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ETASM: Workshop on Business Diplomacy
Brussels, November 2008



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**Global Competitiveness &
Business Diplomacy:**
Perspective from Geneva



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Objectives of Presentation

- To provide an overview of the process of globalisation and transnationality
- To introduce the concepts of **Business Diplomacy Management and Business Diplomats**
- To describe the needed competencies for Business Diplomats



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C5 Crises at same time

(based on Jan Oberg, TFF, 2009)

- Economic (Financial, Economic, Trade Imbalance, endemic poverty, Systemic Incoherence)
- Environmental (Climate Warming, Water scarcity, Food Shortage, Energy impasses)
- Cultural (Clash of religions, anti-immigrant, anti-foreigner, cultural dominance by West)
- Political (Democracy deficits, lack of hope, apathy of young, surge of non-state militia and war lords)
- Security (Drugs, increase expenditure of Milita Industrial-Media-Academic Complex- MIMAC)

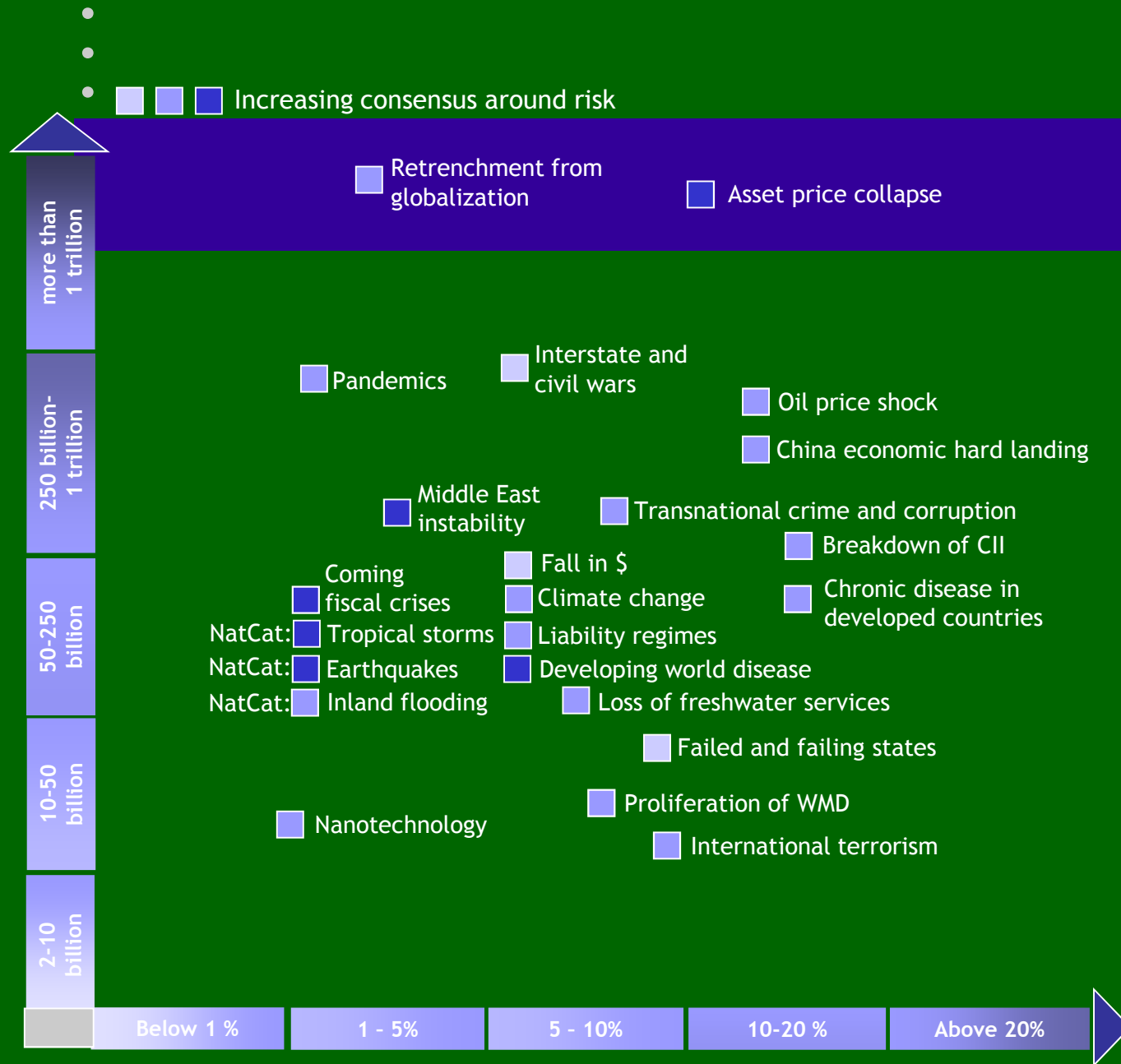


Forces impacting the Field of Business Management

- Despite Financial Crisis: Un-abating Globalisation and continuous effort to conclude the WTO Doha Round of WTO negotiation
- Increasing regulatory strengths of the international governance bodies (e.g., trade, labour conditions, human rights, environmental issues)
- Rethinking of corporate citizenship and ethics
- Growing linking of non-economic issues with trade concessions (e.g., human rights, labour conditions, environmental impact)
- Tension between MNCs and host countries due to common and divergent interests



Severity (in US\$)

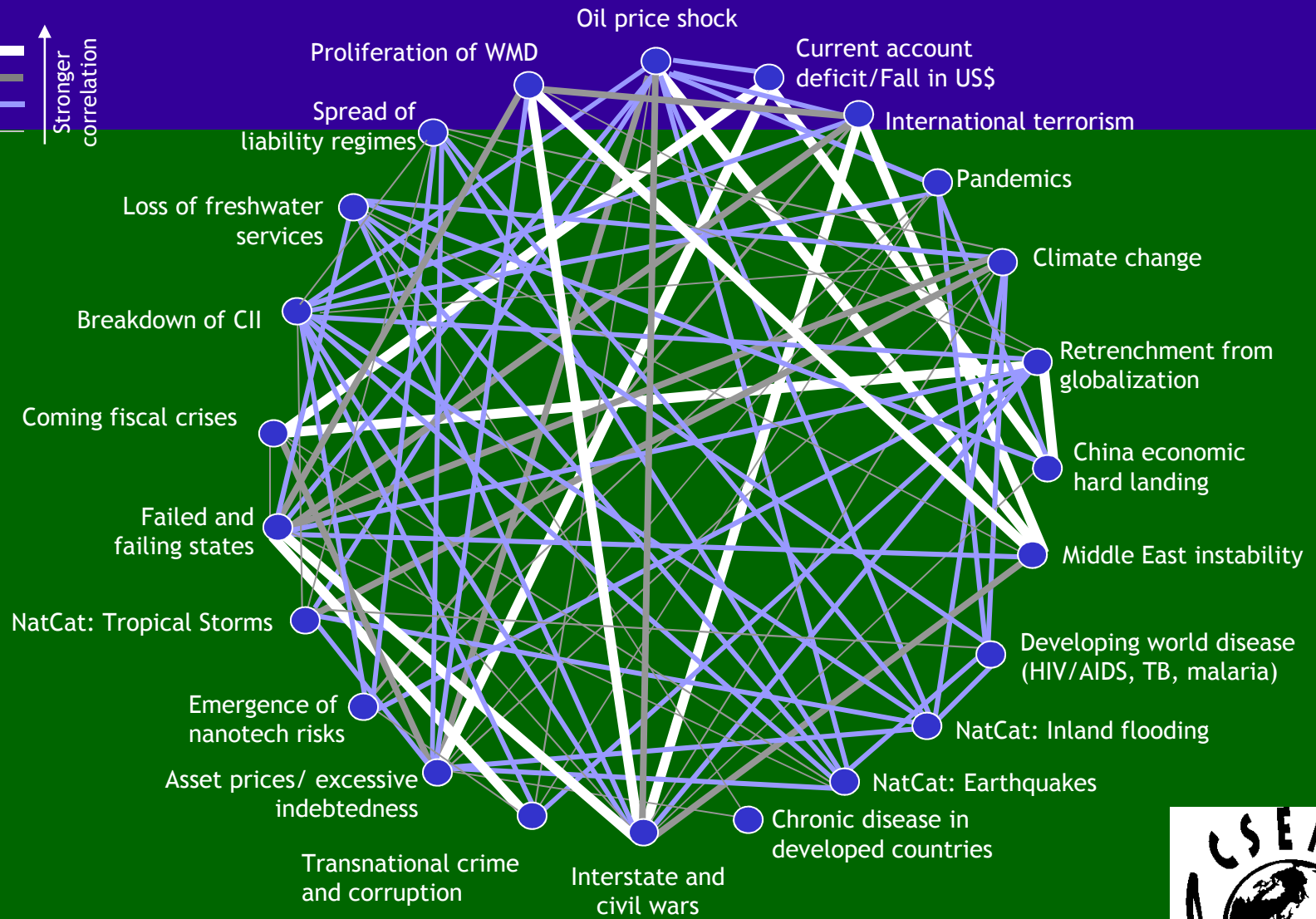
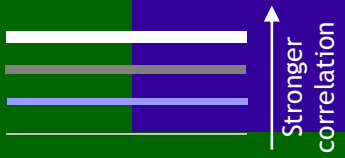


Note: Likelihood was based on actuarial principles where possible. For most risks, however qualitative assessment was used.

Source: WEF *Global Risks 2007*



Key:



Source: World Economic Forum Global Risks 2007

Transnationality Index

(UNCTAD, World Investment Report, 1998)

- A composite of three ratios --

$$\frac{\text{Foreign Assets}}{\text{Total Assets}} + \frac{\text{Foreign Sales}}{\text{Total Sales}} + \frac{\text{Foreign Employment}}{\text{Total Employment}}$$

- The growing internationalisation of assets has contributed the most to the increase in transnationality index worldwide



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Transnationality

- Forces of globalisation will continue to lead to an increase in the degree of transnationality of firms in the medium term, independently of the size, sector and location of the TNCs

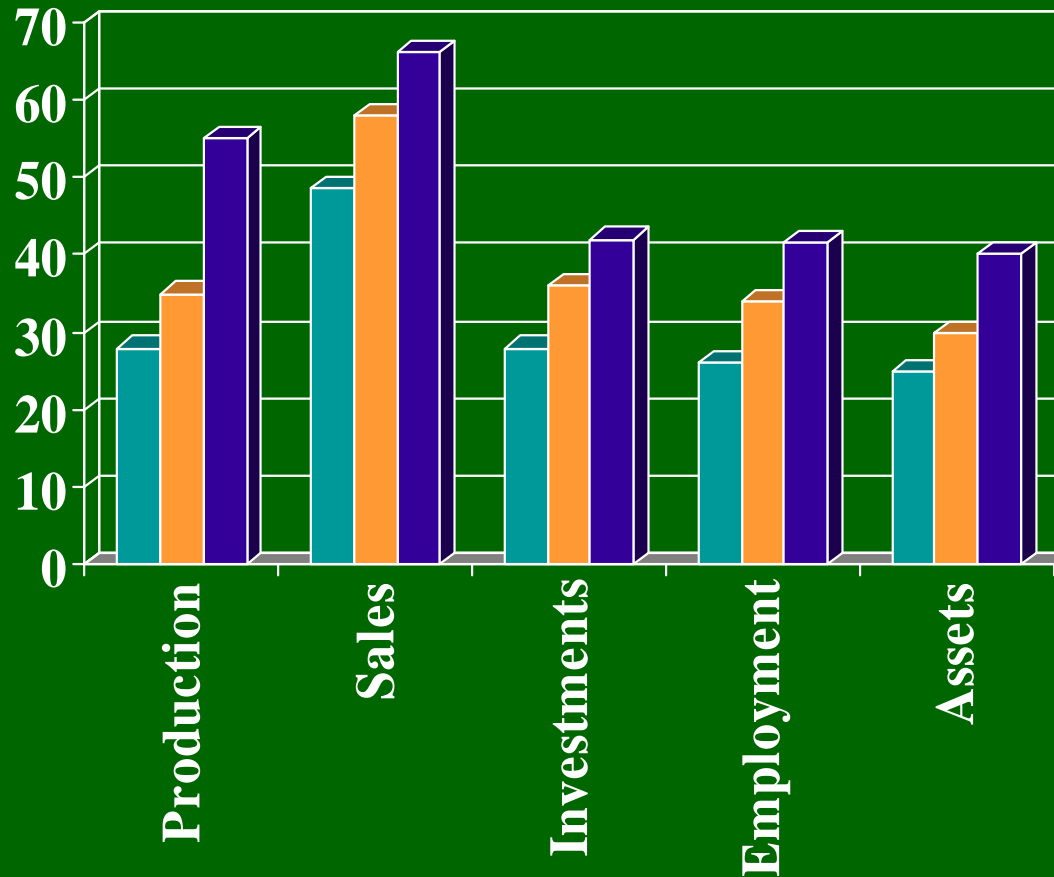
(Survey of 3000 managers of TNCs and international experts around the world and supplemented by 100 interviews, 1997, *UNCTAD*)



Transationalisation Indicators

(n = 3000)

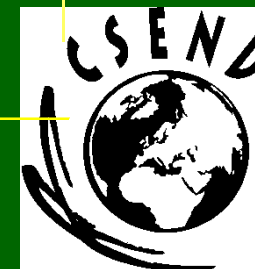
% of
Respondents



Averages in Transnationality and Foreign Assets by Industry (1996)

Industry	Average transnationality (%)	Foreign Assets (Billion Dollars)	Foreign Assets as % of top 100 TNCs foreign assets
Food & Beverages	67.2	171	9.5
Chemicals & Pharma.	65.3	247	13.7
Miscellaneous	62.4	141	7.8
Electronics & Electrical Equip	52.8	35.7	19.7
Oil, Petroleum & Mining	52.1	331	18.3

(Source: UNCTAD/Erasmus U. database)

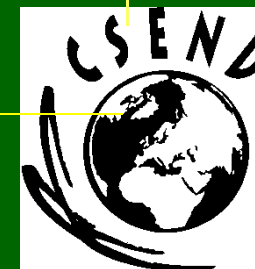


Averages in Transnationality and Foreign Assets by Industry (1996)

Industry	Average transnationality (%)	Foreign Assets (Billion Dollars)	Foreign Assets as % of top 100 TNCs foreign assets
Telecom	47.9	50	2.8
Automotive	43.8	381	21.1
Diversified	39.2	73	4.0
Trading	29.0	56	3.1
Total	54.8*	1'808	100

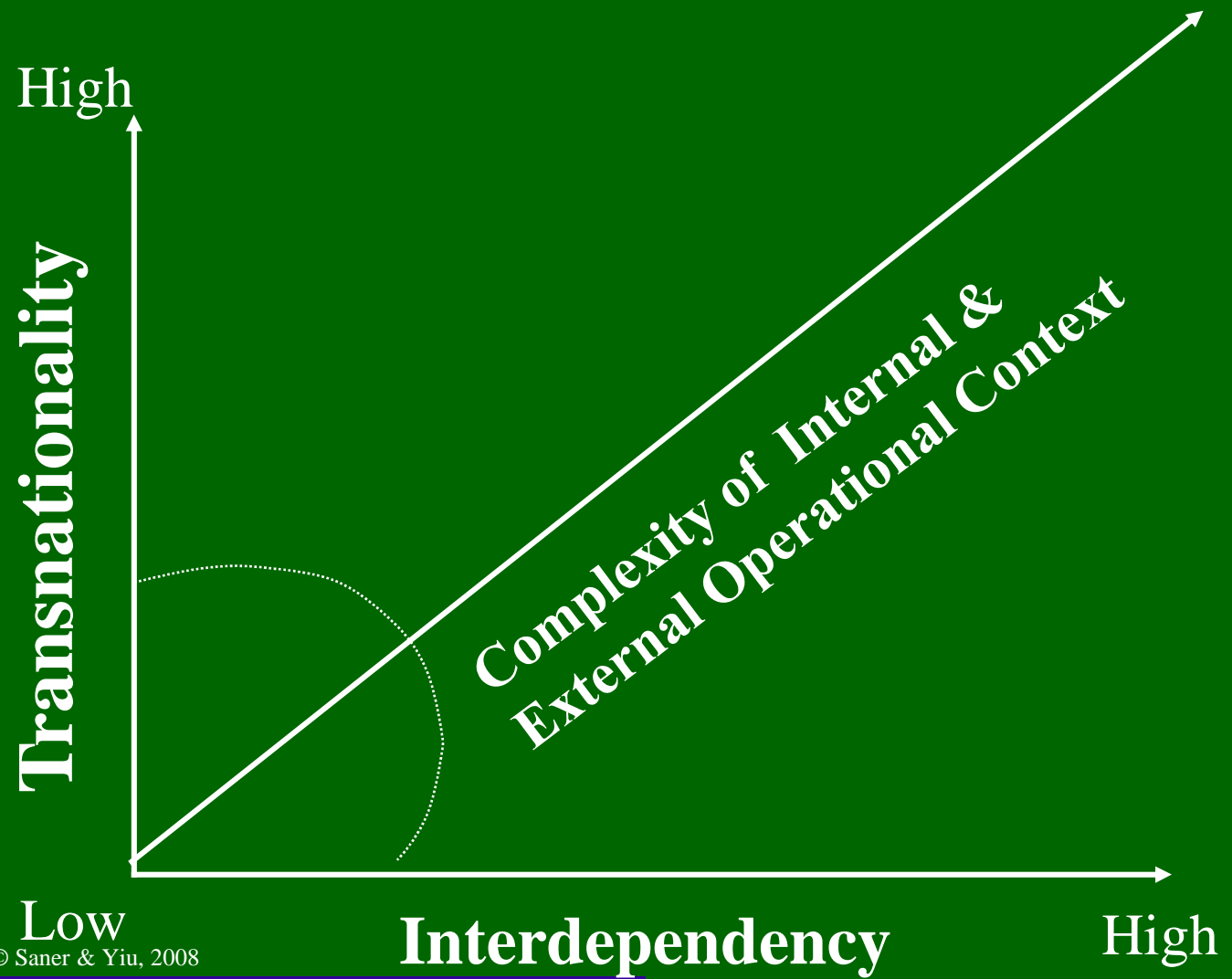
*Average

(Source: UNCTAD/Erasmus U. database)



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Implications

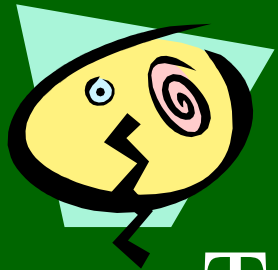


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Issue



Traditional *public relations* is not a sufficiently adequate instrument to support a corporation's business interests.....



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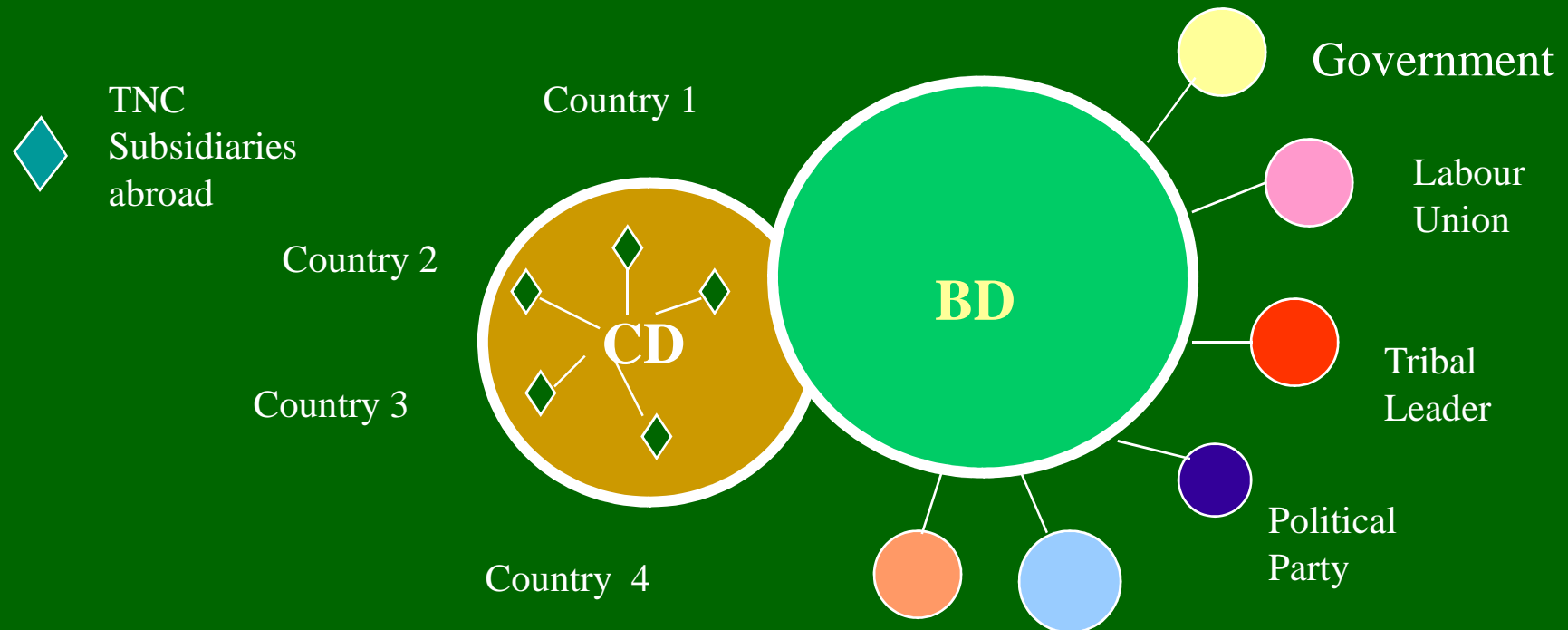
Calling for Strengthened Diplomatic Function of Business



“Business Diplomat”



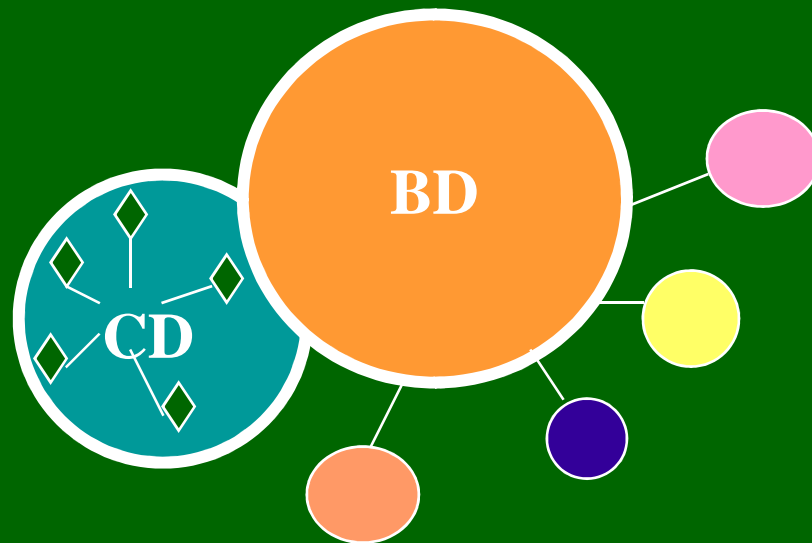
Corporate Diplomat vs Business Diplomat



CD = between TNC HQs and TNC subsidiaries
BD = between TNC and external constituencies



Corporate Diplomat vs Business Diplomat



BD = Business Diplomat

Manager/Former diplomat/ Diplomat-on-secondment who manages interfaces between TNC and external non-business constituencies like Labour Unions, Tribal groups, NGO's, UN agencies and various civil society groups in foreign countries

CD = Corporate Diplomat

Manager who interfaces between TNC and its foreign subsidiaries either from national Headquarters to subsidiaries or from main subsidiaries to HQs



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Business Diplomacy Function

“Business Diplomacy is a strategic response to the increasing complexity of the operational environment of global companies.”

(Saner, Yiu & Sondergard, 2000)



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An Initial Pilot Study

- Former senior diplomats, at the Ambassador level (N = 7)
- Currently consulting or working with TNCs



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Preliminary Analysis of the Pilot Study

Findings



Survey based on BD competencies as described
in the article

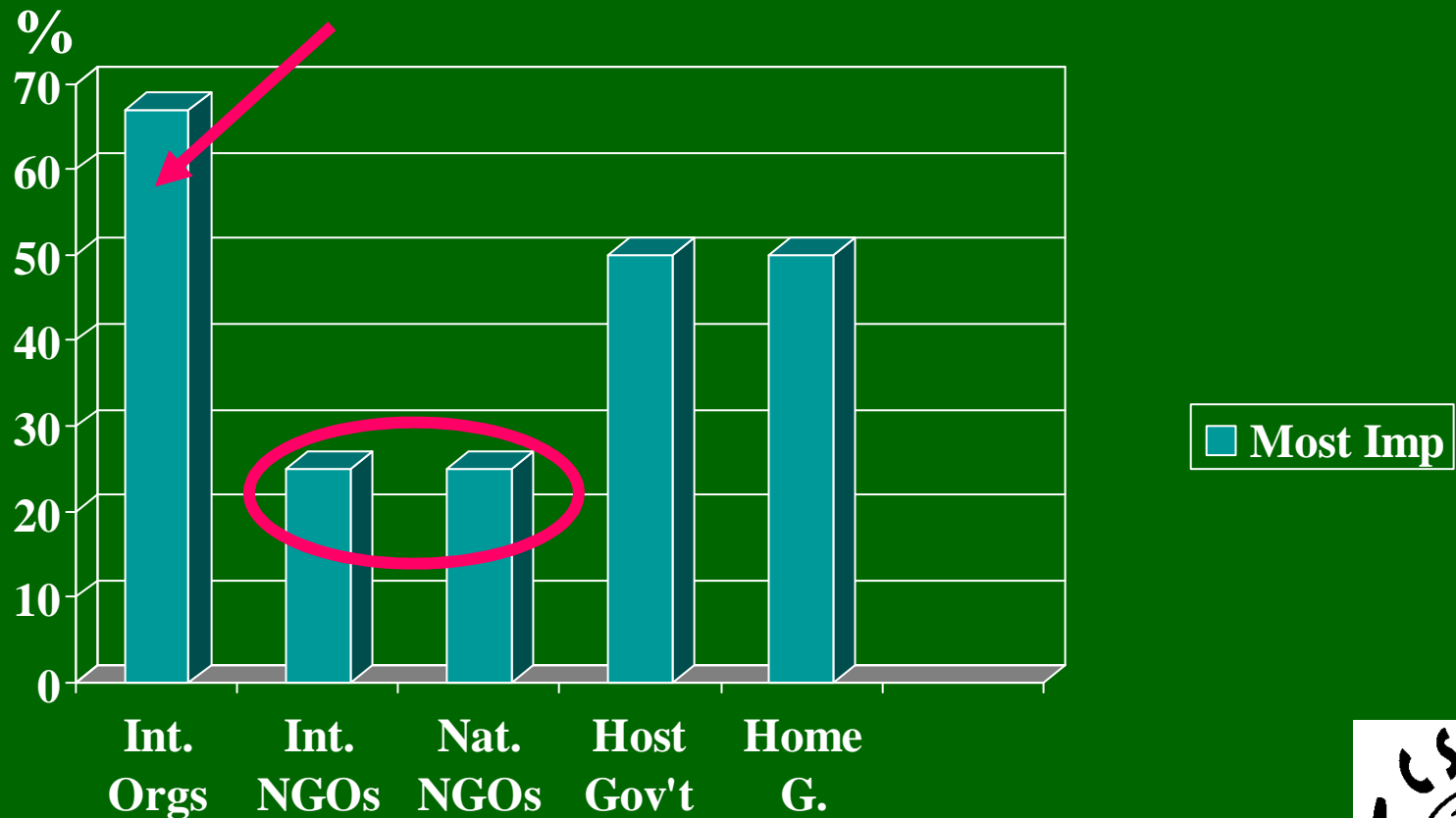
**“Business Diplomacy Management: A core
competency for global companies”**

(Saner, Yiu & Sondergaard, 2000)



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Importance of Different Constituencies

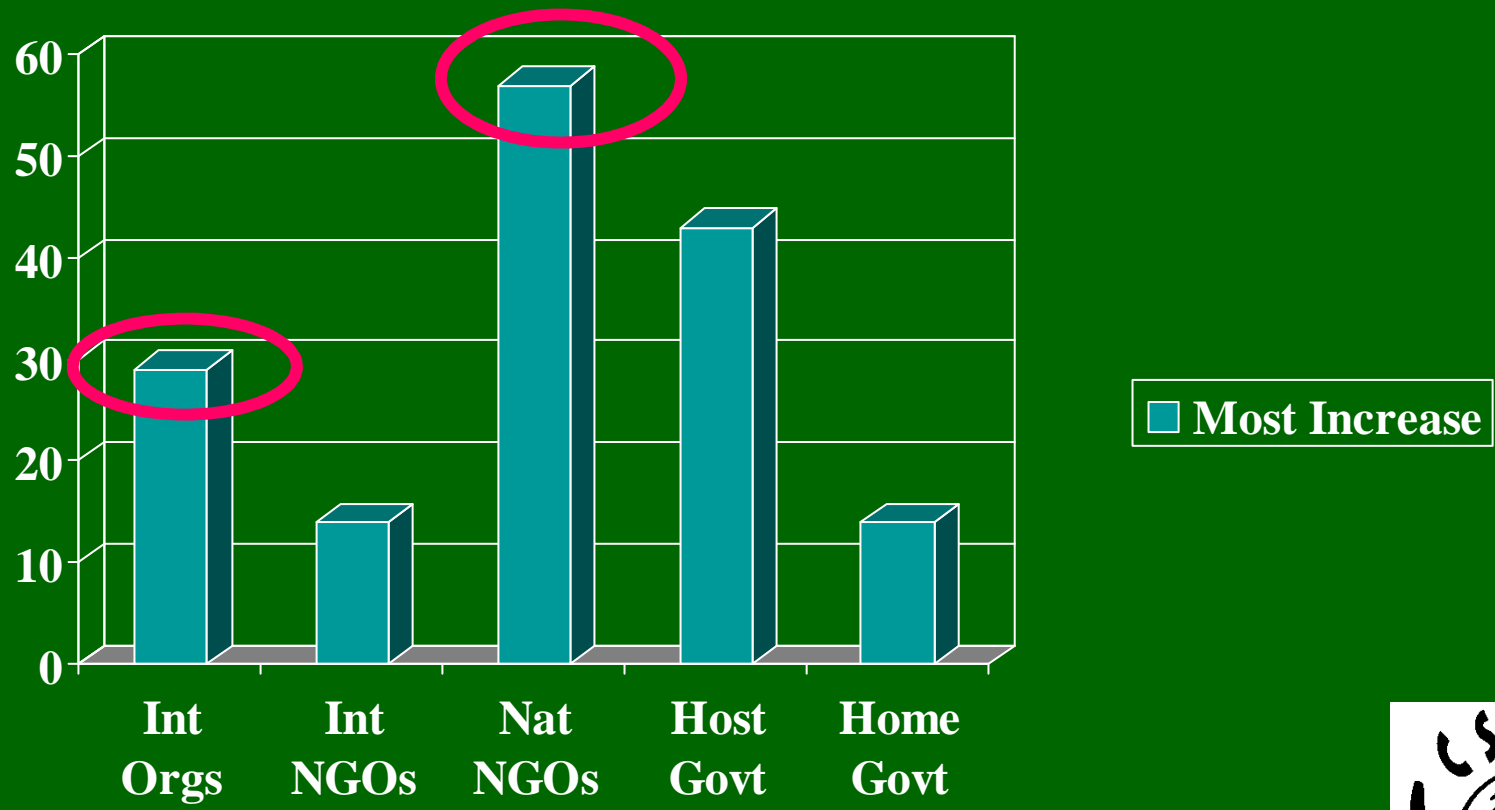


% of respondents rated as most important (Q6)



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Interaction with Constituencies



% of respondents saw increase (Q7)

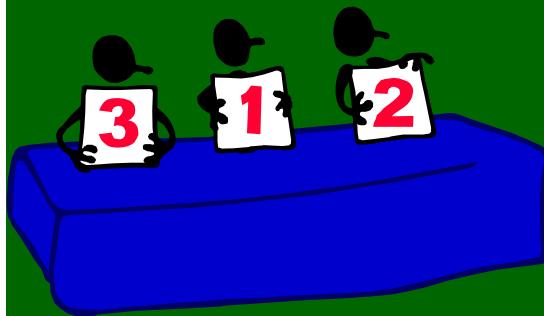


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Interaction with Constituencies

- Reasons for the increase

- Changing legal framework
- Counter threats of civil disturbance, terrorism
- Rapid growth of environmentalism



Affecting consumer perception and bottom-line



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Monitoring Business Environment

- 57% of the respondents reported that companies systematically analysed the political-social and environmental developments in the key regions and countries where these companies were active



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Corporate Reputation

- 47% of the respondents reported that companies systematically monitor their corporate reputation in the countries of operation



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Influencing the Operating Conditions

- 40% of the respondents reported that companies systematically influence the development of international governance structure and regulations



Knowledge Areas Crucial for Business Success Worldwide

In order of importance

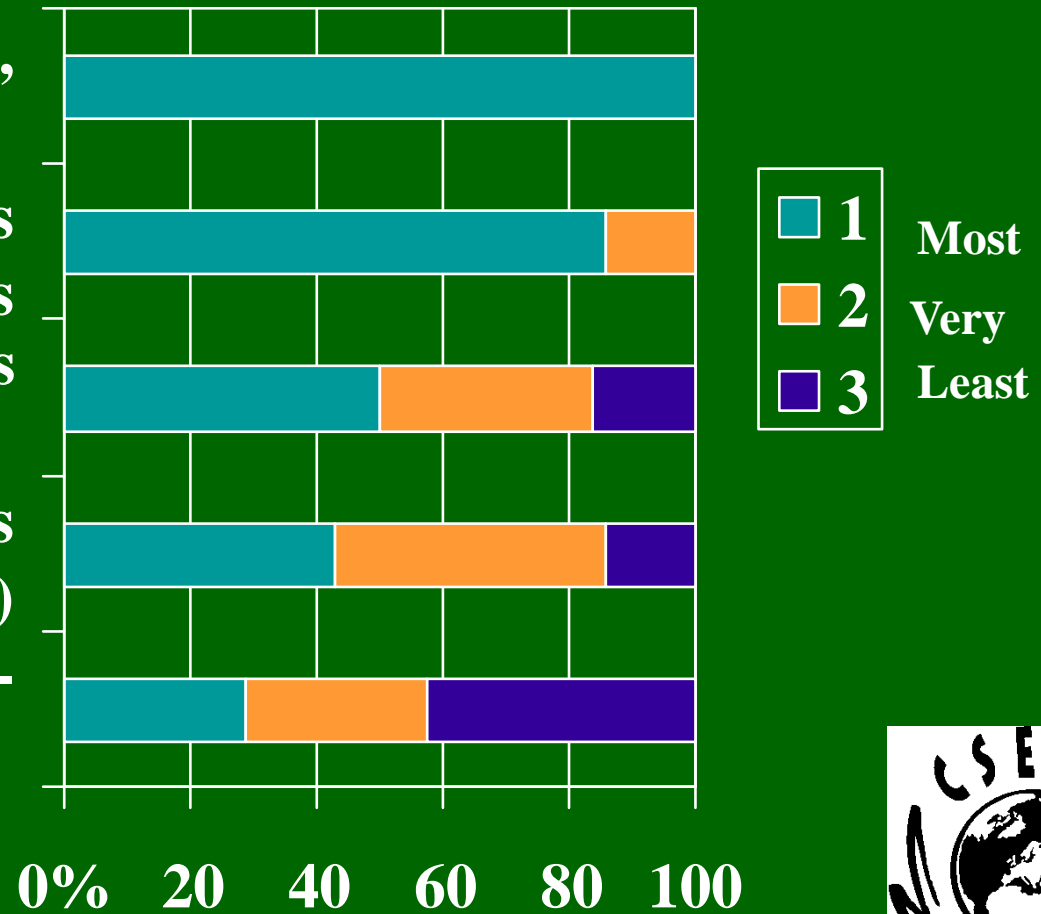
Interplay of Economics,
Politics & Culture

Decision-making process
of host countries

Mechanisms of int. crisis
mgmt

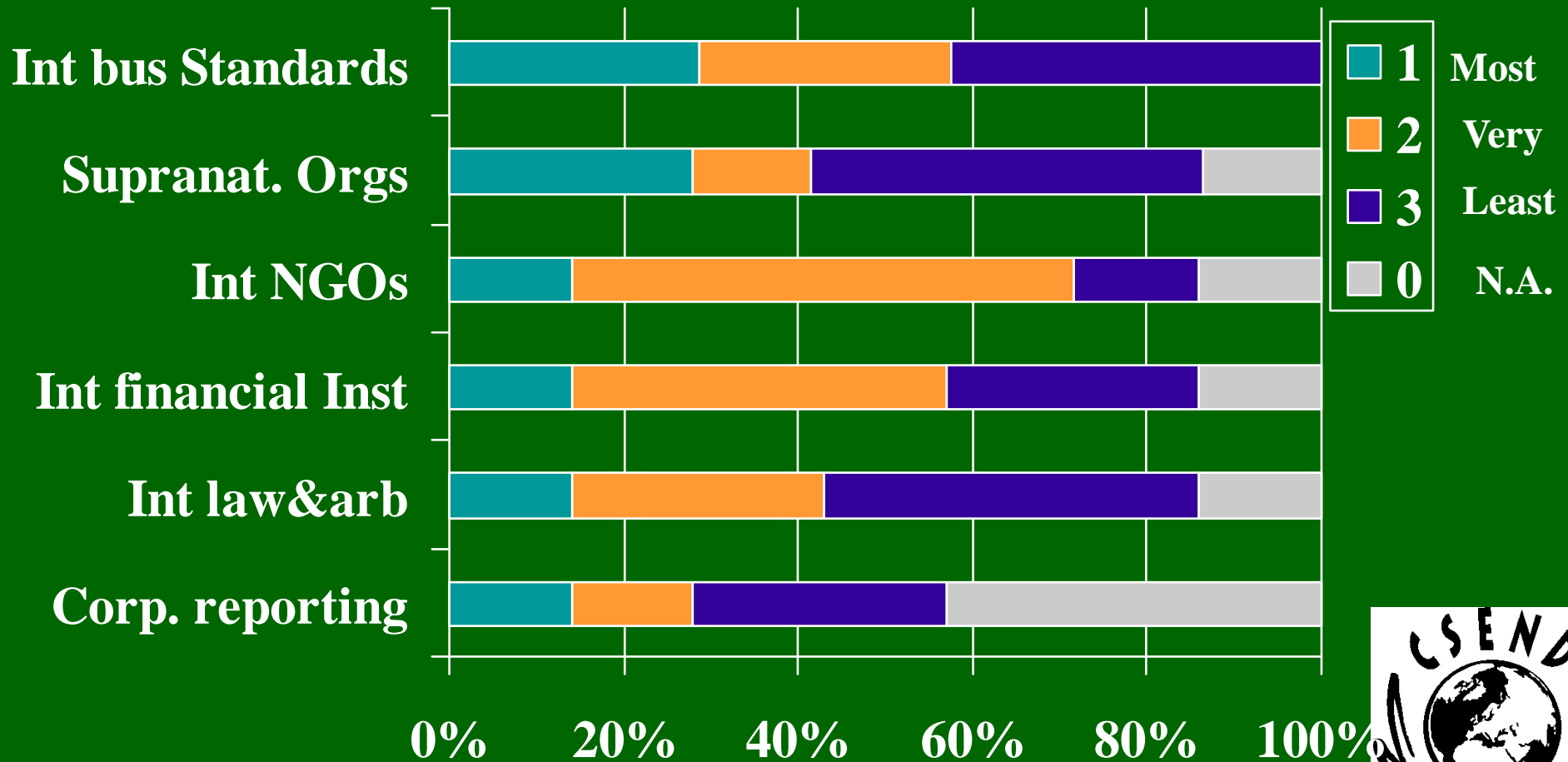
Diplomatic instruments
(trade agreements, treaties)

History & Ideology of Non-
Western models

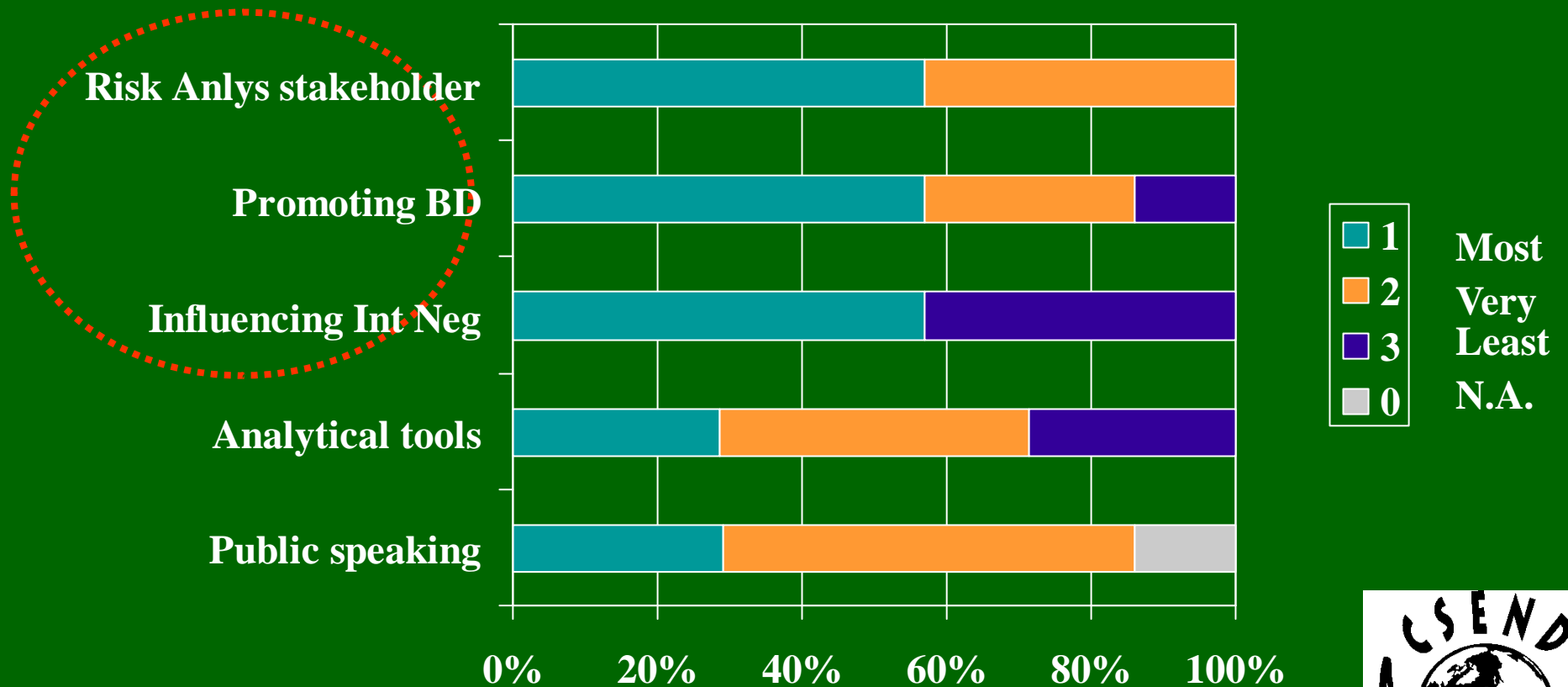


Knowledge Areas Crucial for Business Success Worldwide (2)

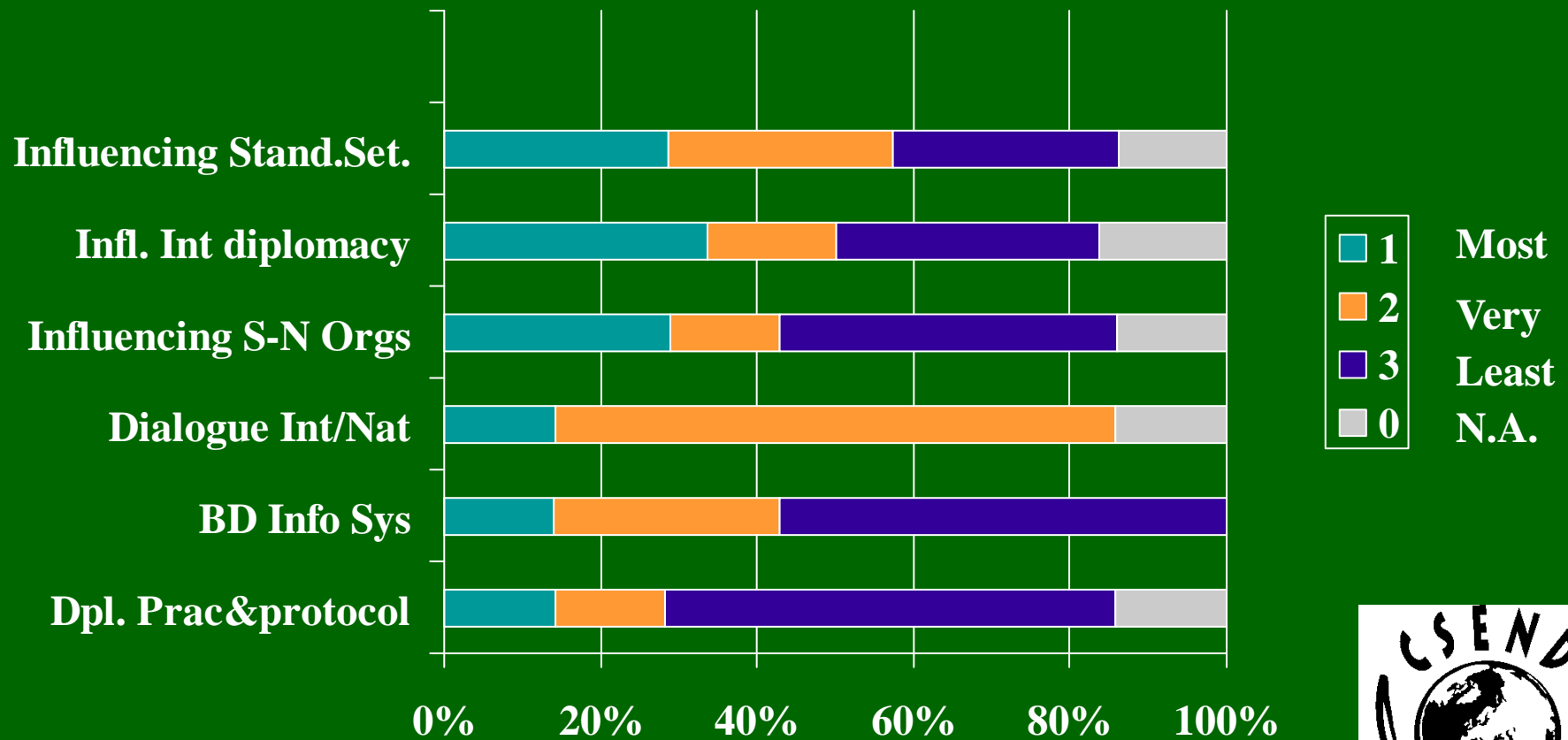
In order of importance



Skill Sets Central to Worldwide Business Success



Skill Sets Central to Worldwide Business Success (2)



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Implications for Global Businesses

- Global corporate citizenship requires competent business diplomacy management
- Relationship with non-business stakeholders is important to the bottom-line and general sense of community well-being
- Business diplomacy needs to be a new core competence of the global company and be developed through training



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Developing New Business Diplomacy Competencies Through:

- Inter-professional job rotations
(examples: USA, France)
- Training
 - in business diplomacy management
 - in economic diplomacy



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Implications for Business Schools

- Emerging demands for training on business diplomacy (BD)
- Adapting the curriculum to the interplay between socio-political conditions of the local communities and their impact on FDI
- Addressing the role of TNCs regarding sustainable development



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Final Comments

- Business diplomacy will help to create a more equitable development due to globalisation
- Business diplomacy will facilitate a more inclusive process of globalisation
- Business sustainability is at stake if corporate social responsibility fails to be part of the business equation
- Sustainable development needs collaboration of business community, governments and civil societies



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Qualifications of A Business Diplomat

- Economic and Business Know-how
 - **through career as company representative with 3-5 years experience in different foreign countries**
 - **through a MBA education or economics degrees**
- Diplomatic Know-how
 - **through being a career diplomat, e.g., retired diplomat, diplomat-on-secondment**
 - **through management training in business diplomacy, e.g., corporate managers**



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Thank You!!!



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