What is influence? Is influence a concern to supply professionals? What are some of the ways that people are influenced? Are there ways that supply professionals can overcome the negative aspects of influence to ensure that they are objective in their decision making and that they are operating in an ethical manner?

Recently, at a working session of the Institute for Supply Management's (ISM) Ethical Standards Committee, a team of leaders discussed these questions and their impact on supply professionals. Why discuss the boundaries of influence? Based on feedback from a recent survey we conducted, supply professionals regularly face influences from multiple sources that impact their decision making. Some influences are appropriate and add value to decision making while others may detract from the quality of decisions. Sometimes those negative sources of influence conflict with the goal of supply professionals and other leaders to manage their responsibilities according to ethical guidelines set forth by their organizations and/or ISM.

The goal of this paper is to share some recommendations about how to better manage influence which can be applied by supply professionals and other leaders as they conduct business on behalf of their organizations.

This paper is intended to be a thought piece. This paper does not address all of the aspects and complexities of the broad topic of influence. For further reading on the topic of influence, please reference an annotated bibliography at the end of this paper.
What is influence?
Influence can be defined in several ways. Most frequently, influence is defined as the power to sway – “the power that somebody has to affect other people’s thinking or actions by means of argument, example, or force of personality.”

Whether it is for goods or services, supply professionals regularly make decisions about what their organization buys, who they buy from, how much they buy and how they buy it. Often, they also have input into the specifications and requirements surrounding the purchase. Suppliers regularly work to influence the decisions of supply professionals. Some actions are positive, such as demonstrating with data that goods or services meet the potential customers’ requirements. Some actions can have a negative impact on an organization, such as influencing the writing of a customer’s specifications or requirements to limit potential competitors or attempting to use gifts or entertainment to influence either a decision or the overall perspective of a supply professional or other leader.

In some situations, there may not be an intent to influence but the impact of an individual’s or organization’s actions may result in either a positive or negative influence on the supply professional or other leader. It is important for supply professionals to be aware of the subtleties of influence so that they can better manage the potential impact on their decisions and behaviors.

No matter the culture or continent, influence is a reality in both business and government, in both the public and private sector, as well as in life. The goal of the supply professional is to appropriately manage it.

Is influence a concern to supply professionals?
In 2006, on behalf of ISM’s Committee on Social Responsibility, ISM’s Ethical Standards Committee conducted an ethics survey. The goal of the survey was to more fully understand what is happening within organizations on the ethics front and draw conclusions to help management be more effective in ensuring ethical behavior.

Influence continues to be a challenge for the supply professional, as indicated by the survey results for the key questions related to influence. As reflected by the survey results in the right hand column of the following table, it is clear that issues of influence are a concern to the supply professional. Inappropriate preference to suppliers in sourcing decisions was a concern from 34% of the survey respondents and politics inappropriately influencing sourcing decisions was a concern to 46% of the survey respondents. Although only 6-7% of supply professionals were concerned about gifts, entertainment and meals influencing sourcing decisions within their function, over 40% of the survey respondents indicated that individuals outside of their function received gifts, entertainment or meals from suppliers.
### 2006 ISM Ethics Survey Results

**Survey Feedback Related to Influence**

<table>
<thead>
<tr>
<th>Survey Factor</th>
<th>% of Respondents Indicating Factor Has No Influence</th>
<th>% of Respondents Indicating Factor Has Influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>There are instances where your organization gave inappropriate preference to suppliers in sourcing decisions.</td>
<td>66%</td>
<td>34%</td>
</tr>
<tr>
<td>There are examples in your organization where politics inappropriately influenced sourcing decisions</td>
<td>54%</td>
<td>46%</td>
</tr>
<tr>
<td>Gifts or entertainment inappropriately influenced sourcing decisions in your function</td>
<td>93%</td>
<td>7%</td>
</tr>
<tr>
<td>Meals with suppliers influenced sourcing decisions in your function</td>
<td>94%</td>
<td>6%</td>
</tr>
<tr>
<td>Others outside of your function have received gifts or entertainment from suppliers outside of your organization’s policy</td>
<td>55%</td>
<td>45%</td>
</tr>
<tr>
<td>Others outside of your function have received gifts or entertainment from suppliers outside of your organization’s policy</td>
<td>59%</td>
<td>41%</td>
</tr>
</tbody>
</table>

* The survey asked respondents to indicate the impact of influence for individual survey factors across a from 1 (to no extent whatsoever) to 7 (to a very great extent):
  1 = to no extent whatsoever
  2 = to almost no extent
  3 = to a little extent
  4 = to some extent
  5 = to a good extent
  6 = to a great extent
  7 = to a very great extent

This table compiles responses from the ranges 1-2 and labels them as “% of Respondents Indicating Factor Has No Influence” (reference middle column of above chart) and responses from ranges 3-7 and labels them as “% of Respondents Indicating Factor Has Influence” (reference right column of above chart). For the purpose of this paper, the reason for grouping the responses in this manner is there can be circumstances under which low levels of influence may have the same level of consequences as significant sources of influence.

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**What are some of the ways that people are influenced?**

Influence can be positive or negative. Influence can come from both the inside and outside of an organization.

Let’s first explore some of the **positive** ways that supply professionals can be influenced:

- **External – from suppliers**
  - Consistent performance from suppliers that meets or exceeds expectations
  - Suppliers sharing new ideas, methodologies and technologies
  - Sharing data that demonstrates the fit between capability of a supplier’s products or services and a customer’s requirements

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Unbiased, comparative analysis of performance of alternative suppliers
o Suppliers that work quickly and effectively with their customers to resolve an issue, not knowing up-front which party is responsible for the problem
o Open communication between supply professionals and suppliers about expectations relative to ethics

✓ External – from organizations other than suppliers
  o For-profit and not-for-profit organizations working on quality and safety (e.g., ANSI, ASQ, UAL, etc.)
  o Government departments and agencies developing and enforcing regulations to protect the public
  o Organizations working to push for higher standards of business ethics, such as the Institute for Supply Management (ISM) and GeSI (Global eSustainability Initiative), a consortium of telecommunications service providers, manufacturers and other companies

✓ Internal – from within the organization
  o Objective input from subject matter experts on the qualifications of a supplier and/or a supplier's goods and/or services
  o Input from internal customers helping supply professionals understand their needs and requirements
  o Accurate feedback on supplier performance
  o Development of unbiased, competitive specifications
  o Open communication about ethics

People tend to form opinions based on information that they receive. The challenge to the supply professional is to assess the validity of inputs and determine how those inputs should impact his/her decision making. From an ethics perspective, ensuring that the information is accurate and unbiased is critically important.

Now let’s review some of the negative ways that supply professionals can be influenced:

✓ External – from suppliers
  o Using friendship or family relationships with a supplier as a factor in the sourcing decision
  o Using gifts, entertainment or meals as a reward for a decision that could be made in favor of the supplier
  o Claims of performance to meet customer requirements that are unsubstantiated
  o During a site audit or in a business meeting, steering the supply professional or other leaders away from specific topics or areas of the facility
  o Promise of improved performance in exchange for new business without a documented what/who/when action plan to drive improvement and without past evidence that yet-to-be-completed improvement actions will be completed successfully
  o Dominance in discussions with the intention of intimidating the supply professional or other leaders
  o Creating a false deadline with the intent of forcing a decision to be made by the supply professional before all of the facts can be gathered and evaluated
- Offering the potential of future benefit in exchange for a favorable sourcing decision without the intent to deliver on the future benefit
- Being untruthful

- **External – from organizations other than suppliers**
  - Pressure from customers or others to make decisions that are not in the best interest of the organization
  - Pressure from political leaders or organizations

- **Internal – from within the organization**
  - Making decisions based on political factors versus fact-based decision making
  - Using the power of a position to sway a decision without support from facts
  - Having gifts, entertainment, meals, friendship or a family relationship factor into advice or decision making from a subject matter expert
  - Inappropriate delays in providing answers or analysis that are required for fact based decision making which force a decision to be made without the needed information
  - Inappropriately forcing decisions to support short term business needs at the expense of longer term benefit
  - Giving personal interests priority over employer interests
  - Inappropriate sharing of confidential or proprietary information with suppliers
  - Double standards of behavior among functional groups or from leadership
  - Being untruthful

Negative influence can stem from a number of different actions by both suppliers and from those within the supply professional's organization. It is the responsibility of the supply professional to recognize actions that have negative influence and to prevent them from impacting their decisions.

In addition to being aware of sources of influence and their potential impact on decisions and behaviors, an individual's values, based on standards of ethical conduct, will also help them to better manage the impact of influence.

In some instances, there may be a difference of opinion between individuals relative to what actions may be perceived as having a negative influence on decisions. For example, in some cultures gifts are offered as a token of respect and kindness. In other cultures, gifts are perceived as device that is used to inappropriately influence decisions. Supply professionals can overcome some of this disparity in perception of influence by ensuring that their organization has a code of ethical conduct that outlines guidelines for the organization and then enforces them consistently across the organization.

In addition to ensuring adherence to an organization-wide code of ethical conduct, another tool is for the supply professional to take a proactive approach to managing potential sources of negative influence. One example would be to assume that all sources of influence could potentially be negative and prove to yourself with questions, data, facts, analysis and validation that the information presented to you is accurate.
**Overcoming the negative aspects of influence to ensure objective decision making and ethical behavior**

It is the responsibility of the supply professional to overcome negative aspects of influence. It is the responsibility of the leaders of organizations to provide an environment which reinforces ethical behavior. Following are some recommendations for supply professionals and other leaders to help manage, minimize and mitigate the negative aspects of influence on their business.

At the top of the list of ways to mitigate the negative aspects of influence is to ensure that your organization has a written code of ethical conduct that explains the organization’s position on ethical behavior in simple terms. If your organization does not have a code of ethical conduct, you can obtain examples through benchmarking with other organizations and you can reference ISM’s *Principles and Standards of Ethical Supply Management Conduct with Accompanying Guidelines.*

To speed implementation, implement a code of conduct first at the supply chain level and then work to expand it across other functions in the organization.

Benchmarking best practices reveals that simply having a code of ethical conduct is not is enough to mitigate the negative aspects of influence. Examples of best practices to help supply professionals and other leaders better manage issues of influence include:

- **Leaders that foster a culture which encourages discussion around the topics of influence and ethics to help their employees better understand the concept of influence and how to manage it.**

- **Developing and conducting training about the organization’s code of ethical conduct for several audiences - supply professionals, other functions in the organization and for suppliers.**

- **Establishing a confidential ethics “hot line” to enable individuals both inside and outside of the organization to report potential ethics violations and regularly reminding both employees and suppliers that they should actively use the “hot line” to report potential ethics violations with the security of confidentiality.**

- **Establishing an executive committee on ethical conduct with the following responsibilities**
  - Meets regularly to review potential ethics violations
  - Makes decisions about how to investigate potential ethics violations
  - Makes decisions about how to handle ethics violations based on results of the investigation
  - Drills “deep and wide” across the organization, in an appropriate manner, to ensure review of areas that could experience related ethics violations
  - Establishes and executes a communication plan to ensure ethics remains a visible priority of the organization
  - Develops ethics training material for supply professionals, other functions in the organization and suppliers

- **Ensuring regular communication with suppliers about the organization’s ethics policy and its commitment to working with suppliers that will support it.**
Explain written ethics policies with positive examples of behavior and the positive results that can come from adhering to those policies.
Annual letter to suppliers reminding them of the organization’s ethics policy.
Reminder of the organization’s ethics policy in regularly scheduled business reviews and supplier conferences.
Training for suppliers which includes case studies of appropriate and inappropriate behavior and influence to foster discussion for better understanding.

- Appropriately exploring the topic of ethics during the hiring interview process to understand how an individual may respond to different situations involving influence (consult your Human Resources and/or Legal team for input before pursuing this topic in interviews).
- Quickly and decisively deal with those employees or suppliers that violate your organization’s ethics policy.

Another strong factor to ensure that supply chain decisions are made without the impact of negative influence is to establish documented processes and practices about sourcing decisions. Some best practices include the following:

- Having a documented process for sourcing decisions that is well communicated and followed throughout the organization.
- Using a “team approach” to sourcing decisions that includes engineering, procurement, quality and others in the analysis and decision making process.
- Ensuring the sourcing team establishes their decision factors early in the source evaluation process to minimize the potential that they may be biased toward any specific supplier.
- Requiring that sourcing decisions be made based on facts that are documented and available to be shared openly within the organization.
- Scheduling executive level reviews of sourcing decisions that are cross functional so that impactful decisions can be discussed and understood at all levels and across multiple functions in the organization – this has the additional benefit of obtaining buy-in which helps to ensure successful implementation of the sourcing decision.

From time-to-time, ISM’s Ethical Standards Committee is asked to offer input about ways to overcome the potential negative influence of gifts, meals or entertainment from suppliers. Following are some recommendations based on our research and experience:

- Ensure that your organization has a documented ethics policy that is clearly and frequently communicated across the organization and with suppliers.
- Include specific examples in your training of what your organization considers appropriate and inappropriate relative to meals, gifts or entertainment to encourage discussion and understanding.
Ensure senior leadership regularly reminds the organization of its policy relative to meals, gifts or entertainment from suppliers.

Some cultures accept gift giving as an appropriate business practice. This conflicts with the policies of some organizations. An example of how one organization has bridged this cultural gap follows:

- Allow employees to receive gifts from suppliers where it is a cultural norm
- Require employees to report the incident and turn those gifts into Human Resources at their local site
- For gifts with nominal value, Human Resources sponsors a “raffle” at an organization event or meeting where all employees are eligible to receive the gift
- For gifts of greater value, Human Resources donates the gifts to charitable organizations

Our closing thoughts about how supply professionals and other leaders can better manage, minimize and mitigate negative influences include feedback that we received during our 2006 survey. The survey suggests that individual values are a key facilitator of ethical behavior. Some of the comments by respondents to the survey’s open ended questions best summarize this finding:

- “Ethics are part of a person’s values. If the person is ethical then their dealings with suppliers will be on a good basis.”
- “Integrity is who you are when no one else is looking. It comes from within.”

Survey respondents also suggested that the values of individuals could be further supported by an organization’s culture. Leaders in organizations are responsible for providing a working environment that requires and expects only the highest level of ethical behavior, and models that behavior at all levels of management. Some insights for leadership from the survey follow:

- Lead by example – as a business leader, “walk the talk” to demonstrate your personal commitment to set the example for your employees, customers and suppliers
- Ensure leadership’s behavior avoids the appearance of double standards among employees or across functions
- Encourage supply professionals to balance a long term view against immediate priorities when making decisions to support stronger relationships with suppliers, which will help to provide lasting benefit for both organizations
- Communicate regularly to create an awareness of some of the subtle “gray area” ethical issues that may exist and provide guidance about how to manage them
Open communication about ethics policies and practices creates an atmosphere of trust within an organization and with suppliers. Make ethics discussions both possible and positive and ensure they include the impact of influence. Promoting ethical conduct as a positive experience can build the reputation of an individual and an organization. This opens the opportunity to strong, lasting relationships that benefit all involved.

**ISM’s Ethical Standards Committee regularly seeks dialogue with supply professionals on topics related to ethics and influence. The Committee is always interested in feedback and input from others. Please use our website at ethics@ism.ws as the tool to provide your feedback and input.**

**References**


2. This chart has been compiled from information gathered from the survey entitled “Social Responsibility And The Supply Management Profession: A Study of Barriers and Drivers to Ethical Practices,” ©2006, Institute for Supply Management, Inc.™ This specific chart was not published as part of the original survey results.

3. You can find out more about ISM’s Principles and Standards of Ethical Supply Management Conduct with Accompanying Guidelines by accessing their website at [http://www.ism.ws](http://www.ism.ws) or specifically accessing the following webpage: [http://www.ism.ws/about/content.cfm?ItemNumber=4740&navItemNumber=13102](http://www.ism.ws/about/content.cfm?ItemNumber=4740&navItemNumber=13102).

4. Respondent verbatims and paraphrased excerpts from 2006 ISM ethics survey, see reference #2.

**Bibliography**


*Influence: The Psychology of Persuasion*, (paperback 1998) Robert Cialdini, PhD., Robert.Cialdini@asu.edu