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MANAGEMENT PECULIARITIES FOR THE PRACTICE OF BUSINESS DIPLOMACY

Review
Article

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Abstract

As part of the top management actions, business diplomacy involves keeping the relations of the multinational corporations with foreign government representatives, NGOs, coalitions and other entities that are not companies, with the purpose of building business relations in an international environment. The research aims for better describing the actions and consequences on a decisional level for the managers that act as business diplomats within the companies they represent. Since it is not clear how the multinational corporations conduct business diplomacy, a term often confused or mixed with corporate diplomacy, the article will use an extensive business literature review, in order to define any similarities and differences in practice, specific for the international business environment. The results will show that the international relations among the two environments studied, corporate and other representatives, show a strong dependence on the company mission and organizational behavior, as well as the national and international law, but also of the manager's background and international experience.

FOREWORD

As the phenomena of integrative diplomacy expands, the communication requirements for stakeholders and audiences change. While the activities' pattern for foreign Ministries becomes richer, companies take decisions of acting international with more speed; even if it is referred as being singular, the international environment is still a puzzle of customs and behaviors that awaits to be solved and given a common voice. These circumstances determine companies that act within this international environment(s) to create ways of communication and cooperation, to create a common diplomatic language that will ensure their success as main actors of the international diplomacy.

The article aims for describing the main pattern of corporate communication, a trend known as business diplomacy.

The expression is lacking many references and studies in literature, many of the international management titles referring to business diplomacy as to another name for corporate diplomacy, without assigning to it a different managerial function.

The article researches on a theoretical level the features and components of business diplomacy practices, its linkages with corporate diplomacy and refers to it as being a tool for the international management actions.

Results will show that business diplomacy actions are very distinct from corporate management decisions, and that the connection among the two diplomatic types is mostly theoretical. Business diplomacy follows the general corporate objectives, internationally promoted by corporate diplomats, but goes deeper and creates new sets of strategies on national/regional levels, leaving behind any connection with corporate diplomacy.

THE ROLE OF CORPORATIONS AND THE NEED FOR BUSINESS DIPLOMACY WITHIN THE INTERNATIONAL MANAGEMENT

As economic globality goes deeper, the role of corporations becomes more important, since they now are among the largest and the most internationalized entities in the world. As Veenstra et. al. (2010) say, the economic diplomatic actions of companies have only been studied so far in isolation. Going beyond the commercial needs, the corporative needs and challenges are the factors whose economic success and prominence depend on international management decisions and practices. When taking into consideration the corporative practices, it is necessary to also mention their activities' impact over the country's reputation, that can have a double perspective; as a consequence of

this fact, corporate activities on national levels become subject for national political disputes; the risk for corporate managers for the case of ignoring the political aspects is to make mistakes that can bring both economical but also political hostility. Except the political factor from the national level, corporate managers must also pay attention to the local communities attitude, that may be and not offering other acceptable alternatives welcoming and if negative, susceptible to create conflicts but leaving the territory.

As part of the international business management tools, business diplomacy is the key for solving corporate problems on national level (Riordan et. al., 2013) helping managers to identify and manage potential risks (political or other non-commercial) specific to their international corporate operations.

As part of the business diplomacy core actions for the corporate entities it is important to mention: (1) identifying the political and non-commercial risks; (2) identify the national and/or other stakeholders who may control those risks; (3) develop strategies in order to cultivate the stakeholders, resulting into an increased efficiency of risk management.

It results that as part of business diplomacy tasks, managers must analyze and be aware of the political risks that might affect the corporate activities in any of the national/international markets at the same time; despite managerial efforts, studies show that the fact business diplomacy actions can affect positively corporate actions in one country, but it can have different results in another country or it might even affect the corporate reputation at home.

As consequences of the 2017 US and EU happenings (Trump Administration, Brexit, no-TTIP) and also the raising chinese economy and the creation of the Eurasian Economic Union (EEU) as part of the russian strategy for the Far East (Trickett, 2017) business diplomacy gains in importance; since the global trade and economic rules that were common to the international political and economic relations are breaking down, emerging powers have the advantage of asserting new rules and sets of values for all the international economic players, for which business diplomacy is the most featured instrument for gaining power and recognition.

Within the newly-emerged economic and political international system, the traditional diplomats and their actions – commercial diplomacy as a government service to the business community (Kostecki, Michel et al., 2007, p. 1) might not be sufficient to help companies to interpret the new trade norms and rules. Here is why business diplomacy is gaining importance, since the international environment becomes the arena for the international management decisions, where corporations and also smaller companies must learn how to navigate and evolve.

THE CONCEPT OF INTEGRATIVE DIPLOMACY AND ITS IMPLICATIONS FOR BUSINESS DIPLOMACY

As previously mentioned, the changing roles, contexts and patterns for the practice of diplomacy is affecting diplomats, managers and professionals, as their roles, perceptions, skills and training needs to adapt. As Brian Hocking et.al. (2012, p. 13) claim, the new nature of diplomatic environment asks for the introduction of an exhaustive picture of the state of the 21st century diplomacy, seen as processes and structures.

The changes in communication patterns and actor likages ask for the defining of a set of descriptive aims and a prescriptive objective (Hocking et. al., 2012) also known as integrative diplomacy, representing the new key issues for the practice of diplomacy.

Given the fact that integrative diplomacy mainly requires the identification of actors and roles, developing actions in different contexts and locations, following specific communication patterns and subscribing for rules and norms (Graph 1) it results that as part of the international environment, the integrative diplomat mainly has a function of manager for a company, an actor for the practice of international management key feature of the XXIst century – business diplomacy.

As previously mentioned, business diplomacy is a tool for the practice of international management in specific circumstances, namely in the cases when a company decides to exploit another environment's structures and resources. The business diplomat – the manager responsible for the project development, needs to balance fragmentation and to converge the company's activities around national/regional agendas that mainly reflect conflicting interests. When analysing the consequences for this scenario, as part of the actions specific for integrative diplomacy, the international manager needs to assess the diplomatic processes and structures, by following three steps:

- (1) make a clear image of the present and future conditions for the international/national management practices, as creating strategies for managing the national policies environment;
- (2) identify the parameters or the possible challenges that might be met under the form of current policies and their requests for corporate international management actions on a national level;
- (3) design ways in which the corporate diplomacy functions (need) to adapt both to changes coming from traditions and international and also national policies.

Taking into consideration the European economic environment, when going from global to national, corporations must consider the uniqueness of the legislative European system; as the main European diplomatic instrument, the EEAS acts as a guardian for the cultural clash between the European and national economic sectors, designed to deepen partnerships and offer counselling in politics and international relations for the international management actors that are responsible for the corporate actions for their multi-stakeholder partnerships.

As Melissen and Kamphof say, the European and EU representatives should pay a close attention to the main drivers of the corporate sector since companies are characterised by a sui generis take on strategic actions; the corporate business models are only about profit-making, and even if they pretend to have a certain degree to business ethics, the sustainability aims will not be obstacles for developing corporate commercial objectives.

EMERGENCE OF DIPLOMATIC FUNCTIONS FOR DIFFERENT CATEGORIES OF ENTREPRISES

Since diplomacy is generally defined as a mechanism primarily used for representation, communication and negotiation used by states and other international actors to conduct their businesses, it appears the necessity of defining the meaning for the expression „other international actors”, as actors of the international business environment.

One of the features of the coexistence of the diplomatic roles is their divergence, as different forces – new entrants to the international diplomatic space as they are defined by (Saner et. al.) different groupings but also associations that represent interests on local, national or international levels. The new entrants – the non-state actors as participants to the development of the roles of diplomacy are as Saner and Yiu describe the corporate diplomats, business diplomats, national NGO Diplomats and also the Transnational NGO Diplomats. As the name suggests, their functions imply the practice of corporate diplomacy, business diplomacy, national and transnational NGO diplomacy.

As part of the management actions for the multinational enterprises, business diplomacy acts like a binder among companies that extend their activities on a multi-national level and actors of the other types of diplomacy mentioned.

Business diplomacy has the role of influencing and acquiring corporate performance in conflict/collaboration with all the non-state actors,

on a local, national, regional or international level. As a consequence, the business diplomacy functions must comply with all types of collaboration and specific enterprises: corporations and subsidiaries, NGOs acting national or international, Labor Unions and also state representatives, under the guidance of national and international bi/multilateral treaties and law.

DIFFERENCES AND SIMILARITIES – BUSINESS DIPLOMACY VS. CORPORATE DIPLOMACY

With a terminology often confusing for the practitioners, business diplomacy and corporate diplomacy are referred within the common language as the actions of corporate managers when representing their companies abroad.

On a theoretical debate, business diplomacy as it is described by Saner and Yiu relates to the management of communication interfaces between a global company, a corporation or any international company and its multiple non-business partners and counterparts.

This definitions creates expectations for corporations practicing business diplomacy to abide a multitude of national sets of laws and multilateral agreements.

As part of the tasks for the corporate manager in practice of business diplomacy, there are expected two different environments, internal and external to be referred to. Business diplomacy capabilities assume a specific set of rules and actions:

Internal (firm) Level	External (stakeholder)
Define business strategies and policies	National – related negotiations
Conduct bi/multilateral negotiations	Interface with local/regional/international NGOs
Coordinate international PR Campains	Identify new business opportunities in foreign markets
Collection and Data analysis	Safeguard the corporate reputation and promote sustainability

Geopolitical risks analysis for the specific operations (global, national levels)

Global and non-governmental actors identification that connect with the risks

Influence and develop multi-level communication and information networks

Coalitions creation (for the geopolitical stakeholders) who share specific interests

Applying pressure and marginalization for the „problem actors”

Creating a holistic Business Diplomacy strategy in order to promote the company objectives and manage geographic and political internal/external risks

Working with rule-making international bodies

Eliminate conflicts with stakeholders and possible political risk

Business diplomacy as part of the corporate international management was also studied by Shaun Riordan (2014); in his view, business diplomats actions imply a transformation, a transfer and adaptation of the diplomatic techniques to the firm needs and objectives. But, as Gonesh et. al. (2005, p. 21) say, the practice of business and also corporate diplomacy needs for more systematic use of the public arena.

In opinion of Ruel et. al. (p. 3), it results that the business diplomacy consists of six dimensions: intensity, policy clarity, breadth, responsibility, means development and also resource availability, providing recommendations for the CEO – as national/regional business manager for securing policy directives that will increase the effectiveness of the business diplomacy.

It is very important to state the fact that business diplomacy is a tool for both national small companies and also for the large companies, for each of the cases, business diplomacy implying a companys internal capabilities adaptation to the new environment.

These capabilities will be generally developed by consultancies, Chambers of Commerce or other Institutions for small businesses and developed and personalized in the case of larger companies.

Going beyond public relations and business contacts, business diplomats differentiate through their tasks that might imply as Saner and Yiu suggest activities of management for the interfaces between transnational companies and external actors non-business: Labor Unions, Tribal Groups, NGO’s, UN

Agencies and civil society groups specific for national levels.

As a continuation of business diplomacy acts corporate diplomacy, a behavior that includes two organizational roles that is considered by practitioners to be critical for the success of companies acting international. A manager that practices corporate diplomacy, namely a corporate diplomat is a highly specialized and trained person that should be able to function and develop activities in two cultures: at first we refer to the culture of the business unit that must integrate the corporate culture and the national restrictions imposed by the internal environment. It is important to state that the corporate culture has general features that reflect the nationality of the home unit, but also by the organizational experiences when acting global. The second culture that gives the specific of the corporate diplomacy is the one of the corporate diplomat, meaning the culture he was educated, lived in, experienced or functioned as a company representative.

Corporate diplomats only have the role of liaisons for a variety of head offices or as temporary managers for new company branches. The communication for corporate diplomats describes two ways: from headquarters to a specific national subsidiary or from a temporary manager (while his actions comply with the ones specific to business diplomacy) back to the HQs.

Since a certain degree of uncertainty still exists after seeking for these explanations for the actions of commercial vs. business diplomats, the article tries to diminish this gap with the help of Graph no. 2. As it can easily be seen, companies act internationally as having a global strategy to follow and respect. Within our vision, corporate diplomacy keeps the feature of being a general framework for the practice of business diplomacy, by asking actions compliance with the vision, mission and general objectives of the company, by promoting the image and general strategies of the company. Instead of being presented mainly singular, we consider that corporate diplomacy is not fixed, but a subject of continuous change because of the business diplomacy ongoing, past and future projects. Acting as a general framework, corporate diplomats have a continuing collaboration with business diplomats and also with the general managers, shaping and reorienting the scope and objectives of the company, finding solutions to newly-emerged international problems and continuously rewriting the mission-statement of companies they represent.

In our opinion, every project for every subsidiary of a company can be created due to the existent company external chart that is the result of the practice of

corporate diplomacy; so, every business manager, meaning general manager of a subsidiary, when developing specific business diplomacy actions for a project, must comply with a set of factors: national law, behaviours and traditions, civil society (labor unions, NGOs, other organizations), a specific business culture and environment, economic and political stability, form of government and also a set of unwritten laws for making business – general customs.

As a mid-analysis conclusion, we proved that business diplomacy is national-specific, a result for developing corporate diplomacy in a given country. Corporate diplomacy must also keep the specific for regional policies (bi/multilateral or regional), but also (sub) continental and global stipulations concerning the actions of developing specific actions as a company among different territories, following the corporate global strategy for development.

THE NEED FOR BUSINESS DIPLOMACY MANAGEMENT

As global companies develop their specific actions, the management practice showed that in order to reach effectiveness, managers need special training for developing abilities that will help them in setting up business diplomacy as an international management function.

The use of business diplomacy as a managerial tool implies three dimensions: (1) keeping and developing the current businesses (2) at the same time (3) while managing multiple stakeholders both at home and abroad. The main risk for the multinational companies is not to be able to deal with obstacles outside their sphere of control, in order to respect equal time resources and delivering products and services on the same cost and selling it with an equal price.

The solution for these general problems specific for large companies lays within the company itself: training managers on long-term and offering them a rich business background that will be vital for developing corporate projects across nations. The necessary organizational competencies for business diplomacy management are: dealing with foreign/domestic pressure groups (acting regional or local), dealing with states interests, managing international conflicts.

Business diplomacy management is described by Saner, Yiu and Sondergaard (2000) as bridging core businesses with complex political environments, the environment where global companies develop business plans.

Since companies in their activities of opening or relocating subsidiaries across nations are expected to subscribe to many sets of national laws and multilateral agreements, emerged the necessity of restructuring the international management activities. The new-created business diplomacy (whose actions are very similar to the ones of political diplomacy) have the role of going national in the name of the company they represent and negotiate and renegotiate with local authorities, by assuming compromises for the company and adapting existing business strategies. It is also important to remind the increasing role of national and transnational NGOs within the global business environment.

Business diplomacy is a tool mainly developed for accessing the previously protected markets that emerged globally as an effect of globalization. Business diplomacy will now be the tool for international management of companies for creating new business opportunities on regional and local levels, by using personal skills and competencies for interpreting and applying the necessary international treaties and agreements.

As part of corporate diplomacy that will influence the business diplomats' actions is the collaboration and predetermination of government officials and also international bodies representatives in order to seize new business opportunities (*See Table 1*).

When implementing business diplomacy at the firm level, a subsidy newly opened into a new territory, it is necessary to use a diplomatic know-how (Hamel, Prahalad, 1994). There are two levels of these dimensions: at first, diplomatic know-how is a company responsibility shared mostly by top managers, designed to follow a business strategy for expanding companies' activities. The second dimension that is not mentioned in the literature and that is mainly a result of the present study implies a national perspective; we assume that there is no business diplomatic know-how to share with the manager of a business unit newly created in a region/state. The arguments behind this statement regard the specificity of each of the business environments that are subjects to national laws and changes, a business framework that will be assumed by the corporate subsidy. In the eyes of national/regional legislators, a subsidy must comply with all the rules and regulations equally to the national businesses, but by following an international strategy and respecting a corporate mission.

It results that business diplomacy know-how cannot be used for various country-specific business environments, due to their diversity and uniqueness (Graph 2).

Another feature resulting from this study is that the national features for each business diplomacy unit creates a reverse flow of information that might be valid for the corporate top management business diplomacy know-how, but that stops showing results beyond an international level.

There is an exception for this situation: there might be cases when both dimensions of the international management – business diplomacy know-how are valid: (1) when a company reintroduces itself on a national/regional market that was previously abandoned for various reasons; (2) when the corporation already has a working subsidy in that territory and takes the decision of expanding.

Business managers for these cases develop a new competency – business diplomacy management – acting as a new organizational role-business diplomacy manager (Saner et al., 2000).

FINAL REMARKS

Under a global need for expanding and adapting to the newly opened markets, companies (national or transnational) request for adapted management decisions that will be the difference from failure to success and profit-making.

Business diplomacy emerges as a consequence for adapting the corporate decisions on local/national or regional environments, by complying under a different set of rules and regulations specific for the sub-unit business environment or internationally applied.

Highly trained and skilled, business diplomats are subsidies managers that have as a main responsibility, adapting corporate activities on a new specific environment. With a corporate business background and also with an individual business school education, these managers are responsible for managerial decisions that are very different in consistency and targets from the corporate management.

The study revealed that corporate diplomacy is the eyes and the ears of business diplomacy on international level, while all the actions and managerial decisions are separate and present only a general corporate connection, by following the general objectives of the company.

From an objective point of view, business diplomacy is not a tool that is only used by corporations, but also non-state actors like NGOs, tribal and other associations leaders, and also national businesses that have business connections with the corporate – subsidy actions and representatives.

Business diplomacy becomes an everchanging set of practices, that can only be specific to a business environment at a time, subject to international political and economic pressure and that is used as a main road for communications for corporations in

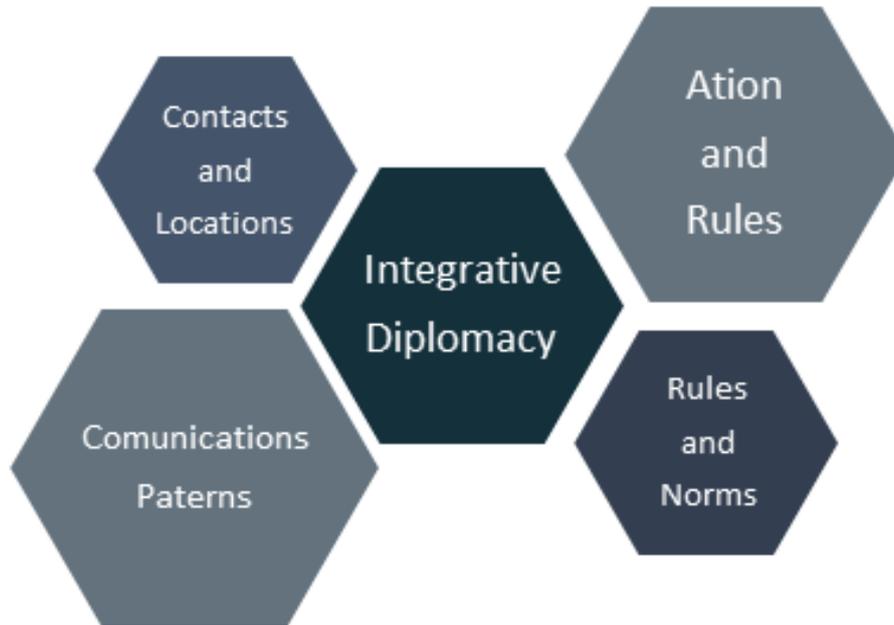
relation with local business representatives, resulting into accurate and well adapted international management decisions. Each corporation when working through many subsidiaries, develops as many national/regional specific - business diplomacies as the number of the territorial offices, but follows only one corporate diplomacy strategy that is common for all its actions on all the continents or regions.

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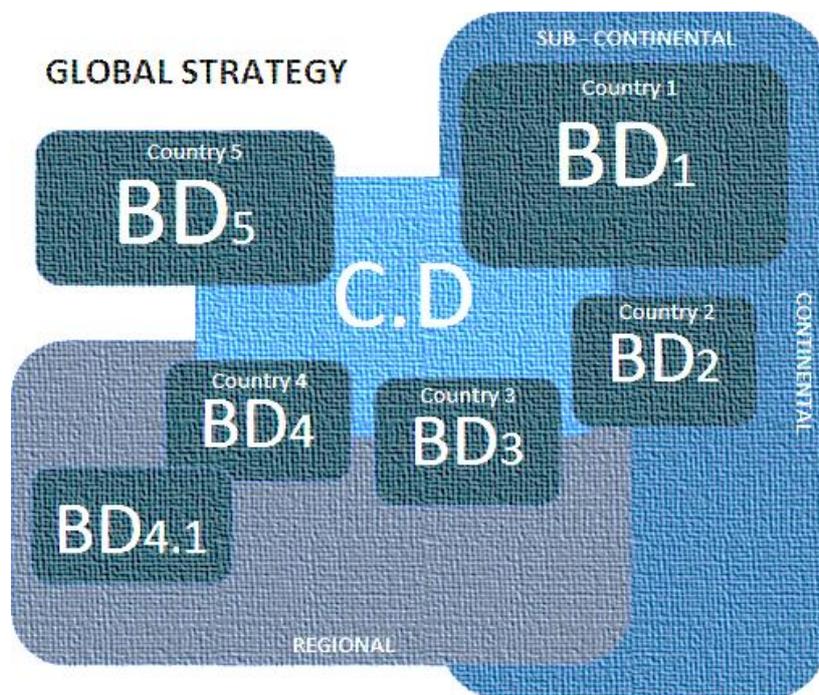
APPENDICES

Graph 1. Integrative Business Diplomacy Framework



Source: Hocking, et. al. (2012). Futures for Diplomacy

Graph 2. Corporate – Business Diplomacy Framework



Source: own representation

Table 1. Key-competencies for Business Diplomacy Management

<i>Education</i>	<i>Competencies for BDM</i>
<i>General Management</i>	Diplomatic instruments
<i>Strategic management</i>	Treaty making – business related legal standards
<i>Managerial accounting</i>	International law and arbitration Corporate report to stakeholders impact
<i>Financial management</i>	International economics (theories, practices, international financial institutions influence)
<i>Human resource management</i>	Influencing the decision making process of supranational organizations
<i>Marketing</i>	Regional and country interplay – economics – politics - culture
<i>International management</i>	Decision making processes and political risk analysis of key countries and stakeholders
<i>Operations management</i>	International crisis management/ roles for diplomacy and government
<i>Information management</i>	Public speaking and media, business diplomacy information system
<i>Organizational behavior and change</i>	International negotiation
<i>Quantitative methods</i>	Diplomatic practices and protocol Mastering analytic tools

Source: adapted after Saner et. al. (2000). *Business diplomacy management: A core competency for global companies*