



A framework for conducting political event analysis using group support systems

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Abstract

Corporations seeking to expand their operations internationally often encounter certain political events that they do not encounter domestically. Political events are those events that may occur because of the actions or decisions made by certain political actors having influence in a region. Such events include corruption, currency fluctuations, and civil unrest. However, obtaining information and insight about such events from local knowledgeable persons is often difficult due to authoritarian governments and/or cultural environments that discourage open criticism. We present a framework for using group support systems (GSS) under such conditions. The framework consists of methods that can be employed depending on the number of events (unidimensional or multidimensional) and time periods (static or dynamic) of interest. Each method is illustrated with local Hong Kong business executives addressing the future of Hong Kong as a desirable place to conduct multinational operations.

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1. Introduction

Corporations seeking to expand their international operations—by making substantial investments in local corporations, by developing new products for new markets, or by establishing regional manufacturing, distribution, or sales facilities—may encounter substantial risks that often differ from the risks they

encounter domestically. These include physical risks (e.g., the kidnapping or assassination of executives), economic risks (e.g., currency fluctuations and discriminatory confiscation of assets), market risks (e.g., rejection by foreign consumers of products that were successful domestically), and technological risks (e.g., lack of a reliable telecommunications infrastructure).

One type of risk that is receiving increased attention is political risk. Political risk has been defined as “. . . the possibility that political decisions, events, or conditions in a country, including those that might be defined as social, will affect the business environment such that investors will lose money or have a reduced

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profit margin,” ([13], p. 71). Examples are corruption, punitive taxation, and arbitrary rejection of license applications. Political risk may become manifest in the forms mentioned above. For example, kidnapping or assassination of executives can be both politically and economically motivated, and political decisions may affect the development of a telecommunications infrastructure.

Political risks are best defined in terms of political events. Political events result in part from decisions made by political actors—such as government officials (e.g., chief executives, legislators, and regulators). The decisions they make include decisions to expropriate property, to delay consideration of license applications, and to ignore intellectual property violations. These actors may be advised by certain non-government organizations (NGOs)—such as environmental, charitable, social, and religious organizations—who may also be considered political actors. In addition, political actors may include religious leaders, foreign investors, and others whose actions may affect political events. The actors may be identified explicitly, or the events they generate may be the only overt signs of their presence.

The key to analyzing political events is obtaining good information about these events. People closest to the events of interest—such as local business managers, multinational managers specializing in the region, journalists, and academics—often have access to better information than those with less immediate access. For example, Frankel and Schmulker [11] have shown in their study of the 1994 devaluation of the Mexican peso that local investors adjusted their currency holdings before multinational investors did, and consequently they sustained less severe economic damage. They state that, “. . . either domestic and international investors received two different sets of information, or the local investors were more alert and sensitive to potential warning signals” ([11], p. 26). Similarly, Thurow ([19], p. 23) states that, “The first investors to leave the local market are always the local investors who have the best information. . . . Property developers in Manila have the best information about the rising office vacancy rate in the many new office towers they have helped to build. . . . Outsiders are the last to know.” Thus, it is often useful to gather information from knowledgeable people closest to the events being analyzed.

Unfortunately local people, and especially local business executives, are sometimes reluctant to voice their opinions and insights in an open and frank manner. Common reasons for this reluctance are authoritarian governments and/or cultural environments that discourage open criticism, which in turn may result from two characteristics of a nation and its people: power distance and collectivism. Power distance is “the extent to which the less powerful members of institutions and organizations within a country expect and accept that power is distributed unequally” ([12], p. 28). High power distance cultures often resolve political disputes through the use of power rather than debate. Consequently, managers in such cultures may not be accustomed to openly voicing concerns about their local environment. Collectivism describes a “society in which people from birth onwards are integrated into strong, cohesive ingroups, which throughout people’s lifetime continue to protect them in exchange for unquestioning loyalty” ([12], p. 260). Since highly collectivistic cultures stress harmony and consensus, critical viewpoints of a region’s political situation might easily be construed as disharmonious and therefore improper. Notable examples of high power distance, high collectivism countries can be found in Asia (e.g., China, Malaysia, Philippines, Hong Kong, and Taiwan) and Latin America (e.g., Mexico, Brazil, Venezuela, Chile, and Peru). These two regions are also of considerable interest to multinational corporations seeking to invest and expand operations.

We have found group support systems (GSS) to be a useful tool in eliciting the participation of local business executives and other knowledgeable persons to analyze political events. GSS offer three advantages over traditional face-to-face meetings: anonymity, simultaneity, and documentation. Although surveys can allow participants to submit anonymous comments, GSS also allow them to respond to the comments of others without revealing their identities. Under these conditions, participants are likely to experience less evaluation apprehension and pay more attention to the topics being discussed [17]. Also, anonymous participants have been shown to be more critical than identified participants [15]. In analyzing political events, it is important that participants present honest opinions of the events rather than opinions tailored to satisfy political or cultural expectations. The feature of

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