

# **Research Proposal**

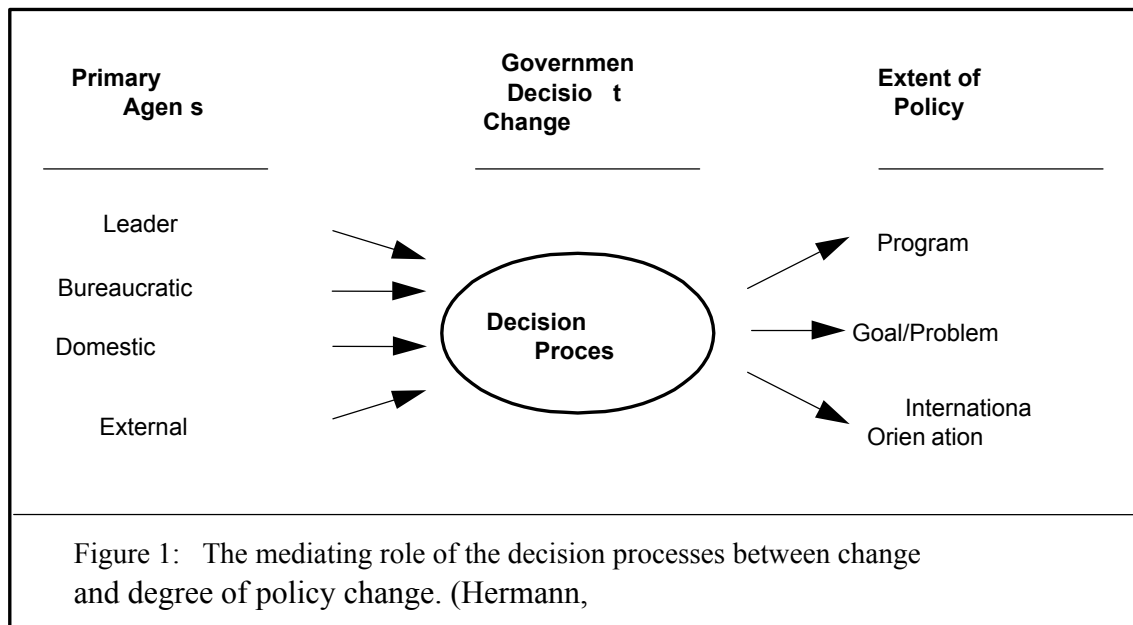
**Dr. Kevin J. Cooney**  
**Marketing & Management Track**  
**Bridge to Business Program**  
**Hough Graduate School of Business**  
**Warrington College of Business Administration**  
**University of Florida**  
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As a researcher, I am primarily interested in decision-making processes. As a professor of political science I have primarily studied foreign policy decision-making. In this Bridge to Business program and beyond I hope to apply foreign policy decision making models to corporate decision making, specifically the decision to restructure corporate policy in the face of political threat or challenges. To this end I hope to begin with a couple of case studies of how Israeli companies have handled at a decision-making level the various political divestment campaigns waged against various Israeli companies and their foreign suppliers. This research would intersect both my political science and new business expertise.

I will be traveling to Israel at the end of May for two weeks (May 30-June 12) as a Fellow of the Foundation for the Defense of Democracies. While in Israel I hope to conduct interviews related to this research with a few select Israeli companies as a foundation for a larger ongoing study of corporate decision making in the face of political crisis. In this initial phase, I am particularly interested in how various businesses leaders in Israel and foreign companies doing business in Israel have dealt with the various (largely unsuccessful) "Divest from Israel" political campaigns. I am hoping to interview several corporate leaders as to how they have dealt with such political campaigns and in particular how they have kept relations with foreign based suppliers who have come under pressure to divest from Israel and thus them. I am principally interested in policy changes and the level of policy change employed by corporations to preserve themselves in face of hostile political campaigns.

The goal of this research is to develop a paper(s) for publication that will help businesses caught on both sides of politically sensitive situations navigate the politics, business partner relations, and public relations issues successfully. It would be helpful at this point to

understand what political science teaches us about crisis decision making and its applicability to the study of business decision making. One particularly useful model of foreign policy restructuring that has potential applicability to businesses in the face of crisis is a model developed by Charles Hermann (shown below).<sup>1</sup>



Hermann's model is concerned with the fundamental redirection of a nation's foreign policy. Defining the type of change or redirection is very important and Hermann deals with this through a four level graduated description of foreign policy change. The four involve increasing level of change: (1) Adjustment Changes, (2) Program Changes, (3) Problem/Goal Changes, and (4) International Orientation Changes. This last change involves a basic shift in the international actors' roles and activities in which not just one policy, but many are simultaneously changed. This typically, but not always, involves a shift in alignment with other nations or a major shift in the role that it plays within an alignment. In a business scenario this would involve a complete

<sup>1</sup> Charles F. Hermann, *Changing Course: When Governments Choose to Redirect Foreign Policy*, *International Studies Quarterly*, Vol. 34, (1990): 3.

rethinking and redirection of a corporate mission.

The first change, adjustment change, requires a change in the recipients of a foreign policy rather than a change in the foreign policy itself. In the business world this could apply to most corporate political crises where a simple adjustment in suppliers, minor policies, or market focus may solve the problem. The greater question here may be when is this the appropriate choice when faced with political pressure. The second change, program changes, requires qualitative changes and new instruments of statecraft, although the purposes stay the same. In the business setting this may reflect changes in corporate policy.

The problem/goal change requires the purposes of the original policy to change. In the business world this would require a business entity to engage in a wholesale effort to change its policies because the political situation has changed to such an extent that the old policies are now counterproductive to corporate goals. The fourth level of change, International Orientation change requires a complete change in allegiances. In the case of business this would require a corporation to completely change its corporate mission to something else. This type of change while it does occur is the least likely to happen and will not be a major focus of this study.

Clearly it is Hermann's second and third levels of change that are most applicable to business. For the purposes of this study and for the sake of consistency, business policy changes will be described in the same terms that Hermann uses. Program changes will be described as changes in means and goal problem/changes as changes in ends. As Hermann notes, the differences between means and ends are difficult to empirically define other than what has already been described.<sup>2</sup> As Hermann writes:

In program change, however, one would expect to find changes in the configuration of instruments, in the level of commitment, and probably in the degree of expressed affect.

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<sup>2</sup>Ibid., 6.

All these developments, plus policy statements and policy actions incompatible with prior goal or problem stipulations--if not open rejection of prior goals-- accompany goal/problem changes. International reorientation involves dramatic change in both words and deeds in multiple issue areas with respect to the actor's relationship with external entities.<sup>3</sup>

The conditions for change based on Hermann's research when applied to business are fourfold. First, domestic political systems may affect corporate foreign policy. For example, a) issues become a centerpiece in the struggle for power within the company; b) the attitudes and beliefs of a dominant domestic constituency (the consumer) undergoes a profound change; and c) a realignment occurs of the essential constituency of a regime, or a revolution or other transformation takes place.<sup>4</sup>

The second area is bureaucratic decision making or lower level decision making in the corporate world. This area of study examines the bureaucrats/lower level decision makers who work in government agencies or corporate offices to see whether their roles are to support or oppose changes in policy. It takes into account the variables of perception and personality. Political science teaches us that government bureaucrats can wield tremendous influence and can be extremely powerful when policy consensus can be reached among themselves. The question remains as to whether mid level business managers also wield such influence when consensus is reached.

The third area is cybernetics which is the science of communication and control<sup>5</sup> and deals with the agent. It attempts to monitor and examine a complex stream of variables over time. Hermann states that:

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<sup>3</sup>Ibid.

<sup>4</sup>Ibid., 7.

<sup>5</sup>*Oxford American Dictionary*, "cybernetics," New York: Avon Books, (1982): 212.

An essential feature of [cybernetic] approaches is that the agent, attempting to pursue some standard or goal, continuously monitors a select stream of information from the environment that indicates where he is in relation to that goal and how the relation has altered across intervals of time. The agent engages in incremental self-corrective action in an effort to close on the goal or remain in close proximity to the standard. This process accounts for the association of cybernetics with the concepts of information (feedback) and control (steering).

The elaboration of such a process would appear to be attractive for interpreting adjustment changes in policy. The system of control might also be extended to cover program changes as well.<sup>6</sup>

The area of cybernetics that Hermann notes as having the most promise for the understanding of foreign policy restructuring (and this study of business restructuring in politically driven crises) is the part that looks closely at the fact that agents deal with the highest priorities first.<sup>7</sup> For example, policy makers will likely focus on national survival and then move on to political survival, ideology, or personal goals. This is less enlightening in the case of business entities, but it is still important particularly when one compares the priorities of the different agents involved in the decision making process. The differing priorities of mid level career managers and senior level executives can take a corporation in two entirely different directions in the face of political crisis. A political crisis may cause senior managers to focus on personal survival whereas lower level executives may worry about their employment and thus focus on overall company survival.

The fourth and final area is learning. This area is defined by nations responding not out of principle, but out of some kind of reward or punishment. Change, Hermann notes, does not always imply learning.<sup>8</sup> In the case of business, learning can be seen as a causal feature for change. Businesses can learn from hard experience that the next time a political crisis occurs,

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<sup>6</sup>Hermann, 9.

<sup>7</sup>Ibid., 8-9.

<sup>8</sup>Ibid., 10.

that they need to be better prepared to respond in a way that would be acceptable to the community and commensurate with their business' status.

Hermann further develops his model by selecting from his review of the literature two things necessary to effect change in a domestic political system's foreign policy: first, there must be change in that system, such as the end of the Cold War, and, second, systemic change must trigger a change in the government's foreign policy, such as the passage in law in direct response to a political event.<sup>9</sup> For business this can be a change in public awareness surrounding a political issue and resulting regulatory changes by government that effect business. Major change according to Hermann "...depends on mobilizing sufficient specialized human talents to overcome or circumvent the organizational structures and processes committed to the maintenance of existing policy."<sup>10</sup> It is for this reason that most studies of foreign policy change center on changes in leadership or governments. New leaders or governments are often much better able to make changes because they can change organizations.

For this preliminary phase of the study I plan to focus on existing leadership as they deal with problems created by political campaigns targeted against them in which the business entity is not the cause of the political issue nor can the business effect change to the political issue in question. The business can only react and adapt to the new environment. It is for this reason that the political directed divestment campaign against Israel makes for a good case to study for several reasons. First, Israeli business and their suppliers/foreign customers had no control over Israeli government policy. They were forced to adapt their business strategies to an environment that they did not choose. Secondly, the politically driven divestment campaign against them was

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<sup>9</sup>Ibid., 10-11.

<sup>10</sup>Ibid., 11.

largely unsuccessful demonstrating that Israeli businesses and foreign entities who did business with them largely navigated the political minefield correctly.

What I propose to research in this initial study is to do a small  $n$  case study approach by interviewing the decision-makers of one or two Israeli companies and their foreign suppliers as to the process whereby they handled the political pressure and forces arrayed against them. I would like to focus on one of three possible industries aircraft, pharmaceuticals, or heavy equipment. I am currently working on contacts within each of these industries to see what is doable. The end result of this initial research would be a case study of the chosen business entity's decision making process in face of political events.

Questions:

1. Has this type of study been done before?
2. Is there a business literature in existence by which I may adapt the foreign policy restructuring theories to business decision making?