

# Study on ethical gift-giving practice in corporates

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**ABSTRACT.** *Corporate gift-giving is one of the controversial topic in business ethics. Due to the lack of detailed regulation, people in the business area are often confused with the blurry boundary of corporate gift-giving. This article helps people raising awareness of the importance of ethical gift-giving practice and proposing solution to regulate the market in gift-giving. The article first introduces the relevant definition and different countries' regulation of corporate gift-giving. In order to figure out the problems lies in corporate gift giving, the author designed a survey that include questions about the price, occasions, and details of gift-giving. According to the survey, most problems originated from the unclear boundary. Solutions to solve the problem can be divided into three parts: promoting the importance of setting up rules for corporate gift-giving in the business area; having every staff in the corporate to remember the standard codes of gift-giving practice mandatorily; letting everyone in the corporate to have their own framework of ethical decision making.*

**KEYWORDS:** *Business ethics, Corporate Gift-giving, Regulation, Solutions.*

## 1. Introduction

With the increase of international commercial interactions, corporations are pushing the world economics to a peak. It is understandable that people in this field all wants have a solid cooperative relationship with another corporation. Gifts giving is, nowadays, considered as an efficient mean to enhance the relationship between the suppliers and their business customers, yet, no one is able to offer an accurate line between right or wrong. Gifts are often related to the culture of the person receiving the gift, different culture shared various values of gifts. For example, in China, sending a green hat to someone is not appropriate; in USA, sending a gift relating to the number 13 is also considered ominous. Thus, it is important for the gift sender to respect others culture by sending the proper gift, this way, they can continue for a further business discussion.

Problems, however, lies among the actions of gift-giving. Without a clear boundary, it has become a difficult choice for their business partners whether it is ethical to accept those gifts during the free market where people give gifts. The

purpose of essay is to raise awareness of the possible law consequences of any unethical business behavior surrounding with gift-giving. A deeper reason is because there is no clear boundary set in this area, so it is also important to give clear understanding of the term “business ethics”, to know the broad range of gift-giving, and to set a system to regulate all related actions. The ultimate goal is to offer a plausible solution to all the potential problems causing by the action.

## **2. Current situation of gift-giving action**

### ***2.1 Conception of relevant terms***

To understand what business ethic is, we have to get a clear definition of what ethics is. Unlike feeling, ethics is the standard of distinguishing the ethical and unethical things based on our moral values. Ethics is not something as religion or culturally accepted norms. It is certainly not the same as law. Ethics can be considered as a moral standard combined with various factors of humanity across the world that is accepted by the majority of people, which not only is about right or wrong. Last but not least, ethics is not quite like science. Science use hard evidence and has unifying explanations for all events happened in the world, but any ethical events can have tons of ways of valuing or judging based on different ethical perspectives. In another word, ethics is the moral standard that instruct the behavior or thought of a human being under different circumstances [1].

According to *Investopedia*, business ethics, in a deeper dimension, it is the study of proper business policies and practices regarding potentially controversial issues, such as corporate governance, insider trading, bribery, discrimination, corporate social responsibility and fiduciary responsibilities. According to online *Black law dictionary*, business ethics also concerns with a broad area dealing with the way in which a company behaves towards, and conducts business with, its internal and external stakeholder including employees, investors, creditors, customers, and regulators. In certain national systems, basic ethical standards exist to build a balanced business ethical order and eliminate a series of negative social influences [2].

Corporate gift-giving is a visual way to represent all aspects related to business ethics, and it includes the way we judge this action based on our ethical standard, the social impact of this action, the level of ethical issue concerning with the action, and etc. Most gifts serve the purpose of enhancing relationship between corporates and business partners. However, a controversial topic about gift-giving is that how can gift senders prove their ethical intentions to the receiver [3].

### ***2.2 Different countries' current regulation and law on gift-giving***

Although the definition of business ethics is widely accepted by the world, different countries share their own perspectives of the importance of business ethics' regulation.

In China, the core idea of business ethics originated from Confucianism. It carried out the idea of “honesty, trust, generous, kindness, and humble” into business ethics [4]. In modern days, other scholars believed that the modern Chinese business ethics also include the spirit of putting benevolence to the priority of business, using kindness to restrain the pursue of unethical benefits, giving gift to show signs of respect, and keeping promises [5]. China is a state of ceremonies, and gift-giving is one of the most common communication behavior under any circumstances. Especially during corporate meetings, Chinese people often give gifts to their partners as a way of showing hospitality. For example, pharmaceuticals corporates often send small gifts to doctors aiming to influence their prescribing practices. Gifts, both large and small, have been used to promote long-term stable relationship [6].

The first clear regulation for corporate gift-giving comes out in 1993 when the Chinese State Council issued that gift over 200 RMB must be recorded and must be submitted to the receiving corporate instead of the individual. Since inflation occurred, the 200 RMB regulation soon became outdated and abandoned, replaced with more detailed punishment on any unethical corporate practices that is considered as bribery.

The problem remains for China is that the regulation is still not clear enough to tell what level of gift-giving practice is unethical between corporates. Since the boundary is so blurry, the regulation was changed to “any gift-giving practice that is intended for improper benefit is seen as an unethical action, which is bribery”. According to anti-improper competition law act, the standard for bribery is based on four factors: the relationship between the gift sender and receiver; the value of the gift; the time, occasions, and the way of the gift-giving; the true intention of this action.

Without any detail explanation of the price, some corrupt corporates are likely to use the loophole to conduct unethical practices. Many identical cases of bribery happened because of the immaturity in regulation. In 2004, the *Caijing Magazine* exposes the bribery act of a company called the Alcatel-Lucent. In the file published by SEC, this company have been secretly inviting the supervisors of China telecom to travel in places like USA that is estimated to cost over 10 million dollars. The ulterior motive was to ensure getting the million-dollar telecom equipment’s purchasing contract. The trip was all purely for travel, which makes no one suspect the impure intention of the company. From the case, we can see that gift can be in more than one form. The corporate was trying to cover up the unethical side of the action by inviting many people, but here, the impure intention has already defined their practice as unethical.

In USA, the modern definition of ethics can be traced back to 1970. The Principles and Standards of Ethical Supply Management Conduct of the US’s Institute for Supply Management contains two relevant standards: First is to avoid any personal, business or professional activity that would create a conflict between personal interests and the interests of the employer; Second is to Avoid soliciting or accepting money, loans, credits, or preferential discounts, and the acceptance of gifts, entertainment, favors, or services from present or potential suppliers that might

influence, or appear to influence, supply management decisions [3].

The same problems lie for USA corporates as well that although the principle is well explained, there are no detail information of how much money would make the gift-giving action unethical. Additionally, due to America's democratic system, each states has its own regulation of bribery action, and this non-uniformity has made a lot unnecessary misunderstanding between cross-states' corporations.

### **3. Problems surrounding the topic**

In order to further analyze the problem concerning gift-giving action, I have design a survey to interview 30 people representing their corporates, which are internet, electric appliance, financial, insurance company etc. in Nanjing. Through our survey, 25 corporates have had gift-giving action to their customers or suppliers. In this number of people, 84% of them are unfamiliar with the regulation of corporate gift-giving, and only 16% of corporate have a detailed constitution. 40% of the survey taker have gave gift below 200 RMB; 24% of corporates choose to send gift over 200 RMB; 36% of corporates refuse to offer the detail. Occasion of the gift-giving is also included in the survey since it can also have big influences to the gift receiver. From the result, nobody has given gifts to someone in the house for a reason that this action is sensitive and people are afraid it could turn out to be a bribery crime; 52% of corporates prefer to give gifts during a visit in the company; 12% of corporates tend to give gifts in an annual ceremony; 36% of corporates incline to give gifts during a corporate meeting. The range of gift selection is also listed from the survey, which include diaries, pens, key rings, coffee mugs and items of clothing through to bottles of wine or spirits, meals, entertainment, tickets to sporting or cultural events, discounts, services, trips and money.

In addition, according to the interview, there are two sides of the consequences caused by the unclear boundary. For the law breakers, the loophole in the regulation is a chance for them to conduct unethical gift-giving practice for ulterior motive, which is to seek for un-rightful benefit. For the law-abiding people, they have no intention for any unethical actions or motives, but the lack of guidance makes them confuse of whether their actions is ethical or not.

### **4. Solution and countermeasures**

The corporate and the staff members need to be aware of the importance of having a complete regulation of corporate gift-giving. A well designed system would both guide people to avoid trouble when behaving any gift-giving action, it can also help regulate people from doing it in an unethical way.

First step, it is essential for us to advocate the union guild and the corporate to set up rules for corporate gift-giving actions. The rules can include different aspects of gift-giving, such as the type of the gift, price of the gift, quantity of the gift, and occasions for gift giving. It is also important for the corporate to consult with professional law counselor about the detail regulation before they publish the

complete version. A good regulation represents a corporate's culture of well management, which include responsibility, self-restraint, and positive entrepreneurship.

After setting the regulation, staff members must be familiarized with those rules in order to make them effective. This require the full guidance from each corporate, such as setting up mandatory courses, tests that can teach staff members and help them to remember of the ethical codes of gift-giving. According to IBM staff, every new member of IBM must sign the "code of conduct for business". The code serves as a method of restraining every staff's behavior. In the principle "relationship with government official", it stated that in some countries, the staff is able to send legal, fair, and reasonable gift to the local customer as long as the local culture allow for such practice and the staff gets permission from the supervisor of the corporate, and this act will not be seen as a way of seeking special benefit.

Last but not least, there are definitely problems that is not fully covered by the regulation. For those uncovered area, each staff should have their own ethical decision making process. The following steps is recommended for every staff member: First, list down the potential ethical issues of your action, for example, will the person's action harming the relationship of the corporates or people? Second, getting some information of the gift receiver, for instance, what is the personality of the receiver, and how big of an influence is the corporate represented by the receiver? Last, evaluating the choices of options, for example, which is the one action that can lead to less ethical issues?

## 5. Summary

Business ethics is a topic that can no longer be ignored, and its impact in any business community has been proved essential. Gift-giving can either lead to a better relationship between corporates, or can also lead to some horrible law consequences. The current problem for us to face is the incomplete and law and regulation that left this area in a "chaos". Raising awareness, establishing strong ethical standards, and setting complete and detail regulation are all steps need to done to build a better business ethical environment.

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