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Corporate Diplomacy Management

as a Competitive Advantage in
Challenging Times

Fabienne Beez

From insight to impact.

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Fabienne Beez, Dr

Head of DEKRA Representative Office Berlin, Vice President DEKRA Group

- Dr Beez has more than 15 years of experience in public and government affairs, regulatory strategy, and stakeholder engagement across industry associations and multinational companies.
- At DEKRA, she serves as a key interface between business, politics, regulation, and geopolitical developments across mobility, digitalization, defense, and sustainability. She is responsible for DEKRA's strategic positioning and external affairs agenda in Berlin. Previously, she served as Senior Advisor for national and European transport policy at Deutsche Bahn.
- She held positions at the Federation of German Industries (BDI) and Volkswagen AG and completed her dissertation entitled "Policy Formulation and Interest Representation: The Case of Setting CO₂ Emission Standards for New Passenger Cars in the European Union"



Abstract: This white paper examines the growing importance of Corporate Diplomacy in an increasingly fragmented geopolitical environment. It argues that Corporate Diplomacy has evolved from a practice associated primarily with large multinational corporations into a strategic management capability increasingly relevant to medium-sized firms. Rising defence spending, greater private-sector involvement in economic and foreign policy, regulatory requirements and hybrid threats are reinforcing this shift. The paper outlines how companies can integrate Corporate Diplomacy into their strategy through geopolitical risk assessment, stakeholder analysis, issue monitoring and strategic political communication, helping them manage risks while identifying new business opportunities.

Executive Summary

The evolution of Corporate Diplomacy into a strategic management approach

Corporate Diplomacy has evolved from an instrument primarily used by large, internationally active corporations into a strategic management approach shaped by external factors such as Corporate Social Responsibility (CSR) and globalisation. As a company's integrative foreign policy, Corporate Diplomacy operates at organisational interfaces, contextualising, translating and integrating both internally and externally.

The importance of Corporate Diplomacy in an increasingly fragmented world and its drivers

Russia's full-scale invasion of Ukraine in February 2022 has accelerated this development. For Germany, this means that the era of the peace dividend is definitively over. Given that economic dependencies are increasingly turning into instruments of power politics, political engagement for companies is no longer optional, but a necessity. Three key drivers can be identified. First, the substantial increase in the defence budget and the associated opportunities for small and medium-sized enterprises.

Second, the role of the private sector as a super-actor in supporting economic and foreign policy interests, as illustrated by their involvement in supporting Ukraine.

Third, regulatory requirements, compliance demands, and the growing threat of hybrid attacks on supply chains, require new adaptation strategies. In a nutshell: Corporate Diplomacy is becoming increasingly relevant to medium-sized enterprises in the face of growing geopolitical uncertainty.

Strategic and operational integration of Corporate Diplomacy

For companies, this means systematically integrating Corporate Diplomacy, assessing rather than merely monitoring geopolitical risks, and developing tools to increase efficiency and reduce resource requirements. This requires deploying resources in a smart and interconnected way. Tools such as issue monitoring, risk assessment, stakeholder analysis, and strategic political communication can support this process. The aim is not only to identify risks at an early stage, but also to make informed and sustainable decisions based on a clear situational picture - and to create new potential growth opportunities.

Corporate Diplomacy - Shaped by the Times

The significance of Corporate Diplomacy has evolved since the intensification of international economic activity in the 1960s and 1970s. Christian Herter, a former senior US diplomat and later a manager at Mobil Oil, defines Corporate Diplomacy as the "multilateral actions of corporations and the safeguarding of commercial success through the establishment and maintenance of strategic external relationships" (Herter 1966).

Multinational corporations became part of the political process, helped shape national policy, and acted as catalysts for international cooperation. They became involved in the decision-making process, even though the legitimacy of their involvement was not always clear. "Multinational corporations operate beyond the traditional boundaries of sovereign nation-state, yet they must coexist with these states and adjust to their rules and loyalties." In response to "questionable tactics to influence foreign governments", regulatory measures were also discussed during the 1970s (United States General Accounting Office 1978).

From the 1990s onwards, a key strategic response to growing corporate transparency was the emergence of Corporate Social Responsibility as a core dimension of Corporate Diplomacy (Steger 2003). As Carroll (1979, p. 500) states, "Corporate social responsibility encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time."

Globalisation in the wake of the late-2000s financial crisis marked a turning point for globally active companies and, by extension, for Corporate Diplomacy. It was accompanied by profound economic and social changes, as well as geopolitical shifts and conflicts. A further consequence was the increasing fragility and complexity within international institutions, alongside weakening their governance capacity (Titievskaja et al. 2020).

Also crucial in this context is the declining effectiveness of global governance, which is understood as a "system of rules, institutions, and practices that shape and constrain the behavior of actors in international politics" (Weiss and Wilkinson 2014).

This has far-reaching implications for the institutional order underpinning global governance. Here, Stephen (2025) identifies three forms of institutional adaptation: first, a decline in the scope of global cooperation; second, a shift away from formal global governance towards informal, flexible, and comparatively "low-cost" arrangements - in other words, a form of à la carte cooperation based more heavily on voluntarism and nonbinding frameworks; and third, a renewed importance of the regional perspective and of regional organisations (...).

Corporate Diplomacy became a part of strategic management theory – “Corporate Diplomacy summarizes and conceptualizes the wealth of experience that can be found in every industry and country, and develops a strategic and complementary toolkit that can help companies to deal responsibly and strategically with a fragmented, volatile, and to some extent, hostile business environment (...)” (Steger 2003).

Three dimensions (and values) of a company's foreign policy are defined: Legitimacy: do the chosen means of influence represent an appropriate exercise of corporate power? Consistency: is there a system in place to ensure that lobbying activities align with environmental, social, and ethical principles, internal corporate guidelines, and public commitments? Accountability: do companies take responsibility for their impact on public policy? Is Corporate Diplomacy credible? And does it create real added value, including through its functional distinction from Public Relations (PR)? (Henisz 2014).

An increasingly fragmented world extends the need for Corporate Diplomacy beyond large corporations

"(...) Europe must react to a world of less stable geopolitics, where dependencies are becoming vulnerabilities and it can no longer rely on others for its security. Decades of globalisation have produced a high level of 'strategic interdependence' between major economies, raising the costs of any rapid disentanglement." (Draghi 2024).

The growing importance of geoeconomics is well illustrated by the World Economic Forum's Global Risks Report 2015, which serves as a useful barometer: in the tenth year of its publication, it showed a shift away from purely economic risks towards more pronounced environmental and geopolitical risks. The Deloitte Geoeconomic Dynamics Index 2026 identifies a pattern of “fragmented globalisation within the Western world and new centres of integration in the Global South”. “Europe is particularly exposed and is responding with a dual strategy: greater integration within the single market and greater external diversification” (Deloitte 2026).

With Russia's full-scale invasion of Ukraine on 24 February 2022, geopolitical challenges intensified further – and with them, the drivers of Corporate Diplomacy. Key factors here include massive budget increases to ensure defence readiness and overcome the investment backlog from the era of the peace dividend, as well as the importance of cooperation between the state and companies in supporting Ukraine – including with a view to reconstruction. In this context, the range of companies involved is also diversifying. The Federal Association of German Defence and Security Technology (BDSV) alone has seen a massive increase in membership: whilst there were around 120 member companies on 1 March 2022, there are now according to the BDSV – in mid-2026 – 610 members, 80 per cent of which are small and medium-sized enterprises.

Corporate Diplomacy, whether applied directly or indirectly, is therefore no longer merely a phenomenon confined to large, internationally active companies. It is not only about rearmament; it is also about longterm security policy stability, the protection and resilience of critical infrastructure, defence against cyberattacks, and, not least, the assumption of social responsibility through effective civil defence.

In Germany, a strategic shift in the automotive industry can also be observed in this context. Production capacities, engineering and manufacturing expertise, as well as expertise in digitalisation and autonomous mobility, have the potential to be used in the defence industry. This includes, for example, the development of adapted platforms such as armoured or autonomous vehicles, as well as dual-use technologies.

Driver 1: Massive increase in defence spending - government sales are becoming increasingly important

Following Russia's full-scale invasion of Ukraine on 24 February 2022, defence spending in Germany rose significantly: in addition to the regular defence budget of 50.3 billion euros, a special fund for the Bundeswehr of 100 billion euros was approved in 2022. In the following years, the defence budget continued to rise: in 2023, the regular defence budget stood at around 52 billion euros. For 2025, a total of over 80 billion euros was allocated – comprising around 62.4 billion euros from the regular budget and approximately 24.1 billion euros from the special fund.

In 2026, the total volume is expected to reach 124.6 billion euros, the highest level since the end of the Cold War. By 2029, expenditure is set to rise to just under 153 billion euros (3.5 per cent of GDP) (Federal Ministry of Defence 2025). This necessary and substantial increase in spending is also accompanied by the involvement of the civilian and defence-related private sectors (Federal Ministry of the Interior 2025).

A feature of foreign and economic policy since the 1970s, this cooperation is now more important than ever in both structural and strategic terms. Only through joint efforts can ambitious goals be translated into enduring industrial capacity. Alongside this paradigm shift, three questions are now decisive: how efficiently the funds are being deployed, how quickly deliveries can be made, and how successfully the scaleup phase is progressing.

CASE STUDY 1

Initial procurement of loitering munitions from Helsing and STARK Defence

With the initial procurement of loitering munitions from Helsing, STARK Defence, and Rheinmetall, the Bundeswehr launched a new procurement approach for unmanned strike systems in 2026. By involving the Bundeswehr, service personnel are able to provide feedback as early as the testing phase. Contractually agreed termination milestones are intended to limit procurement risk, as manufacturers are required to provide specified performance evidence. Framework agreements initially allow for introduction in small quantities and, following successful testing, flexible follow-on procurement on the same terms. Innovation clauses ensure that the software-based systems can be adapted to technological developments throughout their life cycle.

CASE STUDY 2

Thyssen Krupp Marine Systems (TKMS) IPO

In the case of TKMS, thyssenkrupp floated 49 per cent of its subsidiary on the stock exchange on 20 October 2025. The majority stake of 51 per cent remains with a new holding company of thyssenkrupp AG. Furthermore, the so-called 212CD deal is one of the most important European naval projects. Germany and Norway are jointly procuring a new generation of conventional submarines, with the aim of leveraging synergies, including by reducing development and operating costs and further enhancing technical compatibility. The Budget Committee of the German Bundestag approved the project on 18 December 2024. This increased the number of 212CD submarines ordered from TKMS for the German Navy from the original two to a total of six - representing an additional order value of 4.7 billion euros. In addition, Canada has ordered 12 submarines from TKMS under a contract worth approximately 37 billion euros.

CASE STUDY 3

SVI Connect matchmaking platform

The platform for the security and defence industry in Germany is provided by the Federal Association for Materials Management, Purchasing and Logistics (BME) and the BDSV, and is funded by the Federal Ministry for Economic Affairs and Energy (BMWE). It connects contracting authorities and companies across Germany within a national network, has a global B2B reach and provides a secure environment.

Driver 2: Private-sector actors as economic-policy ambassadors: strategic cooperation, using Ukraine as an example

Since Russia's invasion of Ukraine, Germany has provided military support to Ukraine amounting to around 55 billion euros. Civilian support, including support for maintaining state functions, amounts to a further 39 billion euros. Germany is also contributing to the country's reconstruction (German Federal Government 2026).

The direct and indirect involvement of the private sector is highly relevant - and a fundamental component of Germany's Ukraine policy. With regard to reconstruction, the underlying premise is that promoting a stable, democratic, and economically prosperous Ukraine is in Germany's interest. However, reconstruction following the extensive damage cannot be managed through public funds alone. The Federal Government will involve the private sector more closely to support reconstruction and modernisation and to benefit from closer cooperation (German Federal Government 2026).

Measures include, amongst other things, safeguarding German exports and investments; providing capital on fair terms; investment guarantees; supporting reforms; strengthening Ukrainian companies; and facilitating access to EU markets. This requires close coordination among political actors, as well as targeted cooperation with chambers of commerce and business conferences - notably AHK Ukraine, the Ukraine Recovery Conference, and the German-Ukrainian Business Conference. Ukraine, for its part, plans to open liaison offices in Berlin and Brussels as part of enhanced defence cooperation.

In addition to a wide range of networking opportunities such as conferences, specific networking tools have also been established, including the "Wiederaufbau Ukraine" ("Reconstruction Ukraine") platform. UkraineConnect is also a dedicated funding programme for small and medium-sized enterprises run by the German Investment and Development Company (DEG), a subsidiary of the Kreditanstalt für Wiederaufbau (KfW).

CASE STUDY

Golbeck Solar

As part of the Ukraine Recovery Conference 2024, Goldbeck Solar, together with the European Bank for Reconstruction and Development, signed an agreement to establish a joint venture, Goldbeck Solar Investment Ukraine. The aim is to develop photovoltaic projects with a capacity of up to 500 megawatts (MWp) in Ukraine over the coming years. To this end, the company received a loan of five million euros from DEG under the ImpactConnect programme. Goldbeck Solar is also developing additional solar parks in Ukraine in partnership with the Green for Growth Fund.

CASE STUDY

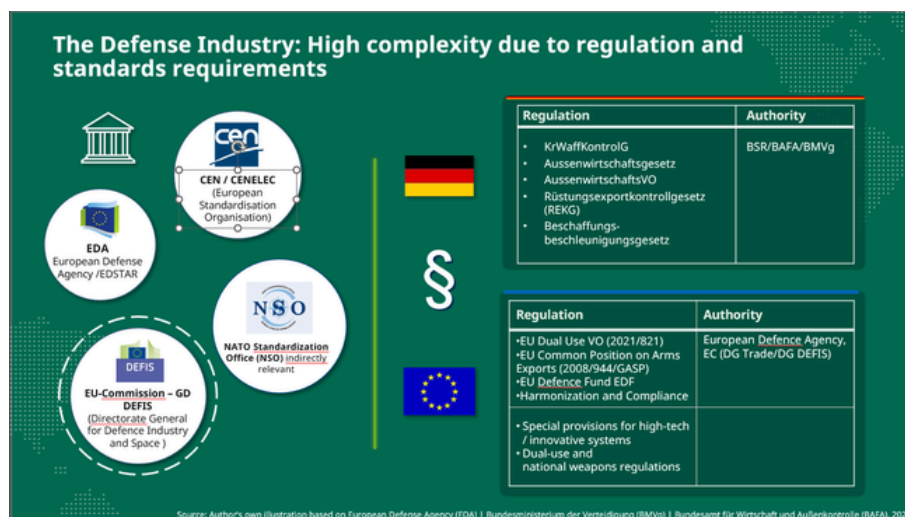
Deutsche Bahn AG and JSC Ukrzaliznytsia (Ukrainian Railways)

In 2020, DB and the Ukrainian railway operator JSC Ukrzaliznytsia signed a letter of intent for a strategic partnership. The aim is to support UZ in its corporate modernisation and to advise it on management matters. In September 2022, the two railways signed a Memorandum of Understanding (MoU) on the reconstruction of Ukraine, establishing a framework for a long-term partnership. The MoU covers DB's support for the expansion of freight transport corridors and terminal capacities, the integration of the Ukrainian track gauge into the Trans-European Transport Network, and assistance with post-war reconstruction.

Driver 3: Regulatory requirements, compliance, and the growing threat of hybrid attacks on supply chains

Growing regulation in the European Union is leading to increasing complexity for companies. The Draghi Report notes that around 13,000 legal acts were adopted between 2019 and 2024. In addition, there are around 100 technology-related laws and more than 270 regulatory authorities in the field of digital networks. This has been compounded by so-called “gold plating”, i.e. national implementation that goes beyond EU law.

With regard to the defence sector, the report criticises not only insufficient defence spending, but also shortfalls in technological development. This is further compounded by the significant fragmentation of the industrial base, which in turn leads to insufficient standardisation and a lack of interoperability, particularly in relation to technical systems and equipment.



At the same time, companies in the security and defence industry and operators of critical infrastructure are increasingly facing hybrid attacks. In Germany alone, total losses from theft, sabotage, and industrial espionage are estimated at around 289.2 billion euros in 2025, of which 70 per cent are directly attributable to cyberattacks. Almost three-quarters of companies (72 per cent) rate the threat level as high, and 87 per cent reported having been affected by attacks in the previous year or suspected that they had been. Digital attacks are particularly prevalent: 73 per cent of affected companies report attacks on information and production systems (Bitkom 2025).

Regulation seeks to address this, aiming for a higher and more uniform level of protection, even as companies face the competing pressures of structural complexity and increased resource demands. The overarching objectives are to strengthen cybersecurity, protect digital infrastructure, enhance resilience, promote greater consistency and reinforce the steering role of the European Union Agency for Cybersecurity (ENISA). The Network and Information Security Directive (NIS 2), the Cyber Resilience Act, and the Cybersecurity Act 2 are all designed to advance these objectives.

REGULATORY DEVELOPMENT

Procurement Acceleration Act

The German Federal Government has implemented comprehensive measures to accelerate procurement. These include, among other things, the Procurement Acceleration Act (Beschaffungsbeschleunigungsgesetz), which entered into force on 14 February 2026. Supply chain compliance is a key competitive factor.

- Extended duration: The Act will remain in force until 2035.
- Expanded scope: In the future, the Act will apply to all contracts serving Bundeswehr requirements. This also includes civilian contracts, for example for medical supplies and construction works.
- Suspension of the requirement to award contracts in lots: The obligation to award contracts in lots is suspended until the end of 2035.
- Increase in thresholds: Procurement below the EU thresholds will be facilitated by increasing the applicable thresholds. This will allow for more direct awards.
- Central procurement body: Government-to-government sales will be facilitated.

At the same time, however, comprehensive compliance requirements must be met.

INDUSTRY INITIATIVE

Cybersecurity Assessment for Defence Industry Suppliers – CADIS

CADIS is a structured assessment procedure developed by the private sector to accelerate procurement and establish trustworthiness in the defence sector. As the first European procedure of its kind, it has been specifically designed for suppliers to the defence and armaments industry, establishing a uniform, transparent, and measurable basis for evaluating cyber and information security throughout the entire supply chain. Suppliers are assessed by the prime contractor. To support this process, DEKRA provides the 'Supplier-Criticality-Evaluation' tool, a standardised assessment scheme that ensures a consistent and traceable definition of the individual assessment scope for each supplier.

How to push the strategic and operational integration of Corporate Diplomacy

The three drivers outlined above, combined with growing complexity, mean that adaptation strategies are no longer the preserve of large, multilaterally active companies. Medium-sized enterprises too face geoeconomic pressures on the resilience of their supply chains and may be directly affected by trade-policy and tariff decisions, particularly in the raw materials sector. At the same time, due to the Zeitenwende and the associated intertwining of the state and the private sector, they are increasingly drawn into political decision-making processes.

If Corporate Diplomacy is not strategically embedded within a company, there is a risk not only that key regulatory developments will be overlooked; the company also risks developing blind spots regarding political, social, and economic changes, which can in turn have significant consequences for business development, not least in competition with more resilient competitors. In this context, Corporate Diplomacy acts as a strategic hinge between the public and political spheres on the one hand, and corporate strategy on the other.

When it comes to the importance of Corporate Diplomacy, one of its classic challenges remains - despite the current situation - limited direct quantifiability through key performance indicators, unlike revenue or profit. Its impact can, after all, only be measured indirectly: through indicators such as trust indices or the effectiveness of access to relevant networks.

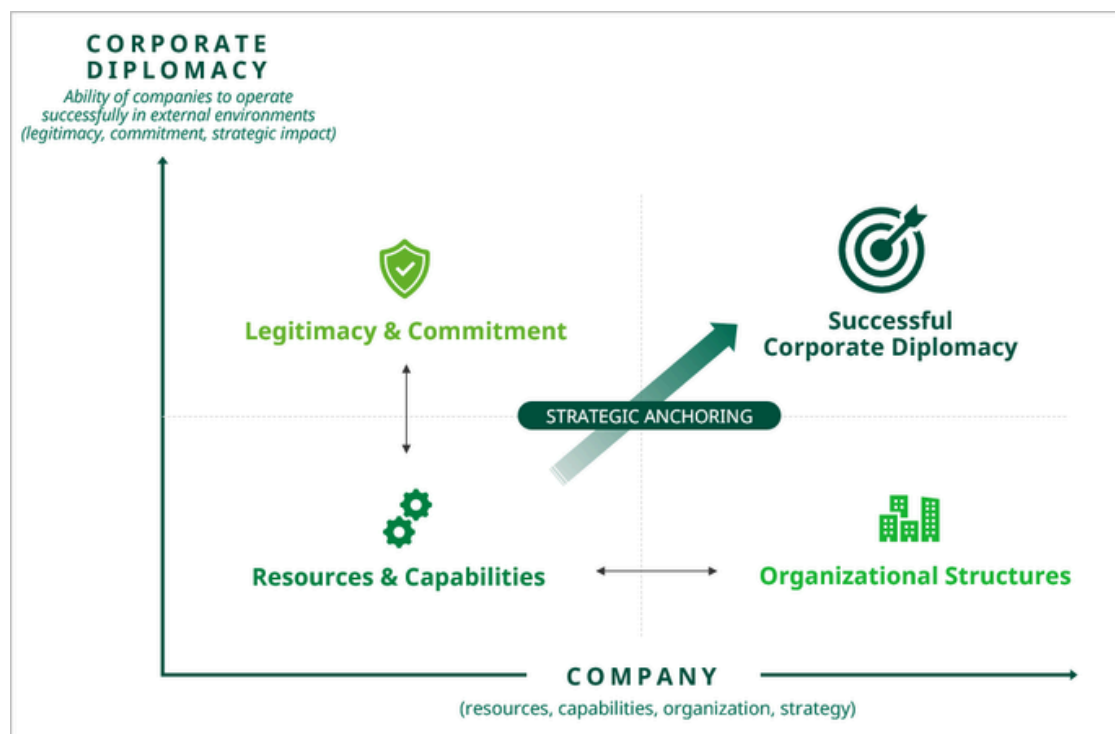
The challenge of indirect measurability and the comparability of performance can in turn give rise to questions of legitimacy within companies (Henisz 2014). Added to this is the difficulty of clearly attributing outcomes within the causal chain, known in the literature as the 'attribution problem' (Boddewyn and Brewer 1994).

This can also be linked to the Corporate Political Activity (CPA) approach, which views business representatives as actors in the nonmarket environment (i.e., the political arena) who seek to actively shape, for example, the regulatory framework (Bernhagen 2022). Although the boundaries between market and nonmarket activities can be fluid, the distinction helps illustrate some challenges in how outcomes can be measured in market versus nonmarket environments.

One possible way to assess the success of a Corporate Diplomacy initiative is to define its objective clearly and then relate it to both quantitative measures, such as the number of position papers or statements, and qualitative measures, such as analysis and evaluation.

Organisational structures and functional anchoring

How Corporate Diplomacy is anchored within a company is often decisive. There are various approaches to its implementation: it can be embedded within strategy or communications or established as a standalone function. A key factor in deciding on its functional anchoring is the strategic focus of Corporate Diplomacy and how its significance is perceived within the company itself. This is, of course, also linked to the resources available: a smaller company may also consider commissioning an agency or joining a relevant association.



Source: author's own presentation

It remains essential, however, that information within the company concerned is not only collected but also processed and passed on to decision-makers. Developing a clear situational picture requires clearly defined responsibilities.

As Corporate Diplomacy generally operates at the interface - for example, when a company is consulted during a legislative process - it typically involves interaction with other corporate departments such as Legal and Compliance or Communications, and, in any case, with the specialist departments responsible for the relevant subject areas. In the security and defence sectors in particular, the sales function also plays a significant role.

To ensure legitimacy and commitment - particularly when decisions of strategic importance are at stake - a direct reporting line to the top management is essential. Top management must be aware that not all Corporate Diplomacy measures yield immediate returns; a company's political representation is not a panacea. Transparent and regular reporting is also relevant to success in this regard. Decentralised corporate structures can present both opportunities and risks in this context. What is clear, however, is that the greater the degree of decentralisation, the higher the demands on communication.

A further benefit of Corporate Diplomacy may be its function as a clearinghouse or hinge within holding structures themselves. In shaping a company's political positioning, Corporate Diplomacy consolidates the various perspectives within the organisation and brings them into alignment.

Toolkit for Corporate Diplomacy

- **Process Strategy**

By defining a process strategy for each specific case, the procedural steps can be tracked transparently, including for reporting purposes. Process strategies can - and must - be adapted as needed within Corporate Diplomacy, for example across the different procedural stages of a legislative process. To summarise the process-oriented approach, the classical policy cycle could be an option, which consists of:

- Agenda Setting
- Policy Formulation and Decision Making
- Implementation
- Termination/Evaluation (Jann and Wegrich 2007).



Source: author's own presentation

- **Resources**

Greater complexity must increasingly be managed with fewer resources. Strategic selection and a focus on specific political and regulatory issues, as part of a broader assessment of the company's position and priorities, can be helpful here.

The potential for indirect Corporate Diplomacy – for example, through membership of trade associations – should also be considered. When operating within the security and defence industry in particular, additional measures must be put in place, for example, to ensure secure communication.

- **Issue Monitoring/Early Warning System**

The systematic monitoring of political, social, and regulatory developments remains highly relevant – not only for identifying risks and opportunities, but also for opening windows of opportunity. The use of in-house or externally sourced tools, including those provided by external service providers, AI, or specialised software, can help reduce the resources required. Collaboration with relevant internal units is important not only for assessing developments, but also for flagging potential implications. Corporate Diplomacy does not function as a one-way flow of communication, but as a reciprocal process.

Strategic Issue Management as a “multifunctional discipline” blends “strategic business planning, issue monitoring, best-practice standards of corporate responsibility, and dialogic communication needed to foster a supportive climate between each organization and those people who can affect its success and who are affected by its operations. It centers its attention on the public policy arena but also offers means to contest issues in regard to marketing and brand equity” (Heath and Palenchar 2013).

- **Risk Assessment/Landscape**

Closely linked to issue monitoring is risk assessment: the systematic identification of potential threats arising from market change, regulatory developments, or political instability, as well as the identification of opportunities. Tools for assessing the current situation include, among others, SWOT analysis and PESTEL (Political, Economic, Social, Technological, Environmental, Legal) analysis or the PRESTCOM (Political, Regulatory, Economic, Sociological, Technological, Competition, Organisation, Market) as a further development of the PESTEL analysis. PRESTCOM incorporates not only the regulatory dimension, but also organisational and market-related dimensions that are crucial for assessing the broader strategic environment (Wright 2022).

- **Interactive Dashboard/Heatmap**

A strategic tool for assessing geopolitical risks according to their likelihood and potential impact is fundamental to achieving a comprehensive situational picture. The dashboard should be built in such a way that additional relevant dimensions can be flexibly incorporated as needed.

- **Stakeholder Mapping / Network Management**

The identification and prioritisation of relevant stakeholders - including customers, policymakers, NGOs, investors, and other key actors - based on their influence and interests is essential (Henisz 2014). Effective strategies can only be developed on the basis of a comprehensive understanding of stakeholders, their positions, and their relationships. This requires continuous analysis of stakeholder networks and the factors shaping them and is closely linked to issue monitoring, risk assessment, and coalition building.

- **Alliance and Coalition Building**

Alliance and coalition building with organisations and partners involves pooling interests to increase collective influence and strengthen the capacity for action. Paul Sabatier's Advocacy Coalition Framework (ACF) conceptualises policymaking as a process of competition and influence among actors operating within a relatively open, multi-level political system. Actors organise themselves into advocacy coalitions based on shared belief systems. These shared beliefs constitute the "glue" that keeps large numbers of actors together (Sabatier and Weible 2014).

- **Strategic Political Communication/ Branding**

Corporate Diplomacy also serves as a communicative hinge between corporate strategy and the specific case at hand. Central to this is the preservation of the company's identity. Corporate Diplomacy is also significant in terms of a company's influence on regulation and within legislative processes. Beyond these two functions, it can also enhance a company's visibility and brand. Crucially, political communication is not merely about supporting corporate goals. It must establish legitimacy, trust, and reputation.

- **Skills**

The key competencies required encompass knowledge, skills, abilities, and experience, including effective communication, strong interpersonal and conflict resolution skills, cultural sensitivity across diverse contexts, and, perhaps above all, adaptability.

CASE STUDY

Siemens: forward-looking Corporate Diplomacy

Siemens is committed to clear high-level accountability and transparency, and - through targeted organisational adjustments - attaches particular importance to geopolitical developments. Overall responsibility for Siemens' dialogue with political stakeholders rests with the Managing Board - or, within individual businesses and country organisations, with the respective business or country CEO. Company-wide coordination is delegated to employees in the Government Affairs function. In some countries, employees from related functions such as Communications or Legal are also responsible for these activities. Since 2020, Government Affairs has maintained a specialist team for geopolitics and international relations. This multidisciplinary team, based in Brussels, Berlin, and Munich, forms part of the wider Government Affairs (GA) team at Group headquarters and coordinates a global network of contacts within Siemens' local entities. Originally, the team was organised along geographical lines. It has since specialised in global issues, including geopolitics, geoeconomics, international trade, investment, technology, conflicts, and other relevant developments. The team draws on a range of dedicated tools, including foresight models, trend and scenario analyses, and detailed country assessments, as well as an AI-enabled geopolitical radar and further applications.

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