
Principled leadership and business diplomacy

A practical, values-based direction for management development

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Abstract *This paper introduces the concept of business diplomacy as a way to implement values-based, ethical leadership. Drawing on the Japanese concept of kyosei, business diplomats take responsibility for themselves and others and treat people with respect and kindness while they simultaneously attempt to be entrepreneurial, add business value, and make a profit. This paper reviews the strategies and tactics of business diplomacy and provides case examples of how to be diplomatic and ethical in difficult situations. The paper concludes with recommendations for how to establish an organizational culture based on business diplomacy.*

Management theorists and some executives have called for a gentler and kinder management style for the twenty-first century. (As a prime example, see, for instance, Blanchard and O'Connor, 1997; Blanchard and Peale, 1988.) John Burdett, in a recent issue of the *Journal of Management Development*, calls for corporate values that allow the organization to live by the highest principles while recognizing the difficulties of organization life.

The call for values-based management stems from fundamental changes in the business environment. One is the enlargement of business arena made possible by instantaneous communications and convenient, low cost transportation across national boundaries. Businesses deal with each other on a comprehensive spectrum of problems – technological, economic, environmental, cultural, social, and regulatory. The temptation is for leaders and managers to be forceful in accomplishing their business objectives without regard to cultural and individual differences.

The leadership challenge as we embark on the rough and fast-paced world of the twenty-first century is to get things done expeditiously and profitably, and to do so in a way that shows high integrity, trust, and honesty. These values are morally right in terms of Western culture, and can be good business practice regardless of culture. Yet they need to reflect the realities of different cultural expectations and tough business environments. This article introduces the concept of business diplomacy as a way to make this possible. The thesis here is that the key to being good, doing good, and increasing profitability lies in a principled, diplomatic style of management. Stated another way, the application of diplomacy to business is a way to make principled leadership a

practical strategy. This article examines the challenge of applying the combined art of principled leadership and business diplomacy.

Principled leadership is the application of ethical business values, including honesty, fairness, mutual respect, kindness, and doing good. Principled leaders are executives and managers who apply these values in their daily business lives. However, principled leaders do not ignore the tough realities of business. They make difficult decisions, resolve conflicts, and negotiate deals. This is where diplomacy comes in.

Business diplomacy is a way of working with people effectively to get things done. Rather than work over, around, or through other people, the idea of business diplomacy is to help managers understand each other's point of view and reach common ground without hostility. Diplomacy is treating people with respect, being honest, recognizing and valuing differences, voicing agreement when appropriate, and accomplishing goals. Diplomacy uses tact and understanding to build trust and develop relationships. This applies to business just as it does to foreign relations or almost any interpersonal situation. Business diplomacy is most important when there are disagreements, interpersonal conflicts, and a lot at stake. It is a way to work within corporate politics to make things happen rather than get bogged down in turf battles, resource wars, and dysfunctional, unpleasant competition.

Principled leadership and business diplomacy are mutually supportive styles of management. They work together to enhance interpersonal work relationship and are particularly valuable in making tough decisions, resolving emotional conflicts, and negotiating sensitive issues.

Principled leadership

Principled leaders promote ethical treatment of others within and outside the organization. Values are incorporated in the organization's policies. An example is a policy that harassment and discrimination will not be tolerated, and that fair treatment is expected and rewarded. More subtly, arrogant, autocratic management will be punished (or at least not rewarded), and that leaders and managers are expected to work participatively, communicate with others honestly, and do business in an open and above board way.

Principled leadership builds from several concepts embedded in other non-Western cultures. One such concept is *kyosei*, the Japanese belief that people can live and work together for a common good or cause (Kaku, 1995). A similar concept in Hebrew is *tikkun olam*, which means to make the world better. Jews believe that this is a responsibility of every Jew. It is also similar to the Buddhist message of goodness, equality, and getting along.

Kyosei

Kyosei applies to individuals and to organizations. Individuals show *kyosei* by taking responsibility for themselves and others and treating people with respect and kindness while they simultaneously attempt to be entrepreneurial, add business value, and make a profit. Companies apply *kyosei* by assuming

global social responsibility that overcomes local, labor/management frictions, social frictions, and international frictions. These firms value innovation and competitiveness, but they also value fair treatment of individuals and other corporations in their business dealings and being a responsible citizen of the local, national, and international communities.

Firms that practice *kyosei* care about the interests of all their stakeholders, including employees, suppliers, customers, and the local community, across professions, nationalities, and political regimes. Ryuzaburo Kaku, chairman and CEO of Canon, Inc., a diversified global manufacturer of business machines and optical equipment, recently explained *kyosei* this way:

Because this is a balance sheet, a corporation would have to be innovative, independent, fair, and willing to work together with competitors to balance interests for the common good. This is the key to long-term sustainable success (Kaku, 1995, p. 8).

Kyosei means honest and fair leadership decisions and ethical organizational practices. Principled leaders try to be fair and kind. Whether they do this out of the goodness of their hearts or because they believe that it is good business (or both) does not matter. What is important is that they act in a diplomatic way to make decisions, resolve conflict, and negotiate agreements.

Business diplomacy

Business diplomacy is what principled leaders and managers do to apply *kyosei*. Organizations and principled leaders who adhere to *kyosei* apply business diplomacy. *Kyosei* is not just an expression of values. It is the living embodiment of those values. Principled leaders are role models for business diplomacy, and corporations that practice *kyosei* teach, encourage, and reward business diplomacy. Managers and leaders who subscribe to *kyosei* could also be called business diplomats. They can act in a diplomatic way in their business dealings even if the organization as a whole cannot be characterized by *kyosei*. In doing so, they move the organization toward the *kyosei* principles.

Diplomacy makes principled leadership possible in Western culture. Diplomacy encourages cooperation among people who initially disagree. It helps people get along even when they initially disagree. It helps you avoid or resolve conflicts. The essence of diplomacy is tact, treating people with dignity and respect, and recognizing and working with company politics.

We usually think of diplomacy in terms of foreign relations. Webster defines diplomacy as “the art and practice of conducting negotiations between nations for the attainment of mutually satisfactory terms”. In business, diplomacy is the skillful resolution of differences between people in all kinds of corporate and competitive issues. Diplomats try to get what they want without arousing hostility. They use tact and conciliation in dealing with touchy personal relationships.

Tact is an important part of diplomacy. Again turning to Webster, tact is the ability to see the delicacy of a situation. For instance, tactful people do and say the kindest or most fitting thing. They are sensitive to what is appropriate at

any given time, and they are able to speak and act without giving offense. They exhibit *savoir-faire*, saying or doing the right or graceful thing, either instinctively or as a result of social experience. They use finesse: the artful management of difficult affairs. They are able to diagnose the situation and recognize others' needs, interests, and moods.

Diplomacy requires strategizing and planning. A diplomat must understand human behavior in difficult situations. However, this does not mean being cunning, shrewd, or crafty. Nor does it mean being machiavellian, manipulative, duplicitous, or calculating. It also does not mean going along with anything as long as everyone is happy. Rather, diplomats negotiate, mediate, and convince others in a way that is respectful and kind. Diplomatic managers gain mutual advantage in a manner that is sensitive to, and supportive of, others' needs. This is difficult to do because diplomacy is most critical when emotions are running high, tempers are hot, and the situation is potentially explosive. This happens when people have a lot at stake, they have conflicting interests, and there is no obvious solution.

When to use diplomacy

Diplomacy is valuable in handling performance problems, managing diversity, improving teamwork, overcoming resistance to change, and gaining cooperation from others. It is useful to mediate conflicting interests and negotiate agreements. It works when others' attitudes and behavior are obstacles to getting things done rapidly and effectively.

Diplomacy works best when managers are working with others who are, or are trying to be, diplomats. Diplomats may disagree, but they can reach agreement faster when they are sensitive to each other's feelings and interests. However, diplomacy is often one-sided. Suppose that the other party could not care less about the diplomat's concerns, opinions, or feelings. This requires extraordinary patience and insight. Diplomatic managers have to be tough skinned and resilient to maintain decorum and tact and not give in to their anger and not be oppositional.

The challenge of principled leadership and diplomacy

The challenge of being a principled leader and diplomat, or the dilemma depending on your point of view, is dealing with others who manipulate, attack, or lobby. They may play on emotions. They may be doom-sayers, claiming that the sky will fall if they do not get their way (for instance, the corporation will go bankrupt or lose a key sale). They may be nay-sayers, giving every reason in the book why something cannot be done. They may have a chip on their shoulder, feeling the world is out to get them or not willing to give an inch. They may only be happy when they agree to whatever they want to do no matter what. The manager's challenge under these circumstances is to remain calm. This is especially tough when others appear to be winning, getting what they want, taking advantage of the principled diplomat's good nature, forcing the diplomat to compromise more, or generally

trying to control the situation. Diplomatic managers need to put aside (not just hide) self-serving, machiavellian tendencies and not get angry. They do not try to get what they want no matter what. They cannot be driven by self-righteousness. They may have an idea of what is best, and they want to communicate it to others and convince them that they are right.

Principled leadership and diplomacy may be combined with other leadership styles or they may be the main ways a manager or executive behaves. Principled leaders do not manage by fiat. They are not authoritarian and arbitrary. They have viewpoints, and they lobby others. They may be the principal champion for a perspective, or they may be the ones calling the shots in order to bring about some change or redirect an enterprise. Sometimes they have to put their foot down and say “This is the way things are going to be, like it or not”. However, for the most part, they try to work with others in a way that recognizes differences in opinions and different ways of getting things done.

Principled leaders are not Pollyannas. They do not believe that kindness and empathy work in all cases. They recognize the political context and work within it. They know that politics involves competition between diverging interest groups or individuals for power or leadership. However, working in the political arena does not necessitate dishonest practices or taking advantage of others, although people often behave as though it does. The art of principled leadership and diplomacy involves formulating strategies that take others’ viewpoints into account. The talented diplomat knows when to give up or turn to an alternative course of action.

Diplomatic managers do not go into a situation with a preconceived idea about what should or needs to happen. They are willing to change and adapt. They ask others who disagree with them for their opinions. They may ask others to recognize and resolve their disagreements themselves. They take time to collect all points of view and identify alternative solutions.

Learning principled leadership and diplomacy

Principled leadership and business diplomacy run counter to recently popular management training techniques, sometimes called outward bound, that provide various challenging physical group experiences. A variant of this is the boot camp experience that incorporates military principles into the business environment. The training uses paintball wars, military drills and missions, and battlefield living experiences complete with miserable weather conditions to build more effective work units. Participating work groups go on daily missions to confront “enemy” troops with live paintballs. A mission could be to raid enemy headquarters and steal their weapons or to hover around their camp and observe. Presumably, work group members learn to clarify goals, develop and implement strategies, and in the process cooperate and communicate more effectively. In discussing the daily missions, the work group learns about trust, blame, and power. One of the benefits of the training may be simply sharing a common experience with one’s coworkers, which

enhances their identity with the group and helps the members know better how to interact with each other.

However, the tenor of such a training experience is that “it’s us against them” and that business is a win-lose battle. The group members may learn to work with each other better. But they learn that the way to confront other parties with whom they have disagreements is to formulate a battle plan, attack, and survey their losses. They do not learn how to communicate with their opponents with respect, understand different points of view, explore alternative solutions, and reach agreements which allow all parties to win. Boot camp and outward bound do not

Like any set of behaviors, principled leadership and diplomacy can be learned and practiced. The training might include assigning people roles and asking them to work through difficult interpersonal situations. Participants can experiment with diplomacy and contrast it with other behaviors, such as being aggressive, argumentative, and inflexible. Such a simulation is used by the Center for Creative Leadership headquartered in Greensboro, North Carolina. Their now well-established Looking Glass Company simulation is a six-hour management training exercise incorporated into their leadership development programs. Participants in the simulation take roles of corporate executives and interact as they handle a host of problems. Another group role play might assign participants the roles of international corporate executives negotiating a mega-merger. The roles can articulate varying goals and ambitions. After the simulations, the participants get feedback from observers and discuss their behaviors. Were they tactful, respectful? Did they listen to each other? Did they clearly understand each other’s concerns? Did they express their own concerns? Did people agree? Were there arguments? Were decisions reached? Were decisions left hanging? Did the participants compromise? Was everyone pleased with the end result? Did some people lose, or did everyone leave feeling they had achieved an important part of their goal?

Applying principled diplomacy to tough business situations

Diplomats work in difficult political situations. They have to negotiate with people who are out to get what they want no matter what. Their opponents are not necessarily fellow diplomats. Indeed in business, unlike international politics, the opponent is unlikely to have a diplomat’s implicit expectations and values. Rather, in business, the “opponent” – whether a coworker, boss, supplier, or customer – is not likely to understand diplomacy. People fear uncertainty and resist change, especially when they feel threatened by it. So they use unsavory tactics to fight for their position.

Some of the severest challenges to diplomacy are criticism, threat, and manipulation. These challenges suggest not only that diplomacy is not easy but that it does not always work. People do not say, “good guys finish last”, for nothing. In the end, how diplomatic managers react to these challenges is a

matter of values. Winning is not everything. The idea is to create win-win situations wherever possible. The diplomat's challenge is to maintain diplomacy in the face of such challenges.

Public criticism, verbal abuse, and personal attacks

Diplomatic managers may experience some psychological pain. In the extreme case, opponents may not only criticize their position and ideas but also may spread rumors about them personally, perhaps doubting their sincerity, honesty, or trustworthiness.

When Charles Wang, founder and CEO of Computer Associates, the large business software firm headquartered on Long Island, tried to purchase Computer Sciences, a California-based systems consulting firm, Computer Sciences believed that Wang's offer was too low. Wang was not known for his diplomacy as much as his aggressive acquisition strategy in buying companies across the world to build a strong, highly competitive software business. Computer Sciences used threat and even implied personal disparagement against Wang's Chinese ancestry. Computer Sciences insinuated that Computer Associates would not be eligible for Federal government service contracts because of Wang's supposed Chinese connections. Wang eventually withdrew his offer, put off by Computer Sciences' low tactics and fearing that the value of Computer Sciences would be severely diminished because the goodwill of the firm depended on the consultants who worked for the company doing their best.

Diplomacy is simple when there are few conflicts and everyone behaves rationally and objectively. However, this is unlikely when people have a lot at stake, they feel they are in competition for limited resources, and there is no obvious win-win solution. This is when diplomacy is needed most, and it is also when diplomacy is hardest, because others are likely to be manipulative, a nay-sayer, a doom-sayer, arrogant, or intransigent. Diplomats try to minimize the impact they have on others by isolating them, allowing them to operate as they wish, but without being able to depend on others in the organization for resources or support. Obviously, this is not a satisfying outcome.

Need to save face

Often, people are aggressive and inflexible because they believe they are concerned about what others think of them. They are especially concerned about the people they represent. They do not want to be considered weak or ineffectual. Diplomats realize this. They are careful not to embarrass others in front of their coworkers. Diplomats are not overtly critical of their opponents and colleagues. They do not insult them to their face or behind their backs. They focus on their opponent's behaviors and decisions, not their personalities or intelligence. They compliment their opponents in public for their good decisions and compromises. They may even embellish the effort and give them more credit than they really deserve.

High pressure

The pressure in a decision, negotiation, or conflict is highest when people have a lot to gain and/or lose. It is especially high when there is a time deadline. Diplomats seek ways to extend the time available to let tempers cool and give people time for reflection. On the one hand, people tend to be conservative and intransigent when they have a lot to lose. When the fear is loss, diplomats can try to turn the situation around by focusing on the positive – what the opponent has to gain. For instance, when the stock market goes down, brokers may remind their clients of past upturns in the market and that now is the time to buy.

On the other hand, people tend to be impatient and willing to take a risk when they have a lot to gain. When the fear is not acting quickly enough to take advantage of an opportunity, diplomats can try to turn the situation around by expressing wariness. So, when the stock market goes up, brokers may caution their clients not to have all their eggs in one basket and that they should diversify.

Major disagreements

Diplomacy is difficult when people are far apart in their views and goals. It is also hard when they differ in personality and style of communication. It is a challenge to be diplomatic when the other party is gruff, angry, or non-communicative and, on top of it all, has a very different perspective of how things should be. The diplomat needs to stick with the situation and try to communicate frequently and in different ways.

Managing diversity

Consider what it is like to manage a multicultural team. Say this is a group of managers from different countries in a multinational corporation. The team members may be dispersed across the globe and rarely actually meet together. Alternatively, they may be a domestic team with members differing in race, gender, and/or age. This may be difficult if the group members are split along subgroup lines that are readily evident. For instance, half the group may be women and half men. Half may be black and half white. Three may be Asian and three Hispanic. Working with a diverse group, and indeed attempting to take advantage of the diversity of values and perspectives, requires sensitivity to these cultural differences. Some people are naturally sensitive to differences. But being aware of differences does not mean caring about them. Indeed, people who ridicule differences are only too keenly aware of them. Diplomats value differences. They find ways to reveal the underlying values and debate the differences of opinion. Rather than let differences fester, the trick is to increase communication and get others involved in the conversation.

Managing problem performers

Problem performers may be subordinates, peers, team members, or even bosses. Problems may be not meeting goals, lack of effort, poor attendance,

inability to do the work, or lack of understanding, to name a few possibilities. These problem performers can be salvaged, meaning they do not have to be fired, at least at this point. They may be marginal performers because they are not able to do the work (suggesting their problem is ability-related), or they do not want to do the work (suggesting their problem is motivational). Ability-related problems may be overcome by training and experience or may reflect a mismatch to the job. Motivational problems may be overcome by increasing rewards (for instance, financial incentives) or changing the structure of the job to make it more challenging and meaningful. Problem performers often create difficulties for other people. They can poison the work environment, make others complain about the problem performer or maybe even make them act in the same way.

Principled leaders and diplomatic managers need to deal with these problems in a way that is at once clear and kind. They need to recognize the other person's limitations and find ways to make the person successful. They must convey the idea that they are in this together. Problem performers are likely to doubt the diplomat's good intentions, and may be a bit paranoid – expecting a stab in the back rather than a helpful hand. So principled leaders need to be patient, understanding, constructive, and definitive about their expectations and goals.

Dealing with complaints

Complaints may come from customers, subordinates, and other coworkers. They may complain about how others treated them or that others are not carrying their weight. The diplomat wants to be understanding and let the complainer know that something will be done. The diplomat's view in dealing directly with the complainer should be, "The customer is always right." That is, diplomats want to be able to say that they understand the situation and how the other person feels. They want to agree with the person, because, after all, that is what the person is seeking. Sometimes understanding and agreement are enough to defuse the situation. Sometimes an apology is needed, even if they are not to blame. In response, the complainer will likely say that they realize the problem was not the diplomat's fault. Of course, the customer may indeed be right. However, if the customer is wrong, the diplomat still wants to be kind, a good listener, and understanding.

It helps to be aware of underlying motivations. Perhaps the complainer merely wants attention or needs to vent anger. The complainer's feelings may stem from something very different, possibly a general lack of confidence or frustration over not being able to do something that is not directly related to the complaint. Since complaining is a way of expressing emotions, it can be satisfying in and of itself. As such, there is a danger that a principled, diplomatic response will reinforce complaining behavior and lead to additional grievances from that individual or others.

Communication problems

Communications is a vital part of diplomacy and politics. After all, diplomacy works through dialogue with others. People try to influence and impress others in part through communication. Different styles of communication as well as language differences can cause barriers to effective working relationships. As should be evident from each of the problem areas I addressed above, clear and frequent communication is at the heart of a diplomatic solution. Giving everyone a chance to participate is an important diplomatic strategy. When communications break down or when misunderstandings occur because of language barriers, a principled, diplomatic response shows patience. The diplomat can ask for clarification, restate issues, and say the same thing in different ways to be sure everyone is clear.

Influencing others

The main purpose of principled, diplomatic activity is to influence others. This is especially key in sales activities where diplomats want someone to use their resources in a way that benefits you. Selling a product or service is one type of sale. Another is convincing someone of a certain viewpoint or encouraging them to take a certain action. Convincing others is all the more difficult in a competitive environment when there are others competing for the same resources. Here they may be tempted to promise anything in order to look better than the competitor and get the “buyer” to sign on the dotted line. The “hard sell” puts many people off. They do not want to be bullied into buying something they do not want or need. The “soft sell” – a more principled, diplomatic approach to sales – provides buyers with information and helps them make a thorough analysis and reasoned, careful decision.

Some strategies and tactics for business diplomacy

Table I lists some “dos and don’ts”, essentially strategies, for business diplomacy. This is not an exhaustive list by any means. Instead, it highlights some of the key recommendations for becoming a business diplomat. The list is divided into seven categories: values of principled leadership, leadership strategies, behavioral and personal tendencies, treatment of others, communication, participation, and interpersonal relationships.

The hallmarks of principled leadership and business diplomacy are treating people with kindness and respect and enhancing communication and participation in achieving common goals. When diplomats decide on a strategy, they decide that this is the approach or philosophy they are going to take. Tactics are how you go down that path, whether fast or slow, riding or walking, straight or winding.

A business diplomat can try different tactics. If one does not work, then another may. Alternatively, the diplomat may favor one tactic, maybe because it worked well in the past in another situation. The tactics fall into three categories:

Principled, diplomatic values

Hold honesty and trustworthiness as key values
Act with prudence and wisdom built on experience
Don't put personal needs above others' needs
Find and involve those who care about an issue
Recognize differences in opinions
Appreciate different ways of getting things done
Don't try to get what you want no matter what
Don't be driven by self-righteousness
Don't lash out when frustrated or angry

Leadership strategies

Be an advocate
Take time to identify alternative solutions
Lobby when you need to
Champion ideas
Put your foot down when necessary
Recognize the political context and work within it
Don't believe that kindness and empathy always work
Don't get angry; others will know they can control you
Emphasize gains when the other party fears loss
Voice caution when the other party acts precipitously

Behavioral and personal tendencies

Put aside your self-serving, machiavellian tendencies
Be willing to change and adapt
Recognize and let go of your biases
Recognize your and others' ulterior motives
Recognize your viewpoint
Be willing to give up or try another course of action
Be willing to relinquish power
Don't go into a situation with preconceived ideas

Treatment of others

Recognize what others want and need
Avoid alienating others
Show concern for others' feelings
Treat others with respect
Ask, don't tell people what to do
Don't threaten – act in a nonthreatening way
Don't go behind others' backs
Don't arouse hostility or anger

Communication

Disclose useful information
Explain issues and ideas to others as fully as you can
Be clear
Communicate frequently
Don't close off dialogue

Table I.

Some dos and don'ts in following a strategy of principled diplomacy

(continued)

Participation

Get advocates involved
Get input from different perspectives and constituencies
Ask others to resolve their disagreements themselves
Ask others who disagree with you for their opinion
Take time to collect all points of view
Don't act without asking or informing
Don't meet negative behavior with negative behavior
Don't manage by fiat
Don't be authoritarian

Interpersonal relationships

Invest in the relationship in terms of time
Be a team player
Be responsive
Remain cooperative
Be helpful; perform tasks beyond the call of duty
Promote organization image to those outside the organization
Give encouragement, support, and reinforcement
Be considerate
Be socially responsible
Don't close doors
Don't offend
Avoid being oppositional

Table I.

- (1) those that are fairly conservative, that is, the diplomat does not lose much trying them;
- (2) those that are risky for the diplomat; and
- (3) those that are somewhat shifty or dishonest and should be avoided.

These are listed in Table II and described below.

Conservative tactics

The trial balloon. Businesses often float ideas to see how stakeholders react. For instance, companies test market products and services before making a large scale investment. They may hire a person on probation to see how things work out. A temporary committee or task force may be established to develop an idea before establishing a new formal corporate division. In negotiating a labor contract, management may test the waters by making a tentative offer of labor. In dealing with conflict, a neutral party may suggest an idea to see if it might be mutually agreeable.

The advantage is seeing how others react before making a solid proposal. The disadvantage is that too many people may have time to digest and criticize the diplomat's ideas.

Systematically collect data and ideas. The principled, diplomatic manager may meet with all relevant parties to collect ideas, or announce to the

Conservative tactics

Trial balloon
Systematically collect data and ideas
Shuttle diplomacy
Round table discussions
Establish decision rules
Wait-and-see

Risky

Co-opt potential dissenters
Announce decision, but be ready to back off
Build coalition and move forward unilaterally
Make own perspective well known and lobby for it

Negative tactics

Machiavellian
Ingratiation
Creating a false impression; impression management
Withholding information that could influence the decision, negotiation, or conflict resolution adversely

Table II.
Principled, diplomatic
tactics

department or company that all ideas are welcome. In a department meeting, the boss may ask each person for his or her input. Or the boss may meet with each subordinate separately to get everyone's opinion.

The advantage is that everyone has a chance to be heard, and no one can claim that he or she was not asked about a decision before it was made. Also, data collected can be used to show the strength of support for an idea. A disadvantage is that people may feel that, while their ideas were heard, nothing was done about them.

Shuttle diplomacy. Shuttle diplomacy is meeting with each party separately and making the rounds over and over until agreements are achieved. An example is the product manager who meets with representatives of engineering, manufacturing, marketing, and finance to coordinate the development of a new product or achieve a breakthrough in a major disagreement about product design, resource needs, or delivery dates. Consider how this would work in a multinational company where components are designed in the UK, manufactured in Asia, assembled in South America, and sold in the USA, Canada, and Europe. The diplomat/manager would work with each party separately several times as the product and sales plan evolve, using air travel, cell phones, teleconferences, and e-mail.

Advantages of shuttle diplomacy are that the parties can share their ideas with the diplomat confidentially, and the diplomat can explain ideas and perspectives in ways that are understandable and timed to fit their mood and feelings. A disadvantage is that the process takes considerable time and energy on the part of the diplomat and may not bear fruit for a while. The parties may tire of visits from the diplomat or may be inflexible because they do not hear from other parties directly to more keenly grasp their viewpoints.

Round table discussions. “Coming to the table” is the most common form of negotiation. In orchestrating a principled, diplomatic negotiation, decision, or conflict resolution in business, the manager may invite all parties to a meeting. Or the manager may form a task force to work on the issue and keep the group together until the problem is solved or the decision is made. The manager may facilitate discussions that get all ideas out on the table, identify points of common interest, clarify disagreements, and look for compromises around areas of mutual interest. Participants must be willing to devote the time to the meetings. Also, the participants must be the actual decision makers. If some or all of the parties merely represent the decision makers and do not have decision-making authority, then the decisions may be delayed or nothing may happen at all and the entire process may be for nothing.

The advantage of round table discussions is that all parties are present at once so the issues can be hashed out and something can get accomplished. The disadvantage is that the session may dissolve into heated disagreements as participants try to save face and maintain their power in front of others.

Establish decision rules. As the diplomat begins the initiative, whether through shuttle diplomacy or committee work, the first step may be establishing the rules of interaction. Here the focus of the participants is on how the diplomatic process will work. The diplomat suggests the rules, and the other parties discuss them until they agree. This is hard to do if everyone is not in the room at the same time, for instance, when people are communicating via e-mail or telephone or in shuttle diplomacy meetings. Nevertheless, establishing the ground rules up-front can be valuable in making things work smoothly in the long run. So, for instance, members of a committee or task force can agree to be at meetings on time, not be interrupted by phone calls to do other business, and not interrupt others when they have the floor. They may agree to make decisions by majority rule, or not reach decisions until there is 100 percent agreement.

Advantages of starting out with a set of rules is that the rules facilitate group process, and the group begins by agreeing on something. A disadvantage is that the rules do not work, perhaps because members do not abide by them. In this case, there is a need to have a process discussion at various points in time to review whether the rules are working, revise them, or get recalcitrant members to re-commit to them.

Wait-and-see. Delaying is another diplomatic strategy. Sometimes problems are best resolved on their own. Others take care of themselves, and there is no reason to get involved. If a problem lies around for a while, it may seem less important later. Of course, managers may be tempted to get involved because they have a chance to exert control, show others who is boss, or demonstrate that they can be an effective facilitator or negotiator.

The advantage of wait-and-see is that it may prompt others to realize they are responsible for their own actions and for resolving their own problems. The disadvantage is that the problem may fester or a decision may be delayed while the competition gets a leg up on the firm.

Risky tactics

Co-opt potential dissenters. Cooptation is trying to get others on the diplomat's side, especially those who are, or could be, your opponents. Businesses do this when they make merger deals with competitors. They make the deals sweet enough for cooperation to be in the competitor's best interest. Corporate leaders use co-optation when they appoint committee members to make a decision. They want to get people involved so they will be committed to the outcome.

The advantage of cooptation is that potential opponents see other perspectives when they have some responsibility for decision making. Their role is no longer just to criticize but to accept accountability for decisions and their consequences. The disadvantage, and the reason why this is a risky tactic, is that it may backfire. The critics may refuse to be part of the decision process or, worse yet, they may participate and then undermine the effort. They become nay-sayers who thwart constructive suggestions and prevent the group from making progress. Peer pressure within the group may take care of this. The group can ostracize the dissenting member or members, maybe meeting without them, withholding information from them, or just not speaking to them unless they need to. If there are too many of them, they may overpower the group using their own peer pressure to get what they want.

Announce a decision, but be ready to back off. This takes the trial balloon tactic one step further. Here, diplomatic managers make the decision according to their best judgment and announce it along with a full explanation and rationale. Then they step back and wait for the reaction. If their opponents take a stand and lobby forcefully for another decision, then diplomatic managers can decide whether or not to back off. The compromise position forces opponents to follow suit and compromise lest they appear intransigent or take the blame for preventing progress. The key to this strategy is that diplomatic managers should be willing to back off from their original choice. They cannot be so committed to it or so caring about how others see them that they cannot back off when necessary. Politicians are expert at this tactic, but it does not always work. Some are criticized for not having any position or for trying to please all audiences.

When the CEO makes a decision, the corporation follows suit. Only the board of directors can say no. So reactions to the decision, at least within the company, may not be easy to discern. This is different when the decision affects parties outside the company, for instance, a price or product design decision that affects customers, a decision on locating a plant that affects community members and environmental interest groups, or a decision about hiring a new top executive that generates reactions in the industry and among stockholders.

Build a coalition and move forward unilaterally. Another diplomatic tactic is for managers to find those who agree with their position and take action. Diplomacy here is building the coalition. An extreme example is when a group of top managers joins forces for a leveraged buyout of their company. A less extreme example is when a group of employees organizes a holiday party at a

place they want even though they know others want something else. Someone takes the initiative and runs with it. If others do not want to come along, then so be it. This works when there are enough people in agreement to move ahead.

The advantage to this approach is that things happen. The disadvantage is that this does not do much to build a sense of team. Cooperation on other work and social activities may be hard to come by in the future.

Make a perspective known and lobby for it. Here diplomats go on the offensive. They let others know where they stand, provide cogent and forceful arguments, and present their position every chance they get. For this to work, diplomats need a good strong argument and the energy and aggressiveness to drive it forward. Others may join forces and help, or they may not.

Negative tactics

Some influence tactics are less than savory. Yet they may work, and unscrupulous managers use them regularly. Managers with integrity may be tempted on occasion because these tactics are expedient. Also, they may use them in frustration when nothing else works. These tactics are contrary to the spirit of diplomacy.

Machiavellian tactics are self-serving. One example is ingratiation, which is flattering others and leading them to believe that the diplomat is all-wise and knowing. Another is deliberately creating a false impression by providing wrong information, withholding important information, or saying something that just is not true. Back stabbing – saying negative things about others and deriding their ideas and opinions – is yet another negative tactic.

In summary, there are conservative and risky diplomatic tactics. Which works best will depend on the situation and the diplomatic manager's ability. The idea behind business diplomacy is to build effective working relationships, essentially creating a culture where people are open to dialogue about new ideas and willing to try new initiatives. Principled, diplomatic actions, when applied and rewarded in the organization, can create an organizational culture of open and honest communication, mutual understanding, involvement, and cooperation.

Goals for process and outcomes

Goals of principled leadership and business diplomacy can be divided into process and outcomes.

Process goals include:

- working together in the spirit of cooperation and, in the process, avoiding coercion, threat, and other negative interactions;
- keeping communication open;
- remaining flexible;
- suggesting, and being open to, new ideas.

Outcome goals include:

- achieving positive outcomes;
- being unanimous or at least arriving at a consensus;
- ensuring some stability, that is, agreements that last;
- improving interpersonal competencies;
- establishing a team identity (participants feel part of a relationship and can be relied on to pull together in the future);
- fostering continued positive relationships to deal with future dilemmas, disagreements, and deals (the development of a new culture of relational empathy).

The results of the diplomatic effort can be measured against these goals. That is, were the goals accomplished?

When principled leadership and diplomacy fail

Principled leadership and diplomacy will not always work out. However, this can be a learning experience. When diplomacy sours, perhaps because other participants are continuously intransigent, uncooperative, or uncommunicative despite best efforts, diplomats can aim for small gains of which they can be proud. In the long run, maintaining a diplomatic stance, being approachable and open to new ideas and maintaining respect for others, will pay off. Diplomatic managers will develop a reputation for being trustworthy and honest, yet not someone of whom others can take advantage. So in future conflicts or negotiations, they may be sought after as a voice of reason or looked to for effective mediation.

However, principled leadership and business diplomacy are likely to fail when the context does not match a diplomatic style. For example, being diplomatic is hard when others with whom diplomats have to interact are powerful and want to have their way. Diplomats can try the following:

- change their behavior (give up diplomacy);
- withdraw;
- wait and see if situation changes; wait until situation is more favorable (cannot always do that – may be too risky);
- try to be diplomatic anyway;
- change the environment. Bring in others who have different expectations and sources of power. Start talking about a superordinate goal – one that all parties think is important;
- let diplomacy evolve. People will get used to it and start to be more diplomatic over time, especially when it is rewarded in the organization.

Thus, to a certain extent, diplomatic managers can make the situation conducive to diplomacy over time.

Some suggestions and cases

To conclude, here are some recommendations for making diplomacy more effective in an organization:

- (1) Establish a diplomatic organizational culture. Establish a diplomatic climate within the organization and make it clear that the organization's style of operation is diplomacy – as opposed to aggressive, cut-throat management, stand-offishness, and a closed-door/unilateral approach to viewpoints and decisions, to cite a few negative management styles.

Expect that executives, managers, and indeed all employees will act in a diplomatic fashion in dealing with each other, especially in handling tough problems, important decisions, conflicts, and sensitive negotiations in dealing with each other within the organization and in dealing with various constituencies outside the organization (customers, suppliers, regulators, competitors, etc.). Evaluate, reward, and promote people who are business diplomats. Include diplomacy as part of managerial competencies. For instance, let managers know that they are expected to behave diplomatically, measure diplomacy on the performance appraisal, and reward managers who are high in diplomacy.

- (2) People in a leadership position, especially, should demonstrate business diplomacy in their dealings with subordinates, peers, supervisors, and customers and, in the process, show others the value of business diplomacy.
- (3) Diplomatic managers should take time out to think about how well the diplomatic process is going. The press of daily business does not always give people the time to reflect on the effects their actions are having on others. So diplomats should try to process the experience. For instance, during a negotiation, they can stop the discussion and ask the participants to think about what they are doing and saying. Taking a step back like this may help people realize that they are being argumentative or inflexible, for example. Also, consider the ways that people are working together. Are they listening to and coaching each other or talking at each other, without hearing and reacting to what is being said? How are their emotions affecting their thoughts and actions?
- (4) Learn from mistakes. Do not expect success 100 percent of the time. Do not overuse diplomacy or one diplomatic strategy. Do not get arrogant about being a diplomat. Indeed, arrogance does not fit a diplomatic style. Know when to back off, and do not feel too badly about it.
- (5) Let diplomacy become a way of life. Be a diplomat off the job as well as on. In this way, diplomacy will become a natural way of interacting with people.
- (6) Learn to manage crises in a diplomatic fashion. Ways to do this include:
 - keep objectives limited (do not expect too much too quickly);

- decide how far to go and stick to that; while flexibility is important, diplomacy does not mean giving in to all demands;
- creep up carefully on the use of power and authority (do not resort to using power when things get the least bit frustrating);
- widen the community of those concerned (show that other people care too).

Case examples

(1) *Changing others' opinions.* Joan, the director of the evening news at a local TV station wanted to move up story deadlines. In particular, she wanted all video-taped stories to be available 30 minutes earlier, so she could do a better job of programming the six and ten o'clock news broadcasts. The reporters and their crews understood the new plan, but the editing room people felt that they could not meet the new deadline without spending considerable sums on increased staff (two more people) and some new equipment. They wanted to know who would bear the cost. Even if the money could be found for the staff and equipment, they were worried whether they would be able to do the same quality job with the tighter time line. They held one meeting after another to examine the editing operation. Sherman, the news editor, felt that his professionalism was being compromised. Meanwhile, Joan kept insisting that something must be done and that as far as she could see, Sherman was being inflexible and unreasonable. She complained to her boss, the station manager, who asked that they work out their differences without incurring added expense. What could Joan do?:

- tell Sherman that she understands his position and the reason for his concerns and do whatever he feels will work;
- give her boss an ultimatum – either Sherman goes or she does;
- try to reach a compromise with Sherman: maybe push back the deadline by 15 minutes instead of 30 minutes;
- get the reporters and the crew to back her up;
- ask the reporters to get their stories in an hour earlier so Sherman has more time.

Trying to reach a compromise is one diplomatic solution. Another is to ask the reporters to get their stories in earlier. Diplomacy is not necessarily the easiest, most obvious, or most expedient solution here. In the long run, though, it is likely to develop harmony and teamwork, while a more direct but confrontational or aggressive solution will provoke anger or resentment.

(2) *Demonstrating value.* George, a manager in a manufacturing company's marketing research division, found that the sales department was not using available forecasting information to predict an upturn in sales. Had the sales managers done so, the manufacturing department would have been ready to meet the demand. As it stood, the company lost some key sales, and even had to

suggest that customers buy from a competitor to meet their needs. George felt that he had suggested many times to the sales managers that they should take advantage of sales data, and he would be happy to work with them to develop forecasts. They preferred to do their own forecasts based on their own sources of information. What should George do?:

- provide the information to the CFO and COO to show that the sales department is not doing its job by taking advantage of forecasting data?;
- meet with sales managers to communicate what data are available, show how they could be used, and help them use them in the future?;
- give the data to the sales department and let them draw their own conclusions – and hopefully realize the value of the data?;
- not say anything to anyone and let the sales department suffer the consequences it deserves?

Letting things continue as they are would be the easiest path. Going to a higher organizational level would threaten the sales department. Helping them use the data would take time and would require convincing them that the data are worth something to begin with. Yet this solution would likely have lasting value for the company while it built respect for the research department.

Dealing with such people can be exasperating. It is not surprising when tempers flair. It takes a real diplomat to maintain calm, be objective, and have a sense of empathy and kindness. Here is an example:

(3) *Dealing with a performance problem.* Sharon, the new finance vice-president of a manufacturing firm, felt that Frank, the director of stockholder relations, was not working hard or smart enough to look for efficiencies and reduce costs while improving the company's image with the stockholders. She wanted the stockholder relations department to be more innovative, and she resented the director's bureaucratic, legalistic mentality. Sharon came away from each meeting with Frank more and more frustrated by his resistance to change. Frank's standard response to every suggestion was "That's not the way we do things around here."

Sharon felt that Frank had been in his job too long. He was resting on his laurels and trying to do things the easy way. He was obstinate and uncooperative and seemed to resent the way the firm, and Sharon in particular, had been treating him. He offered to retire if the company came up with a rich golden parachute, but Sharon would be damned if she paid him to leave.

At one point, Sharon wanted to move the stockholder relations office from its location in the city's financial district to the headquarters building in a suburb. This would increase integration with the other parts of the finance department. Predictably, Frank resisted this as well, arguing that there was no room in the headquarters for them to work efficiently, and anyway they needed to be near the financial markets to serve the investors. Frank let the employees know of the impending move, and Sharon was inundated with e-mail from employees

arguing why this move was a bad idea. Frank was angry and frustrated. He resented the director's negative, independent attitude. How should Sharon react?:

- force the department to move?;
- reassign Frank to another, less prestigious job and find a more cooperative person to direct the department?;
- back off, and let Frank do just what he had been doing?;
- let the department stay where it is, give them the mandate to improve, and leave the rest up to them?;
- explain to Frank that there was a need to improve service, and he had better get with the program or he would be transferred?;
- hold a group meeting with Frank and his employees as a group to discuss the idea of the move and be sure they understand the need to improve their operation?

Diplomatic managers might be tempted to force the move, to be done with it and show Frank and everyone else who is boss. Moving Frank to another position would certainly incur his wrath as well, and probably lead to more performance problems. Backing off would be OK. It would not change things in the long run, but it would eliminate an immediate problem. The trick here would be putting Frank out of your mind.

A principled, diplomatic strategy would be to put the burden on Frank. Be sure expectations are clear to everyone, and make Frank accountable. Add to this a private word with Frank that he had better get with the program, but this would, no doubt, make him angry even though it may be satisfying. Try a more participative approach, meeting with Frank and his employees.

(4) *Changing the organization's culture.* A top executive who adopts a principled, diplomatic style can work wonders to change the organization culture. But it is not easy. Take the case of Dr Mary Marcus, a new hospital chief operating officer (COO) of a large city hospital in a major metropolitan area. Coming from a smaller suburban hospital, Mary found this new facility to be a veritable hornets' nest of problems. Hospital finances were in the red, all resources were tight, and there was a need to cut back. The facility's infrastructure was crumbling. Medical units were overflowing with patients, and many medical units were in small quarters. The patients and staff were from diverse racial and ethnic groups. The employees' union was strong, and there were several highly vocal community advocacy groups. While the staff worked hard, patients and family often complained about poor customer service. Satisfaction surveys and outcome data indicated that the quality of medical care was excellent. But there were numerous complaints from patients and families about poor customer service including rude treatment, long

waiting time, constantly busy telephone lines, ridiculous rules, and wrong information. Overall, Mary found the hospital to be a bureaucratic, fear-ridden, and distrustful organizational culture.

Mary's desire was to create a humane environment. This was a hospital dedicated to health and human service, after all. Mary's premise was that if the staff members were happy, then the patients and their families would be too. The key to making the staff happy was to treat them with respect, help them to recognize that they have a stake in the institution, and get their involvement in making changes. Mary spent her first few weeks on the job visiting departments and meeting the staff. However, she did not believe in managing by wandering around. This does not get things done, in her opinion. But in this context, the staff, especially below the physicians, were impressed with Mary's approachability and willingness to take the time to introduce herself to them and ask about what is going on. This was in sharp contrast to the former COO who was a distant and formal guardian of the bureaucracy.

Within her first two months on the job, Mary hired a survey consulting firm to conduct focus groups of employees and community members to get some data on what needed to be changed the most. This gave people a voice, but it also presented a challenge to show that she would use the information to make changes. Her intention was to focus on the big picture while she dealt with the innumerable details of the job. Also, she strove to maintain a cutting-edge enthusiasm rather than get mired in routine and bureaucracy.

The principles of total quality improvement would work well here, she felt. These centered on involving employees to improve some important and visible work processes and make a difference to the staff and patients. Mary established several teams to work on new scheduling, lab, and emergency room procedures. A committee on visiting hours involved representatives of the community groups. Also, Mary felt that making improvements in the appearance of the hospital would make a difference. She found the money to reconstruct the hospital's main entrance, transforming it from a place that was dark, forbidding, and hard-to-find into one that is welcoming and easy-to-find with helpful service representatives and useful signs. Mary believed that regular communication with all parties would be important. Also, Mary felt that the union was not an adversary but a stakeholder in the hospital. She treated the union as an integral part of the operation, shared financial data with the union representatives, and got them involved in the quality improvement groups.

This took time. Mary felt it would take five to ten years to really make a difference in the place. She recognized that there would be many frustrations along the way. It required being open to differences in attitudes and beliefs. The cultural context of the patient is critical in health care, and Mary was open to respecting and accommodating different religious practices, despite the costs and inconvenience. Mary did not have preconceived ideas. She was flexible and

willing to negotiate to make change happen. She believed that the staff members would not improve customer service unless they were treated with respect and dignity.

Communication and participation were key elements of her leadership style. Her strategy was to take time to identify solutions, champion ideas for change, and be a role model for participative management. Over time, her values became clear to the staff and community groups. She understood and appreciated differences in values and remained open to new ideas. She did not let her personal biases get in the way of change. Nor was she a powermonger. She did not feel threatened by vested interest groups, and she did not see involving people in decision making as relinquishing control. Also, she did not shy away from conflicts, and there were many.

All this was not a smooth process. But Mary had a dynamic, can-do attitude that was engaging. Also, she came along at a time when the institution had hit rock bottom. People were tired of despair and desperate for change. Fortunately, the economy was picking up and city finances were in better condition than they had been in a number of years. Moreover, Mary had the strong support of her boss, the hospital's chief executive officer, and the city health and hospitals department.

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