Business Diplomacy Management:
A Core Competency for Global Companies

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Executive Overview

This article sets out what global companies could learn from diplomacy and how global companies could improve their effectiveness by setting up a company-wide Business Diplomacy Management function and by developing and utilizing competent in-house Business Diplomacy Managers.

This will ensure successful management of two simultaneous challenges by global companies. Global companies must succeed in the business they are in and at the same time show competence in managing multiple stakeholders at home and abroad. While it is of key importance to have the right products and services at the right price, global companies might not be able to deal successfully with obstacles emanating from outside of their direct sphere of control. Recent examples of such cases are the destruction of production equipment (sabotage of Shell Oil's pipelines in Eastern Nigeria by dispossessed and oppressed minority tribes), or the persistence of non-tariff trade barriers of Japan's telecom industry (Cable & Wireless's difficulties in acquiring International Digital Communications against strong opposition by Japan's NTT Company)

Facing such challenges, global companies require business competencies that most global managers have no background or training in. The competencies needed to deal with foreign country interests, multiple domestic and foreign pressures groups or international conflict demand that global companies acquire organizational competency in Business Diplomacy Management. This competency would help build bridges between their core business and the complex political environments within which they conduct business. Many needed attributes of a Business Diplomacy Manager are comparable to the competency profile of a political diplomat.

Key Words: *Business Diplomacy Management, Political Diplomat, Non-business stakeholders, Global Companies.*

Introduction

Globalization as measured by worldwide foreign direct investment flows is galloping ahead. It appears unaffected by the Asia's financial crisis[1] and transnationalization is also speeding forward.[2] Companies today are increasingly conducting business across OECD countries, newly emerging markets (Eastern Europe, China) or newly industrialized economies (South-East Asia, South America). However, research shows that countries have very different work values and organize their institutional and personal relationships in unique fashions[3]. Consequently, expatriate managers of multinational companies in these economies need to adjust their managerial behavior to the unique demands of the cultural settings in which they work.[4]

While cross-cultural awareness certainly helps global managers avoid mistakes due to cultural myopia, the actual situation which global companies face is much more complex. Multinational companies have been under pressure from many sides on a diverse array of problems for several decades already.[5] Doing business in countries like Russia, China, Japan or the Middle East requires specific country knowledge and business acumen which often cannot be managed by "best practice" recipes imported from the US or Western Europe.

In addition, increased globalization has led to the development of a multitude of standards that govern business behavior. It is no longer sufficient to know the business and legal conditions of a global company's headquarter country and those of some of the countries whereever it might operate its foreign subsidiaries. Multilateral and intergovernmental organizations are increasingly defining industry standards that become mandatory framework conditions for global companies where they might operate. Business decisions increasingly have to comply with such international standards no matter whether a global company is American, French or Japanese. For example, a global company's price dumping strategy might be illegal according to the trade rules of the World Trade Organization (WTO), another company might get market access to foreign IT markets thanks to regulations agreed at the International Telecommunications Union (ITU). A company might get help in protecting its patents thanks to multilateral agreements signed at the World Intellectual Property Organization (WIPO) while another global company might see its unfair industrial relations practices be criticized by countries who signed the labor conventions of the International Labor Organization (ILO).

The Internet has also changed greatly the power relationship between multinational companies and their non-business stakeholders[6]. Non-governmental Organizations (NGO's) as well as civil societies in general are putting demands on global companies for more information and more transparent business practices. At the same time, they are using IT to exert influence deep into the structures of global companies.

Global managers manage business operations but do not necessarily know how to manage non-business stakeholders in all the countries they operate in. They need urgently to learn to manage complex political-economic environments. Failures in coping with non-business related issues could easily lead to crisis, open conflicts, or missed business opportunities.

The two following examples highlight the need for competent management of non-business stakeholders. The first case describes a failure by a global company due to the lack of competence in business diplomacy[7]. The second example describes a success story when Business Diplomatic Management was used skillfully and appropriately.

Why Do Experienced Multinational Companies Stumble?

Case Example of Shell Oil and the Ogoni People in Nigeria

For many years, Shell Oil refused to consider the claims and misgivings of the Ogoni people who live in Ogoni, a region in Rivers State, Eastern Nigeria. Approximately 500 000 Ogoni people live in an area of 650 square kilometers on fertile lands of the Niger delta. The Ogoni people started to experience problems after Shell discovered oil there in 1958. At that time, Nigeria was under British colonial rule, and the Ogoni had no say in the oil exploitation. With the coming of independence in 1960, the Ogoni situation did not improve -- being a minority ethnic group in a country which has a current population of 88 million, the Ogoni never had an effective say in Nigerian politics.

Under the 1989 Constitution, Nigeria's mineral rights are held by the federal government which directly negotiates conditions for oil exploitation with foreign oil companies. Shell Petroleum Development Company, SPDC, in a joint venture with the Nigerian National Petroleum Corporation, NNPC, owns most of the 100 oil wells in Ogoni territory. From the point of view of the Ogoni people which has been widely publicized through the internet[8], their own

oil wealth has been plundered by the Generals and the foreign oil companies without any trickle down effect for their own population.

Also, the environmental disasters due to oil spills, contaminated water supplies, and air pollution has led to a massive deterioration of the Ogonis' living conditions. All this resulted in Ogoni's sabotaging some of the Shell oil wells. The Nigerian government tightly controlled by General Babangida, military dictator, harshly put down their rebellion in the early 1990's. The ensuing bitterness soon became part of the on-going call for democracy which continued to shake the country over several years reaching tragic proportions with the hanging of eight Ogoni activists in November 1995.

Many NGO's openly accused Shell of colluding with the Nigerian regime in violently repressing the Ogoni rebellion. Ogoni people continued to sabotage Shell's oil wells and the effective advocacy of NGOs resulted in damaging Shell's international image. Shell finally decided in 1997 to reach out to the depressed Ogoni community. Meetings were organized with Ogoni groups to find ways to alleviate economic hardship through Delta-wide community development programs -- building of roads and market stalls, and water renovation projects.[10] Belatedly Shell recognized the Ogonis as a crucial non-business stakeholder in their operation in Nigeria.

Prognosis

Shell lacked political foresight and diplomatic skills in dealing with a population directly affected by Shell's business operations. Shell Headquarters was not equipped with the skill base required to alert its Nigerian subsidiary of possible conflict and did not anticipate a tarnished image as a result.

A Business Diplomacy Manager would have saved the company time, money and reputation in this case. S/he would alarm Shell's management and start negotiations with the government, the local tribal leaders and concerned international NGO's before the situation deteriorated into a full crisis. Also, s/he would have worked with these stakeholders in order to come up with equitable solutions rather than hiding behind quasi-legal arguments which were totally unacceptable to these non-business stakeholders.

Hence, Shell Oil's problems in Nigeria were linked to its inability to interface proactively and simultaneously with government officials, regional opposition leaders and local community

groups. Shell's organizational myopia towards its external environment would not have been so damaging had the company been equipped with adequate diplomatic know-how, political foresightedness and social competence.

Smart Business Diplomacy Pays!

Case Example: Cable and Wireless (C&W) in Japan

C&W, an UK based global communication and data processing company with more than 38'000 staff worldwide, first entered the Japanese telecommunications market in 1986 as a founder shareholder of International Digital Communications (IDC), a Japanese international carrier of data products.

Many Western companies report difficulties when trying to enter the Japanese market. Japanese business culture is often reported as the main obstacle to market participation by non-Japanese companies. In particular, what is often mentioned is Japan's conservative industrial culture, which tends to place priority on long-term relationship, which in turn makes it difficult for a new entrant to get market share. C&W proved that this does not have to be so forever.

Following the wishes of Japan's Government to gradually deregulate its telecom market, NTT, the former Japanese telecom monopoly, was instrumental in creating IDC in 1986 without becoming a shareholder itself. C& W was co-founder of IDC together with other Japanese shareholders such as Toyota and Itochu [11]. IDC had 700 staff and an annual turnover in the year to March 31, 1999 of 75.2bn Yen with operating profits of 4.1bn. Yen.

Even though NTT was not a shareholder, it retained strong links to IDC due to the fact that IDC's top directors were all former NTT managers. A decisive moment came recently when C&W successfully took control of IDC in Japan's first serious hostile take over bid. Raising its stakes first gradually from 17.69% to 33.4%, C&W launched its take-over bid for the total company which it won on 16th June 1999. It acquired 97,69% of IDC against stiff opposition of NTT, strong opposition by IDC's own Japanese top management and opposition from some of the other Japanese share holder companies of IDC.

According to C&W's executive director, Stephen Pettit[12], the tender offer process proved open, transparent and fair and the bid went to the highest offer. However, according to FT reports, the take over battle would not have been successful had it not been that Ministry of

International Trade and Industry (MITI) remained neutral. Officially because it wanted to support the restructuring of the telecom sector by increasing competition, but also because MITI withheld approval of a rival bid by NTT due to "the UK government's saber rattling about market access"[13]. Some analysts also suspect that the Japanese government, which owns 59% of NTT, encouraged NTT to back away from the contest because it did not want to spark a trade dispute especially since the UK government has been actively lobbying for C&W.[14]

Prognosis

C&W demonstrated expert command of diplomatic know-how by coordinating its moves with the UK government, the UK Embassy in Japan and other equally supportive foreign country governments. C&W understood and utilized to its advantage the internal conflicts of Japanese politics (market reformers versus traditional mercantilists) and most importantly skillfully elevated the take-over bid to a bilateral and multilateral trade issue between the UK and Japan and between Japan and other key industrial powers.

By raising the stakes of a possible failure to the level of international trade politics, C&W successfully outmaneuvered NTT in the battle for IDC thus gaining a significant foothold in the lucrative Japanese telecomm market.

A Revolving Door in Acquiring and Using Diplomatic Know-How

Most globally active companies recognize the importance of diplomatic know-how and the need for competence in relating to non-business stakeholders. They know that international business operates in a rich context in which economic, political-military, social and cultural factors interact at the organizational, industry, national, international and global levels[15]. Business success in foreign markets are co-determined by non-business factors such as the quality and intensity of international relations, the legal stringency of multilateral conventions and agreements and the power and make-up of governments and political decision makers.

Traditionally, it has been the practice in France, the United Kingdom and the US to facilitate cross-fertilization between business, government, foreign service and academics and to make sure that knowledge acquired in any of these different fields of expertise are diffused across professional boundaries. To illustrate this cross-fertilization are a few examples from US practice:

- George Schultz moved from a top management position at Bechtel company and teaching assignments at Stanford University to become Secretary of Labor, then Secretary of Treasury, then Secretary of State and back to Bechtel and Standford University. ¨

- Jim Baker moved from a Wall Street investment banker position to the Republican Party Committee on to become Secretary of State, and now backs to business.

- Henry Kissinger moved from being a professor at Harvard to National Security Adviser, then Secretary of State and on to academic assignments and advisory roles through his consulting firm.

- Madeleine Albright moved from being a research professor at Georgetown University's School of Foreign Affairs to US Representative to the United Nations and on to State Secretary.

- Jeffrey Garten took a different route by moving from being Under Secretary at the Department of Commerce, to Under Secretary of Trade and on to being the Dean of Yale School of Management.

A different route leading from the Foreign Service to business appointments can also be observed, for instance, when former Ambassadors get appointed as VP for International Relations of global companies. Another variant is the move by former Ambassadors to become partners of law firms, investment firms, consulting companies or policy advisory agencies. While the reverse move is also well known -- when US presidents nominate influential and often wealthy businessmen to the role of Ambassador. These different variants are also being practiced by continental European countries as well as by many other countries.

Interdependence of Global Business and International Politics

Professional boundaries between business and diplomacy have gradually become blurred especially after the end of the Cold War period. States are championing economic development and trade relations in today's global economy which is increasingly interconnected and interdependent. Foreign service, government, business and universities need each other's special expertise to be effective in the global market place. However, this realization is not equally shared nor lived up to by most global companies.

While the foreign services of most OECD countries make great efforts in teaching diplomats the functioning and needs of business, the opposite is not true. Few are the global companies which consciously make an effort to understand the world of international relations and diplomacy and fewer even are the global companies who train their managers in diplomacy and international relations.

Instead, global companies prefer to hire either professional diplomats as full-time or part-time advisers on a punctual and opportunistic basis. The given objectives are mostly narrowly defined -- those hired are expected to provide the company with contacts or use their extensive regional experience to help a company manage difficult relations with foreign government officials. Former diplomats might also be hired by a global company for their contacts and experience in a specific industry- for instance, aviation. Global companies could however complement the prevalent "outsourcing" practice with an "in-sourcing"[16] approach in order to be more competitive and simply smarter than their competitors.

Referring to the examples of Shell and C&W, it appears that outsourcing this business diplomacy management function as a response to the non-business challenges is not enough. Instead, the global companies need to seriously build up their own proactive diplomatic competency.

Why Global Companies Need to Develop Diplomatic Skills

CEOs of global companies need the competencies of Diplomatic Know-how to carry out an increasingly large number of "diplomatic" missions. Traditionally, the expatriate managers were expected to handle these diplomatic assignments as part of their job portfolio. However, with increasingly vocal and self-assured host country governments and interest groups, and the proliferation of information over the internet by NGO's, business diplomacy should no longer be left alone to former Ambassadors serving as "temp" business diplomats for the global company. To include former professional diplomats in top level staff position is certainly already a great help, but more needs to be done!

For instance, global companies need to anticipate environmental conflicts, communicate effectively with non-business interest and pressure groups, influence decision making of foreign governments, maintain and cultivate constructive relations with external constituencies and

negotiate on behalf of the company in foreign countries with non-business groups. All these competencies are too important to be left to advisers from the foreign service alone.

Faced with the challenges of globalization and its multiple business and non-business stakeholder interfaces, global companies need to expand the traditional concept of public affairs and acquire diplomatic know-how which goes beyond what is normally expected of public affairs offices. In particular, global companies need to be able to forecast, plan and manage international issues, cope with multiple crisis, influence and work with intergovernmental organizations and know how to operate appropriately within diverse cultural and societal environments.[17]

Managing a multitude of business and non-business stakeholders at international level requires diplomatic skills in order to safeguard a multinational company's reputational capital[18] and in order to seize proactively business opportunities embedded in non-business environments (influencing of standard setting, utilizing trade rules, negotiating with governments and intergovernmental organizations). Recruiting foreign service personnel might certainly help cover some of these threats and opportunities, however this "buying-in" practice appears increasingly unsatisfactory in light of the following developments.

Increasing public scrutiny and push for accountability. The public, or civil society, has now greater access to information and stronger influence on corporate governance. Their voices and opinion can no longer be ignored. The recent case of Coca-Cola in Belgium is a good case in point. Without in-house competence in business diplomacy, Coca-Cola Inc. missed out to respond in time to the request for clarification and remedial action by the government, media, political party and citizens of Belgium. Public fury in Belgium affected Coca-Cola's business and led to million dollars worth of business lost in Europe. Coca-Cola's reputation also suffered greatly.

Emerging Markets. The revolving door approach, described before, was sufficient when multinational companies had to deal with OECD countries with which they are familiar. The "Temps" could easily handle the needs of the global company in these countries. Today, emerging markets like China, Brazil and India represent major markets for US and European global companies. Hiring temps to deal with potential political and social issues in these

countries is no longer sufficient due to the multitude of problems, which need to be addressed at inter-governmental, central, provincial and municipal levels. One example is the restriction on exports of militarily sensitive technology by the US government that has undermined plans by Motorola to commission a $2.5bn semiconductor wafer factory in China[19]. This is one example of how international politics frustrates business ambitions of global corporations in the world's largest potential market.

Increasing foreign assets. The number of companies with a high degree of transnationality has increased noticeably in the 90's. Foreign assets represented 55% of the total assets of the top 100 global company in 1996[20]. Hence, the need is growing for global companies to secure their foreign assets. Relying on a small pool of competent former diplomats to take care of business related diplomatic functions is no longer viable. Competence in Business Diplomacy Management needs to be increased and spread more widely within the global company context.

Global Value Chain. Global companies look for high value-added activities all over the world.[21] This trend has further accelerated. The major beneficiaries of this trend are countries in East Asia, Europe, Southeast Asia, Mexico and India. However hick ups in any one point of this global value chain could cause costly interruptions of their complex and increasingly interdependent business operations. Even though the hosting governments tend to bend backwards in their pursuit of foreign investment, their local non-business stakeholders often hold opposing views from their respective governments regarding employment practices, working conditions and environmental standards resulting at times in violent and embarrassing clashes for global companies.

This article suggests that global companies need to acquire a new core competency -- Business Diplomacy Management -- as part of their intellectual capital. Insights and experiences gained from diplomacy offer suggestions how global companies could develop these new competencies.

Characteristics of Political Diplomacy and of a Political Diplomat (PD)

Recorded history of diplomacy[22] goes back to ancient Greece and has evolved over time. Important contributions have been made over time particularly during the period of the Italian city-states, in France before and after 1789 French Revolution, and in England starting with

industrialization and expansion of its empire. Systematic contributions to the development of diplomatic theory and methods have mostly been made in the US especially after WWII with the start of large-scale social science research on the behavior of international negotiators.[24]

The definition of what diplomacy is supposed to be has further evolved over the last four decades. However, the main features of diplomacy as postulated by Satow in 1917 still hold. He stated that, "*Diplomacy is the application of intelligence and tact to the conduct of official relations between the governments of independent states, or more briefly the conduct of business between states by peaceful means".*[25] Diplomacy should restrain from sowing discord between states and build confidence between them. The goal is to build and sustain positive and constructive relations. Applied to the post-war period, Sharp (1998) defines diplomacy as being characterized by *"increasing institutionalized multilateralism aimed at a stronger international order either by improving cooperation between states or transcending the need for it".*[26]

To give a flavor of how political diplomats, or diplomatists, as some prefer to call themselves, see their role, it is useful to cite the "Nicolson test". Named after the famous British diplomat, Sir Harold Nicolson, the test determines the qualities of a diplomat as consisting of: truth, accuracy, calm, patience, good temper, modesty, loyalty, intelligence, knowledge, discernment, prudence, hospitality, charm, industry, courage and tact.[27]

Besides personal qualities, political diplomats perform tasks requiring skills and competencies. These tasks include giving policy inputs to help shape foreign policy, organizing and managing international conferences; conducting bilateral, multilateral and plurilateral negotiations; collecting and analyzing information from a variety of government and non-government sources. Political diplomats have to comply with protocol, procedures and etiquette based on international practice and norms appropriate to local culture[28]; live with ambiguities as long as solutions cannot be agreed upon and modulate communication as seen fitting the context. They have to know national, international and host country laws/regulations and manage their own mission or embassy as well as manage the interface between their own government and the host government[29].

The list of requirements is long yet non-exhaustive. Diplomacy continues to evolve and so does the role of today's political diplomat. By listing them gives a keen impression to executives

and management researchers of the intricate complexity of the political diplomat's task. It also helps delineate similarities between the role of a Business Diplomat and that of a Political Diplomat. Both are capable of influencing others, shaping policies, interacting with counterparts of different cultural and professional backgrounds, acting "at home" in multiple cultural environments, and most of all balancing the delicate tension of multiple interests and loyalties. Nicolson's description of the diplomat's different loyalties is also relevant for a Business Diplomat who faces a similar multitude of loyalties. Nicolson[30] states:

> *"The professional diplomatist is governed by several different, and at times conflicting, loyalties. He owes loyalty to his own sovereign, government, minister and foreign office; he owes loyalty to his own staff, he owes a form of loyalty to the diplomatic body in the capital where he resides; he owes loyalty to the local British colony and its commercial interests; and he owes another form of loyalty to the government to which he is accredited and to the minister with whom he negotiates."*

Characteristics of Business Diplomacy Management and of a Business Diplomacy Manager

Goals of Business Diplomacy Management

Fundamental changes have taken place in the last fifteen years in regard to how international business is being conducted. Global companies can no longer maintain an arms length relationship with foreign host governments since their drive toward greater local presence has significantly expanded the multinational companies' exposure to local conditions. The companies are expected to abide by multiple sets of national laws and multilateral agreements set down by international organizations such as the World Trade Organization (WTO) and the International Labor Organization (ILO). To negotiate and re-negotiate with local authorities and to make compromises and adaptations are some of the tasks to be handled through business diplomacy.

Also, not to be underestimated is the growing assertiveness of the local and international NGO's in setting local and global agenda. Global companies have to remain sensitive to their demands and expectations and intervene at the appropriate moment to dissipate potentially damaging confrontations.

Proactively, global companies need to take advantages of the more open global economy and

newly gained access to previously protected markets. Business diplomacy will create new business opportunities through the skillful use of international treaties and agreements. Global companies need to proactively influence the government officials and international bodies in order to seize new business opportunities around the world.

Therefore business diplomacy management is about:

- Influencing economic and social actors to create and seize new business opportunities

- Working with rule-making international bodies whose decisions affect international business

- Forestalling potential conflicts with stakeholders and minimizing political risks

- Using multiple international fora and media channels to safeguard corporate image and reputation

Dimensions of Business Diplomacy Management

Similar to their counterparts in the world of political diplomacy, business diplomacy managers need to be competent at international, national, community and firm levels. Overlooking any one of these levels would render their efforts incomplete.

At the firm level, they will help define business strategy and policies in relation to stakeholder expectations, conduct bilateral and multilateral negotiations, coordinate international public relations campaigns, collect and analyze pertinent information emanating from host countries and international communities.

Internationally, competent business diplomats know how to lobby with finesse, are able to be a gracious host and know how to comply with protocol according to local customs and practices. They are able to develop local connections and relationships and manage the multiple and sometimes conflictual interfaces. They need to be active at important international fora to influence the agenda and public opinion.

When dealing with stakeholder groups, business diplomats are called in to mediate potential or on-going conflicts, may they be of economic, social, environmental or political nature. More importantly, business diplomats will scan the environment and identify potential conflict areas with the stakeholders before implement a project. As one top IBM manager told a reporter, "IBM

has to be concerned with the competitiveness and well-being of any country or region that is a major source of IBM revenue."[31]

Role Requisites of A Business Diplomacy Manager

To master successfully business diplomacy competence, global managers have to add to the already high level of behavioral complexity[32] of global management another layer of competencies which allow them to deal with external actors like foreign (host) governments and non-business stakeholders. This means knowing how to handle diverse business cultures as well as various public administrative cultures of different countries. In other words, a diplomatically aware global manager can be compared to a messenger whom transnational companies can send to different environments worldwide to solve complex political issues involving stakeholders outside a multinational company's sphere of control.

International Business Acumen and Personal Maturity

We can assume that the business diplomacy managers have proven track records in international business to which they add diplomatic competencies. In other words, they have learnt to successfully manage people and tasks of a multinational company in different countries and have demonstrated mastery of inter-cultural awareness.[33] They know how to minimize failures,[34] overcome the inevitable role conflict, role ambiguity, and role overload[35] typical of international assignments. They have learned to manage the inevitable stress and cultural fatigue due to cross-cultural differences. On a more subtle level, business diplomacy managers know from personal experience that strategic choices in international conflicts and relations can be impaired if one is not aware of one's own cognitive processes[36].

Career Development History

In order to successfully perform as a Business Diplomacy Manager, a global manager of a multinational company has to reach a high level of maturity, both professionally and personally[37]. A Business Diplomacy Manager's biography might for instance consist of a career profile including at least ten years of employment experience within a multinational company. During this time s/he has had a minimum of three to four job rotations shifting to different business units, such as positions at headquarters or at a large subsidiary as head of corporate

HRM, Business development, Merger and Acquisition, International Marketing or Corporate Communication and Information Office.

The maturity needed for a Business Diplomacy Manager is expected to correspond to the life experience of a person aged 40 to 50 or a little younger, depending on the number of professional experiences accumulated over time and a track record of success deals with external pressure groups in different countries.

Knowledge of International Relations and Diplomacy

In addition to the above mentioned track record of successful experience in international business management, the manager turned Business Diplomacy Manager should have acquired competencies pertaining to the world of bilateral and multilateral diplomacy and international relations. Particularly important requirements would be first hand knowledge and experience in the functioning of intergovernmental bodies, such as the World Trade Organization, the International Labour Organization, the Humanitarian Agencies of the UN and related organizations, the OECD, the United Nations Secretariat and General Assembly, and the Bretton Woods' institutions (World Bank, IMF, and related regional banks). The Business Diplomacy Manager needs to have in-depth understanding of how the central governments, key ministries and departments of leading countries function, such as the United States of America, leading EU member countries, Japan and leading developing countries such as China, India, Brazil and South Africa and the EU commission and its related organizations.

Multicultural Mindset

Complementing his knowledge and mastery of international diplomacy, a Business Diplomacy Manager should also understand and appreciate the logic, ideological precepts and related intellectual underpinnings of governance systems that differ from the dominant form of Western capitalism. After all, many conflicts which a multinational company must solve are in countries with often very different legal, cultural, political and economic systems.

Many leaders of developing countries and a large group of continental European and developed Asian countries do not necessarily share the belief in the supremacy of neo-liberal capitalism. They consistently reject Anglo-Saxon life style preferences and behavior which have become the increasingly dominant corporate culture of most global companies whether they are

of US or non US origin. In other worlds, a Business Diplomacy Manager should be able to converse with opinion leaders and politicians representing at times diametrically opposing religious, political and cultural systems.

Political Skills: Mastering Political Negotiations and Handling of Media

Business Diplomacy Managers should know how to defend the interests of his multinational company be this in private and official discussions, in negotiations with foreign opinion leaders and government officials. They need to effectively manage interactions with the media or other communication channels such as newspapers and conferences. The same accounts for situations "at home" with NGO's and pressure groups that might be hostile to the activities of the multinational company. Nike is a case in point regarding its difficulty in facing boycotts in the USA in recent years due to accusation of exploitative child labor practices in developing countries. In addition, decision making at multilateral negotiations, be they at the UN or other international bodies, have their own rhythm and procedures. Traditional "shooting from the hip" business practices would be fatal since most of these organisations proceed in circular logic using indirect means of influencing[38], an approach often despised by Western Managers as "unprofessional, untrustworthy and a waste of time".

Role Versatility and Tolerance for Ambiguity

As a business diplomacy manager, global managers have to manage several levels of loyalties as well, be that in relation to the CEO, different board members, their own staff, customers, suppliers, host government, home country government and local and headquarters labor union representatives. They have to be boundary spanners, which means crossing borders seamlessly, advocates, initiators, mediators, interpreters and negotiators in a multitude of cultural settings as is the case with the political diplomat.

Mastering Analytic Tools: Stakeholder Analysis, Balanced Scorecard, Stakeholder Mapping and Scenario Planning

In addition to their highly developed interpersonal and social skills, business diplomacy manager will need to master various analytic tools in order to anticipate potential impact of investment in different countries. Well-known strategic planning tools for business development could be employed here with a stakeholder focus.

The business diplomacy manager needs to put forward viable alternatives to possible stakeholder demands. They need to look for economically sound collaborative solutions. This is essential since social activism is spreading and IT provides non-business stakeholders inexpensive and far-reaching ways to organize and to exert pressures on global companies.

Lastly, Business Diplomacy Managers must be reminded of Satow's definition of diplomacy as *the application of intelligence and tact*, the latter being unfortunately so often thrown over board in the name of "time is money".

Training of Political Diplomats

Diplomacy and diplomatic training has always emphasized the importance of inter-cultural competence, conflict resolution ability and non-sectarian outlook on life. In fact, young diplomats are expected to be socially well groomed already before starting a career in diplomacy. In order to qualify for the diplomatic service, candidates of most OECD countries are expected to speak several languages, have completed university level education, be skilful in human interactions and know how to observe etiquette when going abroad and to be able to express themselves appropriately through written and oral communication. All this presupposes a high level of social skills and intelligence at the beginning of a diplomatic career that is further honed through consistent and high quality mentoring by future superiors. Aristocratic and upper class families were and often still are over-represented in the diplomatic services since they can call on more social, educational and financial resources which guarantee easier and earlier acquisition of social and analytical abilities, as well as certain sophistication of worldliness.

Such over-representation has however gradually declined over the last 20 years. This decline has been due to change of life styles affecting all strata of Western developed societies and partially also due to the wish by most of the Western developed governments to have a more cross-sectional representation of their societies in their foreign services personnel. In addition, due to rapid technological change and economic adjustments and due to economic globalization, there is now a constant pressure for continued learning and upgrading. Even with the best parental grooming, young diplomats soon reach their limits in regard to knowledge and therefore have to go back for further training.[39] Hence, most ministries of foreign affairs offer their own in-house training programs or send their diplomats to specialized schools for further training.[40]

Although the training programs for the diplomats may vary in length (from a few months to two years), in intensity (full-time versus part-time) and in levels (introductory versus advanced), they all share these components: Language skills, Social and Diplomatic skills, and Knowledge specific to the diplomatic profession (such as diplomatic history and international relations, law, economics, politics, international organizations and foreign policies). Advanced courses usually cover international negotiations (bilateral, multilateral and plurilateral), management, current issues, global problems and economics, specific trade issues, etc.[41]

Classroom training[42] is often times complemented by subsequent in-service training activities such as practiced in Switzerland. One of the most important factors guaranteeing a successful career in the diplomatic service is on-the-job learning and skillful mentoring. It is thanks to repeated postings abroad and receiving good supervision that a young diplomat acquires over time the finesse of an accomplished diplomat who has developed a sense of "Fingerspitzengefühl"[43] and a well-rounded "Weltbild"[44] while at the same time continuing to hone his mastery of the diplomatic method. To be a good diplomat means being able to be a specialist and a generalist at the same time.[45]

To manage the paradoxes, ambiguities and contradictions of diplomacy, the political diplomat needs to know how to cope with cognitive complexity (both structure and processing). Otherwise, s/he will find it hard to be effective in his role. Early in their career, the diplomats are implicitly challenged to stretch their intellectual and cognitive boundaries and to learn to master complexity in addition to all other aspects of their job requirements. Without such a mastery of cross-cultural complexity, political diplomats become vulnerable to culture shock and prone to serious shock related burnout due to sustained cognitive dissonance[46]

Development of Competence in Business Diplomacy Management

<u>Organization.</u> Taking into account the growing demands put on global companies by a multitude of foreign interest and pressure groups, global companies can no longer rely solely on "borrowed former diplomats". Instead, they should opt for a complementary strategy which would add to the invaluable service of former foreign service diplomats sufficient in-house expertise in business diplomacy. Global companies would fare well by developing diplomatic

know-how from within and helping their own global managers acquire competence in playing the role of a Business Diplomacy Manager.

While the trend is toward downsizing and outsourcing, the authors argue that business diplomacy management should be an integral part of the core function of global companies. Business diplomacy and provides a feedback loop from the external environment and non-business actors to the global companies and back to the environment. Placing the Business Diplomacy Management Function close to other core business functions would guarantee its high value added contribution to the global companies' international business operations.

Human Capital. Global managers -- similar to political diplomats -- need to be groomed in order to master both the cognitive and behavioral complexities required for the role of Business Diplomat. They need to acquire adequate knowledge in international politics and be competent in international business. At the same time a Business Diplomacy Manager should be able to master the multiple cross-cultural interfaces - at internal and external boundaries, at different hierarchical levels and within different national and sub-national cultures.

In order to appropriately play their political role internally and externally and engage in mutually satisfactory multicultural interactions, global managers need to be trained in the several fields of Business Diplomacy as suggested in Table 1.

Table 1 about here

The key features of training in Business Diplomacy Management are not fully covered by the curricula of the business schools nor the schools of diplomacy. These key features are described below:

1. History of international relations and diplomacy (actors, rules, process of diplomacy, difference between traditional and post-cold war modern diplomacy); global security questions (terrorism, drugs, environment, nuclear safety, disarmament) and political analyses of key countries and regional groupings;

2. Roles and functioning (legal and political) of intergovernmental organizations such as the UN family institutions (particularly WTO, WIPO, IFM), the European Union, and the various trading blocks (ASEAN, NAFTA, EEA) and understanding their impact on international business;

3. Basic knowledge of key national legal systems (public law, constitutional law, administrative law, private law and criminal law), international law and principles of treaty making (soft and hard law); legislation by international organization (particularly as they affect international business), Humanitarian law and Human Rights, international arbitration, mediation and judicial settlements

4. Evolution of the world economy especially from colonial to pre-and postindustrial periods; understanding different explanatory schemata of world development as seen through at times opposing ideological lenses depending on country, political system, religion, socio-economic status;

5. Understanding and influencing the decision making process at supranational organizations like United Nations, European Union, NAFTA, ASEAN etc

6. Ability to be a gracious host to a wide variety of interlocutors from all parts of the world and all strata of society; "Culture" appreciation including all forms of art of western and non-western societies.

7. Cross-cultural awareness regarding norms and values governing decision making and conflict resolution processes of other countries;

8. Understanding the management of international crisis and the role of diplomacy in solving such crisis (e.g. terrorism, war, environmental pollution etc).

9. Skills in presenting and representing one's own company and country of origin at international gatherings and official meetings, getting respect while at the same time respecting other delegates' personality and dealing with media and informal pressure groups.

10. Strategy, tactics, and procedures of negotiations at bilateral, multilateral, mult-bilateral, and multi-institutional level as well as appropriate negotiation behavior in multiple and multi-cultural settings and the art of coalition building;

11. Understanding and mastering the use of diplomatic instruments, protocol, etiquette and practice.

Implementing Business Diplomacy Management at Firm Level

Diplomatic know-how at the firm level has to be a strategic core competence as defined by Hamel and Prahalad [47]. *A core competence represents the sum of learning across individual skill sets and individual organizational units. Thus a core competence is very unlikely to reside in its*

entirety in a single individual or small team.

Diplomatic know-how should hence be seen as a company-wide responsibility shared by top management and the respective heads of business units. In order to realize this core competence, the authors suggest that global companies should create a Business Diplomacy Management function consisting of the following elements namely:

A. A Business Diplomacy Office which would be similar to Public Affairs but expanded to include the diplomatic functions described above and placed under direct supervision of the CEO.

B. Business Diplomacy Managers as staff members of the new Business Diplomacy Office consisting of specially trained business managers and seconded by foreign service officers.

C. Business Diplomacy Liaisons located in key subsidiaries of a global company directly reporting to the top manager of the subsidiary and the central Business Diplomacy Office at headquarters.

D. Business Diplomacy Management Information System which contains information pertaining to Business Diplomacy (including the profiles of active non-business stakeholders at the global level and in potentially conflictual areas).

E. Formalized link with the Strategic Planning Function of a global company in order to develop a business-related socio-political perspective (e.g., stakeholder analysis, managing hostile stakeholders, stakeholder satisfaction audit).

F. A Mandate to strengthen the overall organizational capacity in business diplomacy management

Positioning the new Business Diplomacy Office under the direct supervision of the CEO should facilitate the gate keeping function of this new unit whose function is to scan the environment, interact with non-business stakeholders and engage in diplomatic missions under close direction of the CEO. Linking the new office to liaisons in the different subsidiaries should also guarantee that headquarters and subsidiaries closely cooperate in this sensitive field of operation. Further strengthening of values and ethics linked to business diplomacy could be

expected from CEOs who take an active interest in this strategically important function and accordingly support the new office's operations through appropriate rewards and sanctions and corresponding internal communication campaigns.

Conclusion

Globalization offers business opportunities to companies around the world. However, growing internationalization has become increasingly complex. Managing effectively the interface between multiple business units and their respective host-country governments requires business competencies which go well beyond the basic skills range of today's transnational manager.

What is needed are the development of a new competency -- Business Diplomacy Management -- and a new organizational role -- Business Diplomacy Manager. Global managers need to be competent in business diplomacy and successfully represent the wider interests of a global company at international organizations, non-governmental organizations, communities, media and multiple host governments.

Business Diplomacy Managers, in contrast to lobbying firms and public affairs functions, offer a better synergy of business interests, corporate values and the management interface with external constituencies and pressure groups. Business Diplomacy Managers straddle both worlds of business and diplomacy making a global company more proactive and less crisis prone to the outside world. Synergy between business and diplomacy requires the full attention of global companies today.

Global companies can successfully implement their global strategy and preserve their reputational capital by ensuring adequate supply of diplomatic know-how. This could be done through in-house training & development and through the setting up of a Business Diplomacy Management Office under the direct supervision of the CEO. In addition, close links to the heads of business units and the heads of a global company's many foreign subsidiaries need to be established. An interactive Business Diplomacy information system also needs to be installed to build up an internal knowledge base. Lastly, to ensure a more proactive stance in handling non-business stakeholders, working relations should also be set up to coordinate dialogues between

the Business Diplomacy Management Office and the Strategic Planning Unit of global companies.

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Endnotes

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[42] Four main approaches to diplomatic training can be distinguished, namely, Diplomatic Academies (e.g., Latin-American Diplomatic Institutes), Schools of Foreign Service (e.g., the State Department's Foreign Service Institute, Georgetown School of Foreign Service), Institutes of International Affairs (e.g., The Netherlands Institute of International Relations "Clingendael"), and International Training Organizations (e.g., United Nations Institute for Training and Research – UNITAR). All together there are about sixty diplomatic training centers in the world. In Meerts, P. 1991. *A Short Guide to Diplomatic Training*. Clingendale Institute, lists forty institutes at the time. Since then, various training institutes have been newly founded around the world. These training institutes provide training exclusively to the foreign services. University programs are not included.

The currently used diplomatic training programs vary from pre-employment to post-employment training. The former model is used for example by the Austrian Diplomatic Academy in Vienna[42], while the later is applied by the Spanish Escuela Diplomatica in Madrid and by the In-Service Training Institute of the German Ministry of Foreign Affairs in Bonn.

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Appendix:

Business School Education	Education at Diplomatic Academies	Business Diplomacy Management (Competencies)
General Management	History of Diplomacy	▪ Knowledge of diplomatic instruments ▪ Capacities in influencing of diplomatic process
Strategic Management	Treaty Making	▪ Knowledge of key international business related legal standards ▪ Capacities in influencing standard setting at key international organisations (WTO, ILO, UNEP, WIPO, OECD).
Management Accounting	International Law	▪ Knowledge of the functioning of international law & arbitration ▪ Knowledge of the impact of "Corporate Reporting to Stakeholders"
Financial Management	International Economics	▪ Knowledge of the history & logic of non-US economic theories and practices ▪ Knowledge of the influence of international financial institutions (IMF, WB, Paris Club, London Club, US FRB, BIS)
Human Resource Management	International and Supranational Organisations	▪ Knowledge of the structure and decision making process of supranational organizations (UN, EU, NAFTA, ASEAN etc) ▪ Capacity to influence these supranational organizations through direct or indirect means

Marketing	Regional & Country Studies	- Knowledge of the interplay between economics, politics & culture by region or country - Capacity to promote a proactive perspective in the region regarding business diplomacy
International Management	Theory of International Relations & Contemporary History	- Knowledge of the decision making process of key countries (domestic and foreign) - Capacity in conducting political risk analysis regarding key stakeholders of the investment project
Operations Management	Managing Delegations, Embassies & Consulates	- Knowledge of the mechanisms of international crisis management and corresponding role of diplomacy and government - Capacity to intervene on behalf of the company
Information Management	Interaction with Media	- Mastering public speaking and media (key note speeches, TV interviews, press conferences etc) - Managing a Business Diplomacy Information System which supports strategic planning regarding stakeholder management
Organizational Behavior & Change	Negotiation skills (bilateral, multilateral, plurilateral)	Managing & influencing international negotiations (bilateral, multilateral, plurilateral)
Quantitative Methods	Diplomatic Behavior & Protocol Contemporary History	- Mastering diplomatic practices & protocol - Mastering analytic tools, e.g., stakeholder analysis, scorecard on stakeholder satisfaction, scenario planning, etc.

Table 1 Business Diplomacy Management: Key Competencies