
Managing Godfathers



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If your company is expanding overseas, you'll need to get to know the local “godfathers”, influential individuals who can help or seriously hinder your advance.

Your firm has decided to expand into a new market, an unfamiliar one far from home. You are playing a new game with new rules. Except you don't know what they are. Oh, by the way, the old rules still apply back home and you will have to play by those as well.

As with any game, someone will tell you when you are out of line; they will be the “godfathers”. They provide both opportunities and risks and share one thing in common: they need to be managed. Depending on the environment and culture, godfathers take on many guises. Here are just a few:

The tycoon

When Carrefour arrived in Hong Kong, it did not do its homework well. A local kingpin with market knowledge and local connections was also invested in

retail. Carrefour should have approached him but did not. As the group moved to cement its place in the region, the local tycoon personally called suppliers and ordered them to stop supplying the French retailer. The implied threat was clear. His (very) deep pockets also allowed him to systematically outbid the foreign retailer whenever a piece of prime real estate became available. Within four years, Carrefour was forced out of the market. The lesson being, if you don't meet, you won't be greeted.

The community organiser

When foreign retailers arrived in Taiwan, they quickly realised that a typical block was organised around a community leader. His job was to extract concessions on behalf of local residents. For example, when a crack appeared in the wall of a building adjacent to a supermarket, residents could make a compensation claim, and the organisers often used creative tactics to make sure they got it. In some cases, a different group of residents would show up and stay in the shop manager's office between 8pm and 11pm every evening until their demands were satisfied. A refusal to meet would result in truckloads of manure or cement being dropped at the hypermarket entrance, blocking customer's entry. The organisers were so good that prices of apartments were often multiplied by three upon the announcement of a new supermarket opening in a residential area. This was not entirely lost on some Carrefour employees who would buy ahead of the group's expansion.

This serves as a warning to newcomers, allow enough administrative flexibility to build bridges with community organisers but watch out that this is not abused.

The fixer

Imagine you stumble upon a problem that is particularly thorny. You go to local officials. Everyone from the mayor to the police force apologises for not being able to help but recommends meeting Mr Fixit. Eventually, he shows up with his associates. He is fully dressed in white, from his shoes to his hat. He knows people across all strata of society and can fix your problem. In fact, he can fix nearly any problem and he helps many people - for the right contribution. Of course it's not always lawful, so keep in mind that "everyone does it" is not an affirmative legal defense.

The JV partners

When expanding overseas its natural to look for local partners to collaborate in joint ventures (JV). But be careful. Partners who may appear a perfect match - successful and well connected - may have connections to organised crime. Not everything that glitters is gold.

Dealing with the influencers

Managing relationships with godfathers is a complex exercise. Simply giving to charities connected to local politicians can expose you to international anti-corruption legislation. It is also an ever-changing exercise. Many Western banks in the past hired “red princelings”, scions of politically connected Chinese families, as a way to ingratiate themselves with regulators. Today compliance pressure and upheaval in the Chinese political climate have made this exercise too risky.

To help leverage local influencers while ensuring your company is safe from reprisal we have developed a framework, dubbed the 4Ms:

Mark: Threats need to be identified. Different tools can help you to do this. For example, prepare “power maps”- network analyses that highlight key political and business players, their role and their relationship with each other.

Measure: Scenarios need to be developed to stress test relationships. This can help you to deal with disruption in the environment. Firms connected to former Indonesian President Suharto experienced a price decline as news of his failing health and ultimately of his death became public. Understand to what extent your strategy hinges on a few critical relationships.

Manage: Maintain a dialogue with local powers, hire local employees and visit street markets to sense the local society. Relationships need to be managed but actions need to be documented. Create an audit trail when you interact with sensitive people.

Monitor: Threats associated with managing godfathers should be included in the Enterprise Risk Management (ERM) system and continuously monitored like any other threats.

Managing godfathers starts by developing cultural and tactical awareness of issues that they create. Aside from this understanding, the organisation will have to demonstrate both an intellectual and operational agility to handle

the pressure coming both from home and the new environment.

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