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Transforming executives into corporate diplomats: The power of global pro bono service



Philip H. Mirvis^{a,*}, Stephen T. Hurley^{b,1}, Amanda MacArthur^{c,2}

^a Private Consultant, 28 Water St., Ipswich, MA 01938, United States

^b Solutions Insights, Inc., 6 Chickadee Lane, Westwood, MA 02090, United States

^c PYXERA Global, 1030 15th Street NW Suite 730 East, Washington, DC 20005, United States

Chevron launched its “We Agree” campaign in October 2010, with the slogan, “It’s Time Oil Companies Get behind the Development of Renewable Energy.” A series of print and online ads, as well as 30-s YouTube commercials, were posted speaking to the need for oil companies to, for example, support small businesses and communities, hire local labor, or put profits to good use—each with evocative images of indigenous communities and workers, mothers carrying small children safely in their arms, or alternative energy projects. The ads were stamped with Chevron’s “We Agree” statement in bold red type. The company’s “We Agree” website today provides more details on Chevron’s actions in these regards and invites comments and feedback from the public.

What is behind this campaign? “We hear what people say about oil companies — that they should develop renewables, support communities, create jobs and protect the environment — and the fact is, we agree,” says Rhonda Zygoeki, vice president of Policy, Government and Public Affairs at Chevron. “This campaign demonstrates our values as a company and the greater value we provide in meeting the world’s

demand for energy. There is a lot of common ground on energy issues if we take the time to find it.”

DO YOU AGREE? COULD YOU DELIVER?

Now imagine you are an executive of Chevron or another oil major (or any big global business). Would you understand what the public expects of your company in each of these areas? Would you be transparent about what has (and has not) been accomplished? Be ready to answer to critics and to NGOs that function as corporate “watchdogs”? And, most critically, would you have the diplomatic know-how, connections, and experience to ensure that your company supports small business or invests in renewables or whatever else it promises to do? Let’s dig into each of these topics.

Supporting small business?

When a country exploits its natural resources, such as oil and gas, its currency and exchange rates typically get stronger, but its other industries and exports decline for lack of development. “Dutch disease” refers to the resulting loss of local businesses and skilled labor. Is there a remedy? An international NGO, PYXERA Global, brought together BP, ExxonMobil, Chevron, TOTAL, and the Angola state oil company, Sonangol, to create the Centro de Apoio Empresarial (CAE) that provides supplier training and business support to

* Corresponding author. Tel.: +1 978 356 8742.
E-mail addresses: pmirv@aol.com (P.H. Mirvis),
shurley@solutionsinsights.com (S.T. Hurley),
amacarthur@PYXERAGlobal.org (A. MacArthur).

¹ Tel. +1 781 686 1607.

² Tel. +1 202 530 7690.

local firms wanting to bid for, and win, contracts with oil companies. To date, over one thousand local companies are registered with CAE, and over 10 percent have completed EHS (environmental health and safety) certification. Chevron recently sponsored a business plan competition for small firms with the winners awarded contracts.

Operating in this kind of milieu, company executives have to work with counterparts in other firms, international NGOs, myriad small, local businesses, plus regional officials and a national government to arrive at agreeable policies and practices. Are you prepared for this?

Supporting communities?

Chevron has for years been fighting a lawsuit that Texaco, acquired by Chevron in 2000, dumped more than 18 billion gallons of toxic wastewater into the Ecuadorian Amazon rainforest from 1964 to 1992, leaving local people suffering from an epidemic of cancers, as well as miscarriages and birth defects. In Ecuador's courts, some 30,000 indigenous villagers and campesinos were awarded a \$9.5 billion judgment in a class action suit after 20 years of legal battles. Chevron thereupon countersued 47 villagers (named as plaintiffs), and New York-based human rights attorney Steven Donziger, who had advised them in their winning claim, on grounds of conspiracy to extort the company.

On March 4, 2014, a U.S. District Court ruled that the \$9.5 billion Ecuadorian judgment was a product of fraud, bribery, and racketeering—and dismissed it. But this is not the end of the story: cases filed in Canada, Brazil, and Argentina have yet to be adjudicated and the NGO Amazon Watch is now trumpeting the ruling as a “mockery of justice” on its chevrontoxico.com website. How does an executive make the case that Chevron (or any other company) supports local communities in a toxic environment like this?

Renewable energy?

Industry analyst Antonia Juhasz reports that BP holds the record for the highest percentage of expenditures oil companies commit to renewables (peaking at 6.5 percent in 2008 before BP sold off its U.S. wind business and some solar operations to help pay for the Gulf cleanup). Chevron and Shell follow at highs of 2.5 percent. But since 2008, Chevron's spending on renewables has dropped annually and was less than 0.5 percent in 2013. A May 29 2014, *Business Week* article entitled “Chevron Dims the Lights on Green Power” reports that the company has sold off or closed many of its renewable business units. Why the pullback? It turns out that renewal energy investment isn't nearly as profitable as hydraulic fracturing (aka ‘fracking’).

In today's cynical and social-media saturated environment, whenever your company touts its good intentions, somebody is bound to turn on you. Chevron's “We Agree” campaign was targeted by the activist group The Yes Men, which teamed up with the Rainforest Action Network and Amazon Watch to erect a fake website proclaiming that Chevron “agrees” oil companies should “fix the problems they create” and “clean up their messes.” These protest groups then announced an online contest for print, web, and TV ads satirizing what they termed Chevron's “greenwashing” Hundreds of submissions poured in

and were posted online and even pasted up in cities nationwide. The fake ads variously featured oil spills (“oil companies should stop pretending they care”), downtrodden locals (“oil companies should stop poisoning children”) and even Lord of the Ring's Golem slaving over oil (“we wants it, we needs it, must have the precious”). One contestant's advert read simply, “Chevron must think we're stupid!”

To its credit, Chevron eschewed a litigious response to this brand-jacking but also never answered its critics with full disclosure — facts and figures, warts and all — about its community investments, environmental performance, spending on renewables, distributions of profits, and the like. What should a business leader do?

A NEED FOR CORPORATE DIPLOMACY

The world of Chevron is riddled with complexity. Richard Edelman, president and CEO of the world's largest public relations firm bearing his name, helps companies to cope with global complexity. (His firm monitored reaction to Chevron's “We Agree” website and campaign.) Edelman points to the need for businesses to engage in “private-sector diplomacy.” He explains, “Private-sector diplomacy bespeaks a different kind of role for business in society... a kind of diplomatic role in speaking to multiple kinds of stakeholders.” He adds, “This is an ongoing conversation... we also have to be much more transparent about how we're doing and what we're doing.”

Speaking of national diplomacy, Winston Churchill once quipped, “Diplomacy is the art of telling people to go to hell in such a way that they ask for directions.” But in today's environment, no business executive can artfully tell a national government, labor union, global NGO, community activist, media critic, or any other stakeholder “where to go”. On the contrary, corporate diplomacy requires engagement, two-way conversation, transparency, and hopefully win-win negotiation with a mix of interests. Ulrich Steger, author of *Corporate Diplomacy: The Strategy for a Volatile, Fragmented Business Environment*, defines corporate diplomacy as “an attempt to manage systematically and professionally the business environment in such a way as to ensure that ‘business is done smoothly’”.

Are business leaders ready for corporate diplomacy? Richard Haass, president of the Council on Foreign Relations, stresses that corporate statecraft cannot be handled out of “small office” or led by “some vice president for government relations (who) calls a congressional staffer when he's got an issue.” Instead, he says it is now “intrinsic” to the workings of business and that “every person in the company — certainly the upper echelon of leadership — needs to take this into account...” Let's look at factors reshaping the corporate operating environment and putting diplomacy at the heart of business. Then we will delve into what some leading companies are doing to transform their business executives into diplomats.

THE NEW OPERATING ENVIRONMENT

The business world has come a long way from Milton Friedman's 1970s assertion that the only responsibility of business is to provide a return for shareholders. Twenty-first century

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