



Survey on Boards of Directors and International Politics

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In late fall and early winter 2018/19, we conducted a survey of board directors. The objective was to generate a better understanding of the **extent to which international politics has established itself as a boardroom topic** and of **how companies are responding** to salient aspects of it.

Background of this survey is ongoing trends towards **de-globalization and the emergence of a new world order**. The data suggest that economic globalization, defined as an increase in economic interdependence among nations, went into reverse around 2008. At the same time, the emergence of China as a geostrategic rival to the United States has become plain. I have discussed these changes and their underlying mechanisms in INSEAD Knowledge pieces available [here](#) and [here](#) and in an academic article on de-globalization [here](#).

We sent the survey invitation to a total of **2,360 directors**. One-hundred nine directors participated in the survey. The response rate was thus 4.6%, which is in line with surveys of this type.

Because of missing data in many of the responses, analysis was limited to evaluating average and modal responses. Correction for a possible selection bias as well as a full regression analysis controlling for individual-level and industry-level factors was impossible.

Highlights of the findings are:

- The respondents were on average **“worried”** about international politics.
- International politics as a topic has on average become **“more important”** to boards over the **past 3 years**.
- International politics was still rated **least important** among the topics for board discussions that the survey enumerated.
- Boards on average discuss international politics about **twice a year** and spend **6%** of their time on it, which is less than any of the other topics offered (finance at 22% and strategy at 19% emerged as top categories). 59% of respondents believed that those 6% of board time are enough.

- 61% of directors reported having enough data about international politics.
- 36% of directors reported having the right conceptual tools to make sense of the data.
- 0% actively showed awareness of relevant political science tools (as outlined in the INSEAD Knowledge pieces and the academic journal article referenced earlier).
- Major sources of expertise on international politics were outside experts and board members with expertise deemed relevant.
- 20% of respondents have put meaningful countermeasures in place in response to recent developments in international politics (superpower rivalry, trade wars, FDI restrictions).
- Almost three-quarters of directors in primary industries and manufacturing, and about 50% of those in services, believed that the outlined Cold War scenario was likely (scenario described in the appendix).
- A majority across sectors (from 53% in services to 71% in primary industries) would expect a negative or very negative impact from a Cold War scenario as outlined.
- Strategic responses to a possible Cold War scenario broadly fell into two categories:
 - ◊ **Withdrawal to one sphere of influence.** This response avoids having to manage ongoing political tensions at the expense of giving up international reach.
 - ◊ **Decentralization and continued operation in both spheres of influence.** This response seeks to maintain a global reach by giving more autonomy to local operations, thus sidestepping barriers to business across both spheres. Success of this strategy is predicated on a number of conditions, which you can find discussed [here](#).

Overall, it seems to me that boards are clearly aware that international politics impacts business and are responding. At the same time, given the absence of active awareness (i.e., free recall without being prompted) of relevant political science frameworks, more research is needed to understand how well-equipped firms are to draw the right kinds of conclusions and generate the right kinds of responses.

Appendix. Cold War Scenario from the Survey

Suppose the world entered a new Cold War with the United States on one side and China, on the other.

The United States has carved out a sphere of influence similar to that in the previous Cold War, though with weaker control of South America and with most of Eastern Europe on its side.

China's sphere of influence comprises most Asian nations, with the notable exceptions of India, which is non-aligned but leaning towards the US, and Japan, as US ally.

Africa and South America have again become a stage for proxy wars in which forces sponsored by the two sides fight over control of countries. The same applies to the Middle East, though the development of renewables and US energy independence mean that access to Middle Eastern oil is much more important to China than the United States.

Russia is not aligned with either bloc but leans towards China.

Trade and investment flows between the two blocs are curtailed or even outlawed. Both sides are concerned about leaking technological know-how.