

Multinational Risk Assessment and Management, by Wenlee Ting (Quorum Books, 1988)

Reviewer: William A. Scroggins, Jr., Associate Professor of Finance, Jacksonville State University

As international trade and investment proliferate, the need arises for a better understanding of the spector of international risks. *Multinational Risk Assessment and Management* is a timely publication that addresses this need and makes a substantial contribution in providing the formal framework for assessing and managing political risk for multinational corporations. While the intended audience would be primarily corporate executives, the book is highly suitable as a supplementary reading reference text for students of international business.

The body of the book falls into three basic parts, though it is not structured beyond the level of the chapters. In the first part (Chapters 1-2), the author provides a comprehensive review and evaluation of existing international risk management theories and applications. These include models based on political, exchange rate, and policy instability. From the standpoint of international business, the bottom-line consideration is the safe and unimpeded repatriation of earnings from the host country. This part also examines the spectrum of host country dynamics that may influence the risks of repatriation of funds.

The best part of this book, however, in this reviewer's opinion, lies in the suggested approaches for formulating a framework of assessment for micro risk found in Chapters 3-5. This section of the book is devoted to the presentation of a new, more specific and practical framework for risk assessment and strategy formulation - a political approach that focuses on the explicit and relevant political risks that may impinge on a foreign investment.

A major shortcoming of the traditional macro-sociopolitical models is the lack of specificity in relating the impact of expropriation to actual investment projects or business ventures. In short, the models are silent on how political instability leads to actual risks to the firm's operations. They assume that each firm or even each project in a given host country faces the same level of risks. Rarely do governments, even revolutionary ones, expropriate foreign investments indiscriminately. The implication is that governments select their expropriation targets according to nonpolitical criteria. In addition, this degree of selectivity suggests that companies can take actions to control their exposure to political risks.

Ting argues that a preoccupation with catastrophic and revolutionary changes, such as those that occurred in Iran and Nicaragua, has skewed models of risk analysis away from the most significant and likely forms of political risk - legal, regulatory, and technocratic changes in the host country. He proposes instead, a model based on a micro or project-specific analysis and demonstrates how to integrate this analysis and the information it generates into international planning and operational decisions abroad.

The model suggested by Ting is able to incorporate the traditional macro model instabilities and also relate directly on a micro level to the multinational firm's objectives in the host country. Political risk is incorporated into a capital budgeting analysis. The objective function is the maximization of the risk adjusted net present value of the cash flows from the project. At this point, the model is divided into integrative and defensive risk assessment. The integrative sequence focuses on micro-level risks, along the lines of an obsolescing demand model, whereas the defensive sequence focuses on macro-sociopolitical risks, such as expropriation.

In the final section of the book (Chapters 6-8) the author does an admirable job of presenting risk management concepts and recent developments in the insuring of international business risk. An evaluation of risk rating services as well as an integrative approach for risk assessment are included also. While the book is not particularly statistical or mathematical, it does provide sufficient data to document the author's major points and to support conclusions. A good reference list and index are included.

In summary, *Multinational Risk Assessment and Management* is a well written book providing a logical analytical framework for evaluating international risk. From a broader perspective, the book contributes to a better understanding of the paths that will lead us to a greater integration and globalization of international business. As a strategic resource for the financial executive involved in overseeing foreign business investments, this book adds a new, more reliable dimension to the process of risk analysis, forecasting, and strategy formulation.

Corporate Directors and Officers Liability, Insurance and Risk Management, Paul Cottrell and Joseph P. Monteleone, (Executive Enterprises Publications Co., Inc., 1989), 250 pages.

Reviewer: Elizabeth V. Grace, Associate Professor of Accounting and Finance, San Jose State University

The scope of corporate director and officer (D&O) liability has increased dramatically in the 1980's. The authors of this study assert that there were few court decisions related to corporate D&O insurance until 1985. Since 1985, the legal climate, the policies insuring, and the economics of D&O insurance have changed markedly. This book addresses the changing legal environment and increased exposure of directors and officers as a result of business failures, takeovers, product liability, and environmental issues in particular. The book is intended to be of interest to practicing attorneys, and to serve as a primer for insurance and other risk management professionals.

The text is arranged by source of legal liability exposure, with special discussions of liabilities facing directors and officers of financial institutions and non-profit organizations. The chapters are written by contributing authors, most of whom are attorneys specializing in the area discussed. The first two chapters provide an overview of the D&O insurance market and the use of insurance as a risk management vehicle. Chapter 3 details common

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