

// Home Country as Stakeholder

THE RISING GEOPOLITICAL RISK FOR BUSINESS LEADERS
2021



Foreword

When we set out to design this study in the throes of COVID-19 uncertainty, we watched as the pandemic super-charged conversations among corporate leaders about the role of business in the world. In the face of a truly global pandemic, COVID-19 heightened corporate leaders' determination to solve global problems, rise to global challenges, unite around global values, and deliver global value – from The Davos Agenda's focus on stakeholder capitalism based on a fundamentally “global economy” in service of “people and planet,” to the rise of Environmental, Social and Governance (ESG) strategies by companies to further their global sustainability and societal impacts.

Yet at the same time, we observed a rise in national agendas and competition that business leaders could not ignore. Rallying cries like China Standards 2035, European strategic autonomy, Make in India, and Made in All of America proliferated or intensified, as did questions about the unraveling of global supply chains, and even globalization, as posited by *The Economist* and many others. This 21st century contest for national *economic* sovereignty and supremacy has thrust business leaders into the geopolitical frontlines like never before.

We at Weber Shandwick sensed a void in the conversation about how these global and national forces are intersecting – or rather colliding – to redefine the role of business in a new geopolitical era. That is, if you're a “global” brand or business focused on serving *all* stakeholders who matter, what to make of the rise of national interests? *Is your home country a stakeholder, too?*

Among the Letters to Shareholders of the top 10 companies on the 2021 Global Fortune 500 list, only four – two of them state-owned – include clear language regarding commitments to their national governments and policy goals.

It was a topic begging for data. Because as businesses rethink, reevaluate and reassess their role in a post-COVID world and heightened geopolitical competition, how they communicate their value and values to *all* relevant stakeholders is paramount.

So we set out to survey executives' perceptions of this relationship between a multinational business and its home country. We asked 1,200+ senior executives leading large multinationals across 12 countries in Asia, Europe and the Americas what they thought.

Little did we know we would uncover such a powerful new dimension to the role of a global business today – the importance of home country as stakeholder.

We are excited to share our findings along with principles on how companies can build reputation resilience amid the risks and opportunities of this new landscape, and as corporate leaders define what it means to be a global business in this era of 21st century geopolitical competition.

Michelle S. Giuda

Executive Vice President

Geopolitical Strategy & Risk, Weber Shandwick

Former Assistant Secretary of State

Global Public Affairs, 2018-2020



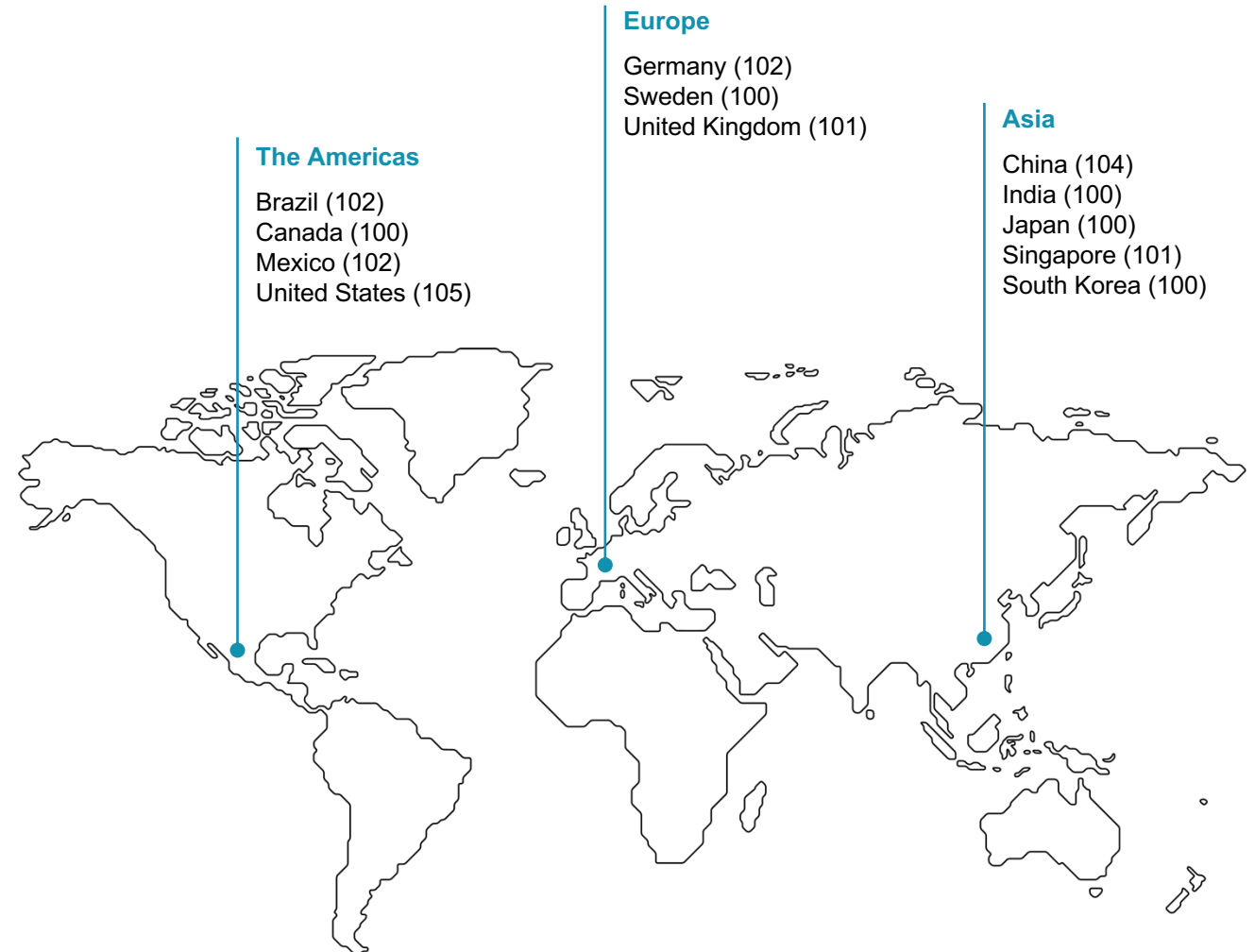
What We Did

Weber Shandwick, in partnership with KRC Research, conducted an online, global multi-market survey among 1,217 multinational business executives in 12 countries between February 18 to April 5, 2021.

The study was conducted to examine perceptions of the relationship between a multinational company and its home country, defined as where it is headquartered, along with the reputational risks and opportunities.

All executives surveyed are members of the C-suite (CEO, CFO, COO, CISO, etc.) or report directly to the C-suite, lead large-sized multinational companies that generate a minimum of \$500 million in annual revenue, and have a minimum of 500 employees. In Canada, Mexico, Singapore and Sweden, the revenue and employee size requirements were lowered to a minimum of \$250 million in annual revenue and a minimum of 250 employees to include executives working in countries with smaller average business sizes since fewer multinational companies are based there.

We surveyed approximately 100 executives in each of the 12 countries. All respondents live and work in the same country where their company is headquartered, and for most, that is also the country of their birth.



Executive Summary

Home country is a top three business stakeholder.

58%

of executives rate their company's home country a "very" important stakeholder to their business, second only to customers (63%) and tied with shareholders.

9_{OF} 12

In nine of 12 markets surveyed, executives rated home country among the top 3 "very" important stakeholders.

National security exceeds diversity & inclusion, ESG and climate change in importance.

56%

of executives rate national security "very" important to company decisions.

50%

or fewer of executives rate D&I, ESG and climate change "very" important to company decisions.

What comes first – the bottom line or national interest?

80%

of executives agree that, regardless of national interests, a company has a responsibility to do what is in its own best interest to succeed.

83%

also agree that in some instances, national security or economic interests should come before the bottom line.

Executives feel the pressure to take a position on geopolitical issues.

87%

of executives agree their companies should be prepared to take a more public position on geopolitical issues over the next five years – 44% "strongly" agree.

Executives are unprepared for geopolitical risk.

74%

of executives say their company is more reactive than proactive when it comes to geopolitical risk.

55%

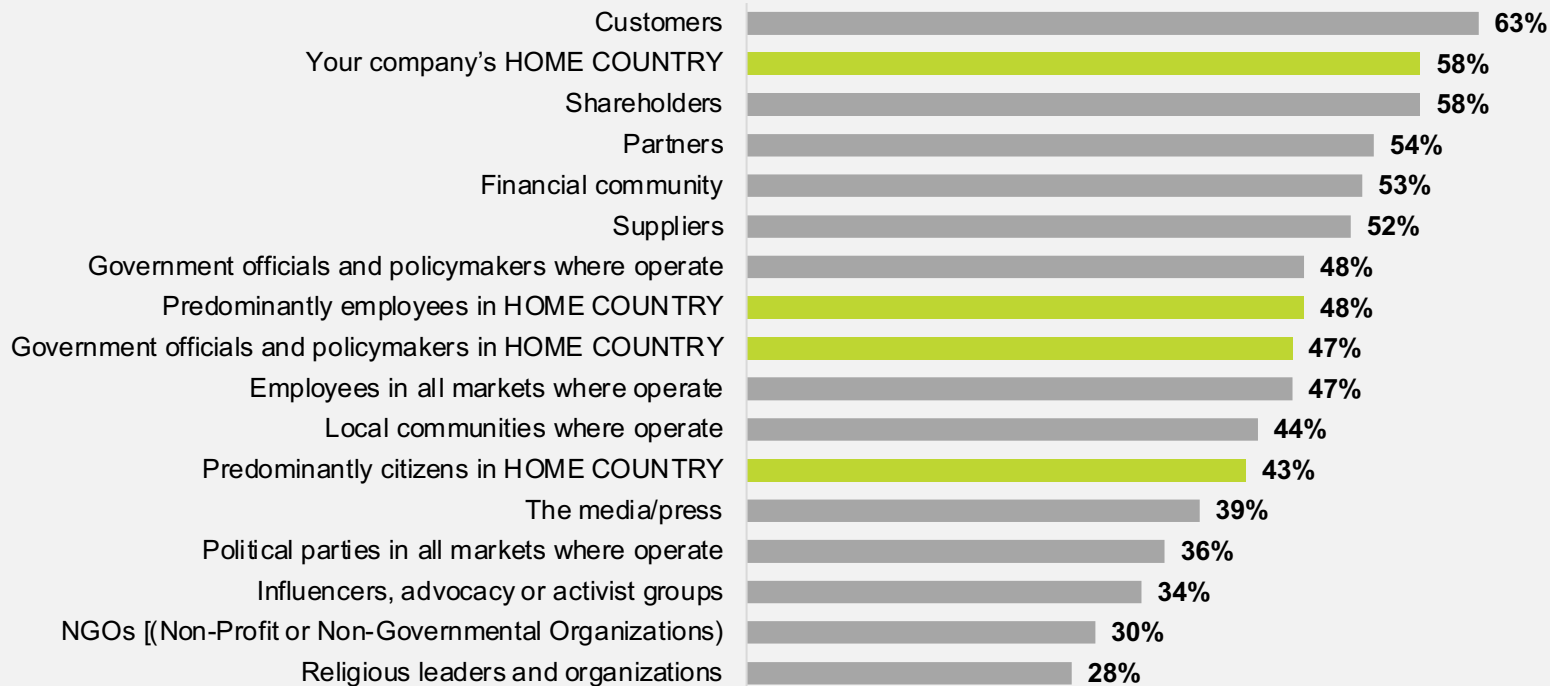
say their company's Board of Directors is not well prepared for geopolitical risk.



 Home
Country is a
Top Three
Business
Stakeholder

58% of executives say their home country is a critical stakeholder on par with customers and shareholders.

*How important is each stakeholder to your company when making important business decisions?
Ranked by “Very” Important*



Top 5 Stakeholders Ranked by “Very” Important

1. Customers
2. Home country
2. Shareholders
4. Partners
5. Financial community













Note: Stakeholders are presented in rank order. Where two stakeholders are statistically tied in rank, they have been given the same rank number.



In nine of 12 markets, executives rate home country a top three stakeholder.

Executives in Canada and the United States rate home country as the first among “very” important stakeholders.

Top 5 Stakeholders Ranked by “Very” Important













											
Brazil	Canada	China	Germany	India	Japan	Mexico	Singapore	South Korea	Sweden	United Kingdom	United States
1. Customers	1. Home country	1. Shareholders	1. Customers	1. Customers	1. Customers	1. Customers	1. Customers	1. Shareholders	1. Shareholders	1. Customers	1. Home country
2. Home country	1. Partners	2. Home country	2. Home country	2. Shareholders	2. Shareholders	2. Financial community	2. Shareholders	2. Financial community	2. Customers	2. Shareholders	2. Shareholders
2. Partners	3. Customers	3. Customers	3. Gov't officials and policy-makers in all markets	3. Home country	3. Employees in home country	3. Home country	3. Partners	3. Suppliers	3. Home country	3. Home country	3. Customers
4. Financial community	4. Shareholders	4. Partners	4. Financial community	4. Gov't officials and policymakers in home country	4. Partners	4. Partners	4. Gov't officials and policymakers in home country	4. Customers	4. Suppliers	4. Financial community	4. Partners
5. Suppliers	5. Gov't officials and policy-makers in all markets	5. Gov't officials and policymakers in home country	5. Shareholders	5. Suppliers	5. Home country	5. Employees in home country	5. Financial community	5. Gov't officials and policy-makers in all markets	5. Employees in home country	5. Partners	5. Employees in home country

Note: Stakeholders are presented in rank order. Where two stakeholders are statistically tied in rank, they have been given the same rank number.



Importance of Home Country Stakeholder

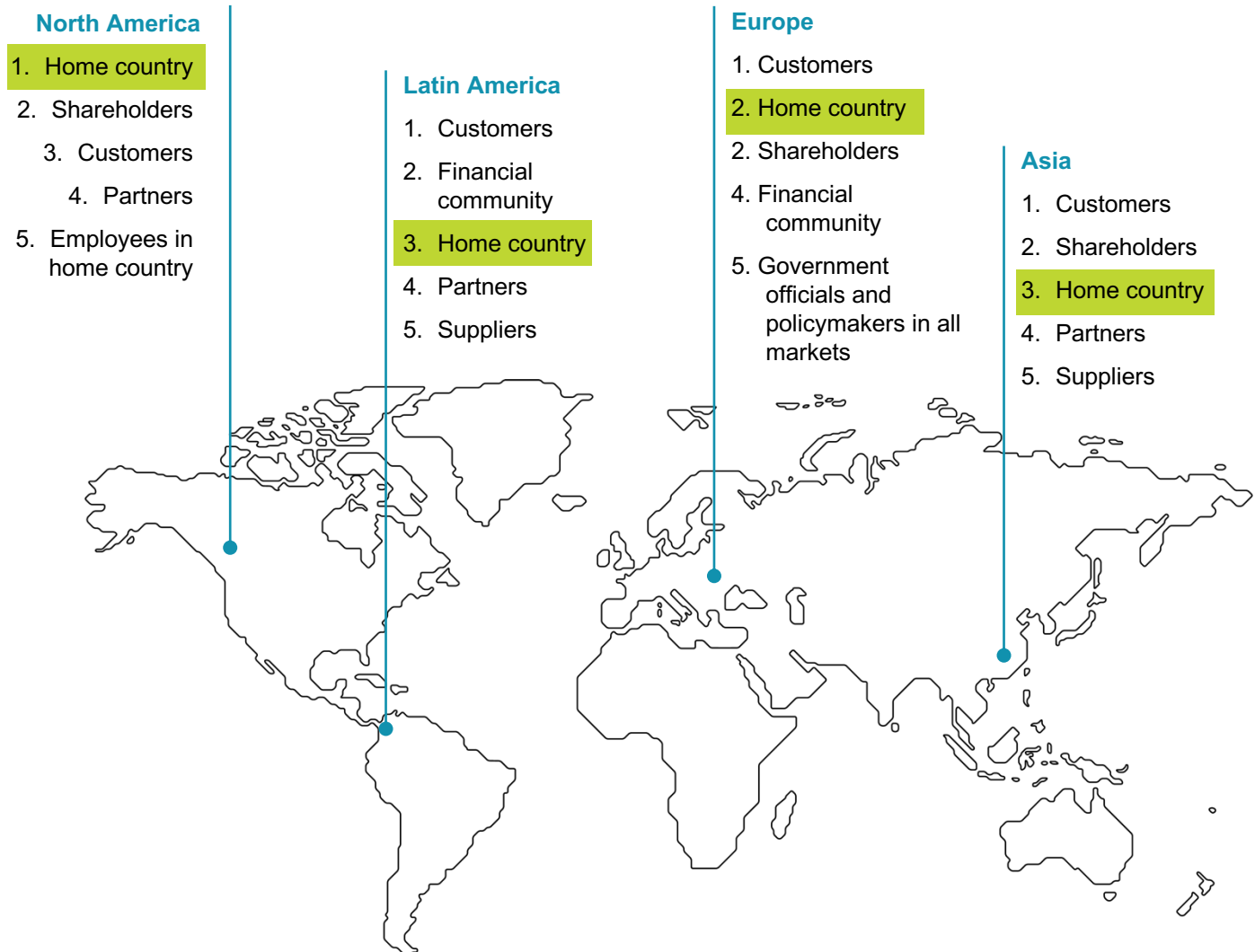
How important is each stakeholder to your company when making important business decisions?

													
	Total	Brazil	Canada	China	Germany	India	Japan	Mexico	Singapore	South Korea	Sweden	UK	US
Very Important	%	%	%	%	%	%	%	%	%	%	%	%	%
Customers	63	90	56	60	52	72	59	75	68	48	46	65	64
Your company's HOME COUNTRY	58	80	58	71	49	69	43	67	50	33	45	57	70
Shareholders	58	72	54	73	43	71	53	61	62	52	50	58	67
Partners	54	80	58	56	36	63	47	66	57	38	35	51	57
Financial community	53	77	48	42	45	62	35	72	51	51	38	55	55
Suppliers	52	75	50	49	36	65	42	62	51	50	44	50	50
Government officials and policymakers where operate	48	56	52	52	46	62	36	59	41	40	38	47	50
Predominantly employees in HOME COUNTRY	48	71	49	38	23	60	51	63	49	33	40	46	56
Government officials and policymakers in HOME COUNTRY	47	56	48	54	38	66	31	48	52	31	37	51	51
Employees in all markets where operate	47	71	43	43	29	61	37	49	50	39	39	47	50
Local communities where operate	44	67	46	49	33	60	35	53	33	36	36	40	45
Predominantly citizens in HOME COUNTRY	43	66	49	44	29	55	39	59	34	32	29	40	46
The media/press	39	52	42	51	35	48	23	56	34	38	23	32	36
Political parties in all markets where operate	36	45	43	41	30	49	23	26	39	31	28	37	40
Influencers, advocacy or activist groups	34	48	37	37	24	53	24	38	24	28	33	39	30
NGOs [(Non-Profit or Non-Governmental Organizations)]	30	44	36	37	20	37	23	32	25	24	28	30	27
Religious leaders and organizations	28	30	28	36	25	46	17	30	30	25	19	34	21



**Home country
is a top three
stakeholder
across
regions.**

Top 5 Stakeholders Ranked by “Very” Important



Note: Stakeholders are presented in rank order. Where two stakeholders are statistically tied in rank, they have been given the same rank number.

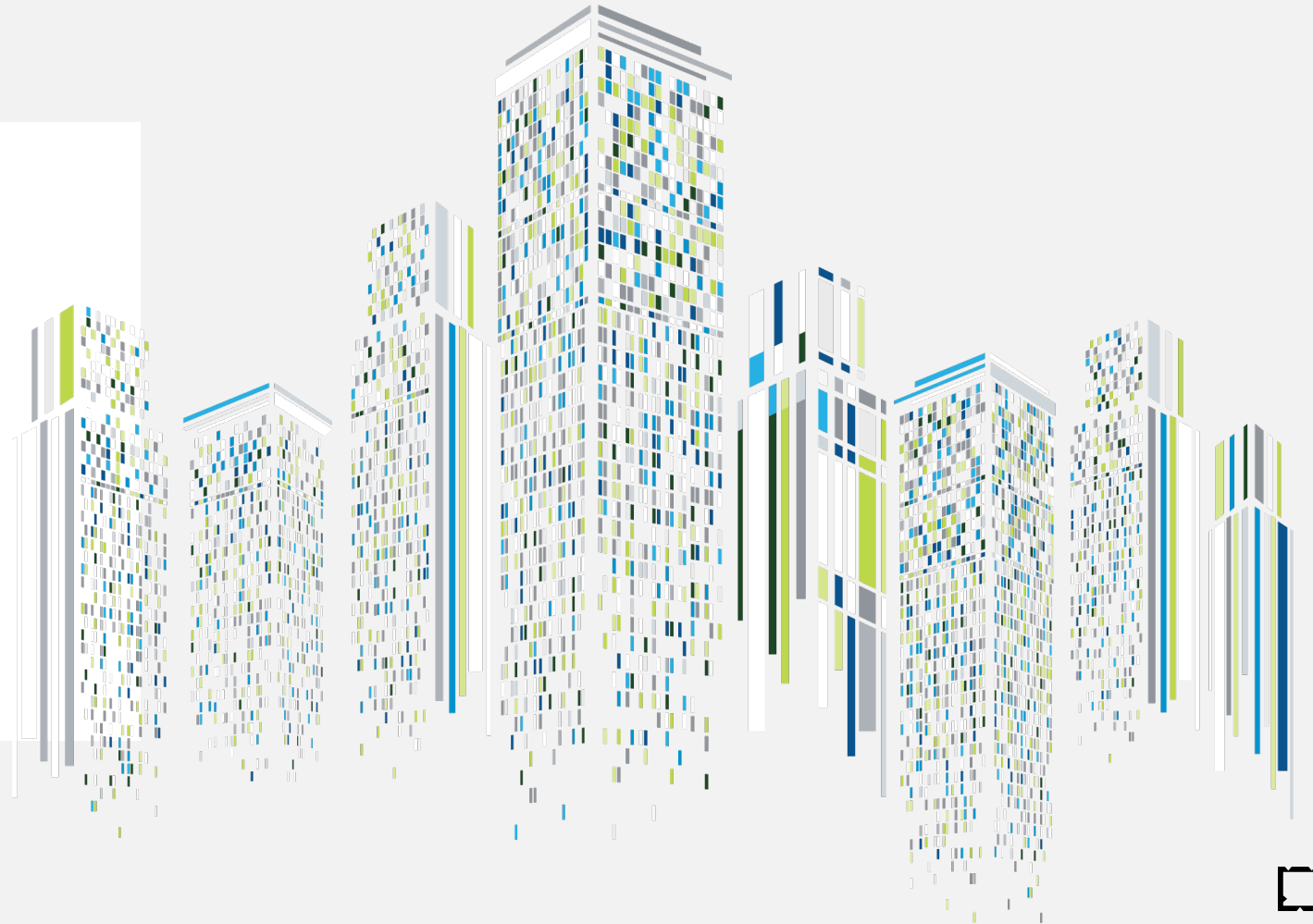


CEOs and corporate presidents rate home country as the top stakeholder to their business.

Top 5 Stakeholders Ranked by Importance








1. Home country
2. Customers
3. Financial community
4. Suppliers
5. Partners

Note: Normalized scores.



Executives across sectors rate home country a top three stakeholder.

Top 5 Stakeholders Ranked by “Very” Important

 <p>Consumer packaged goods</p> <ol style="list-style-type: none"> 1. Partners 1. Customers 3. Home country 3. Financial community 3. Government officials and policymakers in all markets 	 <p>Energy and natural resources</p> <ol style="list-style-type: none"> 1. Customers 2. Home country 3. Partners 4. Shareholders 5. Government officials and policymakers in all markets 	 <p>Financial services / insurance</p> <ol style="list-style-type: none"> 1. Home country 2. Customers 2. Shareholders 2. Financial community 5. Government officials and policymakers in all markets 5. Employees in home country 5. Citizens in home country 	 <p>Healthcare / Pharma / Bio-tech</p> <ol style="list-style-type: none"> 1. Shareholders 2. Customers 3. Home country 4. Partners 5. Employees in home country 	 <p>Telecomms / IT / Technology</p> <ol style="list-style-type: none"> 1. Customers 2. Shareholders 3. Home country 3. Financial community 5. Suppliers 	 <p>Industrial / manufacturing</p> <ol style="list-style-type: none"> 1. Customers 2. Partners 3. Home country 3. Suppliers 3. Shareholders 	 <p>Retail</p> <ol style="list-style-type: none"> 1. Customers 2. Shareholders 3. Home country 4. Partners 4. Suppliers
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Note: Stakeholders are presented in rank order. Where two stakeholders are statistically tied in rank, they have been given the same rank number.

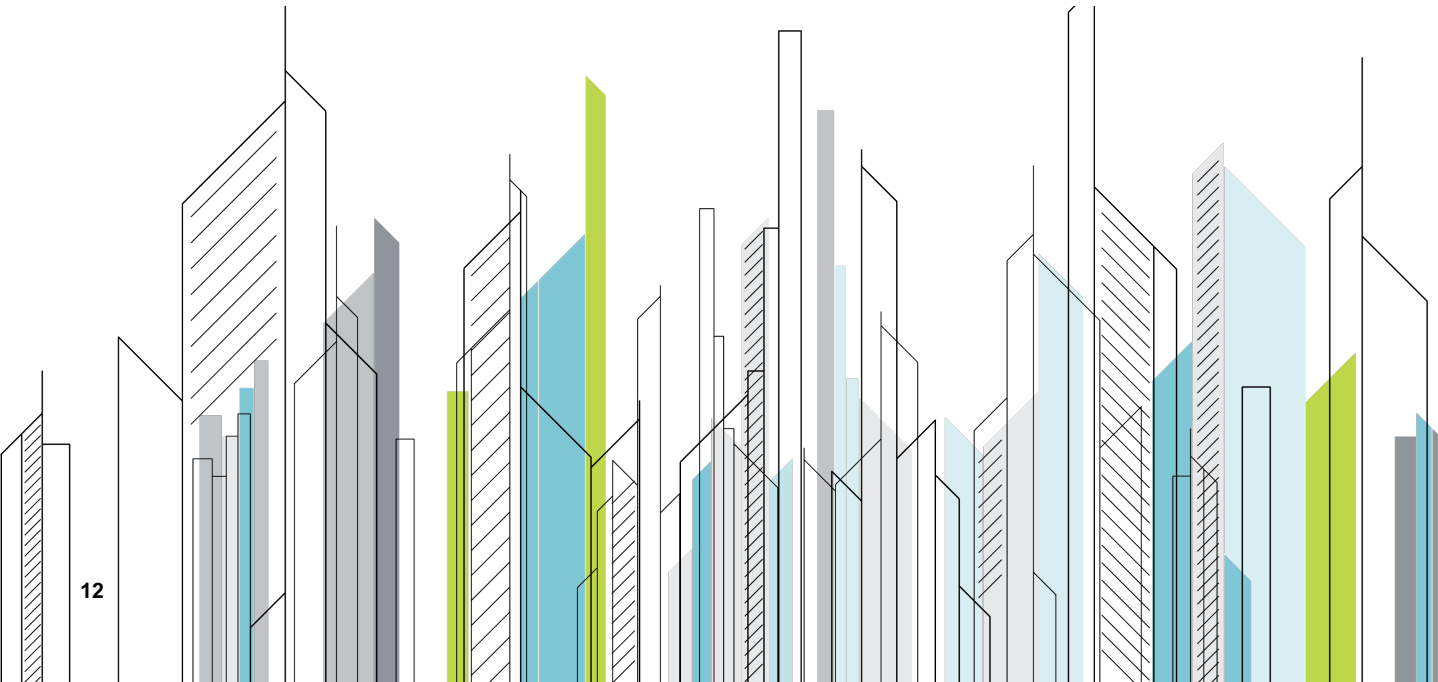




Home country is no longer an unspoken stakeholder.

As corporate leaders reset their strategies for a new geopolitical and post-COVID era, they are considering how they deliver and communicate value to their home country stakeholder. Executives are saying corporate responsibility includes national responsibility, and leaders must plan accordingly.

– MICHELLE GIUDA, EXECUTIVE VICE PRESIDENT OF GEOPOLITICAL
STRATEGY & RISK AT WEBER SHANDWICK



Executives on the importance of home country, in their own words:



The company works for the country.

– SOUTH KOREAN EXECUTIVE OF A CONSUMER PACKAGED GOODS COMPANY



They should always put the interests of citizens and customers above profits and business interests.

– U.S. EXECUTIVE OF A TELECOMMUNICATIONS/IT/TECHNOLOGY COMPANY



National interests must be the top priority in everything, and patriotic ideas must be instilled in work.

– CHINESE EXECUTIVE OF AN INDUSTRIAL/MANUFACTURING COMPANY



In case of doubt, the interests in the home country should be given priority.

– GERMAN EXECUTIVE OF A TELECOMMUNICATIONS/IT/TECHNOLOGY COMPANY

Note: Based on open-ended responses to question “In what ways or how can or should a multinational company protect or advance their home country’s national interests?”



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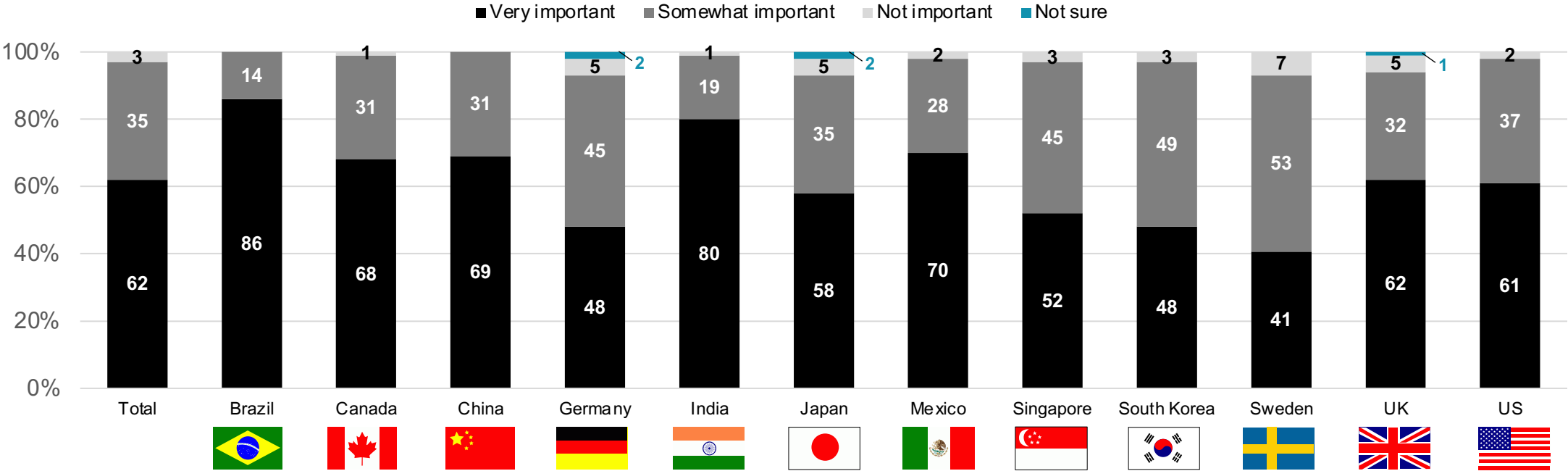
// The Importance of Home Country

**HOW NATIONAL INTERESTS
& VALUES FACTOR INTO
GLOBAL BUSINESS
DECISIONS**

Home country interests are critical to business decision-making.

97% of executives believe it is important – 62% say “very” important – for multinational companies to make business decisions that consider their home country’s national interests.

Overall, how important is it for multinational companies to make business decisions that consider their home country's national interests?



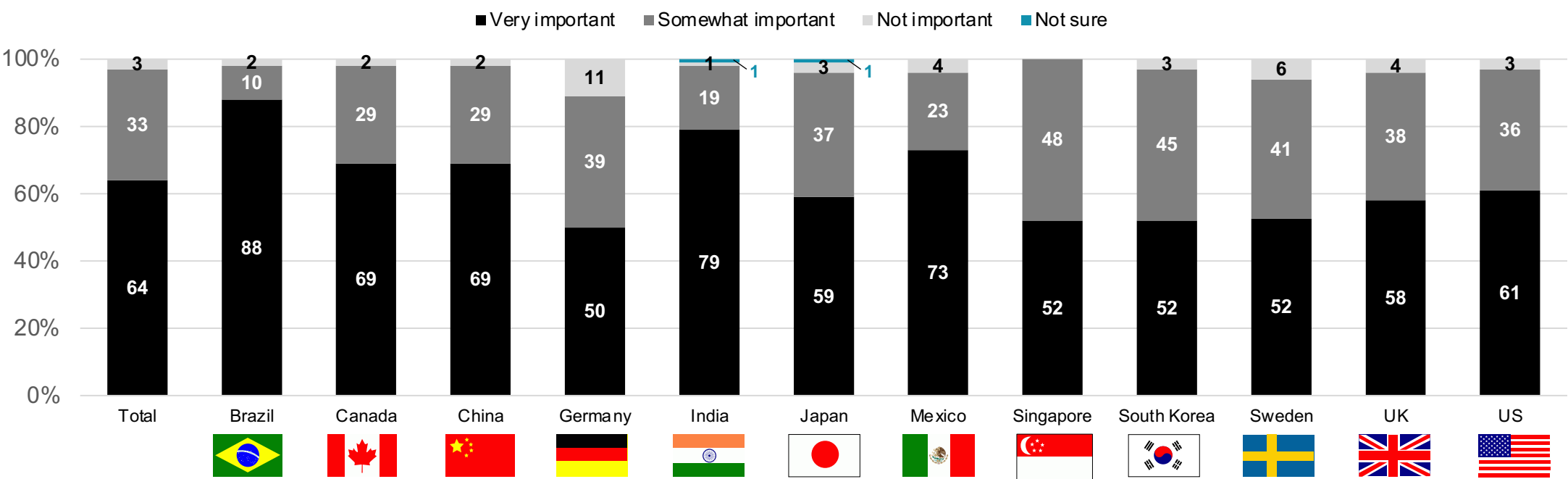
Percentages may not total 100 due to rounding.
Home country is defined as where a multinational company is headquartered. National interests are defined as the security, economic prosperity, values and ambitions of a country.



Executives say corporate and home country national values must align.

Nearly two-thirds (64%) of executives say it's "very" important for multinationals to make decisions aligned with their home country's national values.

How important is it for multinational companies to make business decisions that are aligned with their home country's national values?



Percentages may not total 100 due to rounding.

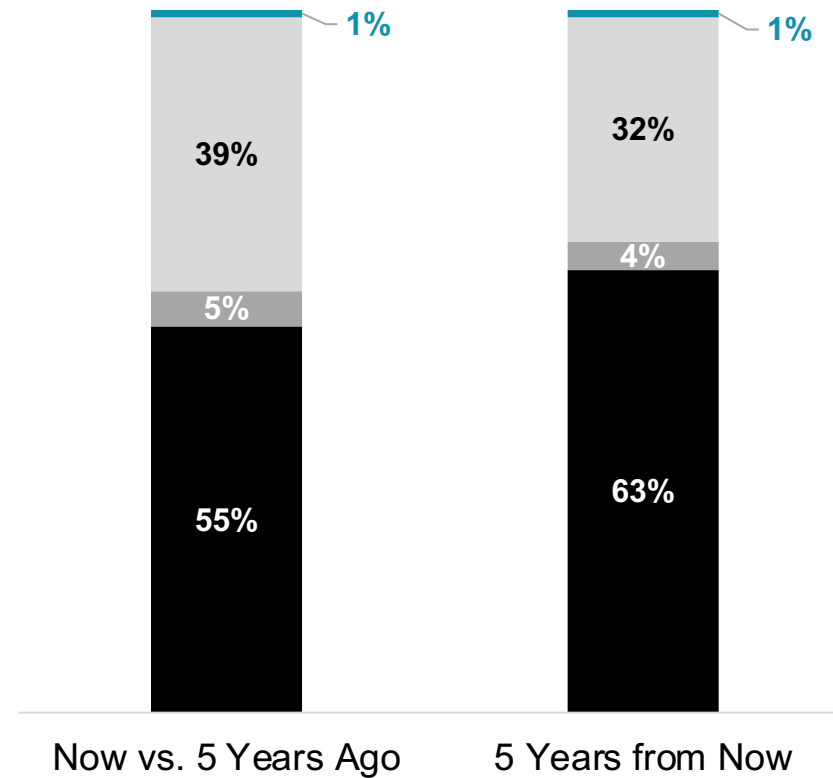
Note: National values were defined as follows: National values are generally accepted beliefs in a country about what is good and desirable as well as what is undesirable and unacceptable in that nation. National values may vary across countries. Examples of national values include liberty, the rule of law, equality, self-governance, justice and freedom.



**Consideration
of home
country
interests has
grown - and is
growing - in
importance to
business.**

***Consideration Given by Multinational Companies to
Their Home Countries' National Interests***

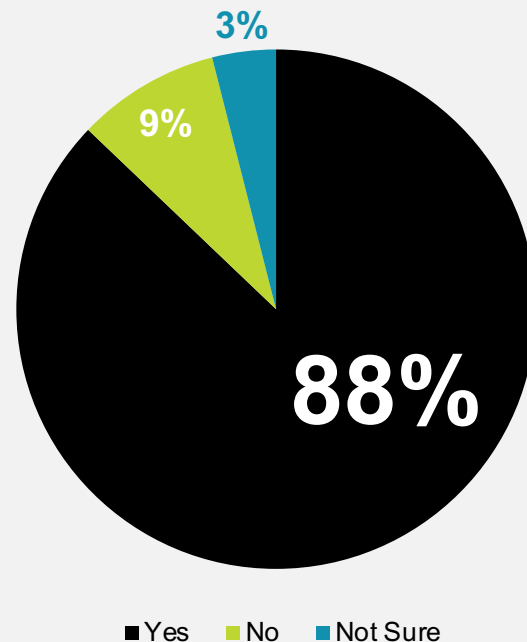
■ More Consideration ■ Less Consideration ■ About the Same ■ Not Sure



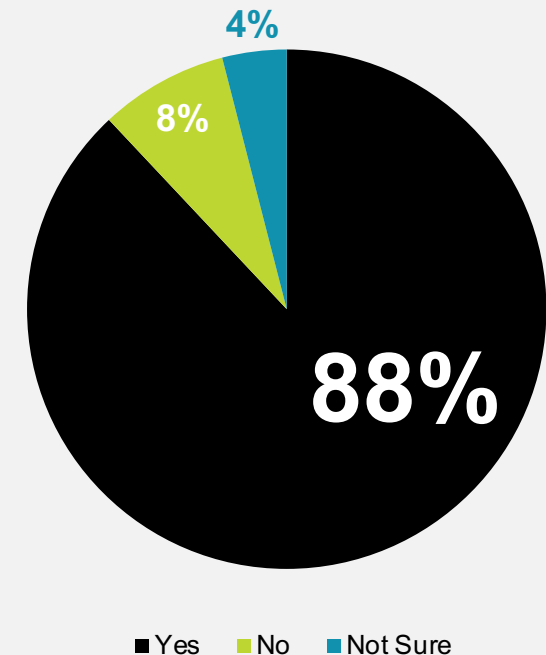
Executives believe their home country government and public expect them to consider the national interest.

Nearly nine in 10 executives (88%) say that both government leaders and the public in their company's home country believe they have a responsibility to consider the national interest in their business decisions.

Do **government leaders** in your company's home country believe that companies and business leaders based out of your home country have a responsibility to consider the national interest when making important business decisions?



Does **the public** in your company's home country believe that companies and business leaders based out of your home country have a responsibility to consider the national interest when making important business decisions?



National security exceeds diversity & inclusion, ESG and climate change in decision-making importance.

How important is each factor to your company when making important business decisions?

Ranked by “Very” Important















56%
of executives rate
national security as
“very” important to
business decisions.



National security is the top-rated decision-making factor among Indian and Chinese executives and a top five factor in Canada and the UK.

Executives in the U.S. rate cybersecurity at the top of “very” important business decision factors while national security rates ninth.

How important is each factor to your company when making important business decisions?

													
	Total	Brazil	Canada	China	Germany	India	Japan	Mexico	Singapore	South Korea	Sweden	UK	US
Very Important	%	%	%	%	%	%	%	%	%	%	%	%	%
Cybersecurity	63	89	60	63	67	72	51	76	59	39	51	62	70
Data privacy	61	88	58	61	61	75	41	60	66	45	47	67	62
Impact on corporate/brand reputation	60	79	57	63	61	72	46	66	62	44	42	60	65
Customer priorities	58	78	57	54	53	74	47	68	57	45	46	54	65
Revenue growth	57	78	47	51	49	75	46	69	57	51	46	53	64
HOME COUNTRY'S national security	56	74	58	67	48	75	43	65	55	41	37	54	58
Competitive advantage	56	63	60	66	49	66	37	61	62	50	45	48	65
The wellbeing of employees	55	87	48	48	53	71	44	72	56	32	38	52	60
HOME COUNTRY'S economic interests	55	75	60	54	49	75	44	64	46	43	35	54	60
Alignment with our core corporate values	53	72	53	57	49	62	36	57	59	52	38	50	50
Impact on HOME COUNTRY'S reputation	53	77	50	56	46	74	38	59	47	47	49	41	48
Diversity and inclusion (D&I)	50	72	47	54	36	67	39	63	41	41	37	53	52
The protection of human rights	50	75	39	49	48	69	38	58	40	35	42	53	50
Environmental, social, and governance [ESG] factors	49	71	42	52	39	62	49	65	44	38	37	50	42
Addressing climate change	46	57	41	46	42	63	41	61	49	29	38	46	43
Local government	44	62	46	42	35	56	34	52	50	34	41	39	41



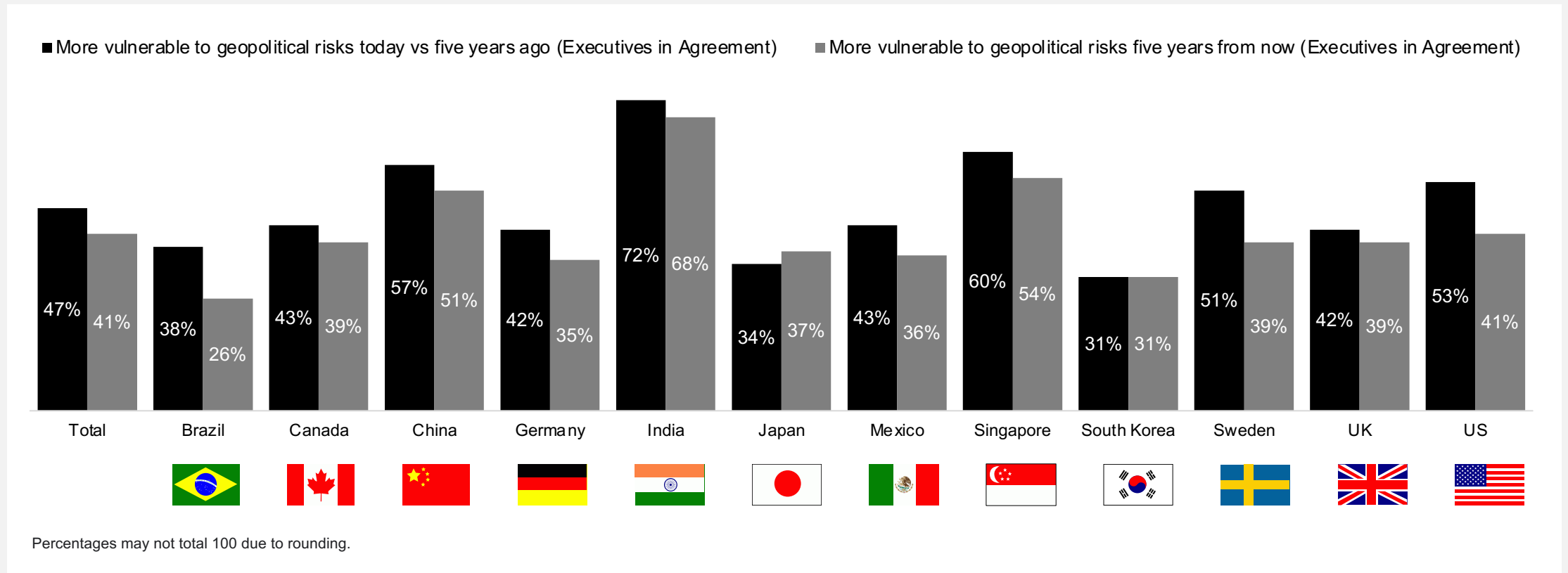


New Geopolitical Risks & Opportunities

AMID THE RISE OF THE
HOME COUNTRY
STAKEHOLDER

Executives say vulnerability to geopolitical risks will grow.

Nearly one-half of executives (47%) report that their company is more vulnerable to geopolitical risks now compared to five years ago. Four in 10 (41%) expect their company to be more vulnerable five years from now.



Pandemics, cyber attacks & data privacy are top-of-mind geopolitical risks.

How concerned is your company about these geopolitical risks or threats?

TOP TIER		Total	MIDDLE TIER		Total	BOTTOM TIER		Total
Very Concerned		%	Very Concerned		%	Very Concerned		%
Pandemic and public health crises		56	Intellectual property theft		46	Gender, ethnic or racial discrimination		40
Cyber attacks		56	Climate change		45	Attacks on press freedom		40
Data privacy		55	Trade disputes/embargoes		45	Civil unrest and violence		40
Economic downturn		53	Human rights violations		44	Rise of nationalism		39
Supply chain disruption		50	Conflict or war		43	Income inequality		38
Business disruption		49	Natural disasters		43	Censorship		35
Disinformation about the company		49	Threats from emerging technologies, like artificial intelligence		43	Rise of populism		35
Political instability		48	Access to natural resources		42	Cultural and social missteps		34
Corruption		47	Terrorist attacks [including chemical, biological, nuclear]		42	The space race		28
Disinformation about your home country		47	Rise of authoritarianism		41			

// Nearly half (49%) of executives say their company is “very” concerned regarding disinformation about their company.

// Relatively low on the geopolitical risk agenda are concerns that predominate in broader business and media conversations today.



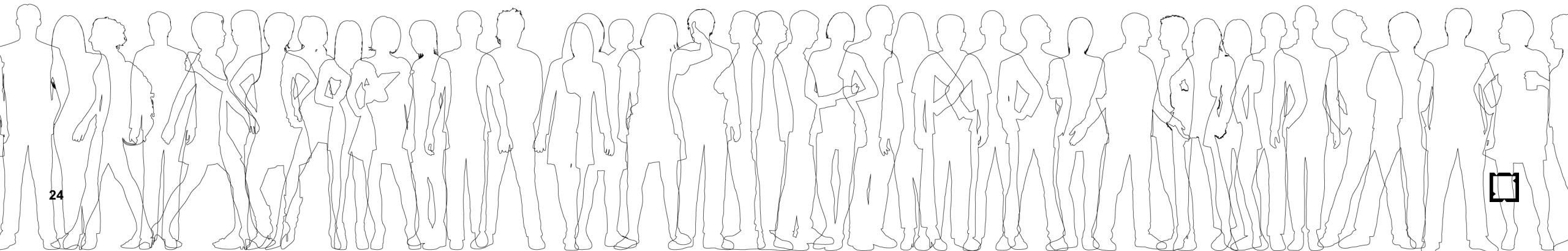
Eight in 10 executives are concerned about the impact of geopolitical tensions on employees.

82%

of executives agree that increasing tensions between countries could negatively impact the commitment of employees outside of their company's home country.

77%

of executives agree international tensions will make it more difficult to recruit talent outside of their company's home country.

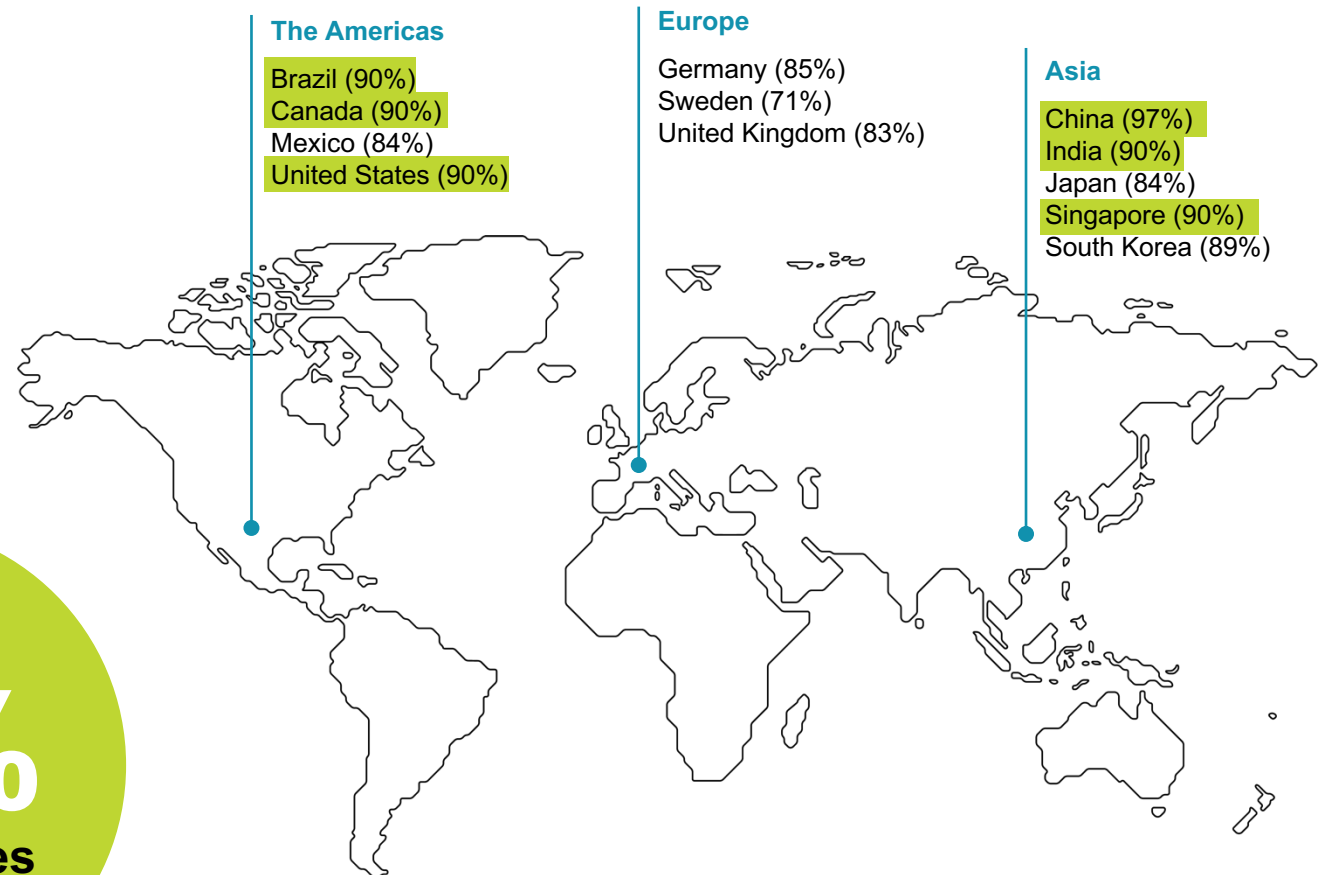


Most executives agree their companies should prepare to take a more public position on geopolitical issues.



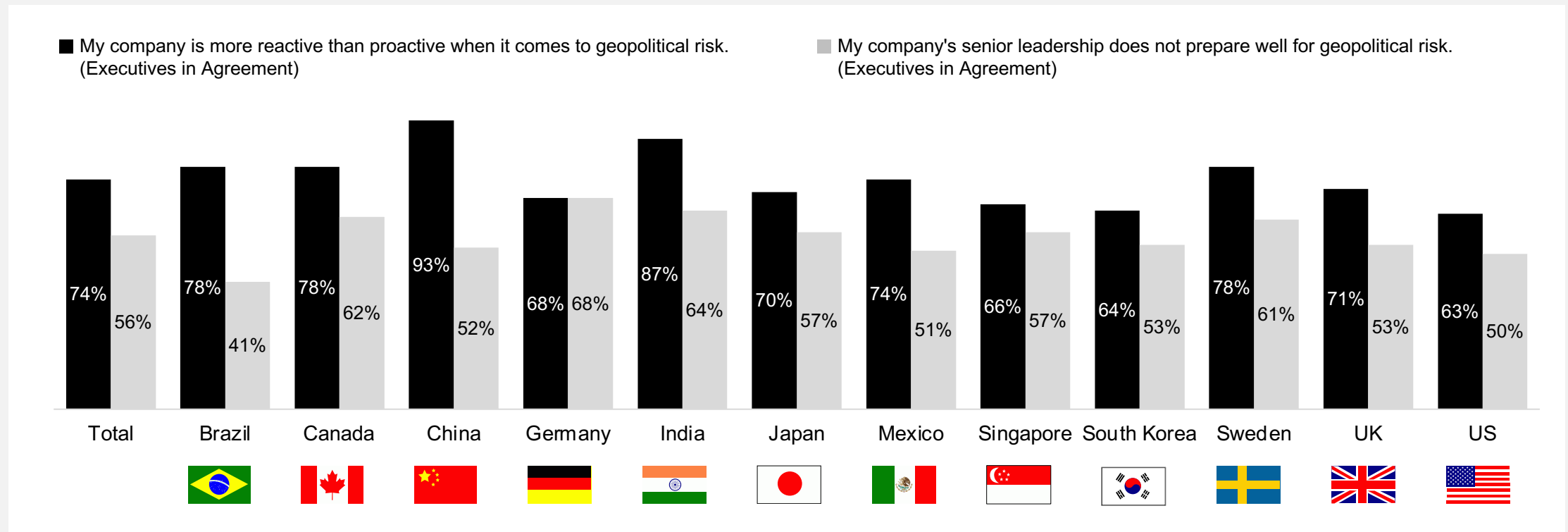
My company should be prepared to take a more public position on geopolitical issues in the next five years.

Executives in Agreement



Are business leaders prepared for geopolitical risks?

- Nearly three-quarters (74%) of multinational executives agree their companies are more reactive than proactive about managing geopolitical risk.
- Respectively, 55% and 56% say their company's Board of Directors and senior leaders are not well prepared for geopolitical risk.



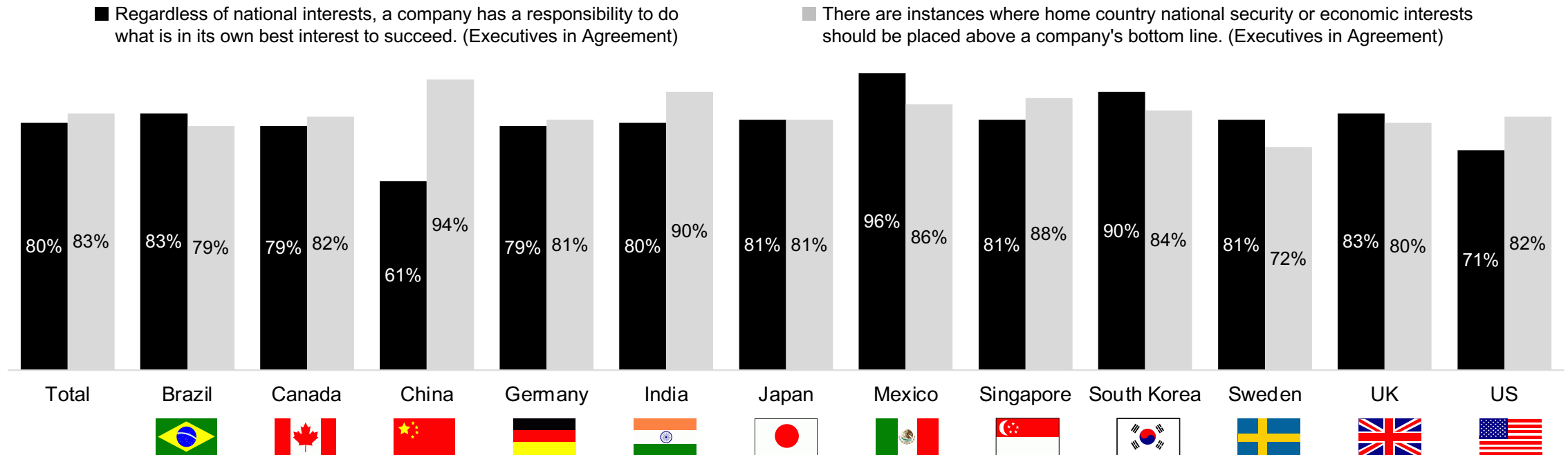


Company or Country First?

NAVIGATING THE TENSION
BETWEEN COMPANY AND
HOME COUNTRY INTERESTS

What comes first – the bottom line or national interest?

Eight in 10 executives (80%) agree a company has a responsibility to do what is in its own best interest to succeed regardless of national interests. Yet, just as many also agree (83%) that in some instances, national security or economic interests should come before the bottom line.



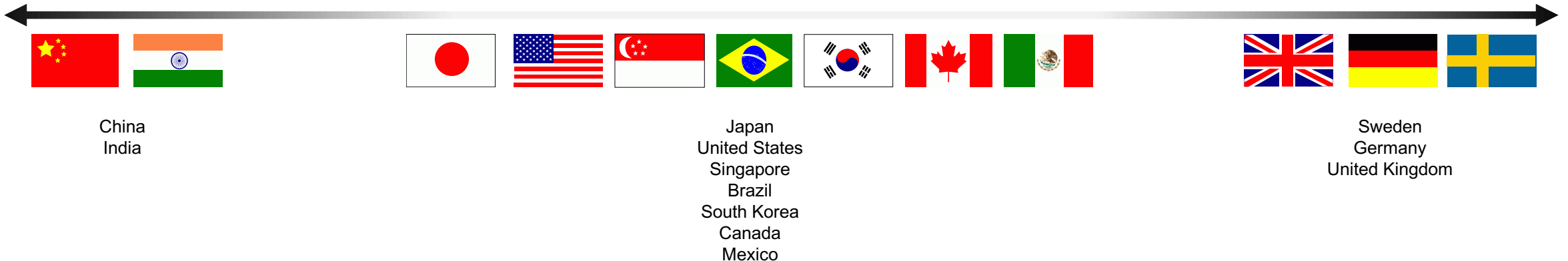
The prioritization of company versus country varies across countries.

Chinese and Indian executives are the most likely to index toward prioritizing country interests first while Swedish, German and UK executives are more likely to index toward placing company interests first.

Company-Country Allegiance Index

Skews toward COUNTRY
interests first

Skews toward COMPANY
interests first



The index is based on ratio scores derived from responses to two agree/disagree questions: (Q1) "Regardless of national interests, a company has a responsibility to do what is in its own best interest to succeed," and (Q2) "There are instances where your home country's national security or economic interests should be placed above a company's bottom line," whereas in both cases "1" was "strongly agree" and "4" was "strongly disagree."



Executives on how multinational companies can serve their home country's national interest, in their own words:



Top Open-Ended Response Categories: In what ways or how can or should a multinational company protect or advance their home country's national interests?

Lead and compete to grow jobs and the economy at home first. (37%)

"Reinvest in home country through revenues to expand, train and hire national employees." – **Canadian executive**

"Establish technological superiority." – **Japanese executive**

Partner with the government – federal, state and local. (17%)

"Collaborate with national ministries." – **Singaporean executive**

"The multinational should be very well informed about the national interests of the home country." – **German executive**

"Obey the command of the state." – **Chinese executive**

Protect – data, privacy, technology and intellectual property. (13%)

"Security of information." – **Swedish executive**

"Protecting research and innovation of national interest is a fundamental role of our company, always focusing on the home country." – **Brazilian executive**

"Protect customers and company data from cyber threats and data breaches." – **U.S. executive**

Comply with national laws and regulations. (11%)

"Do not do anything illegal." – **South Korean executive**

Operate ethically. (11%)

"Represent the values, ethics and morals of that country to good effect." – **UK executive**

"Deal with suppliers, partners and customers from regions that do not conflict with Canada's standing on human rights and the environment." – **Canadian executive**

"Promoting responsible products that are innovate that represent the country of origin, that is produced ethically from the beginning to the end." – **Mexican executive**

Bolster the image/reputation of your home country abroad. (9%)

"Give favorable impression about the country in international forums." – **Indian executive**





// Principles For Building Reputation Resilience

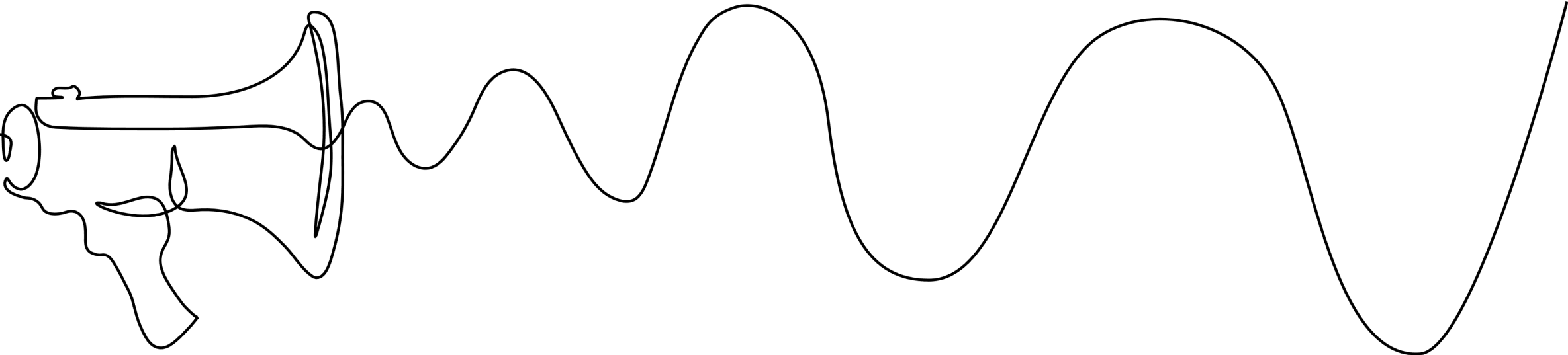
AMID THE RISE OF THE
HOME COUNTRY
STAKEHOLDER



The rising importance of home country and competing national priorities and values is compelling leaders to prepare to raise their voices on international issues and challenging them to choose when to put the company or country first.

Our study underscores how central this tension is to our clients' strategies.

– GAIL HEIMANN, CEO OF WEBER SHANDWICK



Know what your national stakeholders expect.

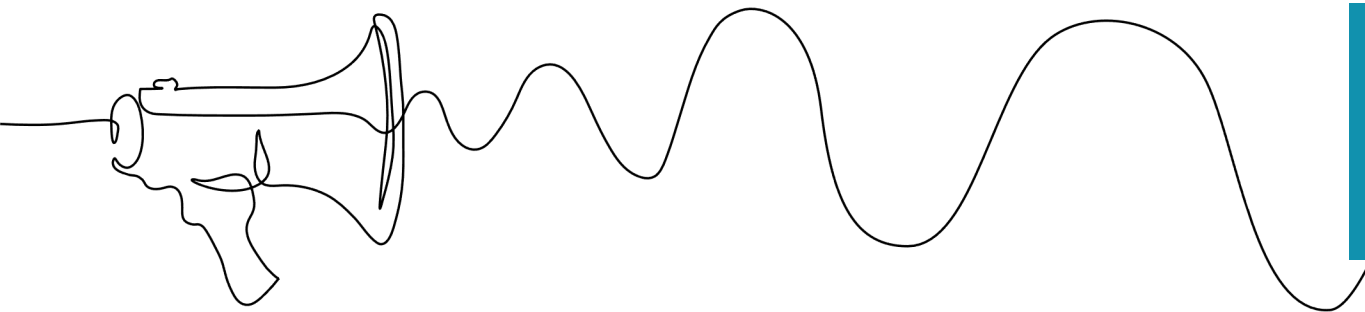
- Gather the right intelligence to understand how constituencies within your company's home country – including customers, employees, communities, investors, media, and government and local officials alike – expect your industry, company and its leaders to advance or protect the national interest.
- Incorporate relevant questions into existing surveys or implement new, ongoing polling for comprehensive insights that inform both global and local messaging.



PLANNING

Anticipate if, how and when you will take a public position on geopolitical issues.

- Leverage data analytics as well as subject matter expertise for line of sight into emerging geopolitical issues and narratives across the markets and information space in which you operate.
- Create a framework to assess the issues on which you have a mandate to speak out publicly and plan for when and how it is appropriate to do so.
- Ensure communications leaders have a seat at the table alongside the CEO and board members to properly anticipate and prepare for reputation risks and opportunities.



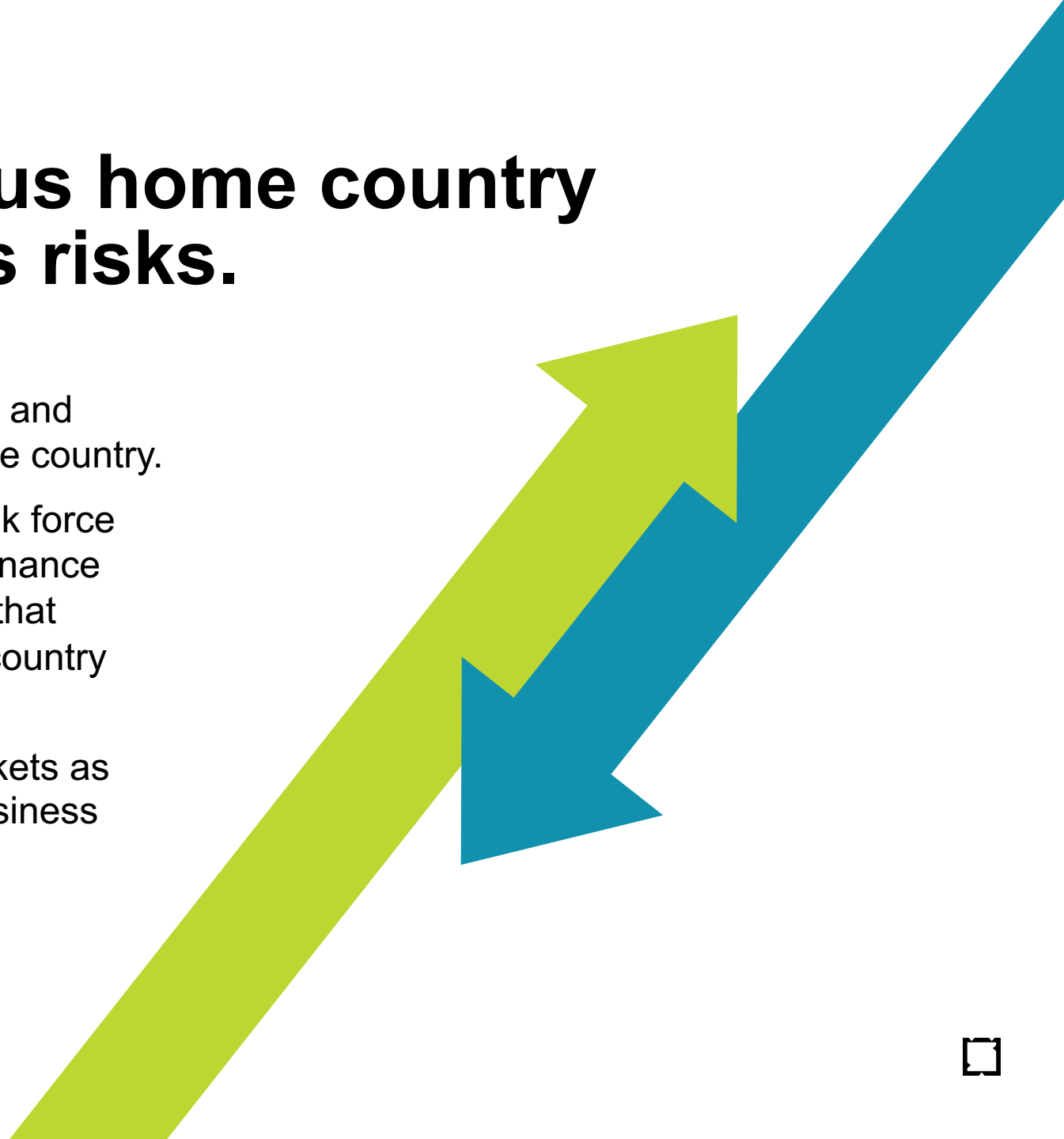
89% of executives agree – 51% “strongly” agree – that geopolitical risks not carefully managed can harm corporate/brand reputation.



ASSESSMENT

Assess company versus home country priorities and business risks.

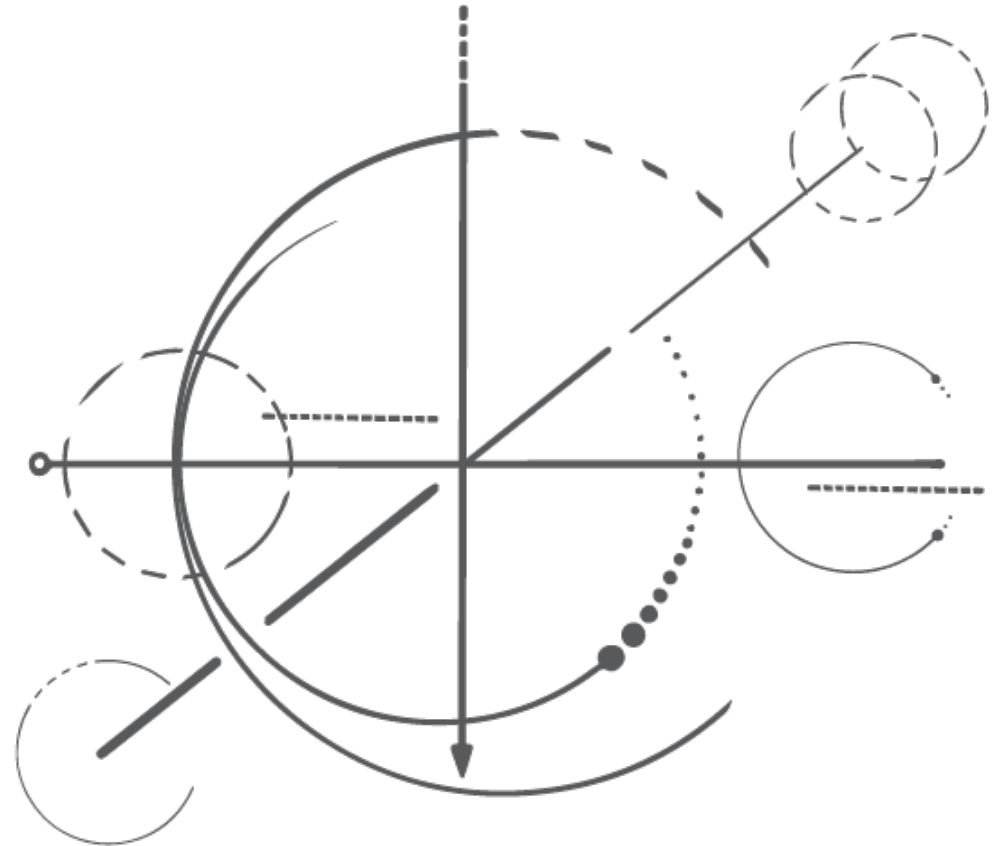
- Make sure your company has a foreign policy and know how it aligns, or not, with that of its home country.
- Establish a cross-region, whole enterprise task force with internal and external advisors as a governance mechanism to regularly anticipate the issues that create tension between company and home country priorities.
- Examine the company's exposure in key markets as geopolitical issues arise, and the potential business cost of speaking out or taking action.



VALUES

Anchor your actions and message in values.

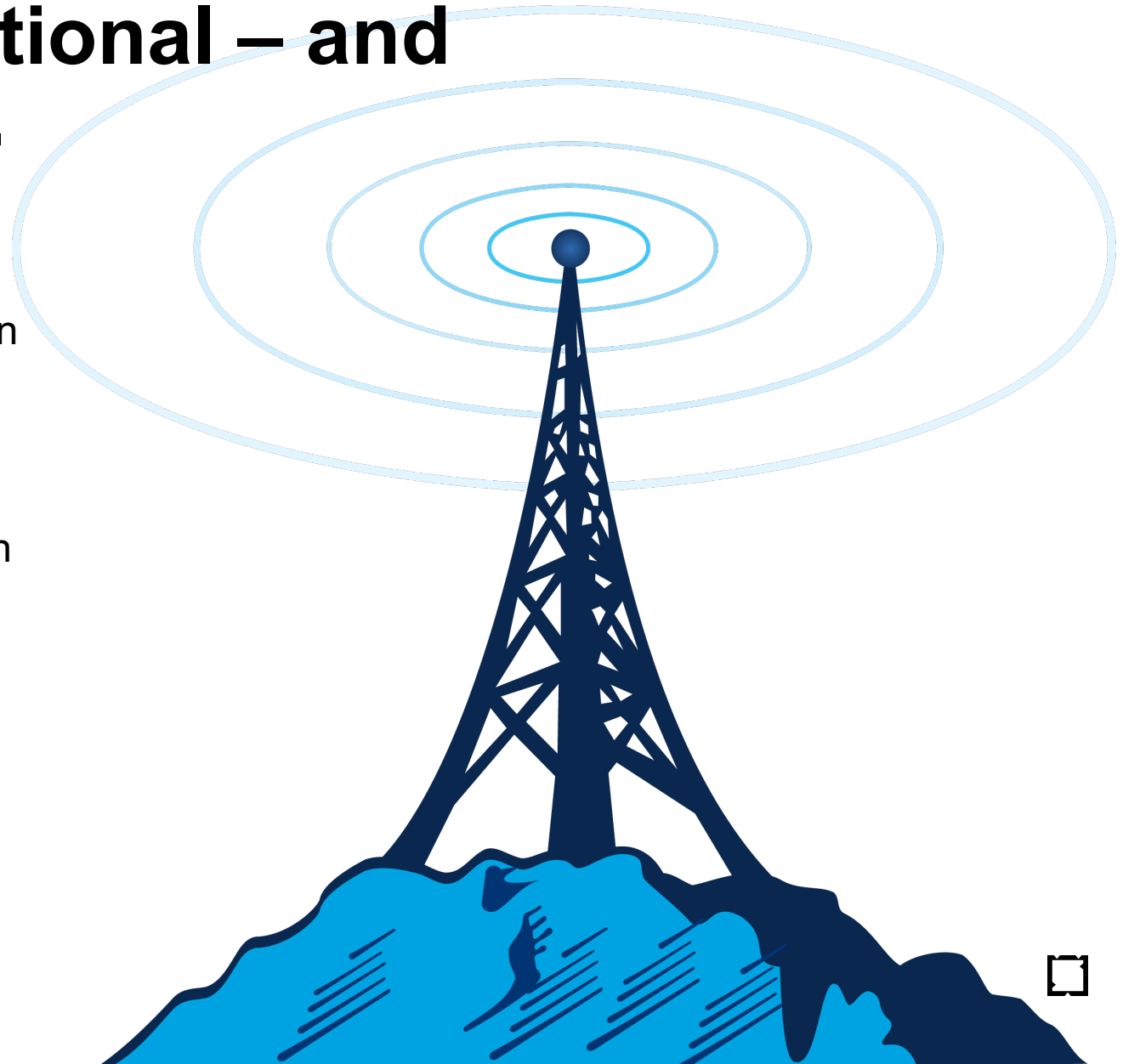
- 52% of executives “strongly” agree that their company’s core values align with their home country’s national values.
- Proactively demonstrate how these shared or complementary values guide company decision-making and public positions on critical geopolitical issues to best advance or defend your position.



ENGAGEMENT

Communicate your national – and international – impact.

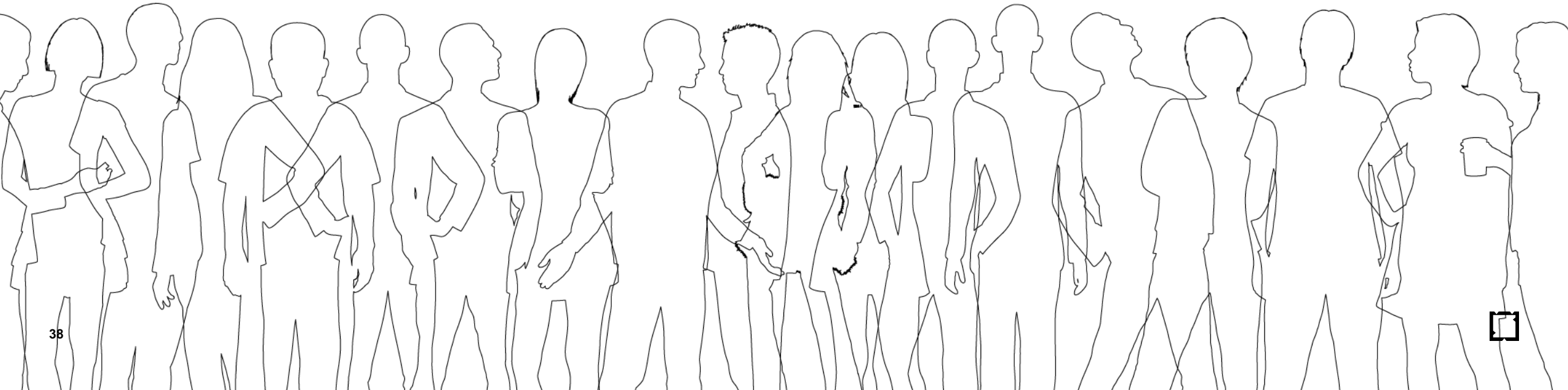
- Showcase ways in which your company is advancing the interests of its home country, in addition to its own financial interests and the company's value-add in all markets of operation.
- Be mindful of how this impacts the perception of your company across its global footprint.
- Communications should highlight shared interests and values where possible, while recognizing and managing differences, disagreements and potential conflicts. Diplomacy is required.



ENGAGEMENT

Be mindful of employees.

- Employee retention and talent recruitment can be at risk as geopolitical tensions arise.
- Eight in 10 (82%) executives agree increasing tensions between countries could negatively impact the commitment of employees outside of the company's home country. And 77% agree increasing tensions between countries will make it more difficult to recruit talent outside of their company's home country.
- Work closely with your C-suite officers and local HR heads to consider concerns of non-home country employees.



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