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**CORPORATE DIPLOMACY IN THE EU.  
The strategic corporate response to meet global challenges**



**Sonia Oster Mena**

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## **Corporate diplomacy in the EU.**

### **The strategic corporate response to meet global challenges<sup>1</sup>**

**Sonia Oster Mena**

#### **Abstract:**

Diplomacy has been for centuries the tool by which states, through their diplomats, have been able to communicate and negotiate with each other, intending to pursue their interests without conflict. Yet, the art of practicing diplomacy today is no longer limited to governments. On the corporate floor, too, the need to pursue the corporation's interests in a convincing way is more and more felt. It will be argued that the process of globalization has changed the world for both governments and corporations profoundly. In addition, within the European context, confronted with these changes and faced with an intense integration process, structural changes and enlarged competences of EU-institutions, these transformations have important implications for corporations. While on an international level the interdependence increases, the possibilities of national governments to influence these developments weaken and the bargaining power of great corporations grows. At the same time the imperative to find common solutions for global challenges is more urgent. Within the embassies abroad the need for 'economic expertise' is as great as is on the corporate floor the need for 'diplomatic competence'. As far as private corporations are concerned, the notion of 'Corporate Diplomacy' (henceforth CD) is gaining importance.

These developments raise a number of questions, which are important for both theory and practice. 'What' do we mean by both term and concept of CD? 'How' do we distinguish them from familiar notions? "To what extent" has the process of globalization made it necessary for corporations to find an adequate response? "In which way" do corporations approach the EU-institutions and 'why' is it that corporations seek increasingly a direct way to them, intending to represent their interests on their own? Yet, while a growing awareness can be noted, neither in scholarly research nor in corporate structures have these questions found an adequate response. Hence, this Master thesis seeks to present a systematic answer towards on the one hand defining a new term and concept and on the other investigating the rise of CD in corporations and its relationship to EU-institutions.

From a solid scientific basis and within a clear theoretical framework we will present our definition and set forth our concept. As far as the process of globalization is concerned, it will be argued, mainly based on the analysis of a variety of publications from different areas, that corporations see in CD the strategic response to meet both challenges and opportunities. In addition, CD, in cooperation with the relevant stakeholders, offers not only the possibility to more effectively preventing conflicts but also to securing the corporate reputation. With regard to the EU, it will be argued, principally based on interviews with a great number of representatives from different fields, that corporations tend to seek direct contact with the corresponding EU-institutions. While the presence of intermediaries is important, corporations are encouraged, not least by a growing interest from EU-institutions, confronted with increasing complex issues to inform themselves at first hand, to approach them directly.

**Keywords:** Corporate Diplomacy, Diplomacy, Globalization, Corporations, Networking.

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<sup>1</sup> I presented this work as a Master Thesis at the College of Europe (Bruges, Belgium) in May 2014 where I completed my Master of Arts in EU International Relations and Diplomacy Studies during the academic year 2013/14. Except for some minor changes, the thesis remains the same as submitted in 2014.



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## List of Abbreviations

BoD	Board of Directors
CD	Corporate Diplomacy
CEO	Chief Executive Officer
DG	Directorate General
EU	European Union
ISO	International Organization for Standardization
M&A	Mergers and Acquisition
MEPs	Members of the European Parliament
MNC	Multinational Corporation
MNE	Multinational Enterprise
NGO	Non-governmental organization
R&D	Research and Development
REACH	Registration, Evaluation, Authorisation and restriction of Chemicals
TNC	Transnational Corporation
WTO	World Trade Organization



## Introduction

The importance of CD is growing. This can be seen by academic research, syllabus of Universities and Business Schools, seminars of business associations, chambers of commerce and consultancies, by articles in newspapers and magazines as well as by establishing CD-departments in great corporations<sup>2</sup>. In addition, within the diplomatic world, the importance of representing one's own country's economic interests as well as assisting private firms in their business aspirations in host-countries can be realized; at the same time career diplomats enter as advisers both in the corporate world and business associations.

Yet, the fact that the notion of CD can be found to an increasing extent does not mean, as we will see, that the term is clearly defined and the concept is an established part on the corporate floor. In the academic world, while gaining in scholarly attention, the term is still not adequately discussed and on the corporate level, while recognising more and more its need, there is ample room for strengthening its presence. But this situation only reflects that theory and practice (academic research and corporate structures) are still in a process of adjusting themselves to fundamentally new developments on a global sphere. This Master thesis sees its task of contributing to this clarification process.

The radical transformations which have taken place during the last quarter of the 20<sup>th</sup> century on a political, economic, social and cultural level as well as in ideas, values and technologies, have changed the business world profoundly. The process, which in turn has taken place and which is generally described by the term 'globalization', offers for corporations challenges unknown during former centuries with opportunities and risks. At the same time the relationship between these corporations and the national governments is put on a new basis within a growing interdependent world. Due to the global presence of corporations and of their bargaining power on the one hand and due to the number of challenges, which clearly exceed the capacities of national

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<sup>2</sup> For the purpose of this thesis we will understand as corporation both 'Multinational Corporations' and 'Transnational Corporations'. In the future we will only use the term 'corporation'.



governments (e.g. environment) on the other things change: The influence of national governments decreases and the importance of corporations to actively contribute to solving global problems increases, with its representatives appearing as sought for partners on the stage of governments, international institutions and diplomacy. As a consequence, governmental priorities and state diplomacy itself are changing and the representation of economic interests in the embassies is gaining weight, while new forms of 'diplomacy' emerge (e.g. in international institutions, in business associations and in private enterprises). Therefore, since their contributions towards solving common problems is necessary, the number of players representing their 'institution's' interests grows.

Within Europe, the integration process in the European Union (EU) has with 28 Member States and over 500 million consumers not only created the largest 'Common Market' in the world, it also seeks to guarantee the free movement of goods, services, capital and people. Thus, on a corporate level opening up new investment possibilities, e.g. in production sites, take-overs, Mergers and Acquisition (M&A). These developments demand, in turn, a strategic reorientation of manufacturing sites, R&D units and logistics centres, not seldom by outsourcing at the cost of the traditional 'home bases'; and on a political level leading to an increased process of coordination of policies, greater integration with the loss of national competencies and transferring them to a supra-national power.

The EU-institutions are, consequently, each time assuming more legislative and regulatory power as well as supervising authority, which have to be complied and adhered to by the Member States on a national level. EU directives for industry, for instance, are mandatory for all industry sectors throughout the EU (e.g. REACH for the chemical industry, emission standards for the automotive industry), consequently of great importance for the companies. In addition, there are multinational and intergovernmental organizations which negotiate trade liberalization (e.g. WTO) or define industry standards (e.g. ISO) as well as non-governmental organizations (NGOs). Thus, the interest of corporations to have contact with the relevant institutions, to explain their corporations' point of view and to influence the forthcoming decisions in



a way, which is favourable for their corporation or which, at least, does not unduly negatively affect the corporation.

Therefore, with these developments the action-sphere for corporations is not only becoming more complex, they ask for an adequate response. While corporations may in negotiations with state authorities (such as national governments, regional and local authorities and the EU), not only want to be a 'rule taker', but, due to their bargaining power, also be a 'rule setter', there are an increasing number of other stakeholders as well as social groups, civil society organisations and NGOs whose concerns, interests and complaints have to be considered and given an adequate response. Against this background the concept of CD is of growing relevance for corporations. The subject of this study deals with the importance of CD for corporations, in which way CD is seen as providing an answer to these challenges and how CD makes its position known within EU institutions.

## **Chapter 1: Scientific basis and theoretical framework**

Within this first chapter we will provide the scientific basis and the theoretical framework of our research project. We will first state the research problem and spell out its importance both to theory and practice; second, we will then outline our research project, formulate our research questions (including hypothesis and methodology) and state subsequently the general structure of the whole thesis; third, we will analyse the term in the literature and arrive, for the purpose of our research project, at our own definition and formulate a concept of CD; furthermore, we will also delimit CD from familiar or so-called bordering-concepts as well as from lobbying. Finally, we will refer to examples, which characterise the role of the 'Corporate Diplomat'.

### **Statement of the Problem**

The art of practicing diplomacy today is no longer limited to states. Diplomacy is changing and with this new forms of diplomacy have developed<sup>3</sup>. Corporations too have seen the importance of practicing diplomacy themselves in order to negotiate and create alliances assuring their interests<sup>4</sup>. Governments, institutions, international organizations, a variety of stakeholders and NGOs, amongst others, have become negotiation partners<sup>5</sup>. At the EU-level we have national and regional governmental representations, European business confederations as well as national business associations<sup>6</sup>; furthermore, we have, pressure groups, consultancies/lobby firms<sup>7</sup>. The

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<sup>3</sup> Barston, R.P., *Modern diplomacy*, Harlow, Pearson Education, 2006, pp. 2-15.

Interview with an Ambassador, Brussels, 12.03.2014.

<sup>4</sup> Interview with the Head of the Representative Office in Brussels, Automotive Corporation, via telephone, 03.04.2014.

Interview with the Director for International Organizations and European Affairs, Oil Corporation, Madrid, 02.01.2014.

<sup>5</sup> Nye, Jr. Joseph S., "Multinational Corporations in World Politics", *Foreign Affairs*, Vol. 53, No. 1, 1974, pp. 153-175.

Interview with a representative of the European Commission: DG Enterprise and Industry, via telephone, 28.03.2014.

Interview with the Director for International Organizations and European Affairs, Oil Corporation, Madrid, 02.01.2014.

<sup>6</sup> Interview with a representative of the European Commission: DG Enterprise and Industry, via telephone, 28.03.2014.



‘core problem’ this thesis wants to answer is, given these variety of ‘agents’, why do companies feel the need to practice CD themselves? To research this ‘core problem’ is both theoretically and politically relevant. As to the former, it will allow us not only to make a contribution in the academic field to a new term and concept, so far not clearly scientifically defined, but, moreover, to differentiate them from familiar terms and concepts. As to the latter, we will see the importance of CD within the corporative world, seeking in negotiations compromises in win-win-situations with stakeholders, securing a long-term position within host-countries by contributing to its welfare and gaining, consequently, in credibility and reputation.

In spite of these developments on a global level and in spite of the fact that the notion of CD can increasingly be found for some time, the concept is still vague and the term is by far not clearly defined<sup>8</sup>. This may be the reason why corporate activities such as, Public Relations, Corporate Social Responsibility, Marketing, among others, are considered to be CD-activities or why similar expressions, e.g. ‘Business Diplomacy’, ‘Commercial Diplomacy’, ‘Public Diplomacy’ add to this confusion<sup>9</sup>. Furthermore, business activities, such as lobbying are considered by many as basically the same work, which by the term CD is only more elegantly phrased. Thus, this thesis, while presenting a contribution towards clarifying both term and concept, will at the same time analyse the rise of CD in corporations and state its importance within EU-institutions.

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<sup>7</sup> As in our interviews with EU-representatives they always spoke of consultancies, when referring to lobby firms, we will throughout this thesis use this term ‘consultancies/lobby firms’.

Interview with the Chairman of a Consultancy firm with years of experience in Brussels as a consultant, Madrid, 03.04.2014.

<sup>8</sup> Interview with the Chairman of a European Consultancy firm, Madrid, 29.12.2013.

Interview with a University professor with years of experience in corporate diplomacy, Madrid, 07.01.2014.

<sup>9</sup> Interview with the Chairman of a European Consultancy firm, Madrid, 29.12.2013.



### **Outlining the Research Project**

In this section we want to outline our research project. We will formulate the research questions, state the hypotheses, describe the methodology and present the structure of the thesis.

This thesis focuses on two specific research questions. The first research question asks what influence does CD have in companies in Europe. This research question will be answered on the bases of an extensive review of academic literature, University and Business School syllabus, newspapers and magazines. The analytical process consists in working out the importance of CD within the corporative world. The thesis argues that with the increasing complexity of the corporative environment the need for CD grows.

The second research question seeks to explain why do companies feel the need to practice CD themselves at the level of the EU-institutions. This question will be answered mainly by interviews with representatives of corporations, EU-institutions, Members of the European Parliament (MEPs) and consultancies/lobby firms. The analytical process consists in specifying the importance of CD in corporations, and its interaction with EU-institutions. The thesis argues that the great corporations see a growing need of addressing their issues directly to the competent authorities. In addition, the great corporations feel they have enough bargaining power to speak on their own behalf and do not need the intervention of intermediate organisations, which represent a variety of different sectorial interests and which, at times, may be contrary to their interests. Furthermore, they are encouraged in doing so by representatives of EU-institutions, who, confronted with increasing complex issues and the necessity to decide on highly technical matters, feel the need to inform themselves at first hand, share information and arrive at common solution for common challenges<sup>10</sup>.

The structure of the thesis is threefold. The starting point will be a solid scientific basis upon which we build our project and a clear theoretical framework within which

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<sup>10</sup> Interview with an Ambassador, Brussels, 12.03.2014.



we conduct our research. In this first chapter we will, therefore, outline both the research topic and the research design. Here we will also present our definition and the concept of CD, which will not only guide our research but which will also delimit it from neighbouring concepts. From here we will then, in Chapter Two, proceed to look at the corporate level and analyse why CD, as defined in the first chapter, has gained this importance for corporations. Within Chapter Three we will deal with CD and the EU. While in Chapter Two our intention is to give an answer to the growing importance of CD on a more general corporate level, in Chapter Three we will answer the question why corporations feel the need to practice CD themselves in Brussels. In these two chapters we will limit our research to two economic sectors: Automotive and Chemicals. We consider these as vital economic sectors with regard to production, trade, R&D, investment and employment. With these characteristics they are also of paramount importance for the EU as a global player and for its strategy for re-industrialization<sup>11</sup>.

Besides the Anglo-American World we will also draw attention to the importance, which CD has received in Spain – a country, which after 14 years of economic boom (1994-2007), suffered a very severe economic decline and is, with great difficulties, coming out of a deep recession. Here CD is gaining marked ground among corporations, in the academic world as well as in private institutions. The great Spanish corporations see CD, particularly after very negative experiences overseas, as a vital element to solve as well as to prevent problems and official state institutions value it as strongly contributing to redefining the country's image, the 'nation brand' ("Marca España")<sup>12</sup>.

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<sup>11</sup> See here the initiative for Re-industrialization Europe 2020.

<sup>12</sup> Escuela Diplomática (Ed.), *Retos de nuestra acción exterior: Diplomacia Pública y Marca España*, Madrid, Ministerio de Asuntos Exteriores y de Cooperación, 2012.



## Definitions and Delimitations

In this section we want to define two terms, which are fundamental for our analysis: diplomacy and corporate diplomacy. As to the first, though being a relatively old term, our aim is to describe the changes it has undergone and show what a modern understanding looks like; as to the second, being a very new term and being confronted with a variety of different definitions, we will arrive at our own definition and delimit it from familiar terms. Here our intention is to make a contribution to science.

As the central development, which changed, as we have indicated above, the conception of the world known so far, we consider the process of globalization, which started during the last quarter of the 20<sup>th</sup> century<sup>13</sup>. This had, as Raymond Saner and Lichia Yiu have shown, profound consequences as to the external relations both in Foreign Ministries and in corporations<sup>14</sup>. In addition, new players entered the global field, representing a variety of interests, among others, supra-national institutions, great corporations, international trade and business organizations, NGOs and civil society organizations. All these developments had at least two consequences which are important for us in this section: On the one hand they lead to a re-definition of the understanding of representing state-interests by the traditional representatives (state diplomats) as well as their classic role; on the other they brought about a variety of new 'diplomatic'- definitions for these emerging representatives in these fields (e.g. economic, business, trade, NGO) and their new role. As Saner and Yiu point out, given

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<sup>13</sup> The literature on globalization is impressive. As to the definition see e.g. Robertson, Roland, *Globalization: Social Theory and Global Culture*, London, Sage, 1992.

Nayef, R.F. Al-Rodhan and Stoudmann, Gérard, "Definitions of Globalization: A Comprehensive Overview and a Proposed Definition", *Geneva Centre for Security Policy (GCSP)*, 2006.

Robertson, Roland and Jan-Aart Scholte (eds.), *Encyclopedia of Globalization*, Four Volumes, New York, Routledge, 2007, with important articles to 'globalism', 'globalization', 'economic globalization' and 'modernity'.

See also the IMF-paper: "Globalization: Threat or Opportunity?" (2000); 12.04.2000 (Corrected January 2002), retrieved 03.02.2014, <https://www.imf.org/external/np/exr/ib/2000/041200to.htm>.

For a more general treatment of the subject see A. Giddens, *The Consequences of Modernity*, Stanford, Stanford University Press, 1990.

<sup>14</sup> Saner, Raymond and Lichia Yiu, "International Economic Diplomacy: Mutations in Post-Modern Times", *Netherlands Institute of International Relations 'Clingendael'*, 2003, pp. 1-37, pp. 1 ff and 5 f. retrieved on 03.02.2014, [http://clingendael.info/publications/2003/20030100\\_cli\\_paper\\_dip\\_issue84.pdf](http://clingendael.info/publications/2003/20030100_cli_paper_dip_issue84.pdf).





a growing interdependence on several levels, this sets the scene also in a new way for all the 'actors' being 'traditional diplomats' or 'new diplomats', which we want to explore now in more detail<sup>15</sup>.

## Diplomacy

It is generally agreed that the term diplomacy derives from the ancient Greek, meaning a folded paper or a document, conferring a privilege (usually a permit to travel), which princes granted. Later the term was applied to international relations, losing the direct tie to documents<sup>16</sup>.

Any brief glance at academic literature, encyclopaedias or dictionaries shows the variety of definitions offered for 'diplomacy'. Although there are many different definitions available, the term describes, beginning with the Peace of Westphalia (1648) and more and more after the French Revolution (1789), "the conduct of relations between sovereign states"<sup>17</sup>; but as states as such cannot speak to each other, they do this through their "officials"<sup>18</sup>. These act as representatives of their states. "Diplomacy is therefore the principal means by which states communicate with each other, enabling them to have regular and complex relations<sup>19</sup>." It is, consequently, "a system of communications"<sup>20</sup> within the "international society"<sup>21</sup>. With this meaning, the term was first used by Edmund Burke in 1796<sup>22</sup>. Most of the time these communications include the task "to negotiate"; in this sense diplomacy is also described as "the management of international relations by negotiation"<sup>23</sup>.

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<sup>15</sup> *Ibid.*

<sup>16</sup> Safra, Jacob, Don Yannias and James Goulka, *The New Encyclopaedia Britannica*, London, Encyclopaedia Britannica, 1998, 15th edition, Vol. 17, p. 331.

<sup>17</sup> Berridge, G.R. and Alan James, *A Dictionary of Diplomacy*, New York, Palgrave, 2001, p.62 ff.

<sup>18</sup> *Ibid.*

<sup>19</sup> *Ibid.*, p. 63.

<sup>20</sup> Krieger, Joel (Editor in Chief), *The Oxford Companion to Politics of the World*, New York and Oxford, Oxford University Press, 1993, p. 244.

<sup>21</sup> Berridge, G.R. and Alan James, *A Dictionary of Diplomacy*, New York, Palgrave, 2001, p. 63.

<sup>22</sup> *Ibid.* p. 63.

See also Simpson, John and Edmund Weiner, *The Oxford English Dictionary*, Oxford, Clarendon Press, 1989, Vol. 4, p. 696.

<sup>23</sup> *Ibid.*



Furthermore, the term is employed to describe the requirements of the officials to carry out their mission, when referring to “tact” in dealing with people<sup>24</sup> or specifies the way, in which through dialogue they seek to “mediate”<sup>25</sup>, i.e. the negotiations are done “peacefully”<sup>26</sup>. With these characteristics, diplomacy is often described as a “skill”<sup>27</sup> or an “art”<sup>28</sup>.

Contrary to the different definitions of diplomacy, there is widespread agreement, however, on the fact that diplomacy is the chief instrument of foreign policy, which is set by the government<sup>29</sup>. “Foreign policy prescribes goals [...] diplomacy carries out the policy<sup>30</sup>.”

The content of foreign policy as well as the goals and, in its turn, diplomacy itself have changed considerably over the centuries<sup>31</sup>. R.P. Barston breaks down the functions of diplomacy in six broad areas: ceremonial, management, information and communication, international negotiations, duty of protection and, finally, contribution to international order<sup>32</sup>. While traditionally, the first area is the one which diplomacy is associated with, other functions have grown in importance. Barston illustrates this by the number of notions referring to diplomacy, e.g. “oil diplomacy”,

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<sup>24</sup> Berridge, G.R. and Alan James, *A Dictionary of Diplomacy*, New York, Palgrave, 2001, p. 63.

<sup>25</sup> Krieger, Joel (Editor in Chief), *The Oxford Companion to Politics of the World*, New York and Oxford, Oxford University Press, 1993, p. 244.

<sup>26</sup> See here the definition offered by the French Encyclopaedia Universalis: “On définira plus simplement la diplomatie comme l’ensemble des voies et moyens officiels par lesquels sont conduites les relations extérieures pacifiques des États.” Baumberger, Peter (Président) and Jcques Bersani, (Conseiller éditorial), *Encyclopaedia Universalis*, Paris, 1989, Vol. 7, p. 526.

<sup>27</sup> Berridge, G.R. and Alan James, *A Dictionary of Diplomacy*, New York, Palgrave, 2001, p. 63.

<sup>28</sup> Safra, Jacob, Don Yannias and James Goulka, *op. cit.*, Vol. 17, p. 331; see also: “Nella sua più larga accezione, significa ... l’arte di trattare i negozi di stato”, in G. de Sanctis (Presidente) and D. Bartolini (Direttore Generale), *Enciclopedia Italiana di Scienze, Lettere ed Arti*, Roma, Istituto della Enciclopedia Italiana, 1950, p. 962.

<sup>29</sup> Very explicit on this point, for instance, a Portuguese Encyclopaedia: “Numa primeira aproximação, pode caracterizar-se Diplomacia como a actividade destinada a pôr em contacto o governo de um Estado com os governos de outros Estados, em execução de uma determinada politica externa.” J. Bigotte Chorão (Director), *Enciclopédia Verbo*, Lisboa, Editorial Verbo, 2005, p. 423.

<sup>30</sup> Safra, Jacob, Don Yannias and James Goulka, *The New Encyclopaedia Britannica*, London, Encyclopaedia Britannica, 1998, 15th edition, Vol. 17, p. 331.

<sup>31</sup> Barston, R.P., *Modern diplomacy*, Harlow, Pearson Education, 2006, pp. 2-15.

Interview with an Ambassador, Brussels, 12.03.2014.

<sup>32</sup> Barston, R.P., *Modern diplomacy*, Harlow, Pearson Education, 2006, p. 2.



“resource diplomacy”, “environmental diplomacy” and “financial diplomacy”<sup>33</sup>. For our thesis it is important to refer to the fact that ‘economic issues’ in the broadest sense have gained considerable importance<sup>34</sup>. This reflects both in the formation of future diplomats at home and in the representation of economic interests in embassies abroad<sup>35</sup>. At the same time, countries try to redefine their image, stressing much stronger their compelling economic competence (with industrial products and services), but also with international presence of their big corporations in leading economic sectors<sup>36</sup>.

From this it is evident, that economic, financial, commercial as well as technological issues play a much bigger role in foreign embassies than in former times. As this is a new field for governmental institutions, one should not be surprised that, as far as terminology is concerned, the related terms and concepts, such as ‘economic diplomacy’ or ‘commercial diplomacy’ are employed without a coherent content<sup>37</sup>. Nevertheless, one thing is clear, with these changes it is only natural, that today’s diplomats are much less ‘ceremonial-oriented’ and much more ‘business-focused’ than their colleagues in former times. In addition, the strong linkage between the ‘private business world’ and the ‘state diplomacy world’ on the one hand and the ‘private business world’ and the ‘state institutional world’ (e.g. the EU institutions) on the other lead to the fact that the ‘actors’ in both worlds are highly sought for as experts

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<sup>33</sup> *Ibid.*, p. 1.

<sup>34</sup> Bolewski, Wilfried, *Diplomacy and International Law in Globalized Relations*, Berlin, Springer, 2007, pp. 13-49.

<sup>35</sup> Interview with an Ambassador, Brussels, 12.03.2014.

<sup>36</sup> Of all European countries, the efforts made by Spain in this respect are probably the most salient. Spain has even created the position of a “High Commissioner” whose task it is to promote the “Marca España”. See here e.g. the book *Escuela Diplomática (Ed.), Retos de nuestra acción exterior: Diplomacia Pública y Marca España*, Madrid, Ministerio de Asuntos Exteriores y de Cooperación, 2012. See also Grupo de Investigación de Política Económica Global (GIEPI)-UCJC, *Marca España y Diplomacia Económica*, Universidad Camilo José Cela (UCJC), Madrid, 2013.

<sup>37</sup> *Escuela Diplomática (Ed.), Retos de nuestra acción exterior: Diplomacia Pública y Marca España*, Madrid, Ministerio de Asuntos Exteriores y de Cooperación, 2012, pp. 79 and 95.

Interview with the Chairman of a Consultancy firm with years of experience in Brussels as a consultant, Madrid, 03.04.2014.

Interview with the Chairman of a European Consultancy firm, Madrid, 29.12.2013.



and that some are very flexible as far as their working field is concerned<sup>38</sup>. Yet, this has always been 'normal' in the USA and is also becoming more and more a fact also in Europe<sup>39</sup>.

### **Corporate Diplomacy**

As the central development leading to the new term CD, as we have pointed out above, we consider the process of globalization during the last quarter of the 20<sup>th</sup> century. There are academics who argue that the new term expresses only a business behaviour, which was already displayed several centuries ago: First by the great merchants of the outgoing middle Ages and early Renaissance throughout Europe and later by the representatives of the transnational Trading Companies at the leading commercial centres in Asia<sup>40</sup>.

While it is true that at first glance there may be some astounding similarities, any closer look shows, however, without any doubt that the actions of both the great merchants and the representatives of the great Trading Companies go far beyond the

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<sup>38</sup> See here e.g. The Ambassador Partnership (Corporate Diplomacy - London); Official website, retrieved on 15.03.2014, <http://ambassadorllp.com>.

Pauly, Christoph and Christoph Schult, "Berater - Drehtüren in Brüssel", *Der Spiegel*, 42/2013, pp. 70-72: "Hochrangige EU-Kommissionsbeamte wechseln gern die Seiten. Sie heuern bei chinesischen Unternehmen, Zigarettenkonzernen oder PR-Firmen an. Interessenkonflikte werden oft ignoriert." p. 70. Meck, Georg "Dürfen Politiker Lobbyisten werden?", *Frankfurter Allgemeine Sonntagszeitung*, 10.11.2013, Nr. 45, Press article, p. 27.

<sup>39</sup> The Ambassador Partnership (Corporate Diplomacy - London); Official website, retrieved on 15.03.2014, <http://ambassadorllp.com>.

<sup>40</sup> See here the examples given of the merchant towns, such as Venice, Florence, Bruges and Amsterdam or trading companies, such as the Hudson Bay Company or the British, Dutch and French East Indian Companies. See e.g. the online lecture of Mari Sako, *Future of Corporate Diplomacy*, Said Business School, University of Oxford, 03.07.2013, who argues that "corporate diplomatic activities are not recent or new, but have at least a few centuries of history", retrieved on 10.02.2014, <http://www.sbs.ox.ac.uk/ideas-impact/international-business/research/future-corporate-diplomacy>. See also the Blog by Karim Sail Duque, "Diplomacia corporativa: delimitando el concepto", *KSD International* 28.01.2013, who argues, too, that "already from the first great commercial routes and the great overseas expansion" there existed a "diplomacy, which is nowadays known as 'corporate diplomacy'", retrieved on 10.02.2014, <http://ksd-international.com/2013/01/28/diplomacia-corporativa-delimitando-el-concepto/>.



concept of CD which these authors also try to establish for modern corporations<sup>41</sup>. What they astonishingly overlook is the fact, spelled out very clearly by Galbraith, that “In the merchant towns the great merchants were not merely influential in the government; they ‘were’ the government<sup>42</sup>.” To be quite clear: No such far-reaching claim is made here as to our understanding of CD.

The term CD, as we understand it, is clearly connected with a whole set of fundamental changes on the political, economic, social and cultural level as well as of ideas, values and technologies which allowed, in turn, a process of international integration unknown during former centuries. Among these we consider as decisive factors liberalization, flexibilisation and deregulation, internationalization of production sites and markets, of capital movements, of transport and communications as well as fundamental information technology changes. These developments, in turn, exert not only their specific characteristics as to the process of globalization but also as to CD.

Although the notion of CD can be found to a growing extent, there exists, however, no clear definition<sup>43</sup>. One explanation for this may be the fact that, as far as academic studies are concerned, as for instance Asquer and Watkins have pointed out, the concept, while growing in importance, has gained little attention<sup>44</sup>. Another reason may be that the concept has received more acceptance within the practical sphere, as

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<sup>41</sup> Karim Sail Duque, for example, quotes J.K. Galbraith, *A History of Economics: The Past as the Present*, London, Penguin Books, 1987 and refers to the fact that both public policies and actions reflected the views of the merchants.

Mari Sako in her lecture points out that these companies were “chartered by the state to carry out many functions that today we associate only with government; so in the case of East India Company it was given the authority to acquire territory, to coin money, to maintain an army ...”.

<sup>42</sup> Galbraith, John Kenneth, *A History Of Economics: The Past As The Present*, London, Penguin Books, 1987, p. 32.

<sup>43</sup> Interview with the Chairman of a European Consultancy firm, Madrid, 29.12.2013.

<sup>44</sup> Asquer, Albert “What is Corporate Diplomacy”, *Social Science Research Network (SSRN), University of London, SOAS, Department of Financial and Management Studies*, 23.02.2012, retrieved on 10.02.2014, [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2009812](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2009812).

Watkins, Michael, “The Rise of Corporate Diplomacy (Finally!)”, *Harvard Business Review (HBR Blog Network)*, 18.05.2007, retrieved on 10.02.2014, <http://blogs.hbr.org/2007/05/the-rise-of-corporate-diplomac/>; while this may have been true during the first decade of the 21st century, a growing concern in academic circles can be recognized as for instance the forthcoming book (May 2014) by W. Henisz, *Corporate Diplomacy: Building Reputations and Relationships with External Stakeholders*, Sheffield, Greenleaf, 2014 shows, retrieved on 10.02.2014, <https://mgmt.wharton.upenn.edu/profile/1327/>.



syllabuses of some Universities, Business Schools as well as seminars and some journal demonstrate<sup>45</sup>. Finally, as we will describe in more detail, the fact that there are similar terms to be found and not having a clear understanding of CD, adds an additional confusion<sup>46</sup>.

We regard the report, summarizing the proceedings of a CSIS-forum held on October 24, 1994, as probably the first attempt by scholars and businessmen to place CD for corporations within the context of a globally changing world<sup>47</sup>. As the moderator, Douglas Johnston, underlined, the general purpose of the meeting was “to examine ways in which corporations can play a more proactive role in community building [...] in the face of crossborder economic, cultural, technological, and informational transactions”<sup>48</sup>. More specific, he argued, the intention was to provide answers as to how to fill “the resulting leadership gap” and “how can corporations rationalize this kind of ‘diplomatic’ role”<sup>49</sup>. CSIS-President David Abshire pointed out, with the programme on CD, that the think tank “breaks new ground in the realm of our business and economic studies. In the past we have looked primarily at how political events have an effect on economic activity. This forum examines how the corporate sector affects political and social issues<sup>50</sup>.”

We consider the findings of this forum of great importance for the discussion of CD. First, because, as Abshire points out, of the major US think tanks CSIS was the first to dedicate a forum to CD. Second, because of the frankness with which CEOs stigmatize openly the shortcomings of US-Business School education and the failure they present in the formation of future global corporation leaders. Third, because of the evident intention running through these statements, to anchor within corporations an ethical-based and a societal-oriented behaviour. Fourth, rather than providing a

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<sup>45</sup> See here only the above-mentioned Said Business School (Oxford, UK) or Wharton Management Department (University of Pennsylvania, USA).

<sup>46</sup> For example: ‘Economic Diplomacy’, ‘Commercial Diplomacy’.

<sup>47</sup> Trice, Robert, Miyako Hasegawa and Michael Kearns, *Corporate Diplomacy: Principled Leadership for the Global Community*, The Center for Strategic & International Studies (CSIS), CSIS Report, Washington, D.C., 1995.

<sup>48</sup> *Ibid.*, p. 1.

<sup>49</sup> *Ibid.*

<sup>50</sup> *Ibid.*, p. 3.



clear cut definition and a coherent concept of CD, these statements of academics and business leaders are nevertheless important, because they, though sometimes only vaguely, delineate the contours, which we consider later on, among others, as constitutive elements of CD. Finally, the need on the corporate floor for rethinking the corporation's philosophy, organizing new structures and presenting a credible approach for the global changes, is all-present in these statements.

During the following years there were more attempts to define the term and the wide range of indications towards its possible content is noteworthy. Susan Strange, for instance, places the term, while not defining it, in an international context and puts it in relationship between firms and government on the one hand and between firms on the other. From this global perspective she realizes its growing importance for the discipline of management studies<sup>51</sup>. An opposite view takes Ulrich Steger. While acknowledging the global transformations for corporations, he assumes a managerial standpoint and assigns to CD the task to manage the business environment in such a way as "to ensure that 'business is done smoothly'", which means for the corporation to have "an unquestioned licence to operate"<sup>52</sup>. To be fair to Steger, he concedes that corporations act within a given society and asks therefore for an "interaction" which allows a "mutual adaption"<sup>53</sup>. This latter aspect is the starting point for several authors who draw attention to the fact that corporations today are facing many, sometimes conflicting, demands from different stakeholders<sup>54</sup>. The function of CD, in this context, is seen as to rate and rank these divergent demands on the one hand and to bring about solutions and a consensus which all stakeholders and the corporation itself can live with on the other. Michael Watkins limits CD to "the role senior executives play in advancing the corporate interest by negotiating and creating alliances with key

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<sup>51</sup> Strange, Susan, "States, Firms and Diplomacy", *International Affairs*, Vol. 68, 1992, pp. 1-15, p. 14.

<sup>52</sup> Steger, Ulrich, *Corporate Diplomacy: The Strategy for a Volatile, Fragmented Business Environment*, Chichester, Wiley, 2003, pp. 6 ff.

Very similar is also Asquer's, definition of CD as "a range of activities aiming at generating favorable conditions for carrying out firms' activities and accomplish organizational goals", see A. Asquer, *op. cit.*, p. 5.

<sup>53</sup> Steger, Ulrich, *Corporate Diplomacy: The Strategy For A Volatile, Fragmented Business Environment*, Chichester, Wiley, 2003, p. 7.

<sup>54</sup> Amann, Wolfgang, *et al.*, "Managing external pressures through corporate diplomacy", *Journal of General Management*, Vol. 33, 2007, pp. 33-50.





external players”<sup>55</sup>. While Watkins attributes to CD a ‘senior role’, Saner and Yiu, within the context of analysing six different kinds of ‘diplomacies’, confine to it “two organizational roles [...] namely that of a country unit manager [...] and that of a corporate diplomat”<sup>56</sup>. Bolewski seems to apply the term to all “non-state actors”, whereas Heim speaks of it as a “mechanism” by which the management regulates the relationship between the firm and the outside world with diplomatic means<sup>57</sup>. Ordeix-Rigo and Duarte go considerably further than these authors. They point out that global corporations have to act like governments to find acceptance for their policies. In their view, it is not enough just to balance the divergent positions and interests. They assign to CD the task “of a commitment towards society” which leads to the adaption of the corporate values to the societal values and which comes to a “symbiotic relationship with key stakeholders”<sup>58</sup>.

Not quite as far go two Spanish scholars. Antonio Camuñas, in line with Steger, asserts that from a corporation’s point of view CD comprises all parts, which have to be taken into account in order “that the business objectives can arrive at safe harbour”; adding “all those which contribute to the reputation, the perception and the credibility of the firm, which favour at the same time a better knowledge of the reality and a fluid dialogue with all social agents involved”<sup>59</sup>. José Ramón Pin Arboledas adds

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<sup>55</sup> Watkins, Michael, “The Rise of Corporate Diplomacy (Finally!)”, Harvard Business Review (HBR Blog Network), 18.05.2007, retrieved on 10.02.2014, <http://blogs.hbr.org/2007/05/the-rise-of-corporate-diplomac/>.

<sup>56</sup> Saner, Raymond and Lichia Yui, “International Economic Diplomacy: Mutuations in Post-modern Times”, Discussion Papers in Diplomacy, *Netherlands Institute of International Relations ‘Clingendael’*, The Hague, 2003, pp. 1-37, retrieved on 10.02.2014, [http://clingendael.info/publications/2003/20030100\\_cli\\_paper\\_dip\\_issue84.pdf](http://clingendael.info/publications/2003/20030100_cli_paper_dip_issue84.pdf).

<sup>57</sup> Bolewski, Wilfried, “Diplomacy and International Law in Globalized Relations”, Berlin, Springer, 2007, pp. 51-67.

Heim, Thomas, “Corporate Diplomacy – Aussenpolitik von Unternehmen”, Saarbrücken, VDM-Verlag Dr. Müller, 2010, pp. 12-19

<sup>58</sup> *Ibid.*

Ordeix-Rigo, Enric and João Duarte, “From Public Diplomacy to Corporate Diplomacy: Increasing Corporation’s Legitimacy and Influence”, *American Behavioral Scientist*, Vol. 53, 2009, pp. 549-564.

<sup>59</sup> See Blog of Juan Luis Manfredi, retrieved on 10.03.2014, <http://juanluismanfredi.es>.

See also, Juan Luis Manfredi, “Las Escuelas de Negocio y el futuro de la educación”, *Cinco Días*, 23.07.2013, retrieved on 10.02.2014,

[http://www.global-](http://www.global-strategies.es/noticias/docs/Diplomacia%20Corporativa%20y%20Alta%20Direccion%20por%20Juan%20Luis%20Manfredi.pdf)

[strategies.es/noticias/docs/Diplomacia%20Corporativa%20y%20Alta%20Direccion%20por%20Juan%20Luis%20Manfredi.pdf](http://www.global-strategies.es/noticias/docs/Diplomacia%20Corporativa%20y%20Alta%20Direccion%20por%20Juan%20Luis%20Manfredi.pdf).





to this first a second function, which is “to help to resolve the conflicts between firms and public institutions”. He points out, that while the second function is the most commonly known, without securing the first, CD is likely to be less effective than it should be<sup>60</sup>. And Esther Trujillo, with experiences both in the academic and the business world, describes CD as the “art of shared decision-making”<sup>61</sup>.

Furthermore, after submitting our thesis Witold J. Henisz, Wharton management professor, published a book “Corporate Diplomacy”<sup>62</sup> and looks at the subject from a practical business point of view. He does not intend to define the term, but employs it as it “has been used by a small number of practitioners and consultants, including Michael Watkins”<sup>63</sup>, whose definition he leans on. Henisz’ overall statement is that CD “creates real business value” and aims to show how shareholder value can be increased (or at least losses avoided), by developing relationships with external stakeholders and intends to elevate the position of corporate diplomats within the corporate structures. Presenting six elements of “corporate DIPLOMACy” (Due Diligence, Integration, Personal, Learning, Openness and Mindset)<sup>64</sup> he quotes a wide range of examples were things went right or wrong in these fields.

Finally, there are academic papers, magazine, blogs as well as newspaper articles and descriptions of University and Business School courses on CD<sup>65</sup>. In addition, there

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<sup>60</sup> *Ibid.* See on this point also: Camuñas, Antonio, “Los nuevos conceptos de poder: la diplomacia corporativa en España”, in: Escuela Diplomática (Ed.), *Retos de nuestra acción exterior: Diplomacia Pública y Marca España*, Madrid, Ministerio de Asuntos Exteriores y de Cooperación, 2012, pp. 107-117.

<sup>61</sup> Trujillo, Esther, “La diplomacia corporativa, o el arte de las decisiones compartidas”, *Harvard Deusto Business Review (HDBR)*, 2011, pp. 34-40.

<sup>62</sup> Henisz, Witold J., *Corporate Diplomacy. Building Reputations and Relationships with External Stakeholders*, Greenleaf Publishing Limited, Sheffield 2014.

<sup>63</sup> *Ibid.*, p. xvii

<sup>64</sup> *Ibid.*, p. xv

<sup>65</sup> For academic paper see e.g. Macnamara, Jim, “Corporate and organisational diplomacy: an alternative paradigm to PR”, *Journal of Communication Management*, Vol. 16, No. 3, 2012, pp. 312-325.

For magazine article see e.g. Eskew, Mike, “Corporate Diplomacy: It’s as vital as political diplomacy”, *Leadership Excellence*, April 2006, pp. 5-6

For blogs see e.g. Grupp, Bob, “Corporate Diplomacy in Action”, *The Institute for Public Relations (IPR)*, 13.02.2008, retrieved on 13.03.2014, <http://www.instituteforpr.org/2008/02/bob-grupp-corporate-diplomacy-in-action/> and Ch. Crawford, Ch., “So what exactly is ‘Corporate Diplomacy’?”, (2011), retrieved on 13.04.2013, <http://charlescrawford.biz/blog/so-what-exactly-is-corporate-diplomacy->

See in the Spanish press e.g. Barciela, Fernando, “Diplomacia en clave corporativa”, *El País*, Press article, 07.03.2010 and Goula, Jordi, “Diplomacia corporativa, ¿La conoce?”, *La Vanguardia*, Press article, 20.03.2



are seminars by Chambers of Commerce and media consulting firms as well as symposiums by private CD-institutes<sup>66</sup>. While most of them raise interesting points, they lack a comprehensive treatment of the subject.

As we have seen there is no agreed definition of what CD is. Hence, for the purpose of this thesis, we have to arrive at our own definition. Among the many definitions of diplomacy we consider the one offered by the Merriam-Webster Dictionary as particularly useful for two reasons: it is sufficiently precise and it allows an adjustment for CD. "Diplomacy is the Art of conducting relationships for gain without conflict<sup>67</sup>." We will, consequently, define 'CD is the Art of conducting the corporation's external relationships for gain without conflict'.

Contrary to the different definitions of diplomacy, there is widespread agreement, as we have seen, on the fact that diplomacy is the chief instrument of foreign policy, which is usually set by the government. Thus, within the corporate world, CD is the chief instrument of corporate policy, which is set at the highest corporate level, i.e. the Board of Directors (BoD)<sup>68</sup>. Consequently, CD derives its

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011, Ormazabal, Mikel, "Estamos ofreciendo diplomacia corporativa a las empresas", *El País*, Press article, 13.02.2012.

For syllabuses see e.g. several Universities and Business Schools in Spain contain Seminars (e.g. UPC Comillas) and even MA-degree courses on CD (e.g. Universidad de Navarra, Universidad Complutense, San Pablo CEU, Universidad Autónoma de Barcelona). Secondly, on an institutional level we realize the creation of institutes, e.g. Instituto Internacional de Diplomacia Corporativa (IIDC <http://iidc.es>) and Global Strategies (<http://www.global-strategies.es>). Thirdly, within the area of legal and business firms we have a number of consultancies expanding their offers in the domain of CD (e.g. Angulo & BOORQUES and LLORENTE & CUENCA). Fourthly, on the World Wide Web we find an increasingly number of Blogs on Corporate Diplomacy.

<sup>66</sup> See here the newspaper article Ormazabal, Mikel, "Estamos ofreciendo diplomacia corporativa a las empresas", *El País*, Press article, 13.02.2012 as well as the Homepage of the Chamber of Commerce in the Basque Country, retrieved on 01.03.2014,

<http://www.camaragipuzkoa.com/es/asesoria/asesoria1/internacionalizacion/proyectos-integrales>.

See here the Home page of Llorente & Cuenca, retrieved on 01.03.2014,

<http://www.elblogdellorenteycuenca.com/tag/diplomacia-corporativa/>.

See here the MA-courses offered by the Instituto Internacional de Diplomacia Corporativa (IIDC), retrieved on 01.03.2014, <http://www.grupoblc.com/index.php/2013-06-04-22-58-16>.

<sup>67</sup> Meriam Webster Dictionary, Definition 'diplomacy' (Concise Encyclopedia), retrieved on 12.01.2014 <http://www.merriam-webster.com/dictionary/diplomacy>.

<sup>68</sup> We refer in a more general way to the 'Board of Directors' as the highest 'executive organ', with the Chief Executive Officer (CEO) as the Chairman of the Board.



legitimacy to act from a clear mandate from the corporate floor and is responsible to it<sup>69</sup>.

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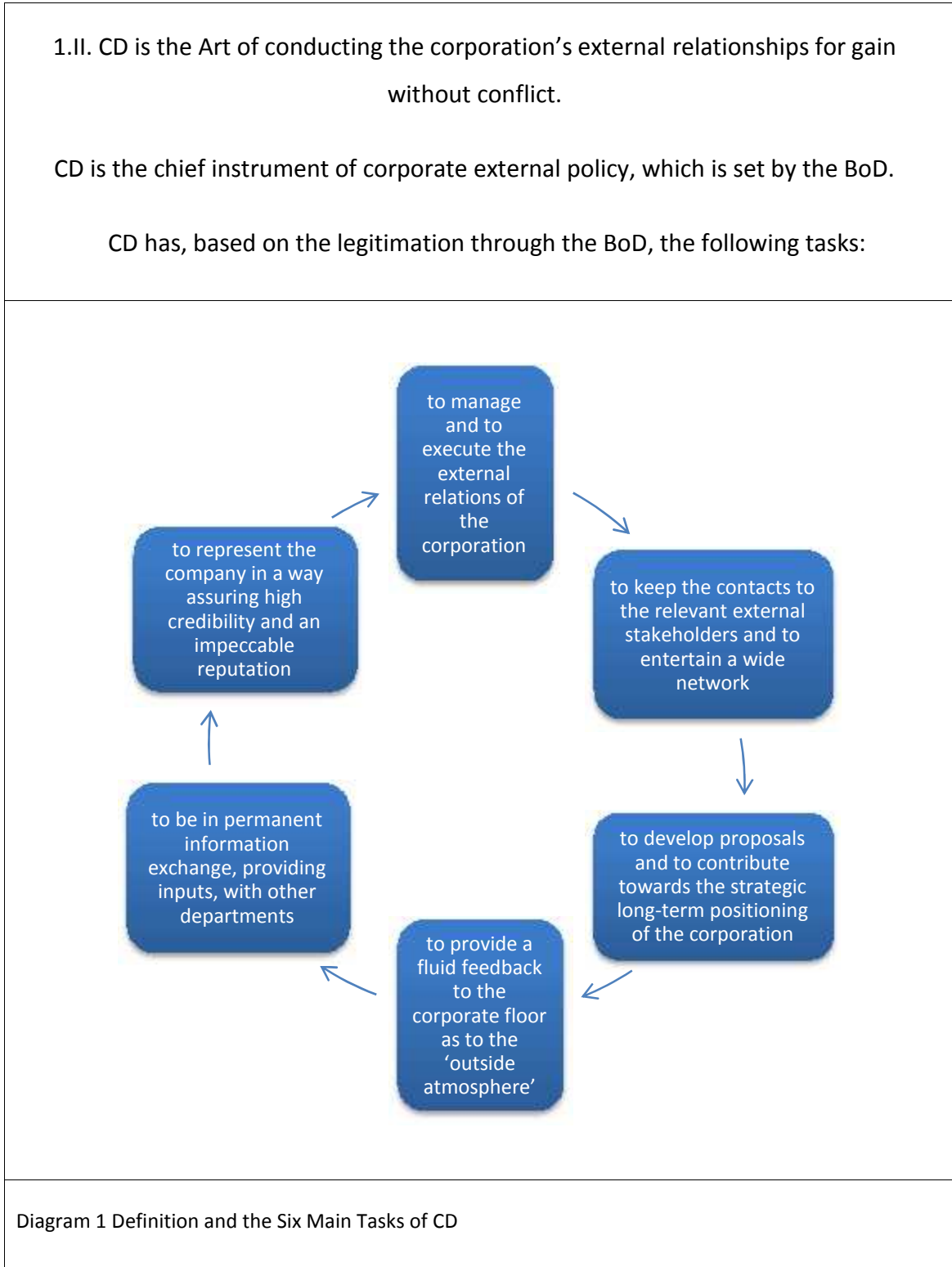
<sup>69</sup> We do not specify a particular Board Member or the CEO, because corporations have, as the corporate world shows, different internal structures and responsibilities.



With this characterization CD is legitimated in a clear way. We propose that within the corporation CD has the following six main tasks, by which it contributes to its success:

1.I. Six Main Tasks of CD
<p>First, CD is exclusively in charge of managing and executing the external relations of private corporations for gain.</p> <p>Second, CD keeps the contacts to the relevant external stakeholders and entertains a wide network.</p> <p>Third, CD develops proposals and contributes towards the strategic long-term positioning of the corporation.</p> <p>Four, CD provides a fluid feedback to the corporate floor as to the ‘outside atmosphere’.</p> <p>Fifth, CD is in permanent information exchange, providing inputs, with other departments, crucial for the external perception of the corporation, such as Press, PR, advertising and marketing.</p> <p>Sixth, CD is the outside face of the corporation and tries to present the corporation in a way assuring a high credibility and guaranteeing an impeccable reputation.</p>
Table 1 The Six Main Tasks of CD
Source: Sonia Oster Mena, “Corporate Diplomacy in the EU”, Bruges 2014

The following diagram combines our definition and our proposed six main tasks of CD in a concise way:



Source: Sonia Oster Mena, "Corporate Diplomacy in the EU", Bruges 2014

In carrying out its tasks CD, as we understand it, is guiding its activities by six principles:

1.III. CD-activities are guided by Six Principles

Firstly, to act within the established legal framework and corporate philosophy, which means lawfully and in accordance with the corporate code of good practice and compliance.

Secondly, to seek win-win situations, which means a conduct, whilst pursuing one's own interests, to look for compromise, building alliances and constructing coalitions among the stakeholders as a trustworthy and reliable partner.

Thirdly, to pursue a fluid dialogue with social groups and civil society organizations involved, which means a convincing public presence, explaining the corporation's philosophy, policies and actions, showing a high degree of transparency.

Fourthly, to aim at long-term results, which means focusing on sustainable solutions, strengthening one's own market position, by committing oneself to the society and contributing to its welfare.

Fifthly, to enhance credibility, which means gaining the position as a reliable partner, whilst establishing a dense and widespread network.

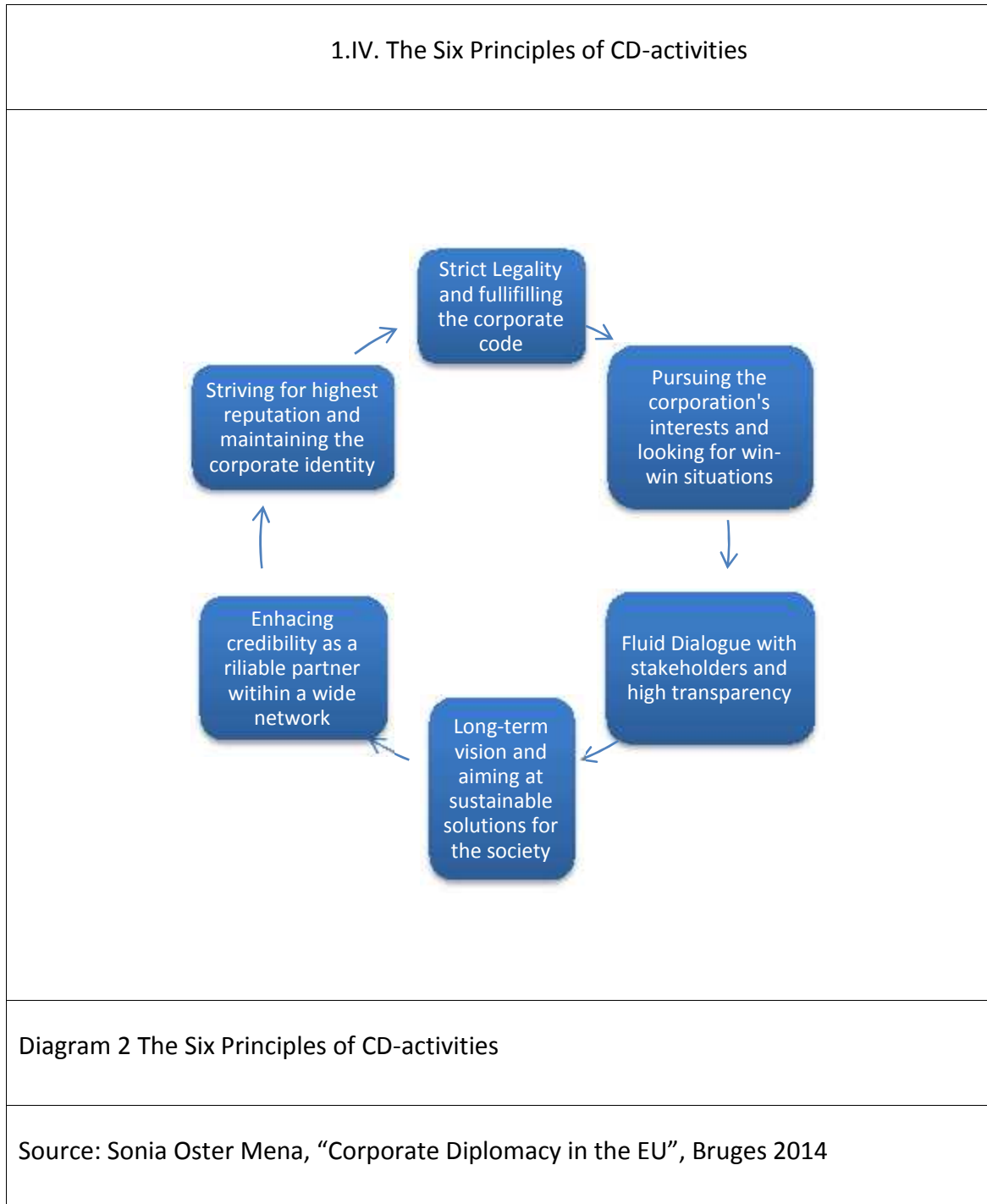
Sixthly, to assure a very high reputation for the corporation in host-countries, which means an impeccable perception of one's corporation, maintaining the corporate identity.

Table 2 The Six Principles of CD, guiding its activities

Source: Sonia Oster Mena, "Corporate Diplomacy in the EU", Bruges 2014



The following diagram shows our proposed 'Six Principles of CD-activities' in a concise way:





With this definition and specific characteristics our concept of CD is significantly different from the understanding and definitions, which we have quoted above<sup>70</sup>. CD is not only seen as a particular new phenomenon within management science, as Strange seems to imply. But it is also not only a business conduct, while imbedding it in a social favourable climate, which allows a 'licence to operate' as Steger points out. Though Saner and Yiu, with great analytical endeavour, intend to distinguish six different forms of 'diplomacies'; yet, they not only mix certain tasks of CD and Business diplomacy, the presented concept of CD with two "actors" is in itself contradictory. Bolewski clearly overlooks for CD the differences, which exist between a private firm and an NGO and Heim's approach is far too 'mechanistic'. While we sympathise to a certain degree with Ordeix-Rigo's and Duarte's position, we see difficulties in the "symbiosis" with each culture (e.g. in very liberal Western countries and very strict Islamic countries). This not only adds to a danger of losing the corporate identity, it could also lead to the accusation of 'speaking with different tongues' and acting inconsistently. Watkins refers rightly to the importance of external stakeholders, yet he fails to discriminate them more clearly. Although Amann *et al.* stress correctly the intermediary-function of CD, they do not mention the long-term aspect of the solutions and agreements. Camuñas and Pin Arboledas are right to point out the pivotal importance for international corporations of securing a very high reputation, which allows pursuing the other interests; yet, they overlook to stress the relevance of win-win situations in these negotiations. We agree with Trujillo's approach towards 'shared decision-making'; yet, her attempt to present 'tailor-made' concepts, such as 'Risk Diplomacy' or 'Grasp- the-Opportunity Diplomacy', counteract, however, her intention to present a coherent concept of CD.

Finally, although Witold J. Henisz in his book offers among others "a mix of colorful examples" as well as "practical tools"<sup>71</sup>, his analyses falls short of our detailed approach of the subject. While we agree with Henisz in his general statement and

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<sup>70</sup> During these paragraphs we refer to the definitions of authors, who we in detail quoted above.

<sup>71</sup> Henisz, Witold J., *Corporate Diplomacy. Building Reputations and Relationships with External Stakeholders*, Greenleaf Publishing Limited, Sheffield 2014, p. xii.



share both his intention to integrate stakeholder concerns and to raise the position of Corporate Diplomats within the corporate structures, his book is weak in methodology. Failing to present a coherent concept, he enumerates a potpourri of empirical business experiences summarizing them within six elements. Yet, his focus on “building reputations and relationships with external stakeholders”<sup>72</sup> is too narrow. At the same time his assertion, that these six elements can beside “companies and firms” also “serve non-governmental organizations (NGOs) and government agencies”<sup>73</sup> is too broad. Consequently, his approach of CD is confusing.

After having defined our term we would like to make two further differentiations: One with regard to similar terms (or so-called familiar or bordering-concepts) and another with regard to an often-perceived equal activity, lobbying.

With regard to the first point, CD, as we understand it, is an activity strictly linked to private enterprise; while irrespective of the business sector, it is most likely to be established as a department by the great corporations. Thus, while there may be similar elements in other areas of ‘economic diplomacy’, it is not to be confused with those. Consequently, in our understanding, similar terms and bordering concepts comprise different affairs, areas and focuses of work. By this we distinguish CD from ‘public diplomacy’, which refers to government or official state institutions; from ‘business diplomacy’, which refers to Chambers of Commerce, Trade Associations, Business Confederations, among others; from ‘commercial diplomacy’ or ‘trade diplomacy’, which stresses more trade relations or trade negotiations during international trade agreements, very often led by representatives with official or diplomatic status. And, finally, from ‘cultural diplomacy’, which is described as being the “linchpin of public diplomacy”, with growing importance also to firms within an increasingly multicultural environment<sup>74</sup>.

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<sup>72</sup> *Ibid.*, subtitle of the book

<sup>73</sup> *Ibid.*, p. xiv

<sup>74</sup> For “Public diplomacy”, see here the definition provided by the U.S. Public Diplomacy: retrieved on 10.03.2014, [http://pdaa.publicdiplomacy.org/?page\\_id=6](http://pdaa.publicdiplomacy.org/?page_id=6).

“Business Diplomacy”, see here “Commercial or Trade Diplomacy”, see here e.g. O. Naray, “Commercial Diplomacy: A Conceptual Overview”, *7th World Conference of TPOs*, The Hague, 2008, retrieved on



As to the second point, lobbying, as we have pointed out above, is often seen as basically the same activity, which is with CD only more elegantly phrased. Our understanding, however, is profoundly different. Lobbying, as the Encyclopaedia Britannica defines it, is “any attempt by individuals or private interest groups to influence the decisions of governments or the votes of legislators”<sup>75</sup>.

While it is true that both CD and lobbying try to influence on the external sphere, there are, according to our understanding, fundamental differences, which do not allow us to put them alike.

First of all lobbying is directed to influence the legislative process, to norms and regulations issued by government, regulatory authorities or public institutions (e.g. for the energy or financial sector), whereas CD directs its activities to the whole external environment of the corporation. Consequently, CD focuses on a variety of external inter-actors, who have a direct or indirect relationship with the corporation, such as stakeholders (e.g. government, local authorities, trade unions, business confederations, trade associations, NGOs), social groups (e.g. consumer representations, environmental groups, animal rights groups) and official representations (e.g. embassies, consulates), but also with competitors. Secondly, from the first point follows that lobbying is much more focused on concrete issues, whereas CD has a much wider vision. Thirdly, in line with the second point goes that CD tries to maintain a permanent fluid contact with these external inter-actors, who are important (or can be important in the future) for the corporation. CD is in this sense trying to spin a network of contacts, which can be relied upon in the future, when difficulties may arise. Lobbying does not need to have this broad spread of

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10.03.2014,

[http://www.intracen.org/uploadedFiles/intracenorg/Content/Trade\\_Support\\_Institutions/TPO\\_Network/Content/Conferences/2008/NarayConferencepaper.pdf](http://www.intracen.org/uploadedFiles/intracenorg/Content/Trade_Support_Institutions/TPO_Network/Content/Conferences/2008/NarayConferencepaper.pdf).

“Cultural Diplomacy”, see here U.S. Department of State: “Cultural Diplomacy: The Linchpin of Public Diplomacy”, retrieved on 28.03.2014, <http://www.state.gov/documents/organization/54374.pdf>, as well as e.g. the Homepage of the Institute for Cultural Diplomacy (ICD) of 07.12.2012 “Why Corporate Cultural Diplomacy”, retrieved on 28.03.2014, <http://www.cd-n.org/index.php?why-corporate-cultural-diplomacy>.

<sup>75</sup> *The Encyclopaedia Britannica*, retrieved on 28.03.2014, <http://www.britannica.com/EBchecked/topic/345407/lobbying>.



contacts as its work is directed to more concrete issues (e.g. within the automotive sector with regard to the pollution standards or within the pharmaceutical sector with regards to generics). Fourthly, from our own research and from our interviews it is clear, that there are lobbying firms, which specialize in particular areas (e.g. automotive, chemicals, energy, health). While there may be at times a more intense relationship with particular stakeholders or social groups, such a limitation of contacts at the outset would even counteract the activities of CD. In addition, as representatives of CD of different private corporations have told us in interviews, to press concrete issues, they contract the help of specialized lobby firms<sup>76</sup>.

### **The Corporate Diplomat**

After defining the term, outlining the concept and delimitating them both from bordering terms and concepts, we attempt now to describe the role of the ‘Corporate Diplomat’. It will be not surprising that, compared to the little academic work as to term and concept, there are even less scholarly publications available. Instead, there are isolated elements and sporadic indications, but they fall short of a coherent approach. There are less academics found who comment on the role of the ‘Corporate Diplomat’; rather there are statements from persons who set up CD-departments or who have switched jobs and are now working in the area of ‘corporate diplomacy’ or ‘public diplomacy’.

One representative of the latter, we have in Mark Drapeau. Starting within the scientific world (“researching how animal behaviour is controlled by genes and neurons”), he moved on to the US-Department of Defense and finally became Director of US Public Sector Social Engagement for Microsoft Corporation<sup>77</sup>. Drapeau compares

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<sup>76</sup> Interview with the Head of Communications, Pharmaceutical Corporation, via telephone, 02.04.2014. Interview with the Head of Governmental and Institutional Relations, Automotive Corporation, Madrid 03.04.2014.

<sup>77</sup> Drapeau, Mark, “Mark Drapeau’s New Job: Corporate Public Diplomacy via Innovative Social Engagement”, *Brian Solis website*, Press Article, 19.01.2010, retrieved on 02.02.2014, <http://www.briansolis.com/2010/01/my-new-job-corporate-public-diplomacy-via-innovative-social-engagement/>.



his job to “‘public diplomacy’ for a corporate unit”<sup>78</sup>. He describes his role as a “Corporate Public Diplomat” in the following way.

“This role differs in many ways from traditional public relations or public affairs, which despite a recent influx of new technologies still mainly involves “providing information for the public” at its core. Corporate public diplomacy [...] involves actively shaping the communications environment within which corporate activities are performed, and reducing the degree to which misperceptions complicate relations between the corporation and its customers. In my view, this complex mission is conducted using what I call innovative social engagement. [...] I’ll be doing at least seven things immediately: (1) Interacting with and socially empowering the other members of the seven-person Applied Innovations Team; (2) Discussing my opinions about science and technology in the public sector and continuing to be a thought leader there; (3) Experimenting with new pre-sale information and social technology, often beta or free products that potentially have a public sector role; (4) Showing the human side of MSPS and engaging audiences through multimedia channel content production and other online activities; (5) Participating actively in the public sector communities of government, education, and healthcare; (6) Measuring and understanding public sentiment about MSPS using innovative techniques; (7) Acting as a competent resource for senior Microsoft decision makers, corporate partners, and customers, and public sector decision makers<sup>79</sup>.”

Different is the approach which we find in published works by Esther Trujillo. In two articles<sup>80</sup>, which are however very similar, she describes her experiences in setting up a department of CD at the leading Spanish Hotel chain ‘Sol Meliá’. Starting with the assumption that there is no single CD-model, which will suit all companies, she

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<sup>78</sup> *Ibid.*

<sup>79</sup> *Ibid.*

<sup>80</sup> Trujillo, Esther, *op. cit.* and E. Trujillo “La diplomacia corporativa como disciplina de gestión empresarial – Corporate Diplomacy as a business management discipline”, *Contrastes: Revista cultural*, Vol. 59, 2010, pp. 99-113.



maintains that each corporation has to look for the kind of diplomacy-model, which “will be directly related to the objective being sought and the focus of the action” and arrives at various models, such as “Commercial-Diplomacy”, “Lobby-Diplomacy”, “Diplomacy for managing opportunities”, “Diplomacy for risk/crisis management” and “‘Informal’ Corporate Diplomacy”<sup>81</sup>. Despite the “many different forms [...] that CD can adopt”, she states: “In the majority of them there is a common function that is inherited from traditional diplomacy: the creation, representation and defence of the public profile of the company”<sup>82</sup>. And she continues: “With these as the bases, CD will be in charge of three main functions”, as such she lists: “1. Information Management, 2. Relations Management, 3. Institutional Representation and Participation”<sup>83</sup>.”

As both Drapeau and Trujillo point out, they delineate the functions of CD within a particular corporation. Given that every corporation is different, each corporation has their own strategy and approach, so will be the role of each Corporate Diplomat. Nevertheless, having at length dealt with formulating a theoretical concept on the one hand and having been able to interview different Corporate Diplomats on the other, some main conclusions can be drawn.

First, when looking at more traditional big corporations, the position of the Corporate Diplomat is held by someone who has been in the corporation for many years, knows it very well, is able to represent its interest externally and who has received this position as a reward for his or her excellent work and loyalty over the years to the corporation.

Second, another approach can be hiring external people, who have not worked for the corporation before, but who have a plan or a vision for the corporation. Usually these are professionals who have had considerable years of experience in the sector they represent and/or who have been working either in Public Affairs Departments or in Communication’s Departments. In this case people are employed due to their expertise in the field.

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<sup>81</sup> *Ibid.* pp. 105-107.

<sup>82</sup> *Ibid.*, p. 107.

<sup>83</sup> *Ibid.*, pp. 108-110.



Third, there may also be the case that people are hired not for their expertise but due to the position they held before. This is the case of former politicians (e.g. a Minister of Economy or Public Work), a former diplomat (e.g. an Ambassador) or someone who held an important position in the public sector in the past. In all these cases these persons are generally hired due to the position they held in the past and/or due to the contacts they are expected to bring to the corporation. However, we do not see these last examples as representative for our concept of the Corporate Diplomat, since they represent more 'political appointments'.

It goes without saying, as it can be deduced from former sections, that the Corporate Diplomat, as the traditional diplomat, among other characteristics, has to be well educated, be polite, speak several languages, have social and communications skill as well as being able to represent the corporation's interest in a determined way. While these are rather commonplaces we want to set forth in a more precise way what we see as the most important characteristics of the Corporate Diplomat and the way he or she performs his or her work. The following ten points are a concise summary from our investigation, based on our theoretical analyses from literature and on our empirical research from interviews. Thus, based on this evidence, we propose the following 'Decalogue' for the work of the 'Corporate Diplomat'.

1.V. The Decalogue for the Corporate Diplomat	
The way he/she acts	Meaning
to act ethically	value-based
to look for allies	building networks
to avoid imposing one's own position	striving for common solutions
to seek win-win-situations	compromise-focused
to think strategically	long term-oriented
to be communicative	maintaining dialogue
to display an open approach	reinforcing transparency
to have the society in mind	contributing to the welfare of the community
to gain acceptance as a trustworthy partner	enhancing credibility
to increase the corporation's goodwill <sup>84</sup>	securing reputation

<sup>84</sup> "the favor or advantage that a business has acquired especially through its brands and its good reputation", Meriam Webster Dictionary, Definition 'diplomacy' (Concise Encyclopedia), retrieved on 12.01.2014 <http://www.merriam-webster.com/dictionary/diplomacy>.





Table 3 The Decalogue for the Corporate Diplomat

Source: Sonia Oster Mena, "Corporate Diplomacy in the EU", Bruges 2014

We will now turn to the second chapter of this thesis, in which we will analyse the growing importance of CD for corporations.

## **Chapter Two: The Rise of Corporate Diplomacy within corporations**

The growing importance of CD can be seen as a strategic response within corporations to the fundamental transformations in the business environment. As crucial transformations, which have taken place during the last quarter of 20<sup>th</sup> century, we have referred to changes on the political, economic, social and cultural sphere as well as to changes in ideas, values and technologies. This response can be analysed both as a necessity to answer and as an opportunity to influence them<sup>85</sup>. Both goals demand action to these developments, which brought about a new awareness on the corporate floor to adapt the necessary organisational structures. We shall now in more detail explore these transformations, which lead to the rise of CD.

With these global transformations corporations saw challenges at least on two levels as Saner, Yiu and Sondergard have pointed out<sup>86</sup>: On the one hand in order to be successful they had to succeed in having the right products and/or services at a competitive price, which meant, among other things, being on the forefront of R&D, innovation, production and logistics. On the other they had to show themselves capable to managing a growing number of stakeholders at home and abroad.

The process of globalization with its increasing international integration has not only transformed corporations to dominant players on the international sphere<sup>87</sup>, it has also led to a fact in which several external areas interact and exert their own influences on them. On an economic level it opened up, for instance, new markets with new customers, new investment areas with new production sites, new access to resources with new possibilities for raw materials and has, consequently, in many cases notably increased the corporative power. This in turn has led on a political and institutional level to a situation in which national governments have to deal with corporations, which have considerable bargaining power and which, particularly in the case of smaller countries, have with their investment decisions a decisive relevance for

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<sup>85</sup> Interview with the Chairman of a Consultancy firm with years of experience in US-American lobbying, Madrid, 22.12.2013.

<sup>86</sup> Saner, Raymond, Lichia Yiu and Mikael Sondergard, "Business Diplomacy Management: A Core Competence for Global Companies", *Academy of Management Executive*, Vol. 14, 2000, pp. 80-92.

<sup>87</sup> See here e.g. the important article by J.S. Nye, Jr., "Multinational Corporations in World Politics", *Foreign Affairs*, Vol. 53, No. 1, 1974, pp. 153-175.



the national or regional economy. At the same time we observe on a social level in many countries an increasing suspectedness towards the power and the actions of corporations, with a growing number of new social agents and NGOs as well as with an active and critical civil society. Furthermore, in emerging markets in many countries, we can see a new cultural awareness of their own past and heritage, which, consequently, demands an adequate treatment by the corporations. All these developments make the business environment for great corporations much more complex and not free of surprises<sup>88</sup>.

Yet, the fact that investment barriers have been lowered in many countries and access to markets has been made easier implies not only more opportunities but also more risks<sup>89</sup>. In addition, the fact that the power of corporations has grown does not mean that they can dominate every national government<sup>90</sup>. In spite of the great market dominance of some corporations, in order to sell their products and services they are dependent on the 'market power' of customers<sup>91</sup>. Finally, in spite of the increased bargaining power of many corporations and in spite of offering excellent products and services as well as presenting the corporation with ethical standards, they may, at times, see all their efforts thwarted by the policies of their own government, which reflect negative on their image and reputation<sup>92</sup>.

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<sup>88</sup> See here e.g. Winter, Matthias and Ulrich Steger, *Managing Outside Pressure: Strategies for Preventing Corporate Disasters*, Chichester, Wiley, 1998.

<sup>89</sup> See the for example the nationalisation tendencies in Venezuela.

<sup>90</sup> See the expropriation case by the Argentinian government of the Spanish multinational oil and gas corporation Repsol's share of YPF.

<sup>91</sup> See here e.g. the extensive press campaign by Coca Cola in Spain (Coca-Cola Iberian Partners), explaining in great details their "Plan of reorganisation" and the reasons for closing four production sites and the assurances given to workers who would lose their jobs. See e.g. Full-page advertisements in *El País* and *El Mundo* 19.02.2014 and 02.03.2014.

See also the declaration of the CEO Víctor Rufart: "I commit myself personally to look for a job for anyone who wants to continue to work.", see Delgado, Cristina, "Hemos ganado muchísimo dinero, aunque últimamente no tanto", *El País*, Press article, 08.03 2014.

<sup>92</sup> See here: "You have done all you can to leave an ethical, positive impression of your business. But despite your efforts, consumers worldwide are losing trust in you. The unlikely cause of such distrust: your own government [...] Even if your company didn't launch the Iraq war – or make any other policy decision of the past few decades – those consumers aren't separating corporate and government interests as much as you might hope." Dutton, Gail, "Grassroots Diplomacy: How corporations can change the way people think about America", *Across the Board*, May/June 2005, pp. 97-101, retrieved on 10.03.2014,

<http://faculty.haas.berkeley.edu/brchen/Grassroots%20Diplomacy.pdf>.



All these developments make business life for globally acting corporations very complex. The winning corporation might, as numerous syllabuses and seminar outlines indicate, very well not be the corporation, which exerts an 'unquestioned licence to operate', but rather the corporation with an 'unquestioned licence of empathy', i.e. the corporation, which understands how to assimilate these different concerns, integrates them in its strategic response and finds a convincing answer. It is here that the corporation through its representatives has to show intuition and tact, negotiation as well as coalition building skills and to have a global as well as a long-term perspective in mind – key elements of a successful diplomat as we have pointed out above; in addition, the corporation has to act in a respectful and trustworthy way, gaining a high reputation and with a constructive vision both for the benefit of the enterprise as well as for the welfare of the community – key elements of a successful corporation as we have seen by numerous statements above. With this general scene for corporations, the ground is prepared for an adequate response - CD. The fact that the need for CD is not only felt in traditional Western capitalist countries, but it is also gaining importance in former communist countries (such as Serbia) and in state-capitalist countries (such as China and Russia) can be readily shown<sup>93</sup>.

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See on this point also: "Although negative perceptions of the United States began two decades ago to materialize, it reached maturity with the advent of George W. Bush administration. President Bush's controversial, sometimes-belligerent, but often perceived dubious foreign policy ... (has) created anti-Americanism [...] How people of other nations think about the United States is spilling into the area of business and commerce." Demirdjian, Andrew, Z.S., "Global Corporate Diplomacy: The Strategy for Survival", *The Journal of American Academy of Business*, Vol. 11, 2007, pp. 1-2.

Interview with a University professor with years of experience in corporate diplomacy, Madrid, 07.01.2014.

<sup>93</sup> See here the article by Dašić, David, D., "Global corporations and diplomacy", *International Journal of Economics and Law*, Vol. 1, 2011, pp. 21-26, retrieved on 25.02.2014, <http://ekonomijapravo.org/fajlovi/Vol1/03.%20Dasic%20D..pdf>. and the case he makes for the Republic of Serbia. However, we consider his statement ("Diplomacy is now, in fact, economic diplomacy") as exaggerated.

For China see e.g. Wang, Jian, (Ed.), *Soft Power in China: Public Diplomacy through Communication*, New York, Palgrave Macmillan, 2010. The book has a chapter by Ni Chen on "Chinese Corporate Diplomacy: Huawei's CSR Discourse in Africa".

For Russia see e.g. Vieira, Estela, "Gazprom and the Russian Economic Diplomacy Towards the EU: Blurred Frontiers Between the Company and the State", Working Papers, *Centro de Estudos da População, Economia e Sociedade (CEPES)*, Porto 2012. In the case of Gazprom, a state company, Vieira asks the question, whether one has to speak of 'government corporate diplomacy' or of 'corporate government diplomacy', retrieved 25.02.2014, <http://www.cepese.pt/portal/investigacao/working-papers/relacoes-externas-de-portugal/gazprom-and-the-russian-economic-diplomacy-towards-the-eu->



As one of the first authors, Susan Strange, in an article in 2000 shows convincingly that global structural changes in both world economy and society have also changed the traditional role and interactions of governments, firms and diplomacy<sup>94</sup>. The rise of “transnational corporations” producing in different countries and sourcing a global market stands not only at the beginning of this process, it leads moreover to a new relationship between states and firms and change the nature of diplomacy<sup>95</sup>. Governments bargain now not only with other governments but also with ‘transnational corporations’, while they, in turn, not only bargain with other business competitors but also with governments. This new global perspective leads also to a new relationship among the actors (national governments-transnational corporations).

It is only consequent that in this new environment the character of the corporation itself should change. The new corporation faces great opportunities but also great challenges. These developments lead to a redefinition of the corporation and of its objectives. In their book “Redefining the Corporation” Post, Preston and Sachs argue that the legitimacy of the corporation as an institution within society depends not only on its economic success but also on its ability to meet the expectations of diverse social groups who contribute to its success<sup>96</sup>. These different social groups and social interests are the corporation’s stakeholders.

In an often quoted and in this respect fundamental article, Edward Freeman and David Reed refer in 1983 to the fact that “management thought has changed dramatically in recent years”<sup>97</sup>. This change, they analyse, as the shift in perspective within corporate governance from ‘stockholder’ to ‘stakeholder’<sup>98</sup>. While there were, as Freeman and Reed point out, authors who already at a very early stage argued not only for a positive interaction but also for a contribution of corporations towards

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blurred-frontiers-between-the-company-and-the-state/Gazprom-and-the-Russian-Economic-Diplomacy-Towards.pdf.

<sup>94</sup> Strange, Susan, “States, Firms and Diplomacy”, *International Affairs*, Vol. 68, 1992, pp. 1-15.

<sup>95</sup> *Ibid.*, p. 4.

<sup>96</sup> Post, James E., Lee Preston and Sybille Sachs, *Redefining the Corporation: Stakeholder Management and Organizational Wealth*, Stanford, Stanford University Press, 2002.

<sup>97</sup> Freeman, Edward and David Reed, “Stockholders and Stakeholders: A New Perspective on Corporate Governance”, *California Management Review*, Vol. 25, 1983, pp. 88-106.

<sup>98</sup> *Ibid.*



society, the notion that corporations have beside its stakeholders also responsibilities to other 'social entities' has gained importance only during the last few decades<sup>99</sup>.

The term 'stakeholder', coined in 1963 in an international memorandum at the Stanford Research Institute (SRI), refers to "those groups without whose support the organization would cease to exist"<sup>100</sup>. Among those, managers, workers, stockholders, suppliers and vendors were considered at an early stage<sup>101</sup>. However, in 1975 William Dill expanded the notion of stakeholder and shifted the concept from a more peripheral place to a central position on the corporate floor<sup>102</sup>. He argued that management so far had taken stakeholder presence into account only to bring about decisions or to prevent them<sup>103</sup>. What was wanted, however, was a move "from 'stakeholder influence' toward 'stakeholder participation'"<sup>104</sup>. On the bases of Dill's postulate and since Freeman and Reed consider the SRI notion as too narrow, they present two definitions of stakeholders: A narrow concept, which comprises any identifiable group or individual on which the organization is dependent for its continued survival (employees, customer segments, certain suppliers and financial institutions, key government agencies, shareholders) and a wider concept, which

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<sup>99</sup> See Berle, Adolf and Gardiner Means, *The Modern Corporation and Private Property*, New York, Commerce Clearing House, 1932 and Barnard, Chester, *The Function of the Executive*, Cambridge, MA, Harvard University Press, 1938, both books are mentioned in Freeman, Edward and David Reed, "Stockholders and Stakeholders: A New Perspective on Corporate Governance", *California Management Review*, Vol. 25, 1983, pp. 88-106.

See on this point also Peter F. Drucker, *Concept of the Corporation*, New York, John Day Company, 1946. Basing his investigation on General Motors, he analysis the impact great corporations have on society.

<sup>100</sup> Freeman, Edward and David Reed, "Stockholders and Stakeholders: A New Perspective on Corporate Governance", *California Management Review*, Vol. 25, 1983, pp. 88-106, p. 89.

<sup>101</sup> See here Ansoff, Igor *Corporate Strategy: An Analytical Approach to Business Policy for Growth and Expansion*, New York, McGraw-Hill, 1965, pp. 33-35; quoted in Freeman, Edward and David Reed, "Stockholders and Stakeholders: A New Perspective on Corporate Governance", *California Management Review*, Vol. 25, 1983, pp. 88-106.

<sup>102</sup> Dill, William R., Public Participation in Corporate Planning: Strategic Management in a Kibitzer's World, *Long Range Planning*, 1975, pp. 57-63; quoted in Freeman, Freeman, Edward and David Reed, "Stockholders and Stakeholders: A New Perspective on Corporate Governance", *California Management Review*, Vol. 25, 1983, pp. 88-106.

<sup>103</sup> Dill refers to three strategic challenges for today's management: First, the need to assure a changing environment with respect to both threats and opportunities; second, to provide an organizational response; third, to cope with an intrusive environment (of individuals and organizations), which seek to influence the strategic decisions of the Enterprise. This last challenge is, according to Dill, the one, which is least understood, pp. 57 and 59 ff.

<sup>104</sup> Dill, William R., Public Participation in Corporate Planning: Strategic Management in a Kibitzer's World, *Long Range Planning*, 1975, p. 58.



includes any identifiable group or individual who can affect the achievement of an organization's objectives or who is affected by the achievement of the organization's objectives (public interest groups, trade associations, unions, competitors, consumer segments).

Freeman and Reed in the early 80's pointed out that management was usually willing to recognize the importance of employees, suppliers and customers, but had more difficulties in accepting the importance of the wider group of stakeholders<sup>105</sup>. This view has changed decisively as can be seen in recent literature on management<sup>106</sup>. The growing complexity of the business environment for corporations has led to a change in the perception of the management, which in turn has given rise to CD as a strategic answer to these diverse challenges.

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<sup>105</sup> Freeman, Edward and David Reed, "Stockholders and Stakeholders: A New Perspective on Corporate Governance", *California Management Review*, Vol. 25, 1983, pp. 88-106.

<sup>106</sup> See here for example one of the leading Management textbooks: Certo, Samuel C. and Trevis Certo, *Modern Management*, Upper Saddle River, N.J., Pearson Education, Prentice Hall, 13th edition, 2013 and chapter 3 "Managers and Society" as well as chapter 4 "Managing in the Global Area".



Based on Freeman and Reed, we present the different stakeholder within the two spheres in the following table:

II.1. THE FREEMAN AND REED STAKEHOLDER CONCEPT		
	First sphere	Second sphere
Corporation	Employees	Public interest groups
	Shareholders	Trade associations
	Customers	Unions
	Suppliers	Competitors
	Financial institutions	Consumer segments
	Government agencies	NGOs

Table 4 The Freeman and Reed stakeholder concept

Source: Sonia Oster Mena, "Corporate Diplomacy in the EU", Bruges 2014



From Freeman and Reed's stakeholder concept, we derive the following diagram:

II.2. The Freeman and Reed Stakeholder concept  
with the two relevant spheres for corporations,  
constituting the spheres of action for 'Corporate Diplomats'

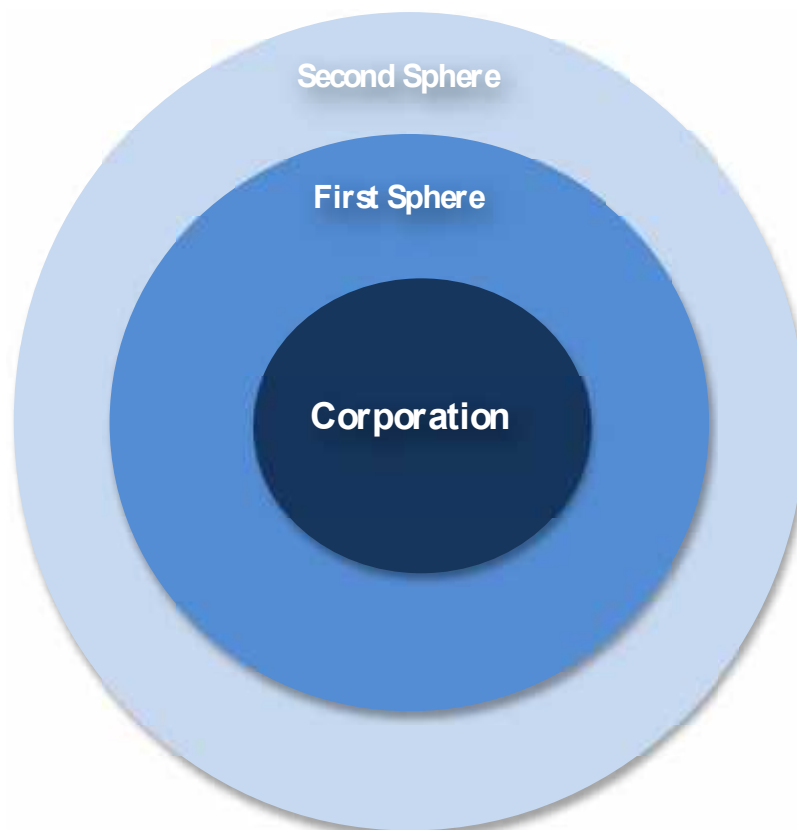


Diagram 3 The Freeman and Reed stakeholder concept

Source: Sonia Oster Mena, "Corporate Diplomacy in the EU", Bruges 2014

Given this external field and bearing in mind our definition of CD, we see its tasks twofold:

The first group comprises all those 'agents' on whom the organization is dependent for its continued survival. It is within this group that CD has to shape its external relationship through a permanent contact on a 'negotiation level'. Here the task is to ensure a favourable 'external climate' for the corporation's negotiation capacity. Although it is not the task of CD 'to break the deal', e.g. does not determine the dividend distribution it can, by close contact to the major institutional shareholders, explain and raise awareness of the corporation's long-term orientation, which favours high R&D-investment at the cost of high profit-distribution. Thus, CD intends to influence these groups in such a way that possible conflicts do not arise or are kept small (e.g. in this case at the stockholders meeting). The same is true for the contacts to the key departments of important Ministries of the national or regional governments. Here, the aim is, to familiarize both politicians and bureaucrats with the problems of the sector in general and the corporation in particular, and negotiate for measures, which strengthen (or at least do not hamper) the competitiveness of the corporation and to secure jobs. It is here that CD through in the past established contacts and through an already existing network has to establish partnerships and has, eventually, in dialogue to find compromises and contribute to agreements, which favour their own corporation, but which present also a win-win-situation for all parts involved.

Within the second group, which comprises all those 'agents' who affect the achievements of an organization's objectives or which is affected by the achievements of the organization's objectives, the task of CD is to shape the external relationship through permanent contact on an 'information level'. Here CD works in order to ensure a favourable 'external climate' for the corporation's information capacity. Although it is not CD, which launches information campaigns, e.g. in the fields of 'clean environment' or 'green energy', its task is, nevertheless, to influence the representatives of these groups in such a way that possible future conflicts do not arise or are kept small. It is also not the task of CD to come to wage agreements with the



Unions, but it can, in its contacts with Union representatives, draw attention to the corporation's higher investments in internal better formation of the workforce, offering modest wage increases, but securing by this the long-term competitiveness of the corporation and jobs. It is on this level that CD has to assure a fluid dialogue, informing about the corporation's work and policies, explaining measures, raising understanding and winning support.

In both spheres CD develops its activities in such a way as to look for allies<sup>107</sup>: In negotiations to look for allies to reach compromises for common agreements and when informing to look for allies to reach acceptance for common responses. While the first area is more related to a business-bargaining level, the second reflects more a societal-influential level. In both spheres CD looks for the global pictures, i.e. not convulsively pursuing narrow-minded corporation goals. On the contrary, in both fields the aim is through an open and transparent approach to gain the acknowledgment as a reliable partner, representing a serious corporation, interested in sustainable solutions and contributing to the welfare of the society. This pattern of behaviour strengthens the positive perception, contributes to a high credibility and leads, finally, to an excellent reputation of the corporation and its representatives.

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<sup>107</sup> Interview with an Ambassador, Brussels, 12.03.2014.



### **Chapter Three: Corporate Diplomacy and EU-institutions**

As we have seen in the last chapter the rise of CD both in theory and practice can be shown over the last two decades and can be seen as an answer to the fundamental transformation process brought about by globalization. While there is amply room within the academic world for further clarification and in the corporate world for broader introduction, there can be no doubt that the concept of CD is gaining ground. It is interesting to see that in 2006 Wes Pedersen expressed his surprise, that CD, despite of its recognized importance for corporations, “is so little recognized in the United States”. Yet he asserts: “Corporate diplomacy, however, is virtually mandated in Europe, where dealing with the European Union demands business diplomacy of the highest order<sup>108</sup>.” It is in this chapter that we will deal with CD and the EU.

Bearing this statement from an overseas observer in mind and from the empirical evidence of our own research results (based on interviews with private corporations, international consultancies and representatives of EU-directorates as well as MEPs), there are at least four reasons, why it is important for corporations to make their case in Brussels.

Firstly, corporations have an innate interest to present themselves in an adequate form and make their voice heard at the proper EU-institution; secondly, due to the diversity of EU-structures and competences on the one hand and the ever growing complexity of issues to decide about on the other, the institutions show a great interest to be informed about the activities of corporations, their concerns as well as their proposals and value their contributions to solve common challenges; thirdly, the great number of players in Brussels provide an ideal ground for corporations for network and coalition building; fourthly, in Brussels, through close cooperation with EU-institutions, corporations have the opportunity to advance their interests by stressing their active role within society and to further its welfare. In what follows, we will deal with each point in turn.

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<sup>108</sup> Pedersen, Wes, “Why ‘corporate PR’ when ‘corporate diplomacy’ flows more trippingly on the tongue – and is much more accurate?”, *Public Relations Quarterly*, Vol. 51, 2006, pp. 10-11.



### **The necessity of corporations to be present and heard**

Corporations have always had an important role in society. This has led to corporations being more and more outspoken, stating their opinion regarding topics that affect them as a sector in general and/or affect their corporation in particular. The relationship between the private sector and the public sector is nothing new, since it has always existed<sup>109</sup>. However, in the past two decades there have been important changes. As we have indicated above, globalization has transformed the fields in which government and corporations act, making them more interdependent and, as a consequence, increasing the need for common action. This, in turn, has led corporations to professionalize their task of 'external relations', creating special departments dedicated to this purpose<sup>110</sup>. When looking at the internal structure of corporations, we can see that the majority of companies have seen not only the need to have a 'Communications Department' concentrating on internal and external communication. Corporations have gone a step further in actively becoming involved in 'Inter-governmental Relations' or 'Inter-institutional Relations'<sup>111</sup>. As our thesis has shown so far, CD is the latest step corporations are taking in this sense, as a strategic answer to meet the challenges as well as the opportunities and risks brought forth by these developments.

With the growing integration process among the EU Member States and the increasing power of the EU it is only natural that states as well as private institutions want to be close to the 'European power centre'. Besides the existing official representations of Member States (e.g. countries, regions, cities) and national business corporations and trade associations as well as consultancies/lobby firms among others, numerous companies have opened offices in Brussels in order to be physically close to 'Europe's capital'. In other words, they want to be where decisions of great importance for their sector (e.g. with regard to competition, R&D, funding etc.) are being taken, which, in turn, affects them. Consequently, this presence has various

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<sup>109</sup> Interview with the Head of Communications, Pharmaceutical Corporation, via telephone, 02.04.2014.

<sup>110</sup> *Ibid.*

<sup>111</sup> Interview with the Director for International Organizations and European Affairs, Oil Corporation, Madrid, 02.01.2014.



objectives, as both corporation spokespersons and EU representatives in interviews confirmed<sup>112</sup>:

First, it gives corporations the opportunity to present themselves directly at EU-institutions and to establish a direct link with the relevant Directorates General (DGs). This is especially important if the corporation so far had little or no contact or contact only through its trade associations with the Brussels institutions, i.e. smaller or new corporations.

Second, these contacts give corporations the opportunity to explain the situation of their sector in general and the situation of their corporation in particular. In addition, they can draw attention to the consequences of initiatives (e.g. directives, regulations and laws) for their sector and can in this way intend to influence the decision-making process.

Third, corporations normally tend to want to present their strategic plans or communicate progress on specific issues EU institutions also care about, e.g. corporate social responsibility, environment, etc. They want to demonstrate through this that they are integrating or even anticipating EU policies within their own 'business perspective', 'mission statement', 'social agenda', etc.

Fourth, corporations are distancing themselves from a pure 'profit oriented image'. They also support causes; many have created special foundations in order to support these causes<sup>113</sup>. These vary from bringing young people together through sports, helping indigenous people in Latin-America to improve their living conditions or providing education for children in Africa. These are all causes, which corporations

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<sup>112</sup> Among others: Director for International Organizations and European Affairs, Oil Corporation; Head of Communications, Pharmaceutical Corporation; Head of the Representative Office in Brussels, Automotive Corporation; Representative of the European Commission: DG Enterprise and Industry and Representative of the European Council.

<sup>113</sup> For example: "Fundación REPSOL" dedicated to causes such as education, culture, social development, scholarships, Official webpage, retrieved on 02.04.2014, <http://www.fundacionrepsol.com/en>.

"BAYER Stiftung" for the promotion of science and education, Official webpage, retrieved on 02.04.2014, <http://www.bayer-foundations.com/en/bayer-foundations.aspx>.

"BMW Stiftung – Herbert Quandt" dedicated to areas such as responsible leadership, Europe in the World, Social Entrepreneurship and Intrapreneurship, Official webpage, retrieved on 02.04.2014, <http://www.bmw-stiftung.de/en/what-we-do/>.



stand for, which are, in many cases, part of EU development policies and which corporations wish the EU to be involved in as well<sup>114</sup>. Corporations and EU-institutions are in this way working together on humanitarian causes, creating a win-win situation for both<sup>115</sup>.

However, how do corporations make their position be heard? There are two ways to do this. Corporations can either represent themselves directly or have their interests represented through an intermediate, which is usually a consultancy/lobby firm. As to the former, corporations, usually big corporations, tend to want to state their opinion concerning certain issues by themselves<sup>116</sup>. It is precisely for this reason, as our research has shown, why the concept of CD has gained importance within corporations, since it is the task of the 'Corporate Diplomat' to establish and maintain the contacts, to inform about the corporation's activities, to present proposals on specific issues, etc.<sup>117</sup>. Moreover, there are sometimes also less formal occasions, which are either organized by EU-institutions or the corporations themselves, to exchange ideas or positions regarding certain topics<sup>118</sup>. To perceive and carry out these, the CD-activities do not differ very much from the different functions a diplomat traditionally has, as noted above.

Regarding the latter, consultancies/lobby firms, too, are used by companies as intermediates, which can be shown both for smaller and for big corporations.

First, smaller corporations or those corporations, which are expanding their activities in this new field, tend to seek the services of consultancies/lobby firms<sup>119</sup>.

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<sup>114</sup> Interview with a representative of the European Commission: DG Enterprise and Industry, via telephone, 28.03.2014.

<sup>115</sup> Interview with a representative of the European Council, Brussels, 08.04.2014.

Interview with the Head of the Representative Office in Brussels, Automotive Corporation, via telephone, 03.04.2014.

<sup>116</sup> Interview with the Director for International Organizations and European Affairs, Oil Corporation, Madrid, 02.01.2014.

<sup>117</sup> Confirmed by both EU-institutions and several interviewed corporations. Interview with a representative of the European Commission: DG Enterprise and Industry, via telephone, 28.03.2014.

Interview with the Head of the Representative Office in Brussels, Automotive Corporation, via telephone, 03.04.2014.

<sup>118</sup> Interview with the Chairman of a Consultancy firm with years of experience in US-American lobbying, Madrid, 22.12.2013.

<sup>119</sup> Interview with a representative of the European Commission, Madrid, 04.04.2014.



This is not only common in the corporation's home states, but also in Brussels<sup>120</sup>. The functioning of the EU is often seen by outsiders (and insiders) as very complex, especially in what the decision-making process is concerned. Many corporations seek the services of consultancies/lobby firms to put forward their position at the institutions. However, not only these are used as intermediates. US-American corporations are known to work close together with the American Chamber of Commerce<sup>121</sup>.

Second, but also big corporations do not shy away from requesting the services of consultancies<sup>122</sup>. However, it is generally for very specific services that usually also include or affect their own sector<sup>123</sup>. Furthermore, great corporations are very insistent on the fact that they shall not be represented vis-à-vis third parties by consultancies/lobby firms, specifying this in a contractual clause<sup>124</sup>. These services are generally requested for important and 'big actions', e.g. against a certain regulation or directive initiated by the EU<sup>125</sup>. Nevertheless, in spite of these cases, there are corporations, which state that they do not work together with consultancies/lobby firms, preferring to rely on their own corporations bargaining power, market position, experience and reputation<sup>126</sup>.

To be quite clear, we are not suggesting that the consultancies/lobby firms are decreasing, which would be a position difficult to defend as a brief glance at the Register of Lobby Firms sufficiently shows<sup>127</sup>. We are merely referring to the fact, that

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<sup>120</sup> Interview with the Chairman of a Consultancy firm with years of experience in Brussels as a consultant, Madrid, 03.4.2014.

<sup>121</sup> Interview with a representative of the European Commission: DG Enterprise and Industry, via telephone, 28.03.2014.

<sup>122</sup> Interview with the Head of Communications, Pharmaceutical Corporation, via telephone, 02.04.2014. Interview with a representative of the European Commission: DG Enterprise and Industry, via telephone, 28.03.2014.

<sup>123</sup> Interview with the Head of Communications, Pharmaceutical Corporation, Madrid, 02.04.2014.

<sup>124</sup> *Ibid.*

Interview with the Chairman of a Consultancy firm with years of experience in Brussels as a consultant, Madrid, 03.4.2014.

<sup>125</sup> Interview with the Head of Communications, Pharmaceutical Corporation, Madrid, 02.04.2014.

<sup>126</sup> Interview with the Head of the Representative Office in Brussels, Automotive Corporation, via telephone, 03.04.2014.

<sup>127</sup> Transparency Register, Official webpage, retrieved on 15.03.2014,





great corporations, leading in their sector and being big players on a global level, are 'taking matters into their own hands'. This is especially true in the case of great corporations as our interviews with corporate spokespersons and EU representatives have shown. To a growing extent, corporations are not only determined to represent their interests, but they have also made the necessary internal changes in order to be able to be present and have their voice heard in a competent and convincing way. However, this professionalization has not only been due to the corporation's determination to represent themselves, the openness and attitude of EU-institutions has also contributed to this change and to the establishment of CD, which we will analyse in the following section.

### **The interest of the EU-institutions to be informed**

As we have seen in a former chapter, globalization has changed the action sphere for both corporations and states profoundly. In addition, global challenges demand a common answer. Consequently, the clear necessity of the private sector and the public sector to work together is evident. Even though there has existed collaboration in the past, the level of cooperation and the transparency that now exists is not comparable to former years<sup>128</sup>.

From the point of view of the EU-institutions the direct information exchange with corporations is important at least for two reasons: First, confronted with a number of representatives from associations, confederations, consultancies/lobby firms, etc., they value the direct contact with representatives of private enterprises, which they want to promote, strengthen and make more competitive. In addition, the expert knowledge and the perspective from private enterprises can provide a valuable input when drafting directives, regulations and laws. Furthermore, it is a good way for the different EU-institutions to inform themselves about the corporations, their concerns, interests and mission<sup>129</sup>. Not least, since EU representatives have to legislate

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<http://ec.europa.eu/transparencyregister/info/homePage.do?locale=en#en>.

<sup>128</sup> Interview with an Ambassador, Brussels, 12.03.2014.

<sup>129</sup> Interview with a representative of the European Commission: DG Enterprise and Industry, via telephone, 28.03.2014.



and to decide on highly complex issues, many of them of a highly technical nature, they welcome the input and gain from the direct exchange with private enterprises' first hand knowledge.

Second, transparency is both in the interest of corporations and EU-institutions<sup>130</sup>. Especially corporations, after scandals and economic crises, are increasingly focused on the transparency of their action<sup>131</sup>. The relationship between the private and public sector in the United States of America (USA) has always been different to the one in Europe. It is common for people in the USA to switch jobs from the private to the public sector and vice versa. While this can also be observed in Europe, this practice is still not as widespread as in the USA<sup>132</sup>. In addition, we have to consider that the EU is not a governmental institution like any other. It is not comparable, for example, to the United State Congress. In the case of the EU, the decision-making progress includes more than one institution, which makes it very complicated for many actors to understand its functioning. In the USA it is common for corporations and lobby firms to have close contact with the United States Congress. However, in the EU corporations and consultancies need to be in contact with three institutions: European Commission, European Parliament and European Council. Each institution has a different way of functioning, has different competences and, consequently, different information requirements. Hence, a profound knowledge of the functioning is necessary in order to know how to inform EU-institutions on corporation's interests.

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<sup>130</sup> Interview with the Head of the Representative Office in Brussels, Automotive Corporation, via telephone, 03.04.2014.

Interview with a representative of the European Commission: DG Enterprise and Industry, via telephone, 28.03.2014.

<sup>131</sup> Interview with the Director for Communications and Public Affairs, Pharmaceutical Corporation, via telephone, 02.04.2014.

<sup>132</sup> Interview with a representative of the European Commission, Madrid, 04.04.2014.  
Interview with an Ambassador, Brussels, 12.03.2014.



### **European Commission**

The European Commission (Commission) is one of the main counterparts for corporations. Especially the different specialized DGs, e.g. DG Enterprise and Industry (ENTR), DG Energy (ENER) or DG Agriculture and Rural Development (AGRI). Corporations tend to approach DG Enterprise and Industry, to either present themselves as a corporation and/or to bring forward specific issues that are concerning them<sup>133</sup>. When it comes to having to talk with either a corporation or a consultancy/lobby firm, the Commission gives corporations preference. This is due to the following reasons<sup>134</sup>:

First, the Commission has to and wants to know whom they are specifically talking to. Many consultancies/lobby firms are not very specific on whom their client is. Consequently, the Commission is rather reluctant to talking to them. This presents a very strong argument for corporations representing themselves directly. Also, when speaking to a corporation directly, without an intermediate, both parties are able to express much better their interests and thoughts on specific issues. Often, the meetings, which are held between the Commission and corporations, do not have a specific agenda. It is a way of commencing or upholding a good relationship. From the point of view of the 'Corporate Diplomat' this is work just as traditional diplomats do. A good relationship is vital in order to create the future win-win situations.

Second, when speaking to corporations directly, it is easier for the Commission to get a sense of what is important for a specific corporation and its sector. Fluid and continuous communication is decisive for the good functioning of the relationship of both counterparts. In this way, many conflicts or crises can be prevented<sup>135</sup>. Conflict and crisis prevention is a fundamental element in the relationship between the public and private sector.

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<sup>133</sup> Interview with a representative of the European Commission: DG Enterprise and Industry, via telephone, 28.03.2014.

<sup>134</sup> *Ibid.* The following paragraph is based on the above-mentioned interview.

<sup>135</sup> Interview with a University professor with years of experience in corporate diplomacy, Madrid, 07.01.2014.



Third, the fact that there is no clear law or regulation regarding lobbying in Brussels, as there is in the USA, makes the Commission act even more cautiously. There is only a voluntary Transparency Register in which consultancies can register<sup>136</sup>. The cautiousness does of course not mean, that the Commission abstains itself from speaking to consultancies/lobby firms altogether. There are cases in which corporations and consultancies/lobby firms speak to the Commission together<sup>137</sup>. This is the case e.g. when rather specific issues are involved. Corporations rely in this case on the expert knowledge of specialized consultancies/lobby firms in a particular field. Nevertheless, based on our interviews, it is safe to maintain, that the Commission will firstly and rather speak directly to corporations.

It is this attitude of the Commission, which has contributed on the corporate level to take the adequate steps to professionalize both structures and staff, the task being on the one hand maintaining a good relationship with the Commission and on the other representing the corporation's interest. Moreover, as we mentioned before, there are also other forms of engaging. Corporations and the Commission often organize events (e.g. business brunches), which are open to representatives of other corporations, associations, legal firms, etc.<sup>138</sup>. These, too, provide the opportunity to build networks, which we will analyse in the next section.

### **European Parliament**

The European Parliament (Parliament) is known to be open to speaking with both corporations and consultancies/lobby firms<sup>139</sup>. MEPs as well as members of national parliaments often need to vote on very technical and highly specific issues<sup>140</sup>. Therefore, the input and thoughts of corporations are very welcomed. Normally, corporations tend to have a closer relationship with MEPs from their national

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<sup>136</sup> Transparency Register, Official webpage, retrieved on 15.03.2014, <http://ec.europa.eu/transparencyregister/info/homePage.do?locale=en#en>.

<sup>137</sup> Interview with the Chairman of a Consultancy firm with years of experience in Brussels as a consultant, Madrid, 03.04.2014.

<sup>138</sup> Interview with a representative of the European Commission: DG Enterprise and Industry, via telephone, 28.03.2014.

<sup>139</sup> *Ibid.*

<sup>140</sup> *Ibid.*



countries<sup>141</sup>. Due to the fact that MEPs are not physically always in Brussels, given that once a month sessions are held in Strasburg and many MEPs travel back and forth between their home countries and Brussels, the relationship between Parliament and corporations is not the same as with the Commission<sup>142</sup>. Furthermore, the Parliament has gained more powers throughout the different treaties, which has made the Parliament a more important institution in the decision-making progress<sup>143</sup>. The more powers the Parliament acquires, the more stakeholders it will engage closer with its members<sup>144</sup>. However, the situation in the Parliament is not comparable to the situation in the USA. This is due to the complexity of the functioning of the EU and to the fact that there is not only one institution in charge of the decision-making process. Moreover, corporations as well as lobby firms in the US are known to have a more 'aggressive' and determined approach, especially during the decision-making process<sup>145</sup>. This is, as all interviewed persons have pointed out, very clearly, not the case in Brussels. While during the phase in which the decision-making progress is in hands of the Parliament, the relationship between corporations and consultancies/lobby firms on the one hand and the Parliament on the other tends to intensify, the degree is, according to the judgement of the interviewed persons, in no case comparable to what is common in the USA.

It is interesting to see how through the different treaties the Parliament has gained more and more powers. In this respect the Lisbon Treaty was of particular importance, since it was argued for a long time that the EU institutions suffered a 'democracy deficit'. The more competences the Parliament has, the more importance

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<sup>141</sup> Interview with a Member of the European Parliament, Brussels, 17.04.2014.

<sup>142</sup> Interview with a representative of the European Commission: DG Enterprise and Industry, via telephone, 28.03.2014.

Interview with a Member of the European Parliament, Brussels, 16.04.2014.

<sup>143</sup> *Ibid.*

<sup>144</sup> Interview with the Chairman of a Consultancy firm with years of experience in Brussels as a consultant, Madrid, 03.4.2014.

<sup>145</sup> Interview with a representative of the European Commission: DG Enterprise and Industry, via telephone, 28.03.2014.

Interview with the Chairman of a Consultancy firm with years of experience in Brussels as a consultant, Madrid, 03.4.2014.

Interview with a Member of the European Parliament, Brussels, 16.04.2014



it will gain in the decision making progress<sup>146</sup>. The veto power the Parliament has, makes this institution a key player in the decision-making progress. Moreover, the fact that MEPs usually commute between Brussels and their home countries consequently means that the relationship between MEPs and corporations is more challenging. Usually, corporations with an office in Brussels will divide the work with the corporation main headquarters<sup>147</sup>. The Head of an Automotive Corporation in Brussels, confirmed that Brussels cannot be compared with the importance Washington D.C. for instance has. Member States and national Parliaments still have great importance according to this professional<sup>148</sup>.

### **European Council**

As the third EU institutions we want to draw attention to the European Council (Council), often overlooked by many stakeholders in the decision-making process<sup>149</sup>. The Council, however, is a key player during the decision-making process and corporations have realised this. As the Parliament, it has veto power and it also may act in some cases as a final dispute settler<sup>150</sup>. The introduction by the Lisbon Treaty of Qualified Majority Voting (QMV) in new policy areas, has led to, as some scholars suggest, “the explosion of EU lobbying in the final decade of the 20' century<sup>151</sup>.” However, corporations do not limit themselves to approaching the Council during the decision-making process, since they are more interested in a sustainable relationship. Conversely, the relationship between corporations and the Council is not as intense as it is with the Commission, for example, despite the efforts of corporations. This is due to several reasons:

First, contrary to both, the Commission and the Parliament, the Council is more difficult to approach for corporations. The mere fact that the Commission has a

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<sup>146</sup> *Ibid.*

<sup>147</sup> Interview with the Head of the Representative Office in Brussels, Automotive Corporation, via telephone, 03.04.2014.

<sup>148</sup> *Ibid.*

<sup>149</sup> Interview with the Chairman of a Consultancy firm with years of experience in Brussels as a consultant, Madrid, 03.4.2014.

<sup>150</sup> *Ibid.*

<sup>151</sup> Hauser, Henry, “European Union Lobbying Post-Lisbon: An Economic Analysis”, *Berkeley Journal of International Law*, Vol. 29, Issue 2, Article 6, 2007, p. 8.



number of DGs for specific business areas makes it easier for corporations to find a counterpart. As Henry Hauser suggests: “scholars describe the Council as opaque, closed, elusive, and inscrutable because it holds meetings behind closed doors and refuses to release papers relating to its deliberations<sup>152</sup>.”

Second, in this case, it is not a relationship in which a win-win situation can be established easily for both parties. On the one hand, the Council is very reticent to give information. On the other hand the Council does not necessarily solely rely on corporations to obtain technical information from corporations. This is due to the fact that the Council can obtain direct information from national governments<sup>153</sup>. This of course makes the work of corporations much more difficult.

Third, the fact that Council members are usually only temporarily in Brussels, makes CD even more difficult, as that corporations cannot build an effective and sustainable relationship, as is the case with the Commission<sup>154</sup>.

It seems that from the three main institutions of the EU (Commission, Parliament and Council), the Council is usually not the first institution to be contacted by corporations. Nevertheless, this does not mean that the Council is or should not be contacted at all or that corporations only contact the Council when it comes to the decision-making process.

Given this situation, corporations tend to use the opportunity during business summits, conferences or social gatherings to build up a more stable network with Council members<sup>155</sup>. Furthermore, as we will see in the following section, Member States and their representatives in the Council, also tend to represent their national corporation’s interests.

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<sup>152</sup> Hauser, Henry, “European Union Lobbying Post-Lisbon: An Economic Analysis”, *Berkeley Journal of International Law*, Vol. 29, Issue 2, Article 6, 2007, p. 19.

<sup>153</sup> Interview with a representative of the Council, Brussels, 16.04.2014.

<sup>154</sup> Hauser, Henry, “European Union Lobbying Post-Lisbon: An Economic Analysis”, *Berkeley Journal of International Law*, Vol. 29, Issue 2, Article 6, 2007, p.19.

<sup>155</sup> Interview with a representative of the European Commission: DG Enterprise and Industry, via telephone, 28.03.2014.



### **Permanent Representations of Member States**

Even if we are focusing on EU-institutions, we must not forget that Member States still play a key role in decision-making due to two reasons:

First, as the Lisbon Treaty states, there are exclusive<sup>156</sup> and shared competences<sup>157</sup>. This means that corporations will have to divide their work of CD in two, if we are dealing with a shared competence, and fully concentrate either on the EU or on the Member States when dealing with exclusive competences<sup>158</sup>.

Second, EU-legislation must be properly integrated into the national legal system. This is especially important for certain sectors, for instance the pharmaceutical and automotive sector. EU-legislation must be correctly applied, so that the targeted sector will not see itself affected in a negative way<sup>159</sup>.

Moreover, Member States and more specifically the Permanent Representations of each Member State are also often interested in maintaining a good relationship with their national corporations. This is especially the case for Spanish corporations or as we have also mentioned before, US-American corporations with the American Chamber of Commerce<sup>160</sup>. It is important not only to maintain a good relationship in

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<sup>156</sup> Definitions of exclusive competence: "the EU alone is able to legislate and adopt binding acts in these fields. The Member States' role is therefore limited to applying these acts, unless the Union authorises them to adopt certain acts themselves;" Summaries of EU legislation, webpage, retrieved on 19.04.2014,

[http://europa.eu/legislation\\_summaries/institutional\\_affairs/treaties/lisbon\\_treaty/ai0020\\_en.htm](http://europa.eu/legislation_summaries/institutional_affairs/treaties/lisbon_treaty/ai0020_en.htm).

<sup>157</sup> Definition of shared competence: "the EU and Member States are authorised to adopt binding acts in these fields. However, Member States may exercise their competence only in so far as the EU has not exercised, or has decided not to exercise, its own competence;" Summaries of EU legislation, webpage, retrieved on 19.04.2014, [http://europa.eu/legislation\\_summaries/institutional\\_affairs/treaties/lisbon\\_treaty/ai0020\\_en.htm](http://europa.eu/legislation_summaries/institutional_affairs/treaties/lisbon_treaty/ai0020_en.htm).

Consolidated Version Of The Treaty On The Functioning Of The European Union, Official Journal of the European Union, C326/47, 26.10.2012, articles 3 and 4.

<sup>158</sup> Interview with a representative of the European Commission: DG Enterprise and Industry, via telephone, 28.03.2014. Yet, as mentioned in this interview "there is no such thing as 'shared competence'".

<sup>159</sup> Interview with the Head of Governmental and Institutional Relations, Automotive Corporation, Madrid 03.04.2014.

Interview with the Director for Communications and Public Affairs, Pharmaceutical Corporation, via telephone, 02.04.2014.

<sup>160</sup> Interview with the Chairman of a Consultancy firm with years of experience in Brussels as a consultant, Madrid, 03.4.2014.





the corporation's national country, but also abroad and especially in Brussels<sup>161</sup>. However, this is a mutual feeling, which representatives of corporations and Member States express<sup>162</sup>. The Permanent Representations are also interested in maintaining a good relationship with corporations for the following reasons<sup>163</sup>.

First, Permanent Representations are interested in knowing and being informed of their country's corporation's position in Brussels. The aim is working together to represent their country and with this their country's corporation's interests<sup>164</sup>.

Second, especially smaller companies, which are just starting their way in Brussels, often seek the support of the Permanent Representation. Not familiar with the 'Brussels world', they feel more comfortable at home with their country's representatives. These, in turn, have an interest in promoting these companies<sup>165</sup>.

Third, it is natural for corporations to seek a good and close relationship with their country's representation. This is the same case for the relationship between corporations and embassies or chamber of commerce. A good relationship between these different actors, it is felt, is important to promote the country's best interests overseas<sup>166</sup>.

### **The opportunity to build networks**

As we have seen, the different relationships with EU-institutions and Member States, offer a great opportunity to build up a valuable and vital network in Brussels. Collins Cobuild English Dictionary defines the "network of people or institutions" as "a large number of them that have a connection with each other and work together as a

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<sup>161</sup> Interview with the Head of the Representative Office in Brussels, Automotive Corporation, via telephone, 03.04.2014.

Interview with an Ambassador, Brussels, 12.03.2014.

<sup>162</sup> *Ibid.*

<sup>163</sup> *Ibid.*

<sup>164</sup> Interview with the Chairman of a Consultancy firm with years of experience in Brussels as a consultant, Madrid, 03.4.2014.

<sup>165</sup> *Ibid.*

<sup>166</sup> Interview with an Ambassador, Brussels, 12.03.2014.



system<sup>167</sup>.” It defines ‘networking’ as “the process of establishing business contacts, often through social activities<sup>168</sup>.” Network building is not only important for private corporations, but also for the public sector. Governments build their networks too<sup>169</sup>. This network building, however, must not be interpreted as being carried out with a hidden agenda.

Networking, as we understand it, has two objectives:

First, the objective is to interconnect with professionals from the same and/or from different sectors. Both the private and the public sector have seen the importance of communication between themselves and between different stakeholders. Good communication between the different actors has become a key element of effective networking<sup>170</sup>.

Second, effective networking leads to long-lasting and sustainable relationships between different stakeholders. Also, it leads to private and public sector working together on projects beneficial for both and for society; e.g. IKEA and United Nations High Commissioner for Refugees (UNHCR), launched a campaign named “Brighter Lives for Refugees”. IKEA involved itself in this project by donating 1€ to UNHCR for every purchased light bulb at IKEA<sup>171</sup>.

Networking is essential for CD. Yet, we must not understand networking as having the only aim to gain a preferential position for one’s own corporation<sup>172</sup>. Relationships need on the one hand be to “looked after”<sup>173</sup> and on the other to be a “give and take<sup>174</sup>”. The effect of a good and long lasting relationship can, in addition, lead to an advancement in the corporation’s interests, which we will analyse in the following section.

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<sup>167</sup> Sinclair, John, *Collins Cobuild English Dictionary*, London, Harper Collins/Publishers, 1995, p. 1108.

<sup>168</sup> *Ibid.*

<sup>169</sup> Interview with an Ambassador, Brussels, 12.03.2014.

<sup>170</sup> Interview with a Head of Communications, Pharmaceutical Corporation, via telephone, 02.04.2014.

<sup>171</sup> IKEA Foundation, “IKEA brings Sustainable Lighting to Families in UNHCR Refugee Camps”, Press article, 02.02.2014, retrieved on 01.03.2014, <http://www.ikeafoundation.org/press-brighter-lives/>.

<sup>172</sup> Interview with a Head of Communications, Pharmaceutical Corporation, via telephone, 02.04.2014.

<sup>173</sup> Interview with an Ambassador, Brussels, 12.03.2014.

<sup>174</sup> *Ibid.*



### **The possibility to advance the corporation's interest**

Through a good relationship with stakeholders corporations are able to advance in their interests. This is due to the fact that through maintaining a good relationship within an extensive network, corporations are able to present better their values and principles as well as their way of acting in a business context<sup>175</sup>. In doing so, they can win partners, build coalitions, find a common agenda and advance common projects with other stakeholders within a social context. As mentioned above, corporations are not simply profit-oriented businesses. They are more and more seen in their social context, in their contribution towards society and towards its welfare within the context of a 'social agenda'.

All of this leads to corporations also being valued by the public sector and the society as a whole. Consequently, if a good relationship has been built, there exists not only the possibility of working together, there exists, moreover, the chance that this cooperation will be beneficial for the corporation. How this cooperation is carried out, also shows the way in which corporations work, i.e. whether they are reliable or not, whether they follow the values established in their mission statement, etc.<sup>176</sup>. A bad experience for the partners in particular and for the society as a whole in this sense may lead to the corporation's image being considerably negatively affected. As a consequence, this may arouse a situation, in which the corporation is not considered a reliable partner, causing a very serious credibility problem, with considerable damage to its reputation. Finally, it may result in the impossibility for the corporation to pursue its interests on its 'social agenda' but also to achieve its interests on its 'business agenda'<sup>177</sup>. Hence, CD is precisely the strategic answer to advance the corporation's interests within a highly complex environment for gain, avoiding conflicts<sup>178</sup>.

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<sup>175</sup> Interview with the Head of the Representative Office in Brussels, Automotive Corporation, via telephone, 03.04.2014.

<sup>176</sup> *Ibid.*

<sup>177</sup> Interview with an Ambassador, Brussels, 12.03.2014.

<sup>178</sup> *Ibid.*



## **Conclusion**

Our aim in this Master thesis was threefold: Based on a solid scientific basis and within a clear theoretical framework (first part) we analysed the rise of CD within corporations (second part) and the importance of CD within the EU-institutions (third part). We will briefly deal with each point in turn and present as well an outlook for further research.

As to the first point, we have presented our definition and concept of CD and we assert that they are not only closer to the corporate floor, but, at the same time, more helpful for scientific investigation. In so far, we maintain that our claim, to have made a contribution to both theory and practice, is justified. In the academic field, in which, as we have seen, there is no agreement and in the corporate sphere, where still much work is to be done, both our definition and our concept of CD can be of help for clarification - within the former for analytical, within the latter for implementation purposes. Based upon a definition of diplomacy, our term is sufficiently clear and precise to describe a new corporate activity. In addition, we claim that our detailed concept of CD, is both comprehensive and concise, and outlines the tasks of CD. Finally, while CD will take on different specifics in each corporation, according to the goals given by the BoD, our 'Decalogue', nevertheless, can serve as a general orientation, which characterises the role of the 'Corporate Diplomat'.

Within the second chapter we could show that, based upon a wide range of literature from different areas, the process of globalization has changed the world for both companies and governments. Within this transformation process the inter-dependences grow and the need to find common answers to global challenges increases. In addition, these developments are accompanied by power shifts (governments and corporations) and by changes in role models (traditional diplomats and corporate diplomats). Corporations see increasingly CD as a strategic response to the challenges, which the process of globalization has for them. In addition, in the case of Spain, the awareness for CD is growing; here CD is seen as contributing towards preventing the negative experiences overseas (for private corporations) and towards



presenting a new image of modern nation ('nation branding'), highly competitive and innovative (for governmental institutions).

Within the third section our aim was to demonstrate the importance of CD within EU-institutions. Here, based mainly on interviews with EU-representatives, MEPs and Corporate Diplomats, we could demonstrate the importance that the direct representation of corporate interests in Brussels has both for corporations and for representatives of EU-institutions. While the work of consultancies/lobby firms is important, particularly to press concrete issues, our empirical research has shown that from the point of view of EU-representatives, the direct contact with representatives of corporations (i.e. Corporate Diplomats), their opinion as well as their input, is highly valued and sought-after. At the same time the direct representation of interests at the different EU-institutions offers corporations a better way of presenting the individual corporation and to establish personal contacts with EU-representatives. While for pressing concrete issues corporations tend to rely on the expertise of consultancies/lobby firms and for the representation of sector interests the collaboration of the leading trade associations is vital, private business, particularly great corporations, are seeking, as our research has shown, more and more the direct way to present their case and find in the growing openness of the EU-institutions the adequate counterparts.

As to further research, while science is an on-going process we, nevertheless, hold that both our definition and concept of CD will be useful academic tools for investigation. More work needs certainly be done within the scholarly world as far as the treatment of CD is concerned. It is in this respect unfortunate that we could not read W. Hennisz's book on CD, which is being published after the submission date of this thesis. Nevertheless, as we have mentioned several times, as far as university syllabuses are concerned, the teaching of CD increases; the same is true as to seminars and conferences of consultancies and private institutions, notably in Spain. Given these facts, there is justified hope that scholars will, to a greater extent than so far, take up CD as an object for scientific research.



However, without any doubt, more work needs to be done to investigate and analyse the relationship between corporations and EU-institutions. While we have led a number of interviews both with representatives of the EU-directorates and 'Corporate Diplomats', this can only be seen as a first step. Especially, as all interviewed persons were very open and showed an interest toward contributing to this relatively new development. With regard to the chapter on CD and EU-institutions, future research could be done as to the relationship between 'Corporate Diplomats' and consultancies/lobby firms in respect to EU-institutions (e.g. DGs). In addition, more difficult, but very interesting would be, to investigate in detail the success of individual corporations, which through their direct influence within EU-institutions could bring about advantages for themselves, i.e. modify directives or block initiatives.

Another important area for further research will be the changes the Lisbon Treaty brings for the European Institutions and, as a consequence, for CD. As it is well known, the Lisbon Treaty gives the Parliament new law-making powers. It will be interesting to see how 'Corporate Diplomats', representatives of consultancies/lobby firms, etc. change their activities with respect to the other institutions (e.g. EU Commission and EU-directorates) and how the Parliament becomes, as some interviewed persons suggested, a more important centre for CD-activities.

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## **Interviews**

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Chairman of a Consultancy Firm with years of experience in US-American Lobbying, Madrid, 22.12.2013.

Chairman of a European Consultancy Firm, Madrid, 29.12.2013.

Director for Communications and Public Affairs, Pharmaceutical Corporation, via telephone, 02.04.2014.

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