

The Ethics of Holiday Business Gifts

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The holiday season is a wonderful time for giving and receiving gifts. It also raises the question of the appropriateness of business gifts. As the former ethics officer for a Fortune 500 company, I often dealt with the ethics issues raised by gifts.

Gifts from companies to their sellers, suppliers and customers are common during the holiday season. For example, a company's sales department might send a fruit basket or sporting event tickets to the employees of a major customer's buying department. You send the gift in appreciation of the customer's business. It fosters goodwill between the companies.

Business gifts, however, can create problems and are sometimes illegal. Following some simple rules can avoid serious problems.

Know Company Gift Policies

Know your company's policies on giving and receiving gifts. Some companies strictly forbid the giving or receiving of gifts. Other companies allow gifts, but limit the kinds of gifts given or received. Many companies require all gifts be nominal in value, such as no more than \$25 in value.

Company policies often require the approval of all gifts by a company officer, such as the ethics officer. The company may keep detailed records of gifts given and received. Failure to know and follow the company's policies can result in disciplinary action, including terminating employment.

It is also important to know the gift policies for the employees of any company to whom you want to send a gift. Policies can differ between companies. A gift returned because it violates a company's gift policies is awkward and embarrassing for everyone.

Avoid Excessive or Embarrassing Gifts

If company rules allow business gifts, make sure they are not excessive in value or offensive. Cash gifts are always improper. Expensive gifts look more like attempts to influence business decisions than true expressions of gratitude. It is also best to give gifts in which employees can share. A gift to one department employee can create suspicions of impropriety.

Use common sense in choosing gifts. Promotional items look too much like advertising instead of expressions of gratitude. Do not give a gift that could embarrass you, your company, or the gift's recipient. Gifts of alcohol are dangerous because they offend some people for religious reasons. Gag gifts are a bad idea. The gift's recipient may not share your sense of humor. Even worse are gifts with sexual overtones, such as free dinners at so-called gentlemen clubs. You will not find a gentleman at a gentleman's club and the gift offends most people. If you think gifts with sexual overtones are humorous, examine your sense of humor.

Even a charitable donation in a customer's name is problematic. The customer may not support the cause or institution. Your gift could embarrass or offend the customer.

Never Give Gifts to Officials

Never give anything of value to federal, state, foreign or labor union officials. Regardless of good intents, it is illegal to give anything of value to a federal official, even if the gift's value is nominal. State rules on gifts to state officials vary from state to state. Some states forbid gifts to state officials; other states allow gifts, but the rules are often confusing. It is safer to avoid

making the gifts. Gifts to foreign officials violate the Foreign Corrupt Practice, which has severe penalties. The National Labor Relations Act forbids gifts to union officials.

Unintended Results

Remember that once you make gift-giving a business practice it is hard to stop. Eventually, those who receive gifts begin to expect them. If you stop sending gifts, they question “why?” Failure to keep up the practice can strain a previously good business relationship.

Also, as a business grows the more gifts it will need to make. The program can become expensive and hard to control. It is difficult to justify gifts to only some of your sellers, suppliers and customers. Those who do not get gifts may believe you do not value their business.

If you want to thank those with whom you do business, send them holiday cards. It is simpler, cheaper and safer.