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Board Oversight of Strategic Planning for Emerging Markets
November 14, 2012
10:45 a.m. 12:00 p.m.

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NATIONAL DIRECTORS INSTITUTE EXECUTIVE EXCHANGE
BOARD OVERSIGHT OF STRATEGIC PLANNING FOR EMERGING MARKETS

Panel: *John W. Christy, Owens Corning*
Edwin D. Mason, Foley & Lardner LLP
Deepak Nanda, Foley & Lardner LLP
Nick Padgett, Frontaura Capital LLC
Linda Walker Bynoe, TELEMAT LTD

Time: 10:45 a.m. to 12:00 p.m.

This panel will focus on the concerns and challenges facing boards of directors grappling with oversight of strategic planning for emerging markets:

1. Experience and specialized knowledge

   a. Boards may lack sufficient specialized knowledge about particular issues and risks affecting doing business in emerging markets, including:

      i. Government intervention

      ii. Weak private property rights and tenuous adherence to capitalist principles

      iii. Varying political models (authoritarianism, populism, democracy, etc.)

      iv. Relatively underdeveloped legal, judicial, and regulatory institutions

      v. Corruption

      vi. Restrictions on foreign investors (emerging markets sometimes do not have a long history of foreign investment, and there may be restrictions)

      vii. Other risks existing in emerging markets (these markets often have substantially higher levels of political, economic, social, currency fluctuations and security risks compared to their developed market counterparts)

   b. Responses:

      i. Recruitment and retention of managers who have experience in the relevant emerging markets AND who are trained in U.S. business operations and management

         (1) Problem: Every company wants people like this; they are difficult to find

      ii. Joint ventures and other partnering arrangements

         (1) A key is identifying the right partner

2. Location of Board Meetings

   a. Location of meetings is all about logistics and cost-benefit analysis.

      i. Must look at whether a country is capable of accommodating the demands/expectations of a visiting board of directors.

3. Weak regulation/bureaucratic structures

a. Companies in emerging markets sometimes operate in an atmosphere lacking established regulatory oversight or legal constructs

b. Response: Boards exercise oversight by establishing objectives and maintaining internal company structures and procedures for communications and accountability

i. Require reporting and auditing on a regular basis.

ii. Cap the loss/risk the company will face if the market does not pan out.

4. Inadequate information

a. Boards often lack adequate information (and the means by which to gain such information) on local competitors, the local market, advances in the industry, etc.

i. Specific examples of information that would be necessary but lacking:

(1) Competitor analysis

(2) Articles on the particular industry

(3) Recent developments in the industry

b. Response: Build information collecting procedures; provide the information

i. Examples of information gathering procedures/strategies/programs

(1) Surveys

(2) Interviews

(3) Focus groups

(4) Academics or other researchers

(5) Local officials and other leaders

5. Local differences

a. No emerging market will present the same problems or be solved with the same procedures

i. Highlight some differences between markets that would require different approaches, for example:

(1) Africa: conflict minerals

(2) Asia: child labor

(3) Latin America: drug cartels

(4) India: electricity and generator problems

b. Response: target solutions/programs/expertise based on the particular market

6. Independence issues

a. (Specific to investing in companies from emerging markets): boards and companies tend to be insular, lack minority shareholder protections

b. Must reverse those trends to make the investment profitable