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THE LOCATION ADVISOR
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60 SECONDS...

with **Kathleen Ellis,** Senior Vice President, Chubb & Son

Kathleen Ellis, senior VP of Chubb & Son, also is the firm's Multinational Risk Group manager of Global Accounts.

BF: Why is it riskier for small businesses, compared to large companies, to invest or relocate overseas?

KE: You need resources to manage risk. Larger companies often have the people and capital they need to navigate the global patchwork of different laws and languages, currencies and styles of conducting business and create corporate risk management standards throughout the world. Small and midsize companies that do business overseas don't have those luxuries. But if they're lucky, they'll have good business partners to help them create standards that will help reduce foreign property and liability losses and injuries to employees.

Additionally, smaller companies have less capital, and what they do have often is tied up in the expansion plans. There is seldom a surplus of extra capital to pay for a mistake or unforeseen costs associated with inefficient practices or poor decisions.

A small or midsize company will have fewer staff members and less time to anticipate all of the cultural nuances and business practices that go unspoken in foreign locales. Having a good partner—either a joint venture, attorney, accountant, or consultant—can make the difference between winning and losing. Losing money is just part of the risk; losses can damage long-term relationships in a country.

Finally, expanding into foreign markets, while strategic, will lengthen the supply chain of the company. Buying raw materials or components from multiple sources in multiple countries and then coordinating them to create a final product is a challenge. Focusing on logistics and a good management process is required.

BF: How has the troubled US economy shifted concerns of corporate executives?

KE: According to Chubb's 2008 Multinational Risk Survey, senior-level executives and risk managers agreed that the top three threats to their business operations or business conducted outside the United States and Canada are: currency risk (23%); supply-chain failure (16%); and credit risk (13%). In our 2007 Multinational Risk Survey, the top three threats were terrorism, natural catastrophes and political instability.

Some of these are business risks, and others are insurable through property/casualty insurance. Compliance with local laws and practices is a keen concern for companies doing business abroad. They want to be viewed as good corporate citizens in order to maintain strong relationships with a country's regulators. For expanding firms, there is a heightened awareness of risks due to liabilities pertaining to employment practices, pensions, and directors/officers. ■

ACCORDING TO CHUBB, IN 2009...

- 75% of companies will expand existing foreign operations
- 71% expect foreign sales, operations, and/or imports to increase
- 71% will introduce new products in foreign markets
- 62% will add more employees to their foreign operations

SOURCE: CHUBB'S 2008 MULTINATIONAL RISK SURVEY

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