

What is Corporate Diplomacy? And, Why does it Matter?

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Abstract

This study aims to analyze the concept of corporate diplomacy, that is, the behavior of organizational actors aimed at implementing favorable conditions for carrying out corporate activities. By following a cognitive-linguistic approach, the analysis outlines the meaning of corporate diplomacy along various dimensions, and in relation to other “bordering” concepts, such as diplomacy, economic or commercial diplomacy, negotiation, and public relations. The result of the analysis supports a better definition of corporate diplomacy, and offers interesting cues for acknowledging why this activity is an important function that firms should address, especially when they engage in intense relationships with governments, other businesses, and non-profits.

Keywords

corporate diplomacy, negotiation, public relations

Introduction

Although the term “corporate diplomacy” occasionally is employed in both the scholarly and professional literatures, the concept of corporate diplomacy has never received much consideration within organizational analysis or professional managerial discourses. The term “corporate diplomacy” sometimes is used by public authorities and other bodies (e.g., chambers of commerce abroad) and, occasionally, by businesses and non-profits that typically use the terms “public relations,” “corporate social responsibility,” and “collaborative networking” to refer to the kind of activities generally related to establishing and maintaining cordial and cooperative relationships. The term also rarely is discussed in scholarly works in the fields of political economy, organization studies, or business strategy. Some exceptions include Steger (2003), who discusses the role of corporate diplomacy within the context of the relationships between the firm and its environment; Strange (2000), who considers the role played by corporate diplomacy in

the international political economy, especially within the relationships between firms, and firms and governments; and, finally, Ordeix-Rigo and Duarte (2009), who examine how corporate diplomacy contributes to enhancing the legitimacy and influence of firms within a given social system. On the whole, however, we are left with the sense that corporate diplomacy in general never gained much attention as a subject of study, and did not attract much attention to define its meaning and traits.

The lack of an established body of scholarly literature on corporate diplomacy does not imply, however, that firms do not carry out activities that are relevant for the management of diplomatic relationships between themselves and other entities. Empirical evidence presents various situations where corporate actors establish cordial and cooperative relationships with other firms and public authorities (both national and foreign), especially to attain advantages, both economic and other advantages. Some scholarly works have addressed issues on the dynamics of negotiation between firms, especially in relation to the role played by information asymmetries and other factors in the development of cooperative or conflictual relationships (e.g., Srivastava & Chakravarti, 2009; Thaler, 1988; Samuelson & Bazerman, 1984). However, do these works contribute to capturing the essence of corporate diplomacy? If not, what is corporate diplomacy, and what are its main traits and functions within the management of business firms?

This study presents a conceptual analysis of corporate diplomacy. The analytic method is based on a cognitive-linguist approach developed by George Lakoff (1987; Barzelay, 1997) of the University of California, Berkeley. According to this approach, the analysis of the meaning of abstract terms and expressions should be conducted by identifying idealized cognitive models that characterize the concept under examination as a whole. Moreover, the definition of abstract terms and expressions such as “corporate diplomacy” should be distinguished from similar concepts by contrasting and comparing the concept under consideration to similar ones score on multiple dimensions. Moreover, the conceptual definition of a term does not necessarily correspond to a dictionary definition, provided meaning is constructed through the identification of similarities and differences between the concept under consideration and related concepts. When applied to the concept of corporate diplomacy, this approach allows us to distinguish between the meaning of the term and other, “bordering” concepts, such as diplomacy, economic diplomacy, commercial diplomacy, and terms commonly understood as referring to closely related activities, such as negotiation or public relations.

The aim of this study is to provide a more accurate definition of corporate diplomacy than the one generally presented within the extant scholarly literature and professional management circles. The rationale for this study is that the term corporate diplomacy is too vague without a precise understanding of those activities that contribute to corporate diplomacy, the objectives of these activities, and what constitutes effective performance of corporate diplomacy activities. In other words, if corporate diplomacy is not adequately defined, this term may be thought to include too broad a range of organizational behavior activities intended to result in favorable conditions for the accomplishment of organizational goals. Accordingly, the meaning of the term may be obfuscated and cannot provide a useful conceptual tool for the analysis of organizational behavior or a description of managerial efforts.

Corporate Diplomacy: A Framework for Analysis

As a preliminary and working definition, corporate diplomacy can be understood as a range of activities aiming at generating favorable conditions for carrying out a firm's activities and accomplishing organizational goals. Corporate diplomacy, in this sense, includes activities such as influencing economic and social actors in order to create and exploit business opportunities, to collaborate with public authorities and regulators that affect commercial and investment processes, and to prevent possible conflicts with external stakeholders and minimize related political risk, and attract the favor of the media and opinion leaders to safeguard corporate image and reputation (Saner et al., 2000; Ghemawat, 2010). According to Steger (2003), corporate diplomacy is

an attempt to manage systematically and professionally the business environment in such a way as to ensure 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 of co-evolution). (pp. 6-7)

For Ordeix-Rigo and Duarte (2009), corporate diplomacy is "a valid way for organizations to extend their social power and influence and thus achieve their status of institutions within society" (p. 557) especially for the operation of trans-national corporations.

Corporate diplomacy can be performed within diverse relationships. Strange (2000), for example, distinguishes between corporate diplomacy between firms and national governments, and corporate diplomacy between different firms. In the first case, corporate diplomacy relates to the ways firms (particularly multi-national and trans-national corporations, and other economic actors within internationalization processes) pursue their objectives, taking into account the industrial and commercial policies of governments, both at home and in foreign markets. In the second case, corporate diplomacy relates to the behavior of firms with respect to other firms, especially within the context of partnerships, strategic alliances, and joint ventures. Depending on the circumstances, firms adopt different styles of behavior. On certain occasions, for example, firms try to stimulate public authorities and national regulators in order to provide more favorable rules and regulations. On other occasions, they try to persuade other firms to collaborate in joint projects that can result in mutual benefits.

Following the cognitive-linguist approach (Lakoff, 1987), the definition of corporate diplomacy is developed here along five dimensions, namely what role actors play, the organizational (or inter-organizational) context where they operate, the objectives of activities, the desired performance of these activities, and the kind of activities performed. These dimensions are selected according to a functional logic related to who carries out corporate diplomacy (actors), where (organizational context), why (objectives), how well (desired performance), and how (activities). Moreover, the meaning of corporate diplomacy is defined in relation to the meaning of bordering concepts, such as diplomacy, economic diplomacy, commercial diplomacy, negotiation, and public relations. The summary of the analysis is shown in Table 1.

Table 1
Comparative Analysis of Corporate Diplomacy and Other Bordering Concepts

Field of activity	Organisational venues	Desired performance	Objectives of the activity	Mode of operation	Role of actor(s)
Diplomacy	Inter-governmental	The pursue of peaceful means for conducting business between states	To build and sustain positive and constructive relations between states	Advising, organising, negotiating, information gathering and analysis, rules compliance, ambiguity handling	Facilitators
Economic/commercial diplomacy	Inter-governmental or firm-government	The pursue of economic gains and advantages for countries	To promote exports, attract inward foreign investments, and stimulate other economic activities	Advising, networking, negotiating, gathering information and analysing it, and conflict handling	Professional 'salesmanship'
Corporate diplomacy	Firm-government or inter-firm	The pursue of economic gains and advantages for business companies	To establish favourable conditions for business companies' activities	Creating and seizing business opportunities, safeguarding image and reputation of business companies, affecting rule-making, conflict prevention	Entrepreneurial broker
Negotiation	Firm-government or inter-firm	The pursue of a more advantageous situation than the status quo	To improve own position in the negotiation table	Affecting perceptions, redefining the object of negotiation, linking different negotiation tables	Persuader

Public relations	Inter-firm or inter-personal	The pursue of the interests of the organisation or of the public	To actively reap opportunities or react to threats	Communicating, cooperating, issue management, gathering information, defining responsibilities, embrace change, anticipate trends.	Strategic relationship managers
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Bordering Concepts of Corporate Diplomacy

The first step in defining the meaning of the concept of corporate diplomacy is to look at the features commonly attached to the term diplomacy. Diplomacy is a field of human political activity that relates, broadly, to the process of communicating, negotiating, and sharing information between nation states (Lee & Hudson, 2004). According to a narrower definition, diplomacy also can be understood as the application of intelligence and tact to the conduct of official relationships between governments of independent states, or the conduct of business between countries through peaceful means (Stow, 1917, quoted in Gore-Booth, 1979). Diplomacy is a complex and variegated activity that includes all actions carried out by political actors and representatives of countries that typically operate through embassies, consulates, ministries of foreign affairs, or international organizations, and that provide advice to decision-makers on national policies, organize forms and methods for establishing relationships, solving problems, negotiating, gathering and analyzing information, managing ambiguous situations with prudence and tact, and observing stringent codes of conduct (including international treaties as well as etiquette). The organizational context wherein these activities are typically carried out is the one of inter-governmental relations. Activities are generally oriented toward managing the relationships between countries in a peaceful way, rather than with recourse to physical struggle, and to establishing and maintaining positive and constructive relationships between countries over time (Saner et al., 2000). The ultimate objective of diplomacy often is conceived as that of maintaining order between countries, especially in relation to the presumed state of anarchy that would otherwise characterize international relations (Lee & Hudson, 2004). Diplomatic activity, moreover, typically is conducted by actors that ideally possess specific personal traits and education, such as “truth, accuracy, calm, patience, good temper, modesty, loyalty, intelligence, knowledge, discernment, prudence, hospitality, charm, industry, courage and tact” (fulfilling this list of features constitutes the so-called Nicolson test, named after the British diplomat Sir Harold Nicolson) (Saner et al., 2000, p. 84).

Within the field of diplomacy, some disciplines and professional circles acknowledge the existence of more specialized areas of activity, such as economic diplomacy and commercial diplomacy. The meaning of these terms sometimes overlaps, although it is possible to attribute a somewhat broader connotation to the former (in the sense it involves diplomatic activities related to economic relationships between countries) than the latter (which may relate more precisely to commercial, i.e., trade, relationships, rather than industrial ones). Generally,

economic or commercial diplomacy is understood as a particular branch of diplomacy keyed to obtaining economic advantages for countries (Rana, 2002; Lloyd, 2003; Coolseat, 2004; Yeung, 2004; Visser & Ruel, 2012) in terms of higher growth rates, creation of jobs, and increase of tax revenues (Kotable & Czinkota, 1992). The objectives of economic or commercial diplomacy typically carried out in such venues as bilateral, regional, or multilateral negotiations, often are achieved through actions that include providing advice to national economic actors, assisting business firms in the penetration of foreign markets, negotiating favorable rules and regulations for international trade and foreign investments, carrying out foreign market intelligence, and preventing or mitigating conflicts between economic actors from different countries (Naray, 2008; Carron de la Carrière, 1998; Hibbert, 1990). Actors of economic or commercial diplomacy (typically members of diplomatic offices abroad) often develop specific salesmanship skills, including the capacity to persuade others about the merits of economic and commercial operations and policies.

Within the field of management, negotiation is an area of activity that conceptually relates closely to corporate diplomacy. Negotiation is, in effect, a fundamental function of managerial behavior, in both internal (e.g., among subordinates and senior staff) and external relationships (e.g., among clients, suppliers, investors, and shareholders). Various studies on the structure and dynamics of negotiation highlight how skilled negotiators behave when trying to attain satisfactory performance (that is, striking a deal that leads to an improved state of affairs with respect to the status quo), including tactics such as altering the views of counterparts on the terms of the negotiation, redefining the object of negotiation, and establishing linkages between different negotiation tables (Lax, 1987; Raiffa et al., 2002). Negotiators typically possess certain specific traits, such as listening skills, the ability to analyze complex situations and manage conflict, and the capacity to persuade.

Another area within the field of management that closely relates to corporate diplomacy is public relations. Although defined in various ways, public relations generally are understood as those activities intended to support an action, a cause, a movement, or an institution (Bernays, 1947). More broadly, public relations generally is understood as a managerial function that helps establish and maintain open channels of communication, understanding, acceptance, and cooperation between an organization and the public, with the aim to solve problems and issues that may arise with other organizations, gather and provide information on public opinion, define and highlight how the organization contributes to serve the public interest, and tackle current pressures on changing and emerging trends (Harlow, 1977). Public relations are carried out through various activities intended to protect the interests of the firm and the public. These activities may be either proactive or reactive with respect to the opportunities and threats arising from the environment. Also, they may be focused on substantial issues or on fictitious ones brought to public attention as a way to accomplish covert objectives. Public relations managers generally play the role of strategic relation managers, which includes performing the part of persuaders, advocates, educators, councilors, and intermediaries, depending on circumstances (Hutton, 1999; Tadjewski, 2009).

The Traits of Corporate Diplomacy

Corporate diplomacy presents well-defined traits with respect to the bordering concepts described above. The organizational context wherein corporate diplomacy takes place is that of the relationship between firms and public authorities (i.e., governments), or between firms (i.e., inter-firm), rather than between governments (i.e., inter-governmental), as in economic and commercial diplomacy. The desired performance of corporate diplomacy, moreover, is that of attaining economic advantages for the firms involved (especially, for the firm where the corporate diplomats operate). A broader connotation of the term diplomacy typically is related to actions intended to attain economic advantages for countries on the whole (although, these actions also may target the specific interests of particular firms or industries). Other concepts, like those of negotiation and public relations, relate to a more narrow meaning than the one presented here for corporate diplomacy, insofar as these refer to specific negotiation settings, or situations where the firm copes with public opinion (Macnamara, 2012).

Corporate diplomacy also is distinguished from other bordering concepts in more practical terms. Corporate diplomacy is circumscribed within an area of activities that relate to creating and seizing business opportunities, safeguarding the image and reputation of the firm, affecting the making of rules, and preventing conflicts. In part, these activities seem to overlap with those that also characterize the other concepts. For instance, activities associated with diplomacy, economic diplomacy, or commercial diplomacy may be intended to affect the formation of rules (such as those regarding custom duties or foreign investments), or to prevent potential conflicts. Also, negotiation activities may be intended to create and seize business opportunities, and public relations activities may aim to safeguard the image and reputation of the firm. Corporate diplomacy, however, combines these activities in a selective and peculiar way, insofar as they play a functional role to create more favorable conditions for carrying out the company's activities. Instead, diplomacy, economic diplomacy, and commercial diplomacy generally are intended to improve relationships between countries (with the effect of promoting exports, attracting investments, and stimulating economic activity). Within negotiation, activities are intended specifically to improve bargaining positions and increase the possibility to strike an advantageous deal. Within public relations, activities are focused on tackling a particular issue arising from opportunities or threats from the environment, using either a proactive or reactive stance.

Corporate diplomacy also presents specific features with respect to the role played by actors. The role of diplomats (and of other actors of the diplomatic corp) can be characterized as that of facilitators who help establish and maintain relationships over time. Actors that perform activities of economic or commercial diplomacy may be conceived as professionals of salesmanship that aim to attain economic advantages for countries as wholes. The role of negotiators mainly is related to that of persuaders that aim to affect the perceptions and beliefs of counterparts. Instead, the role of operators of public relations is characterized broadly as that of strategic relationship managers who attend to the quality of communications between firms and public opinion. With respect to these roles, the corporate diplomat can be characterized as an entrepreneurial broker because, on the one hand, she or he performs a function of mediation between parties that potentially can gain from collaboration, and, on the other, the diplomat performs an entrepreneurial function by searching, discovering, conceiving, and implementing favorable conditions for the conduct of corporate activities (Ruel & Visser, 2012).

Finally, corporate diplomacy can be discussed in relation to the neighboring concept of business diplomacy. Although the two terms may be considered synonymous, business diplomacy generally refers to activities conducted between economic actors that are not necessarily corporations or that do not pursue the interest of any specific company. Business diplomacy, in this sense, may be performed by entrepreneurs and businesspersons as individuals who seek to attain personal economic benefits, rather than to pursue organizational objectives. Business diplomacy, moreover, also may be performed by organizations (such as chambers of commerce abroad) that intend to create favorable conditions for the conduct of business activities for the sake of a community of firms, rather than a specific company. Accordingly, business diplomacy may be conceived either as a particular form of corporate diplomacy, or as a type of business procurer not necessarily conducted within the corporate context.

Conclusions

This study offers an analysis of the concept of corporate diplomacy intended to overcome current weaknesses in the use of this expression within both the academic literature and professional circles. The analysis suggests corporate diplomacy can be defined more precisely than it is regarded in the extant literature and press. By following a cognitive-linguist approach, the analysis outlined the meaning of corporate diplomacy in relation to bordering concepts, such as diplomacy, economic diplomacy, commercial diplomacy, negotiation, and public relations. By qualifying the meaning of corporate diplomacy, the result of this study helps prevent the risk that this expression is applied in a vague sense, with the effect of losing any relevance and usefulness as a category of analysis and component of the discourse on management practices.

The analysis shows corporate diplomacy plays a different function than the one of economic or commercial diplomacy (which typically does not relate to specific firms), negotiation (which is generally circumscribed within specific bargaining settings), and public relations (which often addresses public opinion in general, rather than specific business circumstances). There is little evidence, however, that companies acknowledge the peculiar role of corporate diplomacy, or that they devote resources and effort to improving the effectiveness of their corporate diplomats. Although, as previously mentioned, corporate diplomacy is not discussed widely in academic or professional circles, it is, nevertheless, important for firms that engage with public authorities or other (both national and foreign) companies. In part, this lack of attention may be related to the fact that activities that may be appropriately conceived as instances of corporate diplomacy often are framed within other bordering concepts. The explicit recognition of the concept and function of corporate diplomacy can lead to a better understanding of the actions performed, why they are performed, and what role they play for the attainment of a firm's objectives.

Last, the analysis highlights that corporate diplomacy is carried out through various, complex activities. Effective corporate diplomats need to master a wide range of skills and capabilities that may overlap with those commonly possessed by diplomats, negotiators, and public relations managers. In part, these skills and competences, including gathering and analyzing information, providing advice, and establishing and maintaining relationships with institutions and other firms, may relate to some innate personal features. In part, however, they may be acquired through targeted training programs akin to those typically provided for

diplomats and professional negotiators. It seems pivotal, therefore, that firms select the most appropriate talents in order to fill organizational positions that require the extensive management of relationships with outside entities, that they provide them with appropriate training to develop their analytic and social skills, and that they furnish them with appropriate resources and tools.

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Discussion Questions

1. What are the functions performed by corporate diplomacy? How do they differ from other similar inter-organizational activities?
2. Why should corporate diplomacy be regarded as an important function for companies in nowadays' business and regulatory environment?
3. What are the traits that corporate diplomats should possess or acquire?
4. How would you research the issue of whether corporate diplomacy affects companies' performance?

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