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The emergence of business enterprise-centred diplomacy

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ABSTRACT

The interconnected dynamics of today's integrated, but increasingly multipolar and heterogeneous global economy have given rise to a new and rapidly evolving framework of conditions with which business enterprises necessarily need to cope with and that carry with them a growing set of complex and innovative challenges. As a result of this deeper integration – which has at its core the (r)evolution in information and communication technologies -, boundaries at its multiple dimensions are being eroded and enterprises are finding themselves operating in an increasingly complex and uncertain environment with gaps and undefinition at several levels and a growing set of stakeholders to whom they are accountable to. In order to survive and thrive in such scenario, enterprises need to ensure that business is done as smoothly as possible. Doing so requires adopting not only the best and most innovative management practices but also embracing the centuries old enhanced virtues of diplomacy.

Keywords: Diplomacy; international business enterprises; management; stakeholders; globalization; capabilities.

Diplomacy was for several centuries almost exclusively practised by states, and although there was an evolution in "diplomacies' stage" and actors involved, giving rise to new forms of diplomacy, these were ultimately under the umbrella of the state apparatus – which traditionally played all roles and ultimately framed all objectives. However, particularly since the last quarter of the twentieth century, business enterprises have been gaining access to the diplomatic arena. This is happening because several of the global challenges international business enterprises are now confronted with are issues and matters of diplomacy (Muldoon, 2005). Today, more than ever, international business enterprises "are confronted with social and environmental demands and are requested to take responsibility for issues of public concern in creating more just and peaceful societies" (Bolewski, 2017, p. 3). Enterprises now need to navigate through the intricacies of a worldwide multitude of trade and regulatory agreements with a far-reaching impact in defining their industry standards internationally, no matter what their nationality is (Saner et al., 2000). Mounting on top of these dynamics, enterprises are also frequently faced with all types of geopolitical and non-commercial risks such as corruption, social and political instability, armed conflicts, natural disasters, and other internal problems in the host countries. This challenging reality has led most enterprises to enter the world of diplomacy determined to claim a position as diplomatic actor and be a major player in the diplomatic arena (Muldoon, 2005; Ruël, 2013). Quoted by Alison Holmes (2006), Hampden-Turner claims that "Business must also be diplomats to survive in most parts of the world today. Government does not have the expertise or the resources for such information" (p. 22). What this truly means is that enterprises are expected to play a role in tackling the serious challenges our modern societies struggle with, and that national states are no longer capable of dealing with the complexity, heterogeneity and cross-border nature of those challenges by themselves. Sako (2016) shares the same understanding, pointing that the idea governments

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set the rules and businesses follow them is more inaccurate today than ever before and claims that business leaders are expected to be diplomats. According to Sako (2016):

> *"Business leaders, including technology entrepreneurs, must participate in rulemaking due to deregulation and liberalization, prominent global risks (such as climate change and migration) that do not respect national borders, and digital technology that is spewing new issues requiring new rules. Business leaders are expected to become diplomats." (p. 33)*

This is precisely what most business enterprises are doing, they are already assuming "social and political responsibilities that once were regarded as belonging to government" (Scherer *et al.,* 2009, p. 328). Enterprises are no longer limited to the role of following the rules of the economic game, they are now actively engaged in influencing and writing them to their advantage, establishing the norms that legitimize the conduct of their business. Business enterprises are already involved in providing public goods†, filling the existing gaps in global legal regulation through self-regulation efforts, and conducting actions to promote societal peace and stability (Scherer *et al.,* 2009). In this sense, business leaders "participate in building institutions which are both formal rules and social norms." (Sako, 2016, p. 35). As Suchman (1995) points out, enterprises legitimacy derives from conforming to the expectations of a social system and maintaining good relations with key stakeholders, and that includes enterprises proactively managing that legitimacy through efforts that allow the development of new ideas of what a legitimate behaviour is. As Scherer *et al*. (2009) put it, "Some corporations do not simply comply with societal standards in legal and moral terms; they engage in political processes that aim at setting or redefining those standards in a changing, globalizing world." (p. 328).

Take the example of Facebook, which in 2018 hired Nick Clegg, former UK deputy prime minister and former European Commission trade negotiator and member of the European Parliament, to take over its global affairs and communications team. The hiring came at a moment Facebook faced escalating problems over data protection – most notably the Cambridge Analytica revelations – and the threat of greater government regulation concerning data privacy, online disinformation and hate speech (Parker & Bradshaw, 2018). The motivation for the hiring, according to Nick Clegg, quoted by the Financial Times, was that Facebook must deal with the thorny questions about how technology is affecting society "not by acting alone in Silicon Valley, but by working with people, organizations, governments and regulators around the world to ensure that technology is a force for good." (Parker & Bradshaw, 2018). The same is to say that the hiring of the former high rank politician with a profound knowledge in the corridors of diplomacy came as an attempt by Facebook to reinforce its engagement in the political processes aiming at setting or redefining the rules of conduct in an increasingly fast changing, globalizing world. The examples of career politicians experienced in the corridors of diplomacy that have moved into prominent positions in global enterprises are many. Al Gore, vice president of the United States from 1993 to 2001, is on the board of Apple and is a senior adviser to Google. Obama's first press secretary, Jay Carney, is now a top Amazon executive. At a smaller scale, Parfois, the Portuguese fashion jewellery and accessories brand for women with stores in more than 50 countries, in 2017 hired the former Portuguese Ministry of Economy, António Pires de Lima, to help consolidating its remarkable growth and internationalisation process.

Nonetheless, and regardless of business enterprises incursions into the diplomatic arena, the reality is that when their diplomatic capabilities do exist, they are still underdeveloped (Muldoon, 2005). As an illustration of this underdevelopment, let us consider Facebook's recent announcement that it intends to launch its own cryptocurrency called Libra – a 'stablecoin' running on the Libra Blockchain. Facebook's announcement was instantly met with criticism and scepticism from policymakers across the world. In the United States the House of Representatives Committee on Financial Services requested Facebook and its partners to immediately halt the development of the 'stablecoin' due to concerns over data security, money laundering, consumer protections and potential impact over monetary policy. Facebook is now working closely with regulators in order to find solutions for easing those concerns and get the legitimization – or "license to operate" – allowing it to safely move on with the implementation of the initiative. Another well-known example is Uber, the ride sharing platform application (app) that has failed to prevent bans or partial bans to its operations in cities all over the world – Bulgaria, Hungary, Germany, United Kingdom, Australia, Taiwan, among others. In September 2017 in London, Uber saw the renewal of its operators' licence denied by the Transport for London‡ (TfL) on the grounds that "Uber's approach and

†Such as health care, education, social security, and a range of utilities.

‡The local government licensing body responsible for the transport system.

conduct demonstrate a lack of corporate responsibility in relation to a number of issues which have potential public safety and security implications" (TfL, 2017).[§] Uber's lack of engagement with local authorities and other relevant stakeholders in order to develop a more comprehensive and business friendly framework that would legitimize its actions has positioned the company in a perilous course of action that ultimately resulted in the disruption of its activities in several countries.

What these examples show us, is that the nonexistence or underdevelopment of diplomatic capabilities can be highly problematic for business enterprises, since whether they like it or not they cannot avoid, and mostly not afford, dealing with a set of interests, institutions, ideas and rules whose origin and reach now extend far beyond their immediate market domain (Steger, 2003). The recent history and developments of globalization point to the rising importance of diplomacy for business enterprises, nonetheless, and as Muldoon (2005) observes, the truth is that it still remains to be seen just how much influence the new diplomacy of business will have on the centuries old diplomatic practice. It will all depend on how willing business enterprises are to invest in the development of these capabilities if they want to be able to favourably influence and cope with today's fast-changing environment characterised by a growing range of fragmented relationships and complexities. Only by doing so will business enterprises be granted the "license to operate" needed to carry on with their activities without undesired – and ultimately unexpected – disruption.

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[§]Among those issues are the facts of Uber not reporting serious criminal offences by drivers against passengers and also Uber's use of Greyball, a software that can block regulatory bodies from gaining full access to its app and undertaking regulatory or law enforcement duties (TfL, 2017).