

## ***EXECUTIVE SUMMARY***

### **DOES YOUR COMPANY HAVE A FOREIGN POLICY AND THE INSTRUMENTS TO EXECUTE IT?**

**Any company operating across its own country's borders must have a foreign policy. Somebody must be responsible and give credence to it. It is imperative for such a company to do so for precisely the same reasons a country has a foreign policy. Commercial interests have now become a key part of foreign policy. Business needs to understand foreign affairs and how to be comfortable in that environment.**

**Most companies think about foreign policy as something that the government alone conducts. However, a business foreign policy would not only aim at understanding and influencing the way its own government works; it would devote even more time to figuring out how foreign governments are likely to behave. It is thus imperative that companies - not just multinational corporations - understand foreign politics and the way they could effect business prospects and decisions.**

**The underlying reason for any country's foreign policy is to promote and protect the country's interests abroad. Top Executives and their management teams must be au fait with foreign policy issues and their demands that impact on their companies, their decisions and operations abroad and maintain constructive relations with the host country's government, body politic and institutions.**

**All executives read newspapers, listen to the radio and watch television. They thus read, hear and watch what is going on in the world.**

**But, do they really comprehend what is happening so that they appreciate and recognise the opportunities and threats developments in the countries their companies are present and operating in - or in a neighbouring country, sub-continent - hold for their companies?**

**How do they translate these developments into action plans whereby opportunities and challenges are exploited and threats and disasters avoided? Or do they just simply suffer from the CNN-effect: don't pay any attention to any development or story unless and until CNN starts reporting it.**

**Top management, while recognising that demand - or, for that matter, that vacuum - may not have the tools at its disposal or the desire to concentrate on the opportunities and problems which must be addressed in its overseas endeavours. Companies also need to educate boards of directors in the reality of doing business abroad. Issues such as economic opportunities, political and economic uncertainties and risks, corruption, human rights, environmental protection, need for long term horizons, and extreme flexibility in planning and operations require corporate directors with a level of experience not often found. As firms expand abroad, the qualifications for corporate governance will need to change, with understanding of global realities given much more priority.**

**A "no crisis" world does not exist. With little prior notice the fall out from political and social unrest abroad ends up at the front door of a company in various forms. Staying-at-home syndrome does not have a place in any progressive minded company. Events tend**

to gain their own momentum, which if not "mastered", will be more and more difficult to handle successfully. When they do turn into crisis it is not possible to deal with them by improvisation. High level international and strategic advice is required by corporations and private entities operating on the international scene regardless of how insignificant such an involvement may be regarded by the management or members of the companies at first.

Expertise, experience, credibility and dedication are required to develop close and lasting relationships. And, also to define these strategic needs and opportunities for clients in foreign countries and environment. Foreign relations must be understood and how it manifests itself in various ways.

Knowing, understanding and interpreting the political environment in any country are vital ingredient for successfully identifying the personalities and all that are involved in the make-up of that country. Also, for entering, establishing, operating and performing in that country. Knowledge and access to a considerable contact base do ensure a comprehensive view and an undertaking of what is unfolding. Political and socio-economic matters internally and externally are constantly in a state of flux. Companies must be able to react to them promptly. Being comprehensively involved abroad can be a complicated and an intricate endeavour.

Information is the commodity on which the future is built. Opportunities are the lifeblood of companies. The experience of an external advisor may be a further key to success. An intellectual guide and interpreter are basic requirements to ensure the continued success of a company abroad.

A multinational company must have a Corporate Advisor on Foreign Affairs/Policy who can work easily across the international boundaries. A person who can play a critical role in guiding and advise on corporate strategy and policy decisions this field and who engages in strategic dialogue with the company.

As companies become more exposed to the outside world and business becomes more international, none dares to leave this vital aspect of its operations to chance or fate.

The sales revenues of the world's largest company, Wal-Mart Stores Inc., are higher than the GDPs of all but 25 countries. At 2.1 million, its employees outnumber the populations of almost 100 nations. The world's largest investment manager, a low-profile New York company named BlackRock, manages \$3.5 trillion in assets -- greater than the national reserves of any country. In 2010, a private philanthropic organization, the \$33.5 billion-endowed Gates Foundation, distributed more money for causes worldwide than the World Health Organization had in its annual budget.

An international company like ExxonMobil, with sales around \$350 billion in 2011, operates in more than twice as many countries as a significant, wealthy country like Sweden has embassies. In 2010, Sweden's defense expenditures were about one-sixth of Exxon's budgeted expenditures. The energy behemoth has more free capital to distribute worldwide, plays a much bigger role in the economic lives of more countries, and mobilizes more resources to influence political outcomes than do the Swedes. So the question arises: wWhich entity, Sweden or Exxon, probably has a greater impact on the outcome of global climate talks? On the adoption of environmental policies worldwide?

Comparing the sizes of companies with those of countries is a fraught business, with imperfect metrics, but consider this: The 1,000th-largest company in the world has annual sales greater than the GDPs of 57 economies. That company, Owens-Illinois, makes glass bottles; its sales exceeded \$7 billion in 2010, more than the GDPs of Benin, Bermuda, Haiti, Kosovo, Liechtenstein, Moldova, Monaco, Nicaragua, Niger, Rwanda, Tajikistan, and dozens of others. In fact, of the world's 500 largest companies, according to Fortune magazine, all 500 would rank among the top 100 economies on the planet. (GDP is a complex, if misleading, value-added metric, and it does not directly compare with a company's sales. But the comparison does give a sense of scale.) The phenomenon of corporate power is, of course, hardly new. The British East India Company ran the Indian subcontinent and managed one of the world's largest armed forces; Andrew Carnegie and Henry Ford built small cities for their thousands of workers, complete with employee housing and schools. Over the past century, however, the state-like roles of companies have grown and changed, becoming more common and more complex as multinational corporations themselves have grown bigger. Today's corporations often conduct something very much like their own foreign policy. [David Rothkopf *INSIDE POWER Inc.* in Foreign Policy, March 2012]

A company can only outperform its rivals if its unique and valuable position is based on and backed by a different set of activities. To achieve operational effectiveness a company's management must not only be able to maintain those differences, but also perform differently and better. At home and abroad competitive strategy counts. It is all about being different and better. Not to leave a vacuum. Or to make complacency part of its philosophy. A quality company always searches for ways to strengthen, improve and extend its position at home and abroad. Such a company in maintaining its unique position will find a role for foreign activities as a central and focussed part of its establishment.

Being in command at home is as important as being able to operate authoritatively and decisively in international arenas.

The reverse of "Think Globally" and "Act Locally" is often applied by companies with disastrous consequences.

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