NATIONAL DIRECTORS INSTITUTE | NDI Executive Exchange

TOP TAKEAWAYS

Strategy and Governance for Global Companies: Asia, Europe, and Emerging Markets

1. **Understand your company's basic risk tolerance.** Emerging markets tend to have underdeveloped regulatory structures which create significant gray areas where the rules are not clearly defined. As a result, a Company must determine where it is willing to assume risk in exchange for entrance into a particular market.

2. **Understand the risks of low transparency.** Certain markets have low transparency and visibility when it comes to doing deals or starting businesses. As a result, a "cheap" deal on the front end can end up with high post-closing legal and operational costs. Some level of risk is unavoidable, but knowing where the "black boxes" are can help in quantifying that risk.

3. **Distinguish between the things you can fix and the things you can't.** Certain risks can be minimized and dealt with appropriately, while others will survive no matter what. Do your diligence on the front end as much as possible to determine which risks cannot be "fixed" and whether those risks are high enough to walk away.

4. **Align risk management with strategic plans.** Often strategic plans run up against risk management concerns. But, when risk management is integrated with strategy as part of the same planning process, the two can work together rather than one being a roadblock to the other.

5. **Develop some bright lines and enforce them.** While risk is unavoidable, and a company must be able to tolerate some "gray areas" of risk when entering certain new markets, a company should develop and make clear some bright lines within its compliance and ethical framework. These bright lines should be supported by the tone at the top, as they can only carry weight if regularly enforced.

6. **Plan for contingencies and always have an exit plan.** While it is hard to imagine the worst case scenarios during the exciting beginning phases of a new project, a company should always have a plan for separation and exit in the event that the project goes south. Have a well-informed board of directors who regularly discuss and evaluate the "horizon" of business ventures, as planning for contingencies and ultimate exit will save time and money if the time for such events ever arrives.

7. **Have a clear system of communication between the board and the local employees.** The "boots on the ground" have an invaluable volume of knowledge about the business, what it will take to get it up and running, what it will take to continue, and in dealing with issues that come up along the way. A company should establish clear channels of communication of such information from the local employees up to the board of directors to ensure that the board has all of the relevant information when asking questions and making decisions.

8. **Have board members and advisors who have "done this before."** Having inside knowledge of cultural norms, regulatory concerns, and experience with deals and business in a particular market can be invaluable to understanding and evaluating risks, and knowing which things can and cannot be fixed. If your company is pursuing a new market, consider adding a board member or advisory committee, or hiring a project advisor, with first-hand knowledge.

9. **Have a generally diverse board with a broad knowledge base.** Having at least one member who has "done this before" is important, but so is having a generally diverse board with a broad base of knowledge. The board's job is to ask the right questions, and having a board range of experience will inform the questions and ensure that more bases are covered and more questions are ultimately considered.

10. **Understand your business partner and maintain the "balance of power."** In many emerging markets, companies will enter with a business partner or as a joint venture. This can be very beneficial, as a local partner can give you a local knowledge base and may have business connections that you will need. However, as soon as the partner is able to compete with the company, the relationship can fall apart. A company should be careful to maintain the "balance of power" and be sure that both parties continue to offer something of value to the other in the relationship.

For more information on Strategy and Governance for Global Companies: Asia, Europe, and Emerging Markets, please feel free to contact the moderator directly:

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