



## Corporate Exposure: Risk in Foreign Countries

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Are you considering opening overseas offices to remain competitive in the global marketplace? If so, you need to consider a number of social, moral, and safety exposures.

Dealing with any foreign country has obvious risk. It's difficult for anyone to forecast future governmental restrictions, coup attempts, and related economic factors. The speed with which the Soviet Union abandoned operational philosophies and procedures that had been firmly entrenched for decades illustrates this point.

The insurance industry for years has tried to minimize this exposure by offering political risk insurance coverage. Pricing and coverage will vary depending on the country, your operation, terms, investment, and so on. Prior experience (both yours and the underwriter's) will also influence the carrier's offering. Financial losses can be covered by these policies, whether the losses are incurred through a government's failure to honor commitments or actual confiscation of goods or bank accounts. Preventing the shipment of goods, even the import of necessary supplies, can also be covered. War risk, an exposure typically excluded under other types of policies, may be covered under certain political risk coverage on a limited basis.

In addition to insurance for organizations, individuals who have purchased homes abroad can protect their investments with various types of political risk coverage. Even those in the service business can obtain coverage for financial loss. One should consider the possibility of transferring as much of this risk as possible to an insurance company.

### The People Side

The success of any venture, foreign or domestic, is contingent on people—

and therein lies much of the challenge and frustration. It has been estimated that between \$2 and \$2.5 billion is lost each year from failed assignments. The days of quickly assimilating into a foreign culture merely by speaking the language are gone. Most international organizations agree that managers are in desperate need of cross-cultural training to prepare employees and their families for what may lie ahead. General Motors estimates a cost of \$500,000 annually on cross-cultural training for 150 Americans and their families heading abroad.

### Local Laws and Customs

Nor should we ignore the laws and customs of foreign countries and their impact on safety. The price a government places on an employee's life will vary from "not to worry" to "life imprisonment" for the responsible parties. A foreign opportunity for our firm revealed some intriguing issues. We inquired why the foreign-based operation was interested in reducing employee injuries, and the manager's response was that he was sick and tired of spending nights in jail. "In this country," he explained, "we have a unique law on the books. Should an employee in a plant sustain an injury that is subsequently determined to have been preventable, the plant manager is jailed overnight." This is not some underdeveloped nation but, in fact, is one of the United States' strongest competitors in a number of product lines.

Conversely, we recently noted the relocation of a hotel general manager from his country to the U.S. and his subsequent emphasis in his new job on security measures to deal with bomb threats. In his homeland, bomb threats required top priority. In the United States, while bomb threats should still be considered a critical issue, singling them out as the area of

greatest concern may not be justified. From a risk management perspective, minimizing accidents to employees and guests from simple things such as slips, falls, lifting, burns, and the like should be one of this manager's top priorities. I suspect that a few strong liability lawsuits will quickly aid him in refocusing his efforts.

### Americans Abroad

We have also seen some sensitivity on the part of foreign countries concerned with the influx of Americans into their society. Several years ago, one country commissioned a survey based on its concern with Americans driving there. It revealed that Americans, trained to drive on the left side of the road, had no problem once they moved to those foreign countries with that requirement. It went on to say, however, that many Americans would revert to driving on the right when under stress or facing a crisis situation. Another problem noted with Americans driving abroad is their apparent need to "rubberneck" when passing a disabled vehicle or an accident. It appears that a number of vehicle pileups overseas have been the result of an American's stopping short because of curiosity about a car stranded on the side of the road.

Successful investments in foreign governments and ventures require the thorough evaluation, assessment, and adjustments of both business and personal philosophies. To think one's culture will not affect operations is naïve.

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