

Through the LOOKING GLASS

Politics is the one path that can lead a company most reliably through a regulatory nightmare, says Brunswick's **DR JOACHIM PETER**

THE GLOBAL ECONOMY OFFERS A WORLD OF opportunities for growth. However, time and again, businesses face obstacles that they cannot surmount by technical, legal or financial means. Typically, these come down to challenges of public policy – a set of rules, conventions and idioms unique to each country. Summed up in one word, regulation, these challenges can hang over business deals like the Sword of Damocles. Behind those challenges are policymakers – politicians sensitive to a whole host of concerns far beyond the deal itself.

A case in point: Midea, a Chinese electrical appliance maker, raised the German government's hackles with plans to buy a stake in the German robot maker Kuka a few months ago. Minister of Foreign Affairs Sigmar Gabriel launched an inquiry to determine if this deal would endanger the nation's "public order or security," throwing the acquisition into serious jeopardy.

With Brunswick's help, a dialogue was opened with policymakers that provided some touchy moments but eventually led to a green light. Today, the Chinese firm holds around 95 percent of Kuka's shares. Midea and Kuka have since been striving to drive the company's growth. "We want to become No. 1 in the Chinese robotics market," said Kuka CEO Till Reuter a few months ago.

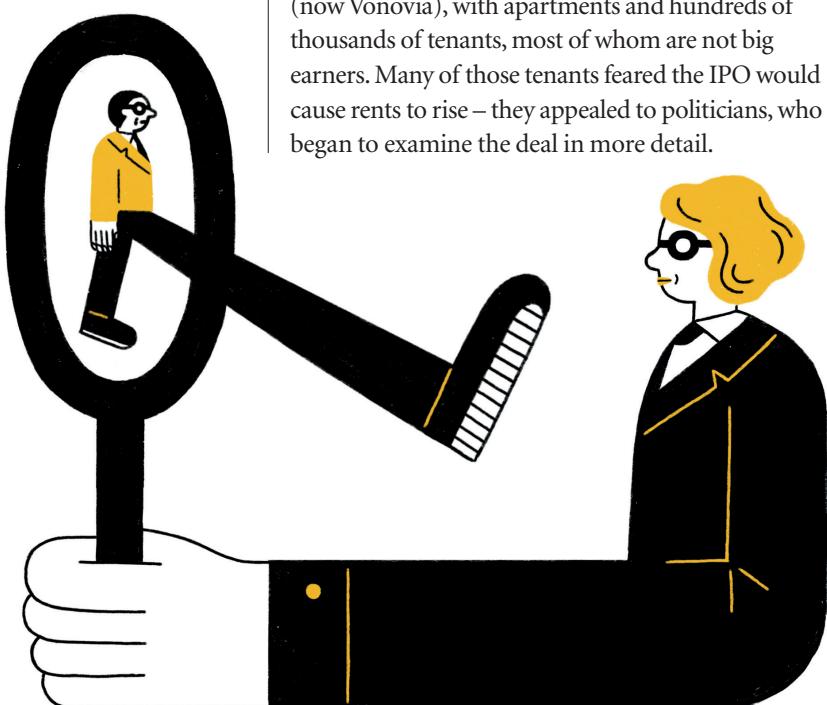
Recently, a CEO admitted to me, "I don't know anything about politics! You're going to have to explain this to me." That's hardly uncommon. But companies that ignore the political element do so at their own peril. Beyond the threat of one regulation, businesses become vulnerable when politicians who write those regulations and approvals feel pressure.

Business leaders do have the advantage of being able to react quickly, a privilege that public policymakers do not have. Discussions with politicians are a protracted process, subject to many variables. Each proposal is preceded by talks and more talks with stakeholders. This is how public policy is shaped in a democracy. The balance of

power and public sentiment can tip decisions one way or another – often with a drama out of proportion with the actual evidence. We may lament such imperfection, but live with it we must.

The most prudent thing business leaders can do is to apprise policymakers early of a potential deal, especially if it carries social implications, such as employment, environment, transportation, infrastructure and consumer protection.

One such case was the 2013 IPO of the largest German housing company Deutsche Annington (now Vonovia), with apartments and hundreds of thousands of tenants, most of whom are not big earners. Many of those tenants feared the IPO would cause rents to rise – they appealed to politicians, who began to examine the deal in more detail.



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Situations like this pose daunting communication challenges for companies. Even mild tremors in the corporate world can give policymakers, who rely on the votes of tenants and workers, the jitters. It's the company's job to put these fears to rest.

And the sooner, the better. The political apparatus has to be given time to consider its position and find a way to communicate it. Comparatively few parliamentarians in the German Bundestag have a background in business or economics. Yet its members must make decisions that can affect the entire economy – often putting taxpayers' money at stake. Therefore, it is the responsibility of businesses to give those politicians the information they need to make confident choices.

In an important sense, government and regulatory involvement is a matter of trust between all parties. And trust can only be won in an open dialogue.

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