidential information
- Improper conduct during the purchasing process

Unethical Purchasing Practices

- Specification development
- Evaluation criteria
- Invitation to bid
- Offer evaluation
- Negotiations
- Change orders

Rationalizing Unethical Behavior

- Everybody does it
- If it's legal, it's ethical
- No one will ever know

Rules of Ethical Behavior

- Keep job and private life separate
- Keep relationship with suppliers in balance
- When in doubt, seek advise

Conflict of Interest (COI)

A situation in which a person or employee has a private or personal interest sufficient to appear to influence the objective exercise of his or her official duties.

COI Key Elements

- Private or personal interest
- Influence objectivity
- Official duties

COI Examples

- Self-dealing
- Accepting benefits
- Influence peddling
- Post employment

Handling Conflicts of Interest

- Always disclose
- Manage and mitigate the conflict
- Remove yourself
- Document
