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# Corporate Diplomacy

The Strategy for a Volatile, Fragmented  
Business Environment

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with a foreword by

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## 1.2 WHAT CORPORATE DIPLOMACY IS ALL ABOUT

This book takes a different approach: first, let us agree that corporations are, above all, economic entities. In the centuries-long evolution and differentiation of societal institutions, corporations were not charged with the task of care for the common good, but rather for customers – that is, those willing to pay a price for the products and services on offer. In this role, then, the corporations are, hopefully, not wasting resources but adding more economic value through their activities.

So markets are dominant for companies. Secondly, however, companies are intertwined with surrounding society in several ways. For example, governments influence business in many dimensions – from the definition and enforcement of the legal infrastructure, without which no market could function, to specific regulations – and employees and customers are not only economic agents, but play multiple roles as parents, citizens, lobbyists and so on. In addition, a large part of the population work in public services or the not-for-profit sector (sometimes up to one-third of the workforce, depending on the country concerned and organization of government services). Economic goals are only one facet of what people often wish to achieve. And, as we see later (in Chapter 3), some individuals have dedicated their lives to fighting what they see as the evil consequences of corporate dominance.

Whether companies like it or not, they cannot avoid (and mostly not afford) dealing with interests, institutions, ideas and rules that are outside the market domain. In this book, I use the expression “non-market” for such a business environment. And, as explained in Chapters 2 and 3, globalization makes this relevant part of the business much more fragmented, partly hostile, unpredictable, opportunistic, demanding, notably media-driven, and more diffuse than it used to be in the “good old days” of industrial feudalism.

The *Oxford English Dictionary* explains diplomacy as “art of, skill in dealing with people so that business is done smoothly”. Therefore, “Corporate Diplomacy” is an attempt to manage systematically and professionally the business environment in such a way as to ensure

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that “business is done smoothly” – basically with an unquestioned ‘licence to operate’ and an interaction that leads to mutual adaptation between corporations and society (in a sense a co-evolution). This does not exclude – on the contrary – free expression and conflicts of interest and values, different priorities and disagreements about facts. After all, this is the core of a democratic society. But the companies who engage in “Corporate Diplomacy” understand what the issues are and respond both reasonably and professionally, even to adverse activists, and use the expressions “activist” or “pressure group” – important parts of the pluralistic society as they are – without any negative connotations.

The central theme of *Corporate Diplomacy* focuses therefore on the question of how companies can understand this diffuse business environment. Can companies meet the social and ecological expectations of society without sacrificing their mission – which is to generate a profit by satisfying market demands? If so, how? What are the strategic implications and organizational consequences? What if the expectations are conflicting, unreasonable or contrary to most (if not all) advice? I do not want to convince anybody about a normative concept, or even lure companies into specific decisions. The strategy for *Corporate Diplomacy* is highly contextual, industry- and company-specific. All I can (and want to) do is create more transparency, transfer insight, document experience and provide some hopefully useful tools for executives, so that they can better manage the job in hand. After the stockmarket crash this seems to be more necessary than during the bubble.

## 1.3 A SUMMARY OF THE RESEARCH FINDINGS

### *Beyond the buzzword: what's new about globalization?*

In Chapter 2, I have tried to explain what's really new about globalization, arguing that it is a “changed change”, its impact similar to the Industrial Revolution of some 200 years ago. This can be seen if one looks at the characteristics of globalization. I have listed six below.