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HBR CASE STUDY AND COMMENTARY

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When does client  
entertainment cross  
the line?

Four commentators offer  
expert advice.

## How Low Will You Go?

by Mary Edie Mobley and John Humphreys

Reprint [R0604A](#)

*Bob Carlton, CEO of an auto parts manufacturer, wouldn't be caught dead in a strip club. But if that's what it takes to make a sale...*

HBR CASE STUDY

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# How Low Will You Go?

by Mary Edie Mobley and John Humphreys

Bob Carlton watched the pace car peel off and the 43 cars that were clumped behind it roar into full throttle. It was always a thrilling sight—they were packed tighter than minivans in a Wal-Mart parking lot. He studied their first lap of jockeying, then hunched over to fiddle with the knobs on his scanner. He took his sunglasses off—not easy with headphones on. Once he had settled on the right frequency, the banter from the booth filled his ears. But a few minutes later, he shut it off. He couldn't enjoy it, and anyway he needed to think.

Bob was CEO of OptiMotors Industries, a midsize engine-parts fabricator. That sounded pretty important, and he guessed it was. But only a few years ago he would have been in the cheap seats at a race like this—and having a whole lot more fun. He glanced at the empty chairs beside him and scowled. Terrace level: \$285 each. The ideal choice for customer entertainment. That was a sore subject now.

When Bob first got into stock cars, there were only cheap seats. That was 30 years ago, back when his uncle Mel still had the muffler shop in their hometown of Chickasaw, Alabama. Mel worked pit crew on weekends, and one by one, all his nephews, and most of his nieces, caught the bug. At one point in his twenties, Bob even tried his hand at driving. But right around the time he was admitting he didn't have the talent to be great, he was finding what he did have a talent for: making the engines hotter. He soon outgrew the corner that Mel gave him in the shop and had his own business and his own racing-team clientele.

He made great products—high quality custom parts for motors—and between that and the phenomenal boom in NASCAR, he never lacked for business. In fact, he had a waiting list that customers were almost ridiculously willing to endure. It was Roland, his accountant, who finally made an issue of it. "Bob, just look at this

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*HBR's cases, which are fictional, present common managerial dilemmas and offer concrete solutions from experts.*

backlog,” he scolded. “If you had half a brain, you’d take that vacant space across town and triple your capacity.” The idea was appealing, but it made Bob nervous. “I’d have to take on a lot of debt,” he said. “And a whole new level of risk.” Roland figured he might be able to help.

### Starting Shotgun

It was two years ago now that Bob had met the “angels”—the investors Roland had put him in touch with. They were Detroit guys, and really impressive. They asked all the right questions, obviously knew the business. He also had to admit that they had sized him up pretty well. One of the few strings they attached, after the numbers had all been worked out, was that OptiMotors had to invest in some high-powered sales leadership. Fair enough, Bob thought; he was no salesman. He had salespeople, of course, but deep down he thought the real key to his company’s success was word of mouth and quality that spoke for itself. He wasn’t sure he even knew how to hire “high-powered.” The angels were happy to put him on to a headhunter.

No question, Galen McDowell knew how to sell. And he knew how to get higher performance out of the salespeople under him. Bob worried about how the gang would take to a new boss and how they would deal with the expectation that they would raise their game. But Galen’s charm immediately won them over. It was easy to see why he had such a great track record. “Let’s hope it continues,” Bob said to himself. For he had taken the plunge: A gleaming new manufacturing facility was about to come on line, and it would give the company a downright scary production capacity.

During the construction phase, Galen came up to speed by going on calls and helping the salespeople with what he referred to as the low-hanging fruit. Somehow it hadn’t seemed so low before. Meanwhile, he recruited a few more guys who, Bob saw, were younger versions of Galen himself. The months went by, and Bob got more and more comfortable with the idea that OptiMotors Industries could be a national player, not just a regional shop. All along, Galen acted as though that were a foregone conclusion.

But even Galen seemed giddy the day the call came in from Kinan Motors. That was last month, and Bob happened to be with Galen when he took the call. He got the gist of it from

hearing Galen’s side of the conversation—and from the wink Galen shot him halfway through. Galen removed all doubt when he put down the phone. “We’ve done it!” he said. “Kinan Motors is coming down for the tour.”

By that point, the new machines weren’t quite so spotless, and they certainly weren’t quiet. OptiMotors was in full production mode, chewing rapidly through its backlog. All the kinks were out of the processes, and quality was better than ever. Now, finally, Galen could make some real headway on the bigger prospects he’d been wooing. He’d invited Kinan Motors to come for a visit and kick the tires.

“Wow.” Bob was stunned. “What day are we talking about? What do you need me to do?” Galen had been talking about Kinan and its own expansion efforts for weeks. He’d found out they were looking to increase their supplier base. And Galen was sure that if OptiMotors could just get a piece of that business, he’d be able to capture a lot more of it over time. Bob granted him that. Most customers, once they’d worked with OptiMotors, wanted more. But somehow he’d never imagined he’d be working with a big-league outfit like Kinan so soon.

“They’re coming in Thursday,” Galen said. “Let’s plan on my taking them out to dinner that night, and you take them on the tour Friday morning. And can you clear the day, in case they decide to stick around and do business?”

### Pole Position

Bob jumped out of his seat when he saw Number 22, Dave Stewart’s car, going out of control on the turn. Clearly a case of understeer. “Oh, man,” he gasped as the car skidded sideways at 100 miles per hour. Tommy Goehring just missed clipping it. “C’mon, Dave,” Bob said under his breath. “Bring it around, bring it around.” Somehow the car only kissed the wall. Fifth position, 170-some laps to go. Dave was still in the race. That car needed softer shocks.

While the monitors all around the stands flashed the video, Bob settled back into his seat and ran his own personal replay—of the Thursday when the Kinan guys visited.

He remembered seeing Galen in the hall that morning. “You ready to turn on the charm tonight?” Bob asked.

“Certainly am,” Galen proclaimed with his usual buoyancy. “Their flight is in at 5:15, and I’m taking them straight to dinner, followed by

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*Making a sale is about getting time with the client, away from work. For certain customers, the process seems to work better in a club like the Red Ruby.*

an evening of amusements at the Red Ruby.”

Bob’s eyebrows shot up. “The Red Ruby? That’s a strip club, isn’t it?”

Galen smirked at him. “You know it,” he declared, “though I think they prefer to call themselves a ‘gentlemen’s entertainment venue.’ Just the place to do a little male bonding.”

Bob didn’t know how to respond. The news unsettled him, but he wasn’t sure exactly why. He certainly didn’t think of himself as a prude, and strip clubs obviously were legal (though they weren’t his cup of tea). But the Red Ruby Club just wasn’t in line with his image of Galen. He seemed to be such a class act, with his tailored suits and expensive shoes. This was a guy who got manicures, for Pete’s sake. “I can’t see you in that kind of place,” Bob said.

“Well, I’d bring back a picture to show you, but I don’t believe they allow photography,” Galen teased. “Don’t worry, Bob,” he said. “It’s upscale. Full of businesspeople. And this is the right approach with Kinan.”

Bob rubbed his chin. “Have we done this before?”

Galen gave him an “Oh, please” look. “You might remember that we were successful in getting the Blain Racing account away from Franklin? I believe David Reed found the Red Ruby to be a useful part of the process.”

Bob was astonished. “But David Reed is our top salesman—why would he have to resort to that?”

“I think you’ve got that turned around,” Galen countered. “Knowing what tool to pull out of the sales tool kit is precisely *why* he’s so good. He’s better than anyone at giving the customer what he wants.”

Bob had long prided himself on customer satisfaction, but he’d never thought about it in this light before. He remembered the many fruitless calls he’d paid on the Blain boys over the years. So this was the problem? Those hound dogs.

“Can’t you take them somewhere a little less extreme?” Bob asked.

“Dottie’s Diner, perhaps? She’s a nice lady, and I bet she was a knockout 30 years ago.” He paused, sizing up Bob’s reaction. “Hey, call me old school, but I don’t consider the Red Ruby to be extreme. This is before your time, but I remember when manufacturers supplied tents of hookers at the annual shows. It was crazy, but everybody was trying to outdo each other. Kind of an arms race,” he concluded, then

couldn’t help continuing, “and a legs race, and definitely a...”

Bob cut him off there. “OK, OK, I’m not trying to tell you how to do your job, but —”

Just then Bob’s assistant came around the corner with the stack of accounting papers he had to sign off on that morning. He took leave of Galen with a simple request: “Just keep it clean, huh?”

## The Low Road

Within a month, Kinan signed a multimillion-dollar contract with OptiMotors Industries. Bob called a companywide meeting to announce the news and used the occasion to tell his people once again that it all came down to workmanship. He told them this was the kind of moment that only an organization that takes pride in its everyday efforts gets to enjoy. And he believed it. But later, when he saw Galen, he couldn’t help making a comment. “I guess I didn’t tell them the whole story about how the sale was made.”

“You told them the truth,” Galen assured him. “The quality had to be rock solid or we wouldn’t have had a shot at the business.” Bob didn’t look convinced, so Galen continued, “But even given that, a customer needs to know they can trust you. Trust doesn’t happen overnight. It comes gradually. And it starts with the relationship building that the salesman does.”

“Sure, I know that,” Bob said. “Why do you think I’ve got season tickets for baseball and football as well as the track? Why am I out there trying to hit a golf ball when golf is clearly not my game?”

“Exactly, and you wouldn’t consider it some kind of bribe for business, would you?” Ignoring Bob’s slight wince, he pressed on. “It’s about getting time with the client, away from work, trying to develop a friendship, form a bond. The thing is, the whole process works a little better in a club like the Red Ruby. For certain customers, that is.”

## Dangerous Curve

Bob shifted uncomfortably in his contoured plastic chair as he remembered what had happened later that day. He placed his beer, already warm, in the cup holder and used the napkin to mop his brow. Yes, different tactics work for different customers. And for different salespeople.

April Hartley had been Bob's first salesperson. She was the sister of one of his high school buddies, and she'd been in desperate need of a job after her divorce. Even though she'd had no sales experience, she possessed a great personality and a passion for NASCAR. She had no trouble getting appointments and finding out what problems people were trying to solve. She'd call Bob in to close the most promising deals. Now, of course, she was part of Galen's sales team.

"I know I should be talking with Galen," April began in a faltering voice. "But I felt I owed it to you to come here first."

"What's up?" Bob asked with concern.

"It's just—I think it's time for me to move on." April couldn't quite meet his eye. Then, in a rush of words, she explained. Galen had been cracking the whip, setting high goals for the sales staff. Of course she could understand that, but she was already pounding the pavement as hard as she could. When she tried to be a little more creative about cultivating a lead, he had the nerve to take her to task about her expense report.

"You know how Jane Garber is in charge at Garber Custom since Jim's been out of commission?" April asked. "Well, she's a born businesswoman. That place is really on the move now. And it so happens she's also a serious gardener. I sprang for some tickets to a big home and garden show in Huntsville and a car service to take us there. Thought we'd have a girl's day out." April saw Bob's quizzical expression. "It's not playing hooky or anything. I mean, I don't know an orchid from a tulip. I was working that day."

Bob frowned. "This is really not an issue to resign over, April. There must be something else."

"The bigger problem is that I just can't make the kind of numbers he's talking about. Who am I kidding, hanging out at garden shows? The really important accounts, it seems, are looking for more exciting stuff, and I can't give it to them." She glanced at Bob, but now he was the one who couldn't make eye contact. She jutted her chin out. "At least *my* expense reports show the names of the places I visit—not like those bogus receipts the Red Ruby Club hands out."

Bob sat silent for a moment. Sure, he'd seen that line on the accounting reports: "Triple H Media." He knew perfectly well that was the

Red Ruby's parent company.

He asked April to hold off on resigning until he had a chance to address her concerns. But her mind was made up. She'd already put out some feelers and knew she could land somewhere else in a heartbeat. "Bob, I want you to know that I will always be grateful for the chance you gave me, and the experience." She stood up to leave. "And as a friend, I guess I should also tell you that I don't think Joan will go as quietly." With that, she turned and walked down the hall to Galen's office.

### The Last Lap

By now, the air at the speedway had picked up that distinctive aroma of burning rubber that only a NASCAR fan could love. Bob watched through his binoculars as the pit crew peeled the windshield off Jeff LaPalme's car. That crew was hard to beat. So was LaPalme, even if you didn't always like his style. Funny how people could be so successful but still have a chip on their shoulder. Bob was all set to start jawing away about drivers' personalities, one of his favorite subjects, when he remembered he was alone. Ever since this thing with the Red Ruby Club had come up, he'd been hesitant to take customers to the track. The whole idea of spending a lot of money to soften up an account seemed more complicated every day.

Just that morning, Bob had met with Joan Warren, and the conversation showed him he had to make a decision. Unlike April, Joan had brought significant sales experience to OptiMotors. Although she was still learning about the industry, she was definitely an assertive, skilled closer. In fact, Bob remembered Galen telling him that she was exactly the kind of rep they needed more of.

"Joan, you know you're a valuable part of the team here, right?" Bob asked. "Now, Galen's your boss, and I don't want to get in the middle of that, but as I told him, it would help me to hear your perspective for myself."

Joan was only too happy to oblige. As she told it, she had been working on Alotrex Corporation, a large supplier of various manufacturing components. Alotrex was also a contractor to Kinan Motors, but it wanted a partner to manufacture a significant portion of its steel product line. She had arranged for several representatives to visit OptiMotors so she could make a bid for the deal. And since Galen had been so successful in cementing the relation-

*"It doesn't bother me. I take customers out for drinks all the time," one saleswoman says. "What's the big difference if there are dancers around?"*

*Had April simply lost respect for the organization? And if word got out that the company was making deals at sleazy clubs, how many more employees might OptiMotors lose?*

ship with Kinan at the Red Ruby Club, Joan figured that was the way to go again. She asked Galen to play host—but she wanted to go along.

“I told Galen, ‘Hey, I can’t afford not to be there. I’m the one who’s going to follow up.’ And, honestly, it doesn’t bother me. I take customers out for drinks all the time and soon enough they’re treating me just like one of the guys. It’s amazing the things they don’t mind saying around me. So what’s the big difference if this time there are dancers around?”

Galen had told her there *was* a difference. “And he claimed I knew he was right, that I was just trying to force an issue. Well, that wasn’t my plan, but now that I think of it, maybe it should be. I do know I won’t stand by and be disadvantaged simply because I’m a woman. That’s discrimination.”

Bob’s eyes had widened. Taking potential customers to a strip club wasn’t illegal, he knew, but discrimination certainly was.

Now, with the race coming down to its last minutes, his thoughts whirled faster than the cars in front of him. Would Joan try to sue the company, and would she have a case? Would the publicity alone be a problem? He thought of April’s departure. She’d always been so proud to be part of OptiMotors. At the end, had she simply lost respect for the organization? And if word got out that the company was making deals at sleazy clubs, how many more employees might they lose?

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**When does client entertainment cross the line?** • Four commentators offer expert advice.

See [Case Commentary](#)

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## Case Commentary

by John Brown

## When does client entertainment cross the line?

This case reminds me of a book I read more than 20 years ago: *What They Don't Teach You at Harvard Business School*. The author, Mark H. McCormack, said one of the big areas neglected by the B-school curriculum was how to sell. Among his insights: All things being equal, friends buy from friends. And all things being *unequal*, friends buy from friends. Back in the 1980s, newly minted graduates like me were underlining this sort of stuff in red ink—and were being mentored by quintessential relationship guys like Galen McDowell.

A lot has changed. Particularly in my industry, financial services and asset management, the sales techniques that people used to rely on just aren't viable anymore. The long-term trend toward increased skill specialization means the selling process must focus more on capabilities. In addition, the heightened cost pressure to do more with less puts a damper on some of the golf outings and other “getting to know you” activities. And, of course, there's been a change in the legal and governance climate, thanks in large part to New York attorney general Eliot Spitzer's scrutiny of client gift giving.

SEC policy, as policed by NASD, dictates a \$100 per person annual limit on gifts received. The rule, though not new, had come to be widely disregarded. But today, things even the most squeaky-clean firms used to ignore—like giveaways of corporate-logo golf shirts—are dutifully logged at their retail value.

This doesn't mean that spending on client entertainment has become unethical or unimportant. In fact, a careful distinction is drawn in our business between gifts and entertainment. That's appropriate, because having an opportunity for unstructured social interaction is very valuable for the buyer. All business relationships require a foundation of trust. One of the most important things a client tries to ferret out in a sales process is whether the seller shares his or her core value system.

The values question is why Galen's habit of

inviting prospects to the Red Ruby Club should worry his boss. Some customers will be downright offended because it is in conflict with their values and perhaps their religious beliefs. But even for those customers who might go along for the ride, such a visit signals a general willingness to take the low road. By contrast, April Hartley's idea of taking her prospect to a garden show gets my full support—even if it involves the same expense and has as little to do with the products OptiMotors Industries sells. To answer the case's question: Although many financial services firms are limiting entertainment costs to avoid the gray area, client entertainment most clearly crosses the line not when expenses reach a certain level but when the tactic undercuts the message the company wants to send about its principles.

Bob Carlton should invest the time to outline those principles for his organization, articulating the three to five overarching values that guide customer support—and all other—decisions. Then he should make it clear to his executives that these principles must be embraced throughout the company's operations. When people talk about setting the “tone from the top,” this is what they mean. Bob needs to trust his instincts.

If I were Bob's head of sales, I would ask Bob to articulate that value system for OptiMotors. I would then translate it into formal policies for client entertainment and communicate them clearly to the sales force. Most organizations, by the way, do explicitly draw the line at adult entertainment. But I want to stress that the business principles Bob drums into the organization, not the policies themselves, will ensure that no one turns a blind eye to those “Triple H Media” receipts.

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*One of the most important things a client tries to ferret out in a sales process is whether the seller shares his or her core value system.*

## Case Commentary

by Katherine Frank

## When does client entertainment cross the line?

A lot of business gets done outside of offices—over dinner, on the golf course, during sports events, and, yes, at strip clubs. It's not often talked about, but plenty of clients are wooed in adult entertainment venues. I have seen estimates that 40% of the clientele at upscale strip clubs are there for "business-related" reasons. These clubs cater to businesspeople by offering luxury liquors, fine dining, valet parking, and private conference rooms.

Visiting a strip club is an inherently different experience from playing a round of golf or going to a racetrack. My research on male customers of strip clubs found that the slightly aberrant and titillating environment, the release from the everyday rules for relating to women, and the ego-boosting nature of the interactions there may all contribute to relationship building between men.

In the workplace, men are often painfully aware of the realities of sexual harassment and worry about accidentally crossing the line. The men I interviewed expressed relief at being able to talk to the dancers "about anything" without penalty. And the strip club's treatment of customers as powerful, masculine, and important enhances their perceptions of themselves and their companions. A skilled dancer further greases the wheels of a social occasion. By flattering patrons, she makes each one feel special. These "ego massages," as one patron called them, can be very effective in helping to put clients in a good mood, in part because they are not coming directly from the salesperson.

Galen is thus correct when he argues that having Joan Warren accompany him on a sales call at the Red Ruby Club would change the dynamics of the meeting. Many men would feel uncomfortable being observed in this environment by a female colleague. Strip clubs for heterosexual men are specifically gendered—they're premised on the idea of female visibility and service for male patrons. When a woman enters a club as a customer, her experience is necessarily different from that of her male counterparts.

So if adult entertainment is used to build client relationships and boost sales, OptiMotors Industries must find a way to ensure that female reps can compete. Maybe it could form two-person sales teams, each consisting of a man and a woman. If the male rep were to go to a strip club with a customer, the female rep could handle some other aspect of the sale so that the team members could share equally in the commission. And if Bob is concerned about equality, not to mention the bottom line, he should find out how much money is spent with "Triple H Media"; promotional budgets for male and female reps should be comparable. Further, Bob should have employees of both sexes go through sensitivity training around gender issues.

It's not just women who may feel uncomfortable visiting strip clubs for business or knowing that their coworkers are doing so. In the course of my research, and when I was dancing in topless and nude clubs, I met men who claimed that they didn't even want to be there but felt pressured to go along by the groups they were with.

When I was a dancer, I appreciated business customers for financial reasons—patrons can be very generous when someone else is paying the tab. I can imagine that such generosity sometimes extends to their companions as well. But I don't think strip clubs should be given more credit than is due. Some men have told me that the setting poses more of a distraction than an enhancement to getting work done. And while I have heard men say that they need to visit strip clubs to generate business, I have seen no data proving that link. Personally, I never saw anything actually get "signed" in a strip club, except for some pretty large tabs! OptiMotors' customers could probably be courted and won in a different setting.

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*A skilled dancer greases the wheels of a social occasion. By flattering patrons, she makes each one feel special.*



## Case Commentary

by Das Narayandas

## When does client entertainment cross the line?

*Right now, Galen is holding Bob—and his company—hostage, and it's up to Bob to turn the situation around.*

Galen's approach to selling and sales management is discriminatory—there is no doubt about it. This sort of thing does happen, but I would argue that it's an aberration, not the norm. Personal selling and sales management have become more scientific, a far cry from the manipulative techniques once associated with sales. In the past 30 or 40 years, customers have become very sophisticated. They want to buy value, not just products. Unfortunately, Galen seems to be caught up in the selling methods he learned decades ago.

By relying on male bonding to make sales, Galen acts as if he's peddling a commodity, but OptiMotors makes specialty products that enhance cars' performance. In an industry where even a marginal improvement can turn a loser into a winner, that's a powerful incentive for customers. When he's courting potential clients, therefore, Galen should be thinking beyond simply "How can I get this sale?" and focusing on "How can OptiMotors solve your problems and help you be better at what you do?"

In my research, I have found that good sales reps understand that buying decisions in companies are often made not by individuals but by groups of managers. They always take the trouble to quantify and communicate to customers all the economic, technical, service, and social benefits they provide. By linking decision makers with relevant benefits, the sales rep systematically tackles each decision maker's concerns, communicates how his firm will meet the customer's specific needs, and briefs each buyer about the concerns of the other people in the buying group.

In this case, I blame the CEO. His first mistake was hiring the wrong sales manager. He looked at Galen's numbers but ignored how he achieved them, essentially abdicating responsibility for the entire sales process. From the beginning, Bob should have been very clear that his company stands for high-quality products and that it wins customers through its technical skills and manufacturing capabilities.

I could argue that trips to the Red Ruby Club are an unnecessary expense. Galen may just be having a good time for himself on the company's checkbook. Customers might even be reluctant to accompany him, doing so only because he's persistent and bulldozes them. Right now, Galen is holding Bob—and his company—hostage, and it's up to Bob to turn the situation around.

Bob needs to inspire the rest of the organization with the vision that OptiMotors makes world-class products for world-class customers. Bob should clarify to his staff that ethical behavior cannot be compromised. He has to prove that he has the guts to walk away from business that doesn't fit with OptiMotors' standards. I have enormous respect for April, who wouldn't bend her morals, even though it meant leaving the company.

Since Galen doesn't seem to be willing or able to change, Bob must take the lead in transforming the company's sales force. The reps groomed by Galen will need to be retrained so that their sales activities are no longer divorced from OptiMotors' value offering. They will also need supervision, and the company will need to develop appropriate mechanisms to evaluate and compensate performance.

I am not saying that entertaining customers is wrong. Effective salespeople develop relationships, getting to know customers so that they can better serve their needs. Taking a customer out for a round of golf is a valid way to do that. Technically, any entertainment expense that is ordinary and necessary is fine. An ordinary expense is one that is accepted as a norm in your industry or business; in this case, bringing someone to a NASCAR race would fit. A necessary expense is one that you need in order to get the business. Bringing clients to strip clubs is not a necessary step to closing a deal.

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## Case Commentary

by Denise Rousseau

## When does client entertainment cross the line?

It's not too late to salvage OptiMotors Industries, but Bob has to act quickly. He must take immediate steps to end discriminatory practices and restore his company's respectability—in the eyes of both employees and outsiders. He must also complete the task his angels set out for him: to build the company's marketing and sales capacities. Personally, I don't think he can do it with Galen on board.

Bob is torn because he believes that Galen has been successful in attracting new clients and closing new deals, but the wins he's had are essentially "fruit of the poisonous tree." They create far more costs than benefits, and they may actually prove fatal, for two reasons. First, generating sales by using lap dancers and sex, or even the less troublesome male bonding, has absolutely nothing to do with the value OptiMotors can provide its customers. This dangerous sales tactic is an enterprise-corrupting, value-eroding shortcut. It diverts the company's attention from building the sustainable marketing channels that are essential to its continued growth.

Second, denying a female employee the opportunity to earn a living commensurate with her contributions and capabilities is discriminatory, and it violates basic legal and moral principles of good faith and fair dealing. Even without the sex, the male bonding tactic wouldn't be justifiable or even practical. There are other potential clients, including Garber Custom, for whom male-bonding tactics have no appeal. OptiMotors Industries is losing out on opportunities to build more value-added client relations.

Departures from good judgment and fair dealing are seldom seen as isolated acts. When employees learn that the company tolerates these behaviors, they naturally come to suspect all its managerial decisions. One CEO I knew promoted people who gave contracts to his childhood friends, downplaying other, more competitive, arrangements. The boss who shows poor judgment breaks faith with employees; their trust in that person's character is eroded, and they question the legitimacy of other actions the organization takes.

Bob's goals should be to restore the legiti-

macy of his business and its practices, to regain the confidence and respect of his employees, and to strengthen his company's sales and marketing capabilities. He must stop OptiMotors Industries from becoming Galen's private playpen. First, he needs to inform his investors of the situation. The angels' contacts may have led to Galen's hiring, but the investors ultimately share Bob's interest in restoring respectable practices. These folks want their money back, with a profit, not a lawsuit that might destroy their reputations and put them out of business. Bob should then call in Galen and terminate his contract. Next, Bob should let his workers know where the company stands on employee opportunities and fairness and on its commitment to adding value to the business through quality customer relations.

Bob should follow up with top salesman David Reed, who has been under Galen's sway. Bob should be sure David understands that he can still be a respected member of the organization if his full efforts go into promoting the new value-oriented tactics. David can also provide important information on the clients involved in "sex for sales." Then Bob and the sales staff should work on damage control, offering April her job back and inviting her and Joan to be a part of this process (if they are willing). He could ask them to call on old accounts to communicate the value OptiMotors Industries places on the customers' business and the company's commitment to excellence and professionalism. Meanwhile, Bob should start looking for an experienced sales manager who is not only successful but also ethical.

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*The boss who shows poor judgment breaks faith with employees; they come to question the legitimacy of other actions the organization takes.*