Political Risk Management: What International NGOs and Businesses Can Learn from Each Other

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March 2019

Introduction

International non-governmental organisations (NGOs) and businesses are distinct in that one's mission is to translate donor funding into positive outcomes for beneficiary societies, and the other's is mainly to generate profit. Despite this distinction, both share the challenge of political risk. Both are driven to new terrain, NGOs to reach those in need of their support, and businesses to access new markets and inputs. They share the experience of being a newcomer in different environments, often less stable and certainly less understood than where they came from. Both are also subject to regulations wherever they operate, and the compliance pressures on both have proliferated in recent years. Finally, both are symbols and agents of global engagement, and in a period of increasing nationalism arising in part as a reaction to globalisation, and of political capital to be gained by catering to nationalist sentiment, this can lead to political pressures beyond just regulatory compliance. Part and parcel with what some have called the erosion of the global rules-based order, international political rivals decreasingly respect the rights and neutrality of non-government and private sector actors.

While capabilities to manage the challenges they face globally and overseas have evolved, both domains face a constantly changing socio-political landscape that makes good practice in political risk management (by whatever label) a moving target. This is not a new problem, but change accelerates as technology speeds global interaction. Both NGOs and businesses need to keep an eye above the day to day to see what capabilities and adaptations might help in the current context and beyond the horizon. Among the resources for seeking ideas, one which NGOs and businesses could beneficially draw on is each other. The aim here is not to provide a nuts and bolts comparison, rather it is to suggest, at an initial and exploratory level, what NGOs and businesses could learn from each other's attitudes and general approaches.

What Businesses Can Learn from NGOs

There are several NGO sectors, and for purposes here we broadly draw on development NGOs, who establish longer-term operations with the aim of supporting positive and fair socio-economic change in host societies. NGOs tend to have a higher risk appetite than businesses when it comes to country risk, partly because for staff the work is as much a vocation as a job, and partly because acute development needs often go hand in hand with political instability and weak governance, although tolerances certainly vary within the development sector. With a long legacy of working in and across complex environments, and by dint of their experience with grassroots civil society, NGOs have some potentially important lessons for international companies.

Acceptance as a Strategy

While companies operating overseas seek local trust, they seldom articulate this as part of a strategy for their own sustainability in a country. Rather, companies tend to assign local trust-building to CSR teams, who often work on the sidelines of the operation mitigating any hardship the company causes. This is not the same as forging acceptance as a trusted, if temporary, member of the community.

Among NGOs, acceptance is defined in security terms, the idea being that if the NGO is trusted by its host community, this prevents hostile intent, provides social deterrence against threats to the NGO, and forges local information networks for forewarning of potential hazards or issues. Acceptance often has broader aims, though: it also helps an NGO to gain the trust to introduce new ideas and ways of working, as well as better participation in NGO programmes. Acceptance planning is based on a careful assessment of the local community, and engagement is undertaken by all levels of the NGO, from country or programme director to field staff, as a routine part of their roles.

Companies, who are in a new country to run a business operation and not influence socio-economic progress, would not need acceptance to the same degree, but grassroots and mutual trust would still be very beneficial, as an unobtrusive contribution to security, as the basis for dialogue so that the company can avoid causing hassles or insult that could escalate, and also as the basis for patience during any necessary issue resolution. CSR goes some of the way towards achieving this, but an acceptance approach brings trust and dialogue closer to the core of the operation, ensuring higher organisational awareness and sensitivity to local sentiment in operational planning.

More Flexible Local Interaction-Security Balance

I was once in North Africa with a project team conducting local assessment and staff interviews from the client's office. Our team got a dinner invitation from a diplomat we met, and we thought it would be an excellent opportunity to gain relevant insights from knowledgeable people. Our client, however, shot it down: "Security would never agree to a night time outing, it's either the office or the hotel [which was the company's residence]. And we need to think about our insurance coverage" (one can imagine the rebuke we received for blithely slipping out for some local shopping one evening). Our diplomat contact, who routinely used taxis and lived in a downtown flat, was bemused, and in the course of client interviews we heard time and again that restrictions on movement and interaction were creating a blind spot. Expat managers could not get a feel for the place or the culture, and several had had more local interaction on projects in far more volatile countries. This country had a dark legacy that still caused unease, but in practical terms the capitol at least had been quite safe for years.

This was not a particularly extreme example of company risk aversion when it comes to people interacting with the local scene. It can seem easier sometimes to apply blanket restrictions and to treat staff as a herd to be protected by wary shepherds than to haggle over exceptions and preferences, and ultimately this does help to minimise duty of care liability. There are many exceptions, but on the whole companies err on the side of caution and the trade-offs can be overlooked.

Most NGOs are cautious too, in more risky environments requiring an itinerary for excursions and redundant communications, and in some cases a buddy system. But they know that they cannot understand the nuances of their social environment, which is the subject of their work, without local interaction, and are more willing to take a common sense and case by case approach to interaction.

Companies need to be cautious, and the context will decide how much caution is reasonable. But the NGO attitude on local interaction as a window on the world serves as a valuable reference point, and indicates an opportunity for more flexibility to ensure that managers can develop first-hand insights and contacts that help them to navigate the socio-political and cultural environment.

Mutual Support

Companies often join industry associations to increase their range of contacts, and in a political risk context to collaborate on lobbying and public relations. They also collaborate on industry or business-wide initiatives, often in conjunction with transnational organisations and NGOs, to help set standards that reduce potential ethical and reputational liability when operating in complex environments. However, when it comes to managing challenges in overseas operations, companies tend to regard their intelligence and plans as an aspect of competitive advantage, and do not willingly share relevant insights aside from the odd informal discussion.

While NGOs do compete for funds and profile, in challenging locations they more willingly share and collaborate when it comes to mutual security and resilience. Rather than regarding staying power as a competitive advantage, there is a stronger sense of safety in numbers and a recognition that there are often synergies between different NGOs' programmes. If some start to leave, other programmes lose a supporting framework. NGOs have thus collaborated on both international security and resilience initiatives, and in specific country initiatives in which NGOs have pooled risk intelligence and crisis management resources for greater shared effect.

There are some unique corporate political risk management capabilities that, if shared, would potentially erode competitive advantage, such as carefully nurtured local networks that provide insight on bureaucratic processes or local influencers in a specific sector. But companies could usefully learn from NGOs' security risk management collaboration. After all, if another foreign company faces a security crisis, the most significant result for one's own operation is likely to be more anxiety, security strictures, and even expat requests for repatriation.

What NGOs Can Learn from Business

The concept of political risk was born in the business domain, supported by academia studying the interaction of business and politics. It began to gel in the 1970s, a period in which expropriations and coups d'état were still familiar issues, and as the Cold War and "red terrorism" were in full swing. The Iranian Revolution in 1979 put it even more firmly on the corporate radar. Political risk management has never been a fad and the concept, linked to country risk, remains somewhat hazy, now somewhat intertwined with sustainability and ESG (environmental, social, governance). Whatever the fortunes of the label, political risk management has become increasingly sophisticated, as companies accept that the business school paradigm of a purely commercial arena fails to account for the elephant in the room. International companies have long experience in complex socio-political terrain, and while their aim is legitimate profit, the business attitude to political risk offers some useful lessons for NGOs.

It’s Okay to Look Out for Your Own Skin

Aside from personnel security, NGOs can have a hard time acknowledging that, just like companies, there are socio-political actors and trends for whom an NGO’s health and longevity are at best a remote consideration. Any “us and them” assumptions and language seem to go against the message of neutrality and the universality of the values underpinning the mission. This makes it awkward for NGOs to talk about political risk, which assumes in part that the world can be a dangerous place despite one’s good intentions.

Businesses, and specifically multinationals, are long accustomed to criticism based on their essential character as global profiteers, and despite recent sustainability language, are well aware that if they did not acknowledge threats and friction points and actively manage them, their core capabilities would eventually suffer as distractions and hassles mounted, making them unable to meet their obligations.

Hence, international companies have a much more circumspect view of governments and even civil society – these are not just taken for granted as background context, but assessed for potential influence and pressure on the firm. Dealing with such pressures proactively, including by adapting to new socio-political expectations and through hard bargaining, is often an explicit exercise.

NGOs do not need the full version of a business take on political risk, but just as much as companies, they can act on a legitimate concern not just for the mission, but for their own organisations. Indeed, like companies, if the NGO does not look after itself, it risks losing the capability to execute the mission and meet the expectations of stakeholders.

Reputation as a Strategic Asset

NGOs are adept at brand management, and are increasingly aware of the importance of public perception, but NGOs still tend to rely on their track record in fulfilling their mission to speak for itself, rather than treating reputation as a strategic asset worthy of proactive attention and nurturing.

Companies, by contrast, are more likely to regard reputation as a strategic asset, in other words as a linchpin of their ability to attain strategic objectives. This is partly because of hard lessons. Unlike with NGOs, there is no intrinsic reason to respect a company because of its mission, which is profit-seeking, so when mistakes happen or misbehaviour is exposed, markets, regulators and other stakeholders can be very unforgiving. The last thing a (good) company wants is to be seen as tawdry, capricious, and dishonest. Experience shows that a bad reputation severely hinders performance, not just by making external negotiations and relationships harder, but by demoralising staff and increasing regulator scrutiny.

Broadly speaking, companies have increasingly taken a holistic view of reputation, as genuine alignment between values, mission, strategy, and behaviour, balancing consistency with adaptation to social values and expectations. The company seeks to actually be of good character, not just to look like it, as assurance that they will retain respect and credibility with relevant audiences. Additionally, companies purvey this character, are ready to defend themselves if necessary against unfounded denigration, and apply a crisis management approach to serious mistakes or misdeeds.

In recent years the NGO community has faced its own share of scandals, and no organisation is immune to misconduct. More broadly, however, NGOs, like multinationals, have been targets of nationalist movements who believe that global engagement hurts national identity and sovereignty, and wary host governments are not above using fake news to create “evidence” to justify limitations on NGO activity. It can no longer be assumed that the values underpinning an NGO’s mission are widely accepted, and ideological opponents are adept at exploiting chinks in one’s armour.

Until recently NGOs have had an easier ride than companies, but it is harder to rely on the mission as an emblem of one’s organisational character. NGOs can learn from the tribulations that companies have gone through, and companies' increasing treatment of reputation as a strategic and enabling asset, not just a by-product of one’s good work.

Lobbying and Bargaining

Companies have been criticised for their lobbying, which sometimes seeks to limit regulatory controls aimed at reducing social and environmental damage from business activity. Yet lobbying is a major channel through which companies get heard before policies affecting them are enacted. The abuse of lobbying efforts to shirk social responsibilities remains an issue, but simply as a means of communicating with governments it is a tried and tested tool.

Likewise companies are not averse to driving a hard bargain. A foreign direct investor can represent considerable opportunity for a country in need of expertise, job skills, and the actual services and related tax and export revenues that could accrue from a project. Companies try to use this perceived value to attenuate government controls and costs burdens, and to seek contractual guarantees.

Activist NGOs are capable campaigners, but even this sub-sector seldom translates campaigning into lobbying on their own behalf. Development NGOs seldom conduct lobbying, and seldom see themselves as having to bargain, preferring to let the merits of the mission speak for itself. In fact, both lobbying and bargaining would be applicable on two levels. One is in dealing with home government agencies and transnational donors, who are often subject to political imperatives that can lead to wavering development commitment and blunt instrument regulation. The other is in dealing with host country governments, who often welcome the effects of development projects but seek to limit NGOs' potential effect on local civil society mobilisation, often with stultifying restrictions.

NGOs have a lot to bargain with. They extend the reach of development agencies and transnational donors, add to the soft power and diplomatic clout of their home countries and regions, and offer considerable "bang for the buck" to developing country governments seeking to demonstrate socio-economic progress. NGOs do not need to emulate corporate lobbying and bargaining, but they can take a page from businesses in using access, discourse and give-and-take towards sustaining their own supportive policy environment.

Conclusions

The above is only a broad indication of what the business and NGO domains could learn from each other. Some approaches, such as financial hedging in business, are likely to remain the remit of one or the other, but as the two principal non-official types of international actors, companies and NGOs have every reason to keep an eye on each other's thinking. The other main international actor, governments, might seem to be outside the discussion since they are a potential source of political risk, but this domain too can yield useful insights on intelligence analysis, diplomacy and negotiation, security, and in the context of post-conflict stabilisation also conflict sensitivity. Looking at the challenge of political risk from a different sectoral or domain perspective helps organisations to get beyond their own assumptions and jargon, and often opens up options that might not have been considered.