

Corporate Political Activity and Internationalization

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1

AAC LOGISTICS



PROCOLOMBIA
EXPORTACIONES TURISMO INVERSIÓN MARCA PAÍS



Grupo
nutresa



International
Business

MBA

PhD in
Strategy

2

Public policy is no longer a spectator sport for business

Professor Weidenbaum

3

POLITICAL RISK

- The possibility of occurrence of changes in the cash flows resulting from political events

(Kobrin, 1979; Henisz and Zelner, 2010)

4

POLITICAL RISK

- **Expropriation:** The possibility of a host government seizing foreign owned assets; affecting ownership

(Kobrin, 1980, 1981, 1984; Henisz and Zelner, 2010)

- **Policy:** The possibility of a government discriminatorily changing the laws, regulations or contracts governing an investment, or failing to enforce them, in a way that reduces an investor's financial return or affects organizational operations

(Kobrin, 1981; Henisz and Zelner, 2010)

THE CORPORATE POLITICAL ACTIVITY FIELD

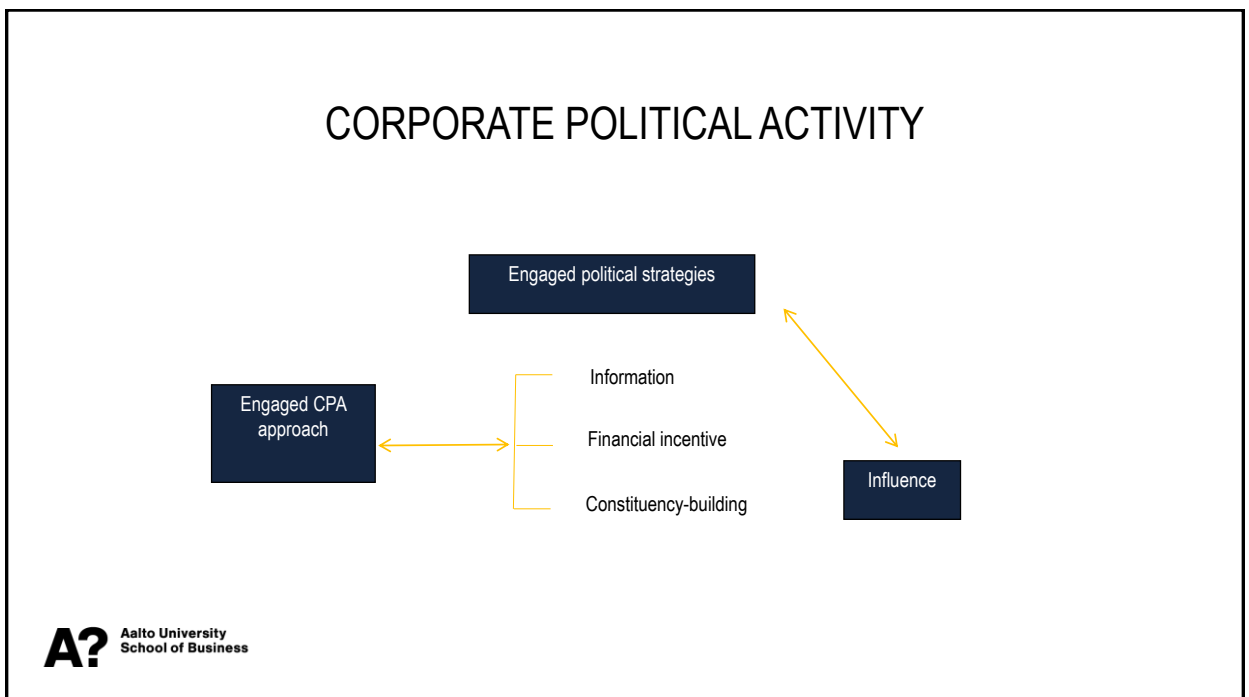
- CPA
- Is a sub-field of strategy
- Studies how companies manage public policy in favor of their own corporate interests

(De Villa et al., 2019)

- Most studies focus in the US, others in China or India



7



8

CORPORATE POLITICAL STRATEGIES

Strategy	Tactics	Targets
Information strategy	Lobbying	Targets political decision makers by providing information
	Commissioning research projects and reporting research results	
	Testifying as expert witnesses	
	Supplying position papers or technical reports	

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Financial incentive strategy	Contributions to politicians or party	Targets political decision makers by providing financial incentives
	Honoraria for speaking	
	Paid travel	
	Personal service (hiring people with political experience, relatives of political decision makers or having a firm member run for office)	

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	Personal service (hiring people with political experience, relatives of political decision makers or having a firm member run for office)	
Constituency-building strategy	Grassroots mobilization of employees, suppliers, customers, etc.	Targets political decision makers indirectly through constituent support
	Advocacy advertising	
	Public relations	
	Press conferences	
	Political education programs	

11



Colombia Venezuela



Alvaro Uribe and Hugo Chavez Photo: El Tiempo



PROCOLOMBIA
EXPORTACIONES TURISMO INVERSION MARCA PAIS



12



COUNTRY OF ORIGIN: Colombia, one of the most important firms in the food sector in Latin America

DOMESTIC MARKET: Consolidated market share in Colombia above 53%

PRESENCE: 78 countries on five continents: America, Europe, Africa, Asia, Oceania

EMPLOYEES: 47,199. International employees at the time of the political crisis were 400, today around 14.100

SALES: At time of political crisis USD \$10.9 million to USD \$ 1.3 billion, they were 4% of total sales and now 38.9% total sales

BUSINESS LINES: Biscuits, Chocolates, Coffee, Cold cuts, Ice cream, Pastas, Retail food, and Tresmontes Lucchetti –TMLUC



THE STRUCTURE OF GRUPO NUTRESA

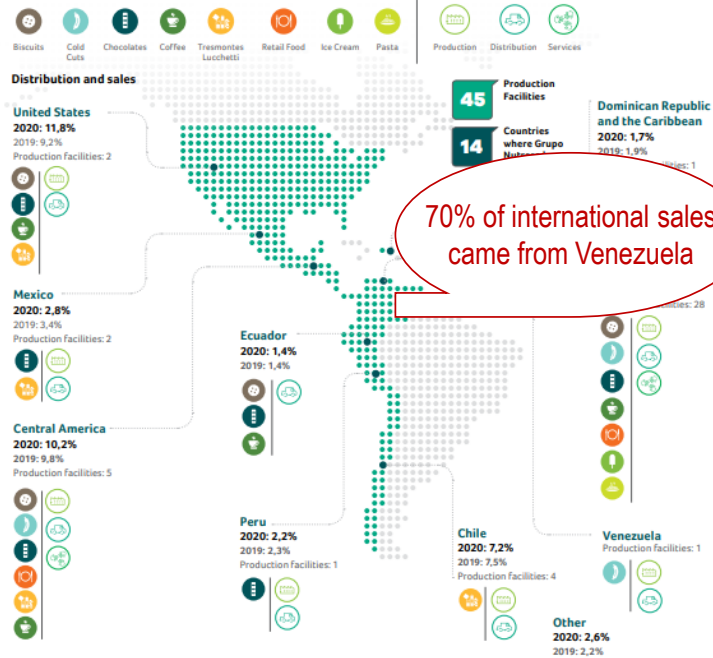




Table 3. Participation of business units in sales

Business	Cold cuts	Biscuits	Chocolates	Coffee	Retail food	Ice cream	Pastas
Participation in total sales	24%	19.7%	16%	11.2%	6.8%	5.6%	3.2%
Participation in sales in Colombia	82.4%	50.1%	62.8%	59.6%	67%	100%	100%
Participation in international sales	17.6%	49.9%	37.2%	40.4%	33%		

Source: Grupo Nutresa.





You are the CEO of Nutresa, what would you do?

QUESTIONS:

1. *Would you exit or stay in Venezuela?, Why?*
 2. *What actions would you implement to execute your decision?*
- Go to www.slido.com
 - Event number 26567



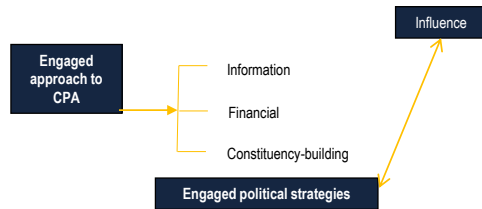


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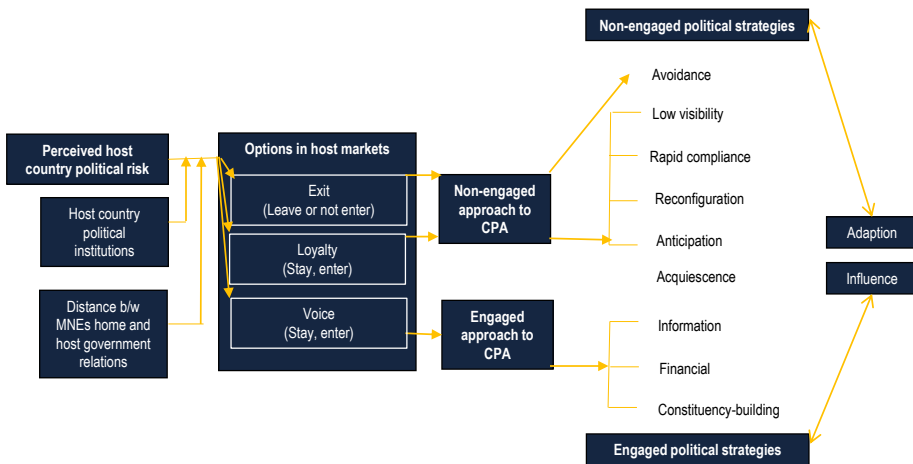
CORPORATE POLITICAL ACTIVITY IN FOREIGN MARKETS*



* "To engage or not to engage with host governments: Corporate political activity and host country political risk" De Villa *et al.*, (2019).

21

CORPORATE POLITICAL ACTIVITY IN FOREIGN MARKETS*



* "To engage or not to engage with host governments: Corporate political activity and host country political risk" De Villa *et al.*, (2019).

22

NON-ENGAGED POLITICAL STRATEGIES

Strategy	Tactics	Aim	Targets
Low visibility strategy		Aim to minimize the public visibility and risk exposure of MNEs by not engaging with host governments, thereby reducing the likelihood of being the target of discriminatory policies or expropriation	Host governments, employees, customers, and the media

NON-ENGAGED POLITICAL STRATEGIES

Strategy	Tactics	Aim	Targets
Low visibility strategy	Evading influencing host governments	Aim to minimize the public visibility and risk exposure of MNEs by not engaging with host governments, thereby reducing the likelihood of being the target of discriminatory policies or expropriation	Host governments, employees, customers, and the media
	Adopting a low public profile and avoiding the media		
	Pursuing a neutral political stance		
	Deploying locals to represent the MNE when interacting with host governments, other political actors, and customers		
	Sustaining clear internal communications that center on operations rather than on political stances		

NON-ENGAGED POLITICAL STRATEGIES

Strategy	Tactics	Aim	Targets
Rapid compliance strategy		Aim to ensure MNEs comply with host countries' public policy rapidly and completely to avoid sanctions, closure, or even expropriation	Host governments or institutions that verify and police corporate regulatory compliance

NON-ENGAGED POLITICAL STRATEGIES

Strategy	Tactics	Aim	Targets
Rapid compliance strategy	Not engaging in acts of corruption	Aim to ensure MNEs comply with host countries' public policy rapidly and completely to avoid sanctions, closure, or even expropriation	Host governments or institutions that verify and police corporate regulatory compliance
	Developing tools to assure the MNE's operations rapidly comply with public policy and an adequate management of external inspections		
	Paying just prices to suppliers to comply with pricing policies		
	Ensuring the MNE's products rapidly comply with changing public policy		
	Modifying the MNE's organizational structure and processes to rapidly comply with public policy		

NON-ENGAGED POLITICAL STRATEGIES

Strategy	Tactics	Aim	Targets
Reconfiguration strategy		Aim to align and adapt the structure and processes of MNEs to operate competitively in challenging host country institutional conditions	The non-market environment

NON-ENGAGED POLITICAL STRATEGIES

Strategy	Tactics	Aim	Targets
Reconfiguration strategy	Modifying the MNE's organizational structure and processes, not to rapidly comply with public policy, but to efficiently sustain or start competitive operations	Aim to align and adapt the structure and processes of MNEs to operate competitively in challenging host country institutional conditions	The non-market environment
	Developing new ways to supply a restricted host market		
	Substituting imports in a host operation for local production to appear as a local valueadding MNE		
	Changing the country of origin in the legal structure of a foreign investment		
	Acquiring physical resources to overcome or manage challenging host country institutional conditions		

NON-ENGAGED POLITICAL STRATEGIES

Strategy	Tactics	Aim	Targets
Anticipation strategy		Aim to gain MNEs a first-mover advantage by anticipating host governments' future public policy directions and ways to gain social support to enhance MNEs' legitimacy to survive	The non-market environment

NON-ENGAGED POLITICAL STRATEGIES

Strategy	Tactics	Aim	Targets
Anticipation strategy	Carefully evaluating future investments	Aim to gain MNEs a first-mover advantage by anticipating host governments' future public policy directions and ways to gain social support to enhance MNEs' legitimacy to survive	The non-market environment
	Further penetrating and diversifying host markets		
	Monitoring home and host government relations		
	Monitoring the host country's institutional context by using human capital with knowledge		
	Anticipating possibilities to comply with the host country's potential upcoming public policies		
	Investing in initiatives to sustain and improve the future competitive position of the MNE		
	Reducing operational costs to overcome increasing operational expenses related to the host country's public policies		

NON-ENGAGED POLITICAL STRATEGIES

Strategy	Tactics	Aim	Targets
Anticipation strategy	Revising prices to maintain competitiveness and assure the best possible profit		
	Identifying products that can be profitably supplied in accordance with the host country's changing public policies	Aim to gain MNEs a first-mover advantage by anticipating host governments' future public policy directions and ways to gain social support to enhance MNEs' legitimacy to survive	The non-market environment
	Mapping and analyzing the potential impact of key interest groups on the MNE's operations to design ways to manage these relations		
	Provisioning in financial statements the value of the investments that face potential expropriation		
	Creating plans to manage a potential expropriation		



Optional further reading:

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RESEARCH ARTICLE

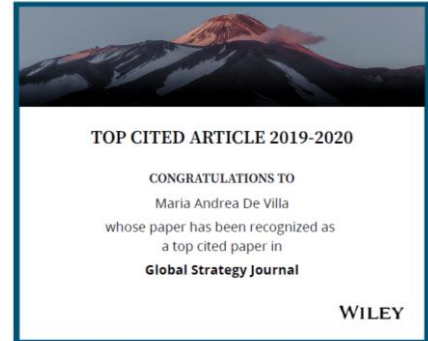


To engage or not to engage with host governments: Corporate political activity and host country political risk

Maria A. De Villa¹ | Tazeeb Rajwani² | Thomas C. Lawton^{3,4} |
 Kamel Mellahi⁵

<https://www.youtube.com/watch?v=DL1LIQEHGU0>

Section 4.3 in page 228



33

Thank you!

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34