



Balancing the Rules for Gifts, Hospitality

“OK, team, it’s our first trip to visit the new customer in Asia. I read that in their culture, you’re expected to show up with a gift. We need to decide what to give them and it has to be really special; I mean, this contract is worth millions and this is our chance to show them how much it means to us. Oh, by the way, Bob, are you coming to the game tonight with us? We’re going to be in the consultants’ skybox!”

This is a common scenario in many big businesses. Somewhere in the code of ethics and conduct of nearly every government contractor is a commitment to conduct business with integrity, compete fairly based on the merits of its products and services, and comply with all applicable laws and regulations.

Managing ethics and compliance issues around gifts and hospitality, however, is challenging. After all, business is conducted between people. Good working relationships are built on communications, which lead to understanding and successful execution, which in turn lead to trust. And in the interest of promoting positive relationships, it is customary for people to offer and receive gifts and hospitality.

There are numerous and complex rules and regulations pertaining to gifts and hospitality. They exist in the interest of fair competition and process integrity, but create a compliance landscape that can be tricky to navigate. Contractors need to be particularly mindful of the ethics rules affecting their relationships with U.S. government employees. In the international arena, there is an increasingly dense web of anti-bribery and corruption laws, as well as an environment in which cultural norms can cause confusion and concern.

The challenge for contractors is to adopt processes that allow them to cultivate business relationships for success, while also protecting the company by facilitating ethical conduct and compliance. A solid approach to gifts and hospitality management should include, at a minimum:

- Clear and understandable policies and procedures with as little ambiguity as possible;
- Guidelines for interactions with all business contacts, including commercial contacts, as well as those representing the U.S. government or other governments;
- Scenarios with situations typical to the business to guide employee understanding of what is and is not generally acceptable;
- Defined value thresholds, above which approval is required;
- Documented approval processes for items that exceed thresholds or require determinations of “reasonableness”;
- Information on whom to contact for questions or approval and how to reach them promptly;
- A gift log of items offered and received and;
- Procedures to audit, monitor and track travel and expense records, as well as gifts and hospitality.

At Mission Essential Personnel LLC, gifts and hospitality policies are practical, reasonable and user-friendly. Mission Essential provides training not only on policy and guidelines, but also on the reasons behind them. Rather than publish rigid lists of

prohibitions, they believe in treating employees like professionals, giving them responsibility and empowering them to make good decisions on a daily basis that support their functions.

According to John Lossing, senior director of compliance, it’s critical that the ethics and compliance offices cultivate a relationship of trust and encourage open communication. Then if an employee encounters a unique and difficult situation, they will call to seek guidance. “Together, we can reach a decision that will align with the company’s goals and objectives, but not cross lines we would want to avoid,” he said.

“Most people want to make ethical decisions and do the right thing. But they may not know, in a specific circumstance, what is right. We need to give our employees tools and support to help them make good decisions,” Lossing said.

Honeywell has developed a gifts and hospitality application available on smartphones to support over 120,000 employees in 70 countries. Farzaneh Paslar, general counsel of international transactions and compliance, led the initiative to develop the Honeywell G&H App, which is also web-based, using critical input from business leaders, sales and business development staff worldwide to ensure they captured their customers’ feedback to make the process user friendly and efficient.

Using Honeywell’s G&H App on a smartphone, laptop or iPad, an employee anywhere in the world can access user-friendly and current policies in their own language and submit requests for gifts and hospitality real time. If the request is compliant with Honeywell policies, the app will approve and archive the request. If the request exceeds the threshold in the policy, the app automatically emails the regional integrity and compliance director, who contacts the employee within 24 to 48 hours to support the request.

The G&H App is simple and intuitive to use. It even incorporates an automatic currency conversion function to make it easier for employees to submit requests without worrying about converting foreign currency to U.S. dollars. Another powerful feature is its archive of all requests, enabling data analytics for visibility into gifts, hospitality activity and spending across regions and business areas.

Paslar said the G&H app allows employees to comply with internal policies and support their customers without delay. It enables our employees to make “fast and right decisions that are fully compliant.”

Contractors need to guide and support employees to make good ethical decisions and avoid conduct that could create a perception of unfairness. Every company’s approach to gifts and hospitality management should be tailored to their needs and culture. But every approach should aim at balancing requirements for ethics and compliance with the recognition that the cultivation of positive relationships between people is what makes business succeed.

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