When businesses must talk politics

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Entrepreneurs have to work within the boundaries set by political powers, so executives must have a firm grasp of which ideologies shape their environment.

Business interests and political power both influence each other. As such, entrepreneurs and executives must stay abreast of the changes in the political structures that surround their organizations and businesses.

In his book on the tricky relationship that exists between executives and politics, IESE Prof. José Ramón Pin looks at changes in political structures, and offers executives ideas on how to avoid problems related to ideologies, and even how to take advantage of them.

According to Pin, politics affects day-to-day entrepreneurial activity. But entrepreneurial activity affects society at a cultural level, which, in turn, affects politics.

Despite their influences on each other, the two are worlds apart. Companies, for example, are enslaved by the balance sheet — a periodic control system applied annually, quarterly and even daily in times of crisis, to determine which decisions are to be made. Politics, on the other hand, is at the mercy of electoral terms, which generally last four years and are shortened only in times of major crisis.

With such opposing dynamics, entrepreneurs must be familiar with the current situation and make forecasts about future political conditions and their consequent impacts on the business organization.

To do this, three types of knowledge are needed: abstract knowledge about future ideological trends; practical strategic planning for potentially difficult political environments; and current knowledge of the political structures in place.

Ideological tsunamis

What creates an ideology? Pin uses the tsunami metaphor to explain the process.

An ideology revolves around a group of academics or activists that form an intellectual core. This intellectual core acts much like a seaquake, heating up the underlying magma through publications in industry magazines and academic journals.

At a given moment, the flashpoint is reached and the explosion topples everything, just like tsunamis. This is when we start to see one or more proponents of the ideology publishing a book that becomes a best seller.

In the 20th century, there were three successive political tsunamis within Western democratic culture: Keynesianism, the liberal theory of Friedman, and Giddens' Third Way.

Entrepreneurs and executives must understand these ideologies in order to prepare themselves for the ideological epicenters of the future. They must also adapt to the various moments of ideological development: the epicenter, explosion and decline.

How business and politics relate

The relationship between entrepreneurs and politics revolves around three perspectives: short, medium and long term.

In the short term, it is wise for a company to make pacts with the political powers that be, so as to ensure its own survival.

In the medium term, it can contribute to the rise of political groups whose proposals are more in line with the company's overall viewpoint.

One way to achieve this is by financing political parties. Companies have economic power and can use it to help those with similar interests come into political power. In these cases, law becomes central to the relationships with parties. Disregarding it, even if the law in question seems unfair, is risky.

Another option is to work on getting these laws changed, or any others that the entrepreneur considers harmful to the interests of a particular organization, a sector or companies in general.

To influence legislation in the medium term, lobbying is often used to build relations with the legislature. This involves getting involved at the stage where laws are drafted, so businesses can avoid undesirable regulations and promote their own interests.

In the long term, it means influencing the creation of ideological epicenters, so that the next tsunami is in line with the interests of the entrepreneur or executive.

Communication companies are particularly responsible for the strengthening of political tsunamis. Entrepreneurs must consider the option of financing them when it comes to approaching their long-term relationships with the political powers that be.

The guggenheim example

The building of the Guggenheim Museum in Bilbao is one example of how politics can influence a company and vice versa.

When Thomas Krens was considering building a Guggenheim center in Europe, he initially considered Salzburg as the location. But Krens, the former director of the Solomon R. Guggenheim Foundation, encountered political obstacles.

Relations between federal, regional and municipal leaders were less than ideal. The chancellor and the mayor were socialists, but the regional governor was a conservative and apparently not interested in modern art.

The green party was opposed to building a museum on Mönchsberg mountain, due to its environmental impact.

Other political parties argued that Salzburg did not need a museum to attract visitors. The city is already famous for its music, and it just happened to be gearing up for the 200th anniversary of the death of Mozart (1991).

Things got further complicated with the fall of the Berlin Wall and the ensuing displacement of people from the East.

Meanwhile, over in Spain, the Basque Country was striving to revitalize its economy. It allocated funds to transform Bilbao into a global financial and cultural hub.

One of the political parties, the Basque Nationalist Party, was banking on a Guggenheim

Museum in Bilbao as part of this transformation. Krens seized the opportunity, and the museum is now a huge tourist attraction for Bilbao and an important source of income for the Guggenheim Foundation.

Ethical considerations

A company's relationship with the world of politics could change as a result of corruption. To avoid that scenario, entrepreneurs must build their relationship with politics around certain ethical criteria.

Obviously, it is always possible to make ethical and legal decisions, and one must never engage in unethical or illegal acts. But what happens when an organization encounters acts that are ethical yet illegal, such as helping to overthrow a tyrant? Or legal yet unethical, such as selling arms to a country that will carry out what the seller considers an unfair attack?

In questionable situations like these, the best option is to seek outside advice, which is likely to be more objective.

When doing so, it is important that the outside adviser is well versed in entrepreneurial issues, and capable of resolving moral dilemmas.

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