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LIGHTS - Geopolitics

From global to geopolitical leadership: Why diplomacy matters more in management today

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Abstract

This paper argues that geopolitical change is reshaping leadership itself, not only the strategic environment in which firms operate. Existing discussions of geopolitical capability focus mainly on organisational readiness, but this alone is no longer sufficient. Leaders increasingly operate in contexts where business decisions are interpreted politically, communication carries symbolic weight, and legitimacy is shaped by conflict, rivalry, and public scrutiny. We define geopolitical muscle at the individual level as the capacity to sense, plan, and act in politically charged environments. We show how this leadership capacity matters across three arenas: individual career judgment and exposure, interpersonal legitimacy across differences, and public communication under geopolitical scrutiny. The paper concludes that diplomacy should be treated less as a finishing touch and more as part of the ordinary work of management in multinational settings.

Keywords: geopolitical leadership, diplomacy, legitimacy, international business, leadership development

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Introduction

In March 2025, C.C. Wei, chair and CEO of Taiwan Semiconductor Manufacturing Company (TSMC), stood beside the president of Taiwan to announce a major expansion of the company's investment in the United States. He spoke about factories, customers, and production capacity, while also reassuring a range of audiences with different concerns: United States policymakers, Taiwanese citizens, global clients, investors, and critics worried that Taiwan's most important industrial assets might gradually move abroad.

A year later, Rheinmetall chief Armin Papperger offered a different example. As the CEO of Germany's largest defence company, at the centre of Europe's rearmament and directly exposed to the war in Ukraine, he was already a prominent public figure. Reports that he had been the target of a Russian assassination plot only heightened that visibility. Against that backdrop, Papperger's remarks dismissing Ukrainian drone production as the work of "Ukrainian housewives" with "3-D printers in the kitchen" drew immediate criticism and were widely interpreted as belittling Ukraine's wartime effort. Less than 48 hours later, Rheinmetall issued a statement praising Ukraine's inspiring spirit of resistance and innovation.

Both cases point to the same development. Companies may build systems for dealing with political risk, but those systems do not remove the burden from individual leaders. In many sectors, leaders now operate in a space where business choices are constantly open to political interpretation. Decisions that once seemed to belong purely to the domains of operations or communications are often now interpreted as political signals, with consequences for legitimacy and trust.

This ESCP Impact Paper argues that the current focus of existing discussions of geopolitical capability in management, which is mainly on organisational issues, such as strategy, risk, and response capacity, is no longer sufficient. Leadership itself is being reshaped by geopolitical tensions. Leaders speak for the firm, but they are also judged as figures situated in a wider field of rivalry, conflict, public scrutiny, and unequal status.

This change reflects a broader shift in the business environment. Politics is increasingly woven into the everyday realities of business, rather than simply being a background condition that occasionally interrupts it (Beugelsdijk & Luo, 2024). Sanctions, export controls, industrial policy, security alliances, war, and public pressure now shape where firms invest, whom they hire, what they can ship, how they speak, and how their choices are interpreted (Luo & Van Assche, 2023; Witt, 2019). This helps explain why diplomacy, long important in management, now carries even greater weight.

More broadly, it points to a deeper ongoing shift. Organisational readiness alone is not enough, because the demands of this environment increasingly fall on leaders themselves, not only on the systems built to support them.

From organisational capability to leadership capacity

The current environment places new demands on management and leadership, which we describe here as a form of geopolitical muscle. The term is not ours; it is already circulating in strategy and policy discussions. The World Economic Forum (2026), for example, uses it to describe an organisational capacity to sense, plan, and act in response to geopolitical developments. That framing is useful, but it remains focused mainly on firms, functions, and systems. Our argument starts from the same idea and extends it further, from organisations to their leaders, who are required to respond to the geopolitical challenges of our times.

A company may have strong systems for risk monitoring, scenario planning, or government affairs, and still run into trouble when individual leaders misjudge a situation, speak incautiously, or fail to grasp how their role is being interpreted. The question of whether an organisation is prepared for this new context now also includes whether its leaders can operate in settings where business decisions are judged politically and leadership is shaped by relationships, status, and trust.

This marks a shift from an older vision of *global leadership* to a more exposed form of *geopolitical leadership*. The earlier model assumed growing political and economic integration, expanding opportunities for companies, wider reach, and the managerial challenge of coordinating across markets. The newer one seems to be marked by fragmentation, rivalry, and exposure. In these circumstances, leaders are judged not just in terms of efficiency and execution, but also by their capacity to navigate complex and fast-changing political environments, build legitimacy across different audiences, and keep their options open under pressure (Henisz, 2016).

Many managers are already exposed to geopolitical tension. They follow the news, deal with sanctions, tariffs, supply chain disruption, and regulatory fragmentation, and encounter conflict indirectly through media attention, employees, and stakeholders. But exposure alone does not guarantee sound judgment.

In corporate life, leaders often spend most of their time making decisions under pressure. They explain, react, improvise, and move on. That can create the impression that experience automatically produces competence. In geopolitical settings, this is a risky assumption. A leader may be well informed and still misjudge what a role symbolises, fail to anticipate how a message will be received, or underestimate how quickly an issue will become politically charged.

Research on hostile environments and globally mobile employees is useful here. It shows that assignments in politically unstable settings can involve physical danger and more: chronic uncertainty, restricted daily life, stress spillovers, strong dependence on organisational support, and so on (Faeth & Kittler, 2020). Awareness matters, but it becomes useful only when integrated into leadership practice. This is where the idea of geopolitical muscle becomes relevant.

Defining geopolitical muscle at the individual level

We understand geopolitical muscle as an individual's capacity to sense, plan, and act in politically charged environments. Used well, it helps leaders preserve legitimacy, reduce risk, and maintain room for manoeuvre.

At the individual level, this capacity has three dimensions. Leaders need to be able to sense political signals and understand how these affect the meaning of a role, a decision, or a public statement. They need to plan by considering alternative futures and how geopolitical developments may alter exposure, expectations, or constraints. And they need to act in ways that protect credibility, avoid unnecessary escalation, and keep relationships workable across different audiences.

Thinking in terms of muscle is useful because it points to practice rather than personality. Not a fixed trait, this muscle is built over time through intentional development, repetition and experience – particularly when the latter is actually reflected upon rather than simply accumulated. At its core, the muscle metaphor captures trained judgment, that is, a cognitive and relational capacity, strengthened through deliberate use, that leaders develop rather than simply possess.

Three arenas where it matters

In practice, this leadership capacity shows up in at least three arenas: individual career judgment and exposure, interpersonal legitimacy across differences, and public communication under geopolitical scrutiny. These three arenas are distinct from the three dimensions introduced above: sensing, planning, and acting are capacities leaders draw on within each arena, not a parallel set that maps onto it one to one.

1. Individual: career judgment and exposure

At the individual level, geopolitical muscle shapes how leaders assess opportunity and exposure. This is not entirely new, as some strategic roles have long carried geopolitical risk. What has changed is the breadth of that exposure. Risks once associated mainly with sectors such as defence, energy, or semiconductors now reach across a much wider range of industries. A role that looks attractive in conventional career terms may also carry the risk of sanctions, reputational exposure, mobility constraints, or even physical danger. This changes how leaders should think about career resilience and raises hard questions earlier. What does the role mean politically? How visible and symbolic is it? How exposed is it? How quickly might that change?

The Papperger case is unusual in its intensity, but it captures something real. Geopolitical conflict can have implications for a leader's reputation, future options, and even personal safety. The case of Russian internet giant Yandex provides another example of a similar problem. Following Russia's invasion of Ukraine, Yandex's Russian CEO Arkady Volozh stepped down after he became the object of EU sanctions, and the company entered a long and difficult process of restructuring. Rather than a question of poor performance, or Volozh's personal opinion with respect to the war, the central issue was geopolitical association, which undermined both the firm's room for manoeuvre and the viability of the leader's own position. This case illustrates how shifts in the political environment can quickly reshape a firm's legitimacy and alter the choices available to its leaders. It underscores the need for leaders to anticipate and prepare for geopolitical contingencies.

The broader literature on work in hostile or unstable environments helps make sense of this. Alongside ambition, opportunity, and organisational support, career decisions in such settings are shaped first and foremost by uncertainty and the strain that prolonged exposure entails (Faeth & Kittler, 2020). Geopolitical leadership begins, in part, with being able to judge if a role carries risks beyond those normally associated with career advancement and managerial responsibilities.

2. Interpersonal: legitimacy across difference

At the interpersonal level, issues go beyond cultural distance. Leadership in multinational settings often unfolds in contexts marked by politically charged differences. Team members may hold different passports and have different experiences of war or displacement, different assumptions about state legitimacy, and different views of which actors deserve trust.

All this makes it harder to take legitimacy for granted. Leaders themselves may be judged on the basis of their nationality, status, or geopolitical associations. In some cases, they become objects of suspicion or symbolic projection before they have had much chance to act.

The scrutiny faced by TikTok CEO Shou Zi Chew offers a clear example. During a 2024 United States congressional hearing, he was pressed not only on TikTok's operations, but also on his nationality, the company's ownership structure, and its ties to China. He answered as a CEO defending a platform would be expected to do, but he was treated as a figure onto whom wider anxieties about China, loyalty, and influence could be projected. Whatever one thinks of TikTok policy, the exchange showed how quickly leadership can be judged through geopolitical association rather than through the individual's behaviour or performance alone. It also showed how difficult it can be for a leader to establish credibility once the interaction is organised around suspicion rather than expertise. The hearing illustrates the sense dimension of geopolitical muscle. Shou Zi Chew was evaluated not simply as a CEO but as a symbol of broader geopolitical concerns, and effective leadership in such moments depends on recognising how political meanings and associations become attached to individuals independently of their formal role or actual actions.

Several strands of research help make sense of this, including work showing that nationality is not only a cultural marker but also a status signal embedded in wider hierarchies among nations (Mohan et al., 2024). Work on political astuteness points in a similar direction, emphasising the importance of judging situations, building alignment, and balancing competing interests without losing legitimacy (Hartley et al., 2019). Research on political skill in organisations adds social astuteness, interpersonal influence, and apparent sincerity as central to positive outcomes when cooperation cannot be taken for granted (Munyon et al., 2015).

In short, diplomacy matters at the interpersonal level, and by diplomacy we do not mean just politeness or polish, but rather the ability to exercise influence in situations where power, identity, and legitimacy are unevenly distributed, and where the same words may be heard very differently by different groups.

3. Public: communication as geopolitical action

At the public-facing level, leadership becomes more visible, more symbolic, and more exposed. Senior executives increasingly act as interpreters between the firm and a politically fragmented environment.

The TSMC case shows this well. When C.C. Wei discussed the company's expanded United States investment, he had to address different audiences and concerns simultaneously. Washington sought reassurance on capacity and supply chain resilience, while Taipei was worried about industrial hollowing-out and national security. Customers were interested above all in continuity and scale, at the same time as investors cared about confidence and control. The task was to explain an investment decision, but in a language that could

address the concerns of these different audiences without provoking unnecessary alarm. The episode illustrates all three dimensions of geopolitical muscle: Wei sensed that the investment would be understood differently by different audiences, planned for those competing interpretations, and acted through carefully calibrated communication designed to reassure stakeholders without escalating political concerns.

The Rheinmetall incident highlights similar issues in different circumstances. In the context of war, Papperger's remarks about Ukrainian drone capability were heard as dismissive and politically tone-deaf. The company was then drawn into a controversy that it had to manage publicly. The context in which the statement was made, and the meaning others attached to it, mattered as much as the statement itself. This incident points to a failure in the act dimension of geopolitical muscle: Papperger's mistake was not due to his lack of information about the war but a failure to anticipate how the remarks would be heard by a politically sensitive audience.

The literature at this level is telling. For example, it treats corporate diplomacy as means for firms to secure legitimacy and maintain room to act in contested environments. Recent international business research shows that firms increasingly operate in environments where political and commercial considerations are deeply intertwined (Beugelsdijk & Luo, 2024). Studies on CEO communication during the Russia-Ukraine war arrive at a similar conclusion from different angles: who speaks, how messages are framed, and whether communication appears credible all shape public responses to corporate statements (Hamelberg et al., 2024). This is why outward-facing communication deserves more attention in discussions of leadership. In politically charged settings, communication may follow action, but it still shapes how that action is understood.

Implications for leadership development

These shifts have implications for leadership development, promotion, and readiness. They make it more important for organisations to identify and develop leaders who can read political context, handle intense personal exposure, and communicate effectively when several audiences are listening at once.

They also suggest that some qualities too easily dismissed as secondary deserve more serious attention. Listening, restraint, message discipline, contextual awareness, and emotional regulation are often treated as soft skills, nice to have, but not essential requirements for corporate leaders. As we have seen, the settings described here are closely tied to whether leadership remains credible and effective. These are, in effect, the practical skills of diplomacy, and they map onto the three dimensions of geopolitical muscle. Sensing draws on contextual awareness and the ability to read how a role, a decision, or a statement will be interpreted by different audiences. Planning draws on the discipline of anticipating how political conditions may shift and rehearsing responses before they are needed. Acting draws on message discipline, restraint, and emotional regulation under scrutiny, so that communication holds across audiences without escalating conflict. Framed this way, diplomatic skill is a developable competence that organisations can and should identify, train, and assess.

Leadership development should therefore take diplomacy more seriously than many firms currently do, treating it less as a finishing touch and more as part of the ordinary work of management in multinational settings.

Conclusion

The older language of global leadership still matters, but it no longer captures the complexity of the setting in which many leaders now operate. In international business, decisions are increasingly made and interpreted in an environment shaped by rivalry, fragmentation, public scrutiny, and uneven legitimacy.

That is why geopolitical leadership is a useful term. It draws attention to a change in conditions, not just to an expanded list of managerial skills. Leaders now stand more directly at the intersection of the firm and its political environment. Their decisions travel quickly across audiences, and their words carry meanings that exceed immediate business intent.

Diplomacy matters in this setting because leadership now requires judgment under exposure. It requires the ability to act credibly, to communicate with care, and to keep room for manoeuvre when politics is no longer at the margins of business life. Geopolitical muscle is the name we have given to that capacity, that is, the trained ability to sense, plan, and act under political exposure. Like any muscle, it is built through deliberate practice rather than assumed to come with experience.

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