

# An International Company – A Political Actor?

Insight paper by Harmattan Risk

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If a company needs to be aware of and manage political risk, does this mean that it is in fact a political actor? This need and should not be the case. We can draw an analogy to an individual citizen living in a large city with a high incidence of crime. This person wants to avoid becoming a victim of crime. They make themselves aware of recent trends in criminal targeting and dangerous neighbourhoods, take common sense precautions to avoid crime (such as travelling with friends in high-risk areas, or taking taxis to get through bad neighbourhoods), have the police emergency number pre-programmed into their mobile phone, and take a self-defence course to help enable them to escape a rough encounter. These precautions do not make the person a police officer. They are not obligated to seek out and defeat crime, nor do they directly compete against criminal interests. They do not, in that respect, become a 'player', and they retain their own primary personal and professional interests which might only indirectly reflect on socio-political change, perhaps only through more socially aware comportment by way of setting a good example.

Companies operating in high-risk political environments are in a similar position. They take precautions, and they build useful relationships in the context and adapt to the political landscape over time, perhaps inadvertently affecting it to a degree not just through investment and economic effects but also inter-cultural interaction and sharing of mutual values. But any one firm is there to fulfil its legitimate business interests within the parameters of ethical business standards, period. There is no need to become a political actor to achieve this. The first caveat against a political role is thus that the tacit but underlying social agreement in most regions is that a company is there to do what companies do, make a profit, without causing harm, injustice or mayhem in the process.

Second, being perceived as a political actor means that one is treated as such. Although there is still an array of perspectives on international businesses, some decidedly unfriendly, by and large there is widespread consensus that the legitimate pursuit of profit is socially valuable, and that private companies are best positioned to undertake this pursuit. By sticking to business and avoiding over-extension into the political domain, a company can maintain a degree of political neutrality, and can thereby avoid the harsh treatment which political actors, whether state or non-state, are often subjected to by trying to influence the distribution of political authority or prevailing social values. If

one considers the survival skills of an experienced government or opposition group, they are very unlike those of a private company, and most firms simply could not compete as a political stakeholder, nor would they want to, given the risks. Any manager considering a more explicit political role for the company should ask themselves, “Why do so many ideologues and agents of states take risks that could get them killed?” The last time anyone died for market share alone might have been in the days of the British East India Company (although this was in some ways a front for official imperialist interests).

Furthermore, taking on a political role can dramatically erode the perception of a company’s performance in corporate citizenship. If a company oversteps the limits of political risk management, and goes from self-resilience to actively seeking changes in its political environment, it is by most standards seeking to create an uneven playing field, and concealing a power agenda behind what seems like a thin veneer of legitimate business interests. Such behaviour can also justify and spread notions that the company is an agent of political interests which could well be antithetical to political ideals in its host communities. After all, companies have actually been used as fronts for political subversion and clandestine activities in the past.

Where do companies draw the line between making themselves resilient in the face of political risk, and becoming political actors? This is an awkward boundary, and some companies have overstepped it in the past. For example, there have been several alleged (though well documented) cases of direct corporate collusion with Western governments in the overthrow of anti-capitalist Latin American, African and Middle Eastern regimes who threatened nationalisation of foreign assets, as well as the hiring of mercenaries to militarily secure local operating environments experiencing civil war. Such cases have inevitably incurred political wrath, increased risk, and damaged reputation. So too have cases involving the bribing of political stakeholders. More recently, some data and information companies seeking a new market have ended up working with political interests in dubious influencing campaigns, in the process tarnishing their company’s image as an impartial and ethical supplier of data analysis.

The best, or perhaps most feasible, answer to where the boundary lies is that efforts to make oneself resilient while adhering to legal and ethical standards are within a firm’s right and would be perceived as such, while efforts to alter the political operating environment, aside from support to legitimate peace-building initiatives in an operating area, would make a company a political actor.

Companies do need to engage with their political environments and build relationships with political actors in the context of specific operations, but they must remain very sensitive to this boundary.

When in doubt, a second opinion from reputable NGOs and respected donors who do not have a direct stake in the situation can be a useful cross-check. There is no easy answer, but being aware of the issue and keeping it on the radar is the best possible starting point.

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