

## **EXECUTIVE VIEWPOINT ON THE GEOPOLITICS OF BUSINESS**

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**Abstract:** *The contemporary geopolitical environment has posed new challenges and opportunities for business organizations worldwide. With increasing international economic alignments and political conflict, organizations need to manage with innovative methodologies. These operational changes have an impact on the practice of public administration, finance, and law. With the intent of highlighting a real world case in geopolitical management, Professor Mark Munoz of Millikin University and undergraduate student Ashlee Colby interviewed Michael W. Ritscdorff, CEO of Dukane Corporation. Dukane Corporation is a global manufacturer and marketer of advanced technology products. Located in St Charles, IL, it has operated as a private corporation for 91 years and distributes products such as audio visual presentation products and ultrasonic thermal and friction assembly systems. The interview captures the company's geopolitical mindset.*

**Keywords:** *Geopolitics, International Management, Geopolitical Management*

Geopolitics is defined as the convergence of geography, economics and politics and its influences on events. It is shaped by geographic location, resources (natural and man-made), demographics and people factors, and relationships with other countries (Bronstein, 2011).

Early thinking on geopolitics was advanced by Mackinder (1904) who suggested that social occurrences in one part of the world will impact other locations and shape political and economic activities.

Companies and executives need to be cognizant of geopolitical occurrences. The global environment is threatened by: 1) financial challenges, 2) ecological threats, 3) global instability due to power shifts and resource limitations (Foster, 2009). A keen understanding of geopolitical dynamics and the management of risk is an essential skills set of the contemporary CEO (Financial Executive, 2011).

This article highlights an interview with **Michael W. Ritscdorff, the CEO of Dukane Corporation**, an Illinois-based global manufacturer and distributor of advanced technology products. The interview was conducted by Professor Mark Munoz, with the assistance of student Ashlee Colby.

The interview was conducted with the goal of gaining a real life corporate perspective on how a mid-sized international company executive manages the geopolitics of business.

(Start of Interview)

*Interviewer: From your experience, to what extent do companies track and monitor geopolitical events around the world?*

Ritscdorff: Depends on the company size. In larger companies the budget analysts would monitor events in countries that we sold into. We are a small company so the Division President is responsible for staying current on global events. Our international sales manager helps the president by visiting 20 countries a year.

*Interviewer: How do companies gather geopolitical information and conduct research in international locations?*

Ritscdorff: Discussions with company employees, foreign travel and healthy use of the internet news sites.

*Interviewer: In your view, what are the key challenges in the geopolitical environment and how does it impact the contemporary corporation?*

Ritscdorff: Stable economies and leadership are requirements. The slowdown in China and rollercoaster risk ride in Greece has spooked everyone. We are a capital equipment manufacturer and when buyers get spooked new machinery sales suffer. Rumors about Spain's possible strike, Italy and Germany's continued support of the Euro has hurt growth. We just opened offices in France and Japan, and France is operating below expectations.

*Interviewer: Are there business opportunities resulting from geopolitics? What might these be?*

Ritscdorff: With China's quest to be the number 1 economy, you must be there. We are 40% auto related and the volume increases in car production there are exciting.

*Interviewer: Who is responsible for geopolitical planning in companies you've worked with? Is responsibility placed on a single person, department, or entire organization?*

Ritscdorff: I have worked in 50 million to 3 Billion sized companies and there has never been one person. I would guess the large S&P 500 companies do it differently. As mentioned earlier, division presidents and foreign executives are responsible.

*Interviewer: How does geopolitics impact the management function of planning?*

Ritscdorff: Another aspect of the strategic planning process. If you see the right kind of leadership and economic promise you may plan to put in bricks and mortar and / or increase sales volume targets. If a country uses tariffs to protect their manufacturers, you may be more inclined to manufacture there if the political climate is stable.

*Interviewer: How does geopolitics impact the management function of leading?*

Ritscdorff: You have to pick people to lead your units that get it.

*Interviewer: How does geopolitics impact the management function of organizing?*

Ritscdorff: For us one of the toughest decisions is going direct or using a distributor. Geopolitical climate will influence that move.

*Interviewer: How does geopolitics impact the management function of controlling?*

Ritscdorff: Be vigilant of the assets you have in place and make sure you have the organization and review processes to recognize and bring any excess back to the US.

*Interviewer: In your view, does geopolitics impact the company's financial bottom line? Why or why not?*

Ritscdorff: Yes, the more controls you need the more expensive it is. When you need to manufacture there or have bank accounts there cash flow and profitability will be affected. However, as long as the incremental sales volume produces contribution to cover the additional expense you go for it.

*Interviewer: How can the practice of geopolitical management are improved?*

Ritscdorff: If you hired someone to be solely responsible for it. I won't do that so I need to ask more questions.

*Interviewer: What resources are needed by organizations in order for them to best manage the complexities of geopolitics?*

Ritscdorff: Information, the time to look at it and the intelligence to act on it.

*Interviewer: What are the best practices you have observed in the management of global geopolitics?*

Ritscdorff: I never did witness this function residing in one person. The best people will provide you with the best practice. As you choose presidents of divisions or foreign office heads, you need to insure they have that particular curiosity. Most people ignore it because they are buried with their day to day tasks. There are great people out there that look outside the boundaries of their home countries. Hold on to them and listen.

*Interviewer: What is your vision of geopolitics in the future? Do you see it growing or declining in importance?*

Ritscdorff: Big question for someone like me. It's like competition. It started in our towns and now it comes from all over the world. It grows every year. If you don't stay ahead, you're dead. So, yes it will continue to increase because selling to everyone in the world continues to get easier and it will be easier for global issues to affect you.

*Interviewer: What role will geopolitics play in a company's success?*

Ritscdorff: If you don't consider it you will get hurt.

(End of Interview)

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