GAN INTEGRITY

The Definitive Guide to
Gifts &
Entertainment
Management

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Why Gifts & Entertainment Processes Matter

We know that at times business relationships naturally lead to the exchange of gifts to further good working relations. However, in certain situations, gifts and entertainment (G&E) requests can create organizational risk by influencing employees to act in breach of his or her duties. Proper gifts and entertainment management is the key to not only mitigate these risks but also promote compliance within your organization. So whether you're currently in the process of revamping your G&E program or are just starting to consider this undertaking, here are a few reasons why your G&E process should be top of mind:

1 Recent enforcement actions

Enforcement actions have reminded the compliance community that there is no such thing as a "safe zone" for gifting. Although it might feel like tickets to a sporting event or a concert are generally approvable requests, that is not always true.

Case in point: An enforcement by the U.S. Securities and Exchange Commission (SEC) fined Telefonica Brasil $4.13M over World Cup tickets purchased for government officials. This unfortunate situation could have been avoided with a proper gifts and entertainment process in place. By tracking G&E in the aggregate, the right tool could have helped the compliance team spot this trend and mitigate the risk long before the enforcement agency came knocking.

2 Evolution of compliance technology

Many G&E processes are not properly enabled through technology leaving room for much needed improvements. If you don't already have a central repository to store all requests, a workflow to automate the approval process, or access to reports on gifting trends, it might worth assessing whether the established process is optimal.

Alternatively, many G&E programs are supported by manual processes including spreadsheets and/or email approvals. While these methods might "get the job done" they are ultimately holding your G&E process back from being best-in-class. Compliance technology is constantly evolving to better fit the needs of global compliance teams, so make sure you stay up-to-date on the latest solutions available and leverage them properly to increase the output and efficiency of your compliance organization. When you are considering revamping your gifting process, technology is often a great place to start in order to see major changes.

3 Impact on overall ethics and compliance strategy

Gifts and entertainment requests should play an important role in your overall compliance and ethics strategy. It's an opportunity to both educate the workforce and learn more about the way your organization functions. Plus, properly managing your G&E program can really save you down the line. A G&E program should give you insights into which third parties and employees could come with the biggest risks which can be early warning signs. Managing this process is proactive and insightful which is why G&E processes matter not only to the compliance function but to the overall health of an organization.

So, why revamp your gifts and entertainment strategy? Ultimately, it's all about the pursuit of the elusive best-in-class compliance program that reduces risks across the entire organization.

Gifts & Entertainment Best Practices

Let's get back to basics for a minute and review some gifts and entertainment fundamentals. Below you can see a quick visual on which requests should be allowed and which are not appropriate (regardless of which enforcement agency we are talking about).

Generally permitted

- Legitimate business
- Appropriate and reasonable
- Adequate timing and frequency
- Legal for all parties
- Open and transparent

Not appropriate

- Cash (or equivalent)
- Valuable information
- Illegal items
- Employment position
- Personal favors
- Paid by employee personally

At the end of the day, gifts and entertainment spend should be **justified by a rational and reasonable business purpose and should be appropriate and reasonable**. This is a great rule of thumb that you can apply to the approval process and broader G&E policy.

However, like many areas where ethics are involved, there are certainly still some grey areas when it comes to these sorts of approvals. For example, should spouses be allowed to come along as +1s? Should a Friday to Monday meeting have a weekend of fun activities in between? Typically, these sorts of G&E requests are widely frowned upon but they highlight the intricacies and unique questions that often get raised during the G&E approval process.

With that said, this eBook will not be a review of G&E 101 principles, it will be about how you apply these principles systematically in your organization on a global scale. Doing this properly is complex and has become increasingly so due to the way that enforcement agencies are tracking potential violations. Today, a robust gifts and entertainment process involves looking at local customs, language issues, and currency conversions. The bottom line is: every G&E program is going to look a little bit different but the goal is to have your process make sense for your employee base and your organization.

Current Challenges with G&E

If you are already considering overhauling your G&E process, these three pillars are a good place to start because they often highlight the largest opportunities for growth. If you're not currently thinking about changing your processes but some (or most) of these hurdles sound familiar, then it might be time to consider building upon where your G&E program is at today. Here are the most common challenges large, global organizations face with their G&E processes:

Lack of Technology to Support Processes

Oftentimes, G&E programs are not being supported by the most effective technology. Many gifts and entertainment programs are rooted in manual processes or leverage solutions that were not designed with the G&E use case, and the intricacies that come with it in mind.

For example, some organizations rely on an email approval process which may get the job done but does not build a repository of requests, help predict where future risks might lie, or automatically route requests to all the appropriate parties. Taking advantage of automation has the potential to transform your approach to G&E. This is why selecting the right technology solution to underpin your gifts and entertainment process is essential.

Even solutions that are built specifically for gifts and entertainment might not be flexible enough to accommodate the changes your program will inevitably encounter. You want to find a solution that you can customize to the way your organization works. On top of that, changes are naturally going to happen over time. Maybe it's changing the thresholds, or adding a new currency based on where your business is expanding, or even adding/removing an approval step in the workflow. When vetting technology vendors, ensure you select a flexible solution that makes it easy for you to make the critical changes you will need to.

Having a robust G&E solution is an accomplishment but if you want to take it one step further, select a solution that truly integrates with your other compliance processes (think: third party due diligence, conflicts of interest, risk management, training, etc.). Bring all these critical compliance pieces together "under one roof" so to speak. A focused holistic approach to compliance and ethics allows you to get all of your compliance data in one place so you can better see risks in aggregate and optmize existing controls to more easily accommodate change.

No Insights Into Gifting Trends

Some technology providers will be able to automate the process of collecting G&E requests, but an important question to ask is: what happens with that data next? Using this information to better understand your organization and where the largest risks lie, is critical to the success of your program. Unfortunately, few compliance teams can easily use their gifts data in a way that allows them to surface trends or spot early risk indicators. The data is usually static and reporting isn't real time.

As a compliance officer, you want to know who your employee base is spending gifts and entertainment dollars on and you also want to be able to easily see your data in the aggregate. It can be very insightful to understand what the totality of all employees giving to another entity is, rather than what one employee is giving to that entity. Other valuable insights might include which teams or individuals submit the most requests, geographical trends, and average approved/denied gifting spends. These kinds of insights can help you decide where the thresholds should be, what local customs you should be considering, and where the biggest risks lie. Without good technology, acting on trend data to further refine your program can be difficult to manage.

Effectively Deploying New Processes

Being able to deploy a new process into a large organization and actually create adoption is no easy feat. Most compliance officers are not traditionally trained communications professionals, yet the successes of your work rests on the shoulders of a robust communications strategy.

This is both a challenge and an opportunity. You can build the most amazing G&E process (or any other compliance process for that matter) but if you are not making it crystal clear how to follow this new system, then no one is going to use it. User adoption is essential to the launch of any new compliance process.

Much of this effort will include engaging stakeholders around the business as you deploy your new G&E process and using a wide variety of communication methods. Email should be an essential part of that strategy but email alone won't cut it—just think about how many emails the average employee receives on a daily basis. Even in someone's inbox, you are fighting noise. An effective communications strategy might include internal memos, posters, or in-person or virtual training sessions. You'll also want to ensure you spend extra time educating groups of power users. For a G&E process, this will likely be the commercial side of the business including sales teams. Additionally, if you don't already have a communications professional on your compliance team, it may make sense to look into adding this resource to the team on a temporary or full-time basis.

Managing organizational change when rolling out a new process is always a large undertaking, as is any event where you are asking large numbers of humans to change their behavior. It takes time, excellent communication, great leadership, and at times, even a little patience.

Defining a Robust G&E Process

Think About Your Documentation Strategy

In all things compliance, the audit trail is king. It's critical to document what the compliance team is doing and be able to access this data at a later time. For gifts and entertainment, tracking exceptions is also a really big issue. Knowing how many exceptions you have and what those look like can be very telling. Following the best practices is a good start but you also need to be documenting every step of the way.

Advantages of proper documentation include:

- Streamlining G&E approvals

- Creating a request repository

- Tracking exceptions

- Paying attention to aggregates

Effective documentation can help provide your team with more meaningful data to report out on. Trends could include exceptions by region, title, role, or if requests are timed around certain events, such as big sports games. Having this sort of data gives you the opportunity to explain upwards what is going on within the program and could even help explain why this matters. Data points can help tell the compliance story and can really help bring the issues to life.

Approvals Process For G&E

Typically, organizations decide that the compliance function will need to review any G&E request over a certain named amount. Below that, the request can be automatically approved and documented or maybe a line manager needs to give their approval. Below we've outlined one example of these thresholds:

Sample Thresholds

Below $50	Automatic Approval
$50-100	Manager Approval
Over $100	Compliance & Ethics Team Approval

As you create your own thresholds, remember that there is no one-size-fits-all rule to what these amounts should be. This is something that your team will want to customize based on the unique qualities of your organization including what regions you operate in, what those local currencies are, local customs, and conversion rates. As much as you can tailor these thresholds to local customs, the better off your program will be. A classic example of this would be having a different threshold for a client dinner in Zurich, where the costs are infamously high, compared to a client dinner being held in Nashville, where the cost of eating out is much more reasonable.

It is worth noting that the conversation changes when dealing with public officials. Most G&E programs put requests for public officials in their own category since they entail more risk. One way to handle this is for any request that involves a public official, regardless of the amount, being approved by the line manager and reviewed by the ethics & compliance (E&C) team. Having a separate workflow for these requests, and ensuring they are flagged in your system is critical.

Below, you can see an example of a gifts & entertainment workflow.
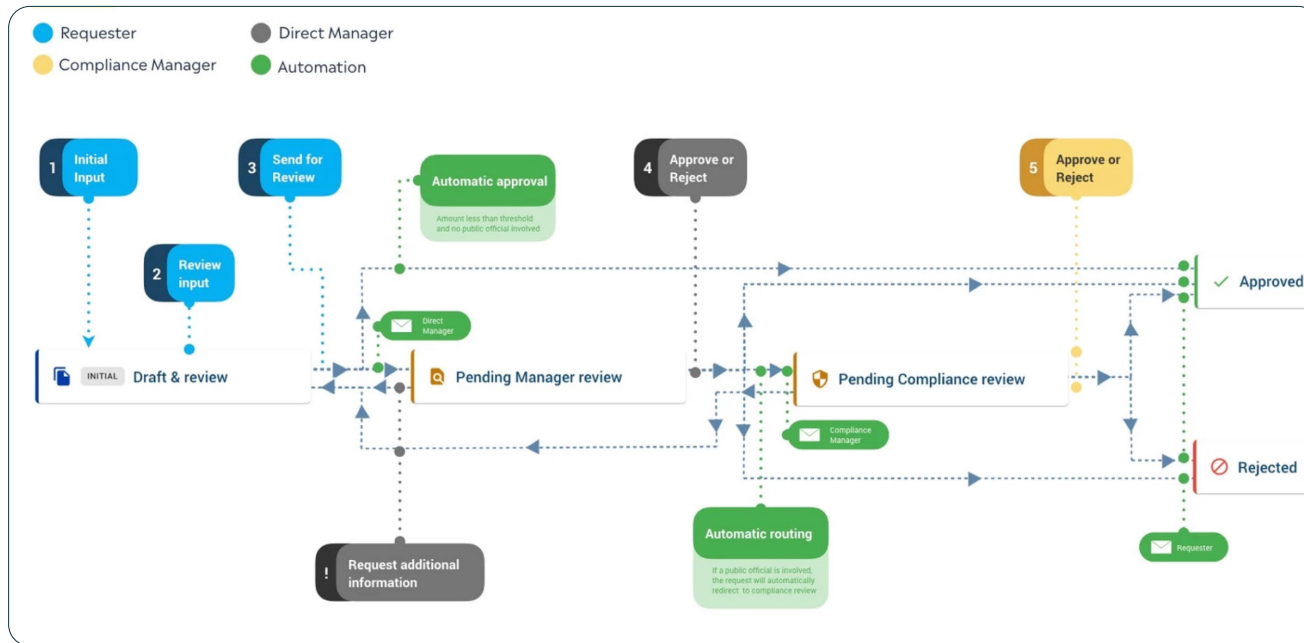
Another critical point to mention is the importance of your user interface (UI). Your process needs to be easy for employees to complete and should not feel old, outdated, or external but rather modern, intuitive, and on-brand. UI might feel like a "nice to have" rather than a "need to have" but the impact this will have on employees actually completing the G&E process the way you intended can be immense. Being able to customize your compliance solution so it looks and feels like part of your brand (as opposed to an external vendor) can significantly help adoption and make employees feel comfortable through familiarity through the process. In short, do not underestimate the power of well-designed user experiences.

Top G&E Process Considerations

When building out your new and improved gifts and entertainment process there are many factors that can influence exactly how you set up the program. To help make sure you don't miss any of the top considerations, we've compiled the list below:

- ❏ Which languages and currencies does your process need to operate in?
- ❏ What are the thresholds for automatic approval, manager review, and compliance review?
- ❏ What questions need to be on your G&E questionnaire?
- ❏ What special forms or conditional questions will need to be answered?
- ❏ Should you establish thresholds per person, per department, or per company?
  - What time period should this be measured? (Monthly, quarterly, annually?)
- ❏ How long should the process take?
  - What turnaround time is required for maximum impact?
  - How far in advance do requests need to be submitted?
- ❏ How will this loop into other E&C initiatives?
- ❏ What kind of reporting and trend data is important?

While the list above is a great checklist to run through while building out your new strategy, always remember to take into consideration the nuances of your organization. As we all know, there is no one-size-fits-all compliance solution and you will need to tailor your gifts and entertainment process to fit the unique qualities of your organization.

Successfully Deploying Your G&E Process

As mentioned, a good communication strategy is essential to the sustainable success of your G&E process and overall E&C objectives, as it notably allows you to:

- Make sure the relevant stakeholders are involved

- Create curiosity about the topic

- Ensure adoption over time

- Create visibility and leverage for the E&C function

The role of management is to lead by example and to make sure each team adheres to the process. You need to think about who is actually going to be using this system. A large number of your employees are likely to be in roles where gifts and entertainment don't really occur but yet they still need to be aware of the policy and process. On the other hand, you have communities of power users who you should really be designing the tool for.

Power users are likely to be business development teams, sales teams, and even client management roles. The commercial side of the business will naturally encounter situations where they will need to make G&E requests because they are the ones typically building relationships with third parties. In your communication strategy, be sure to have general communications but also specific ones to the cohorts who will use this solution the most. By tailoring the messaging for a specific group, you are able to increase their resonance with the new policy.

Here's a 3-step process to effectively deploy a new G&E process in your organization:

1. Tease the topic

It's essential to gain buy-in and inform stakeholders that changes are coming. You can do this by presenting to your organization's leadership team and request their assistance with establishing a strong tone at the top. For the rest of the organization, let them know that a new G&E process is on its way, so as not to catch anyone off-guard with the changes. Communications to the employee base might include posters, emails, handouts, or other forms of internal messaging.

2. Train the workforce

Launch the new gifts and entertainment policy and associated training. Leverage a trusted technology partner to make this step seamless. Ensure signatures are collected to ensure accountability for all employees. Since some groups will use the G&E process more than others, it might make sense for you to also host in-person training with power users, such as the sales teams, to make sure they adopt the new process seamlessly.

3. Listen to feedback

Although it might feel like your work is done once you launch the new process, that is far from the truth. Getting honest reactions from outside the compliance team and iterating when necessary is an essential step. Listen to reactions and try to solicit honest feedback about how people are experiencing the new process in real life. Remember, compliance initiatives are iterative processes and your program should always be evolving to become the best it can be.

Key Takeaways

1 Create a process that is easy to follow

One of the main ways you can drive better results from your gifts and entertainment program is making the process as easy as possible for your stakeholders. Not only will this help with adoption rates but it will also set the precedent that compliance processes are not complicated and therefore help with future launches. From how employees access the G&E portal, to how long it takes to complete a questionnaire, to what the follow-up process looks like after, all of these are examples of areas that can be simplified to improve the user experience.

Additionally, if you are working on a lean team with tight resources, you have to rely on employees to adapt your policies and processes and run with them. However, they will never do that if things are over complicated. Simplicity is the key to G&E process success.

2 Leverage the right technology

Your gifts and entertainment program needs to be flexible, so therefore, the technology supporting it needs to be as well. Change is inevitable, in life and in your G&E process. Gifts and entertainment specific changes that you will want to be able to adapt quickly to include entering into new markets with a different currency, adding (or taking away) an additional reviewer, and altering thresholds that trigger a managerial review. The list could go on but the principle would remain the same: eventually, you will need to modify your G&E process to ensure you select a tool upfront that will easily be able to accommodate these changes. This should be a minimum expectation, so ensure you vet for this in your technology search.

Another factor to consider is bringing all compliance functions under one roof. Starting to integrate your compliance processes will enhance reporting and documenting capabilities and set you up for future success. If all your compliance data is stored in one place, then using artificial intelligence, predictive analytics, etc. all become possibilities.

Selecting the right technology vendor is a big decision and will often dictate many factors of your program including what the user experience is like and how you can make changes and updates to your processes over time.

3 Remember to share the why

Let your stakeholders in on the thought process behind your G&E strategy to help gain buy-in. Bonus points if you can collaborate with them as you build it out to get real-time feedback and make them feel like they are part of the process. Explaining the larger impact that G&E has on the organization can be a useful educational moment. By teaching employees about the impact that proper (or improper) G&E management could have on the company, in terms of reputational damage or potential fines, they are able to have a deeper understanding and maybe even appreciate the process.

As you build out your new gifts and entertainment process, keep these three takeaways in mind to keep you on the right track. Revamping a compliance process is always a big endeavor with many stakeholders involved and many moving pieces, but at the end of the day, it will make your organization more prepared for risks, give you valuable insights into the organization, and provide you with the critical data you need to make strategic decisions.

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