

# **Business diplomacy in multinational corporations (MNCs) :**

## **An exploratory study**

### ***Working Paper***

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#### **Executive summary**

Multinational corporations (MNCs) need the ability to manage complex interactions with governments, local and international NGOs. Although the relevance of business diplomacy is evident, it is not clear how MNCs actually conduct it. This research aims to answer the question: How is business diplomacy enacted by and embedded in MNCs?

Based on a multi-dimensional operationalization of business diplomacy, semi-structured interviews were carried out with eight MNCs. The findings showed that seven of the eight MNCs conduct business diplomacy intensively, but none of them applied a clear and organization-wide business diplomacy policy. Instead, general guidelines existed in five MNCs. In all MNCs, the responsibility for business diplomacy was largely decentralized to the foreign subsidiaries. All MNCs deployed a wide range of business diplomacy methods. The findings further suggest that industry-specific factors affect business diplomacy intensity of MNCs and that the importance of business diplomacy is recognized more in weak institutional contexts.



## 1. Introduction

The globalization of markets has had enormous effects on how multinational corporations (MNCs) are currently organized. Figures from the United Nations Conference on Trade and Development show that Foreign Direct Investments (FDIs) have expanded in the last 30 years (UNCTAD, 2011). MNCs face various local pressures and requirements as they increase their presence in multiple countries (Saner and Yiu, 2005). They are exposed to different national laws and multilateral agreements, negotiated by the International Labour Organization, the World Trade Organization, and other international groups. To succeed, they will need the ability to manage complex interactions with both governments and non-governmental organizations (NGOs). Governments have power over the opportunities which are important for a MNC's survival (Hillman et al., 1999). Firms with access to those opportunities will enjoy a competitive advantage (Schuler et al., 2002). Therefore, companies need a 'license to operate', or legitimacy. Suchman (1995) defines legitimacy as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (p. 574).

Business diplomacy is of major importance in today's complex business environment (Saner & Yiu, 2005; Saner et al., 2000). Business diplomats negotiate, renegotiate and make compromises with local authorities, and at the same time they must be sensitive to the wishes and demands of the increasing number of local and international NGOs that monitor global companies as they conduct business (Saner & Yiu, 2005). Working conditions, environmental standards and employment practices should all be taken into account to prevent conflicts that can destroy the MNC's reputation (Saner et al., 2000). Given all these complexities, MNCs can no longer keep commercial diplomacy at arm's length. "Instead, global companies need to seriously build up their own diplomatic competency" (Saner et al., 2005, p. 83). Ordeix-Rigo and Duarte (2009) argue that by engaging in business diplomacy, corporations can increase their power and legitimacy. Firms that are involved in business diplomacy have chosen to satisfy a social public demand rather than only a market demand. The central research question in this study is: "*How is business diplomacy enacted by and embedded in the organization of MNCs?*"

This paper is structured as follows. The next section is concerned with defining business diplomacy, a literature review and the research direction. The methodology applied in this study is described in section 3. Section 4 presents the research findings, while the discussion, research limitations and future research directions are covered in section 5.

## 2. Business diplomacy: a definition and a literature review

### 2.1.1 Business diplomacy and related concepts

In the international management literature the keyword Business Diplomacy is not widely recognized. To date, only a limited number of researchers have applied the term business diplomacy in their published work.

According to Saner et al. (2000), "Business diplomacy management involves influencing economic and social actors to create and seize new business opportunities; working with rule-making international bodies whose decisions affect international business; forestalling potential conflicts

with stakeholders and minimizing political risks; and using multiple international forums and media channels to safeguard corporate image and reputation” (p. 85). Later, Saner and Yiu elaborated (2005): “Business diplomacy pertains to the management of interfaces between the global company and its multiple non-business counterparts (such as NGOs, governments, political parties, media and other representatives of civil societies) and external constituencies” (p. 302). According to London (1999), business diplomacy is a method of cooperating with people in an effective way to get things done. The researcher mentioned that business diplomacy uses tact and understanding to build up relationships and trust: “Business diplomacy is most important when there are disagreements, interpersonal conflicts, and a lot at stake” (p. 171).

Business diplomacy has a lot of related concepts: corporate diplomacy (Ordeix-Rigo & Duarte, 2009), corporate political activity (CPA) (Hillman et al., 2004; Hansen and Mitchell, 2000), corporate political strategy (CPS) (Baron, 1997; Hillman, 2003; Hillman et al., 1999; Keim & Baysinger, 1988), strategic political management (SPM) (Oliver & Holzinger, 2008), MNC global governance (Detomasi, 2007; Muldoon, 2005; Kourula & Laasonen, 2010), and MNC-host government relations (Boddewyn & Brewer, 1994; Luo, 2001).

### 2.1.2 Defining business diplomacy

We think that the definitions of the concepts mentioned are rather unclear, too broad, or too narrow. To focus our research better, it is necessary to develop a clear and delineated working definition of business diplomacy. Several elements were derived from existing definitions, identified in the literature review. These elements constituted the building blocks of our working definition: the purpose is to create and sustain legitimacy, the focus is on foreign business environments, it involves building and sustaining positive relationships with foreign government representatives and non-governmental stakeholders. This leads to the following definition:

*“Business diplomacy involves establishing and sustaining positive relationships (by top executives or their representatives) with foreign government representatives and non-governmental stakeholders (economic and non-economic) with the aim to build and sustain legitimacy (safeguard corporate image and reputation) in a foreign business environment.”* This can help businesses to create opportunities.

Corporate diplomacy is considered a synonym for business diplomacy; both concepts describe the same business process and associated elements. The keywords CPA, CPS and SPM describe the same concept and thus can also be seen as synonyms. CPA, CPS and SPM are focused on influencing public policymakers (in the home country and increasingly in foreign countries) in favour of the firm. In contrast, business diplomacy is concerned with the creation of long-term, positive relationships with foreign government representatives and non-governmental stakeholders (economic and non-economic) in order to create legitimacy in a foreign business environment. Lobbying, which in Europe stands for “any proactive political strategy” (Hillman & Hitt, 1999, p. 834), is an essential element of CPA and serves here as a mechanism for influencing public policy outcomes. It has a short-term, specific purpose and therefore falls outside the definition of business diplomacy in this project. Corporate political activities, such as campaign contributions for the purpose of influencing home government officials, are also not part of business diplomacy.

These differences are shown in figure 1, which displays how the other concepts relate to business diplomacy. Business diplomacy and CPA overlap in that they are both focused on influencing parties

in the organization’s external environment. The keywords MNC-government relations and MNC global governance can be seen as important elements of business diplomacy. In order to gain legitimacy and create business opportunities around the world, it is necessary for a MNC to build up positive relationships with multiple host-government representatives and non-governmental stakeholders (economic and non-economic), such as NGOs. There is a growing importance in committing to and negotiating with a variety of stakeholders (such as NGOs) on social and environmental matters in the international business environment (Kourula & Laasonen (2010)).

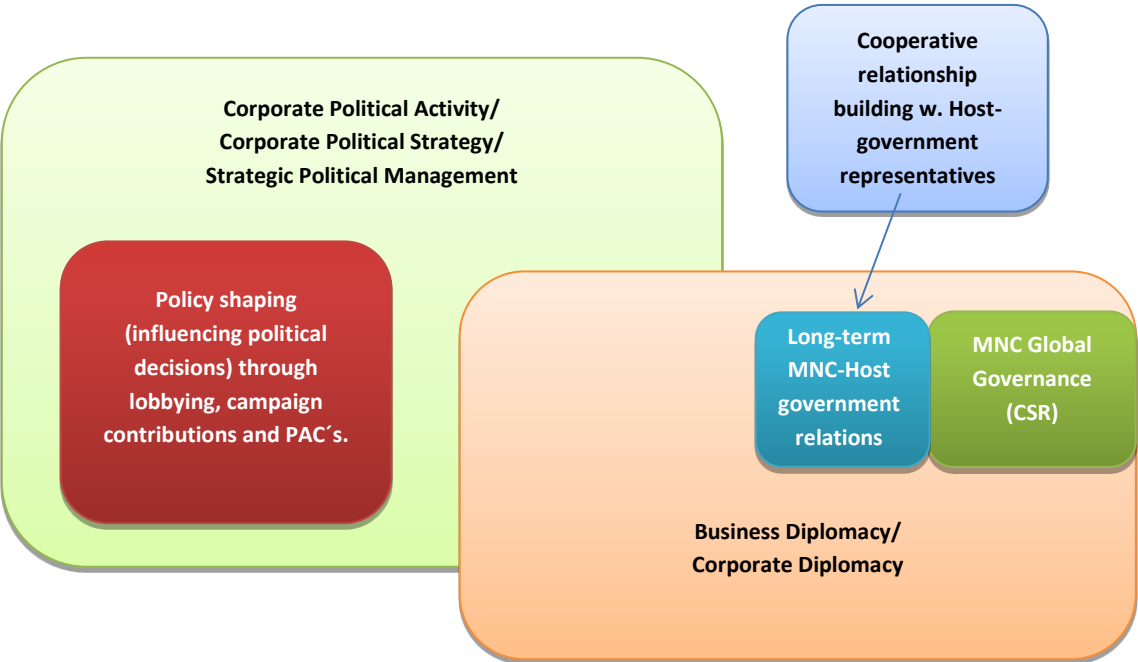


Figure 1: Business diplomacy and related concepts

## 2.2 Structured literature review (Identification of studies)

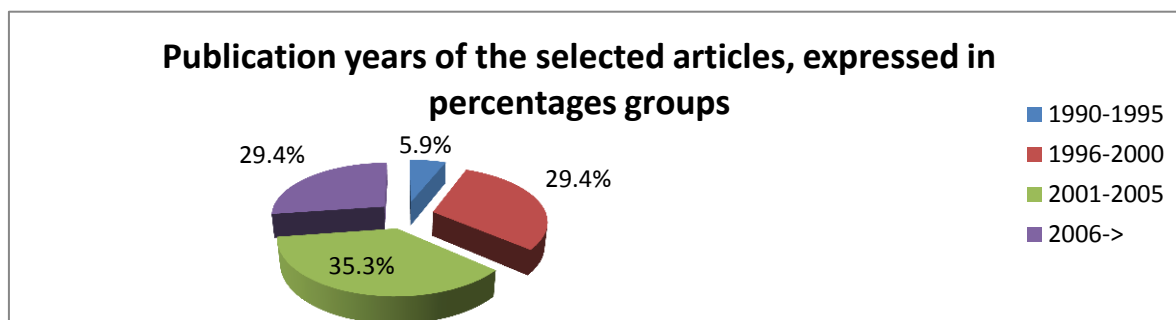
To identify the scientific literature on business diplomacy and related topics, Web of Science (WoS) was used as the sole search engine. As search terms, we used 'business diplomacy' and the six related terms mentioned in the previous section (see table 1). The relevant articles were selected by reading the abstracts and research findings. Subsequently, a cross-reference check was made for each article that was selected.

Keywords (derived from literature)	Number of selected articles.	Articles through cross-reference check
<b>Business Diplomacy</b>	<b>4</b>	-
<b>Corporate Diplomacy</b>	<b>1</b>	-
<b>Corporate Political Activity</b>	<b>7</b>	<b>5</b>
<b>Corporate Political Strategy</b>	<b>7</b>	-
<b>MNC Global Governance</b>	<b>4</b>	-
<b>MNC Government Relation</b>	<b>3</b>	<b>1</b>
<b>Strategic Political Management</b>	<b>1</b>	<b>1</b>

Table 1: Identification of scientific literature

In total, 34 articles were selected, 64.7% of which were published after 2000 (see figure 2). This suggests the growing relevance and interest in business diplomacy and political activities of businesses. Most of these articles (30 of the 34) were published in business and management journals. The remaining articles appeared in other journals from other disciplines.

Figure 2: Publication years of the selected articles, expressed in percentages groups



## 2.3 Towards a research model

The research model presented in figure 3 presents antecedents of business diplomacy as identified in the literature, its dimensions as developed by ourselves but based on our definition and inspired by

the literature, and its outcomes as identified in the literature. This paper’s focus lies on business diplomacy as such and not on the antecedents and outcomes (this part was covered in a related research project).

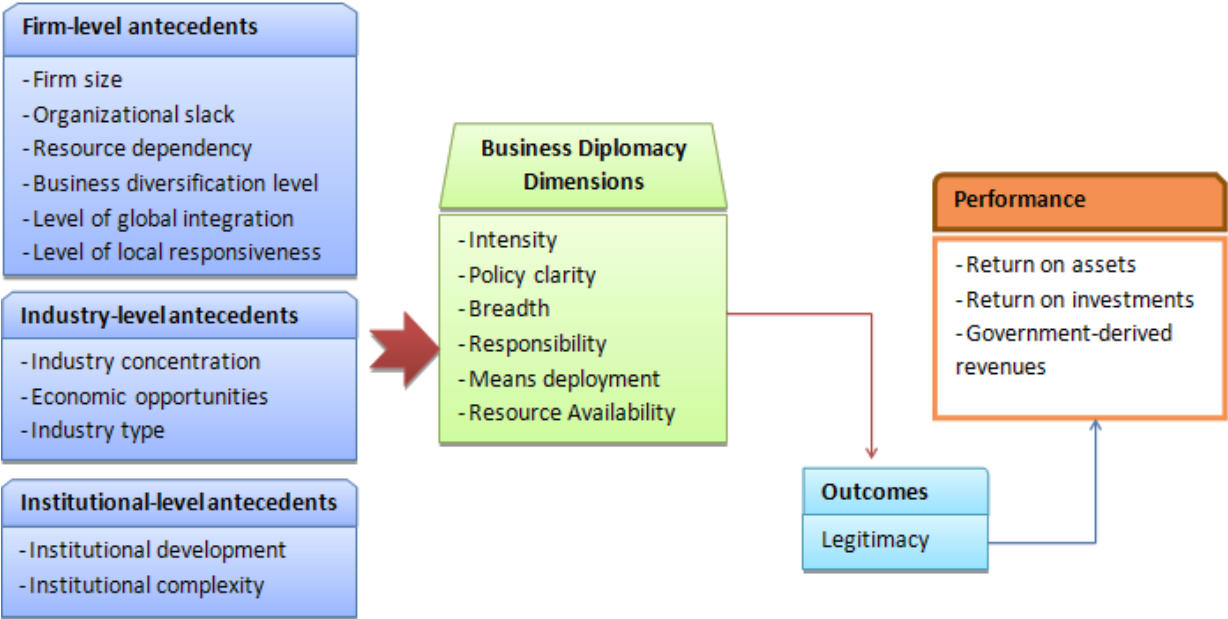


Figure 3: Research model business diplomacy

**Dimensions**

We assume business diplomacy to consist of six dimensions: intensity, policy clarity, breadth, responsibility, means deployment and resource availability.

Business diplomacy intensity reflects the extent to which a company actively establishes and sustains positive relationships with foreign government representatives and non-governmental stakeholders. This dimension indicates how intensively the company executes business diplomacy. The second dimension, policy clarity, reflects the extent to which a MNC has a clear and organization-wide policy on how to establish and sustain these relationships. This dimension indicates whether there are formal/written rules for business diplomacy, or whether informal/unwritten guidelines exist. Business diplomacy breadth reflects the extent to which establishing and sustaining these relationships is done by every company representative. This dimension also indicates whether employees consider themselves as representatives of their organization when they are in contact with foreign government representatives and non-governmental stakeholders. As described in the literature review, London (1999) provides recommendations for making business diplomacy more effective in organizations. He suggests that managers should apply a diplomatic style of operation and that leaders should demonstrate the value of business diplomacy to peers, subordinates, customers, etc. Business diplomacy responsibility reflects the extent to which the company’s responsibility for establishing and sustaining positive relationships with foreign government representatives and non-governmental stakeholders lies on the headquarters level or with the foreign subsidiaries, or whether they are both jointly responsible. This dimension indicates whether business diplomacy is set by the headquarters for the whole organization (centralized), whether a

framework of guidelines is set by the headquarters within which a foreign subsidiary has some degree of freedom to act, or whether subsidiary executives are free to decide upon how to conduct business diplomacy (decentralized). The fifth dimension, means deployment, reflects the extent to which the company deploys a diversity of means for establishing and sustaining positive relationships with foreign government representatives and non-governmental stakeholders. It indicates which means, methods and channels (e.g. social meetings, public forums, seminars, local government debates, media channels, sponsor activities, etc.) are used by the firm for business diplomacy. Input for this dimension is derived from the scientific work of Luo (2001), and included in the literature review. He proposes four building blocks for improving a MNC's cooperative relationships with host governments: political accommodation, resource complementarity, organizational credibility and personal relations. Business diplomacy resource availability reflects the extent to which the company uses multiple firm resources (e.g. financial, time, knowledge) to establish and sustain these relationships. Input for this dimension is partly derived from the work of Saner and Yiu (2005), and included in the literature review. They provide recommendations for how the CEO should be involved in providing all kinds of policy directives (e.g. a knowledge system for cumulative learning, business diplomacy training for middle managers, etc.) in order to make business diplomacy more effective.

## 2.4 Research direction

As described in the literature review, Saner et al. (2000) recognized that in today's complex and rapidly changing business environment, MNCs cannot rely solely on advisors anymore but should instead develop their own business diplomacy function. Saner and Yiu (2005) argue that MNCs are increasing their presence in many countries and are thereby exposed to different national laws and multilateral agreements, negotiated by a wide variety of international organizations. The increasing number of international and local NGOs that monitor global companies in conducting business also stresses the importance of business diplomacy. Furthermore, in identifying the scientific literature regarding business diplomacy and related concepts, it seemed that 64.7% of the articles were published after 2000. This suggests a growing relevance and interest in business diplomacy and related concepts.

Saner and Yiu (2005) state: "While the need for business diplomacy is evident, it is less clear how MNCs actually conduct business diplomacy around the world and how they develop this core competence. It is also unclear how this function is actually structured within MNCs" (p. 304). In order to reduce this knowledge gap, they investigated how this business diplomacy competency was developed in four Swiss MNCs. Still, there is a great need for qualitative research to reduce this knowledge gap further.

The research model proposed above does not serve directly as a research model, but functions instead as a guide in this research. This qualitative exploratory research is not focused on the antecedents and outcomes of business diplomacy, but on how it is actually enacted by and embedded in the organization of MNCs. By measuring the six dimensions of business diplomacy, a complete picture of how business diplomacy is enacted by and embedded in the organization of MNCs can be created.

As was already mentioned in the introduction, the central research question is: *"How is business diplomacy enacted by and embedded in the organization of MNCs?"*



## 3. Method

### 3.1 Research sample

Based on Lux et al. (2011) who argued that firm size is an influential factor in becoming politically active as a firm, we expect that large MNCs are more likely to conduct business diplomacy than small MNCs. For the purpose of this study, we have therefore decided to include large MNCs in our research sample (purposive or judgmental sampling).

The intention was to visit these MNCs to conduct interviews. The applied selection criteria were that their headquarters is located in the Netherlands and that it is internationally active. A conscious decision was made to disregard investment companies as their main activity is holding the assets of other companies merely for investment purposes.

To select the MNCs, the Forbes Global 2000 list (<http://www.forbes.com/global2000>) was used. Of the 24 Dutch MNCs included in this list, 20 met the selection criteria and were included in the research sample (May, 2012).

In order to enlarge the research sample, the AEX index (Amsterdam Exchange Index) and the AMX index (Amsterdam Midcap Index) were used (<http://www.beursnet.nl>). This AEX index is composed of the 25 Dutch companies with the largest market capitalization on the exchange. The AMX index is composed of the next 25 (rank 26-50) Dutch companies with the largest market capitalization on the exchange. From these indexes, 14 MNCs met the selection criteria that were not already listed in the Forbes Global 2000. These MNCs were added to the research sample (on 25 May 2012).

In total, the research sample consisted of 34 MNCs. Through invitation letters, each MNC was approached to participate in an interview regarding business diplomacy. A request was made for an interview with the CEO or the highest responsible manager (e.g. head of Government Affairs) for this function in the organization. MNCs that had not yet responded after one week were phoned and emailed reminders.

Eventually, the following companies agreed to cooperate in the investigation (table 2).

MNC	Industry	Location Headquarters	Active in countries	Corporate Employees
Royal Vopak N.V.	Marine Transportation	Rotterdam	31	3,921
Wolters Kluwer N.V.	Publishing, information services	Alphen aan den Rijn	45	18,237
Royal Dutch Shell PLC	Oil and gas	The Hague	80	90,000
Royal DSM N.V.	Chemicals	Sittard	49	22,224
Randstad Holding N.V.	Professional Services	Diemen	42	28,700
Royal Philips Electronics N.V.	Electronics	Eindhoven	120	125,241
Royal KPN N.V.	Telecommunications	The Hague	3	30,941
Financial Services Industries	Financial Services	***	***	***

Table 2: MNCs participating in this study

The data in the table are derived from the corporate websites of the MNCs, the Forbes website, and obtained from the correspondents during the interviews. The last-mentioned MNC expressed the wish to remain anonymous in the research report. For that reason, we have named this MNC 'Financial Services Industries' and omitted further identifying data from the table.

### 3.2 Research method and instrument

This study attempts to get an in-depth understanding of how business diplomacy is enacted by and embedded in the organization of MNCs. Its exploratory nature requires a qualitative research method. This type of research offers investigators the possibility to observe the phenomenon under study comprehensively and to develop a more complete and deeper understanding of it (Yin, 1984).

According to DiCicco-Bloom and Crabtree (2006), interviews are among the best-known strategies for the collection of qualitative data. The aim of all interviews is to learn about the interviewee. The type of interview that is appropriate depends on the research question and the researchers' disciplinary perspective. The authors argue that when a study involves testing a previously determined hypothesis, a very structured format of interviewing can be used. In that case, the interview questions and analyzes can be standardized. However, when a study involves the exploration of perceptions and meanings in order to develop hypotheses, a more qualitative form of interviewing is required. "The purpose of the qualitative research interview is to contribute to a body of knowledge that is conceptual and theoretical and is based on the meanings that life experiences hold for the interviewees" (DiCicco-Bloom & Crabtree, 2006, p. 314).

As DiCicco-Bloom and Crabtree (2006) mentioned, the person being interviewed should not be seen as an information conduit, but instead more as a participant in meaning-making. They mentioned that semi-structured interviews are the most common type of interview method used for qualitative inquiries. Saner and Yiu (2005) also used semi-structured interviews in their research into how Swiss MNCs develop their business diplomacy competency. Semi-structured interviews are mostly scheduled in advance. The questions in these interviews are organized around a collection of

previously determined open-ended questions. During these interviews, other questions can arise from the conversation between the investigator and the key informants (DiCicco-Bloom & Crabtree, 2006).

For these reasons, we decided to conduct semi-structured interviews with the eight MNCs. The flexibility of a semi-structured interview makes it possible to obtain deeper and more comprehensive answers from the respondents. This research method is therefore highly suitable for exploring and measuring in depth the six dimensions of business diplomacy (intensity, policy clarity, breadth, responsibility, means deployment and resource availability).

We did not use a standardized set of questions, but covered the business diplomacy dimensions in a more open and qualitative way. For each dimension, a number of open questions were put on paper. They explored the business diplomacy dimensions in a nuanced, in-depth way. The interview protocol (questionnaire) can be found in Appendix 1.

### 3.3 The interviews

Seven of the eight interviews took place at the headquarters of the MNCs. The interview with Wolters Kluwer took place by telephone at the university. The respondents and dates of the interviews are specified in table 3.

MNC	Respondents	Date
Royal Vopak N.V.	- Global Director Communications & Investor Relations - Manager Public Affairs	12 <sup>th</sup> of July, 2012
Wolters Kluwer N.V.	- Vice-President Corporate Communications	18 <sup>th</sup> of June, 2012
Royal Dutch Shell PLC	- Head of Government Relations (the Netherlands)	11 <sup>th</sup> of July, 2012
Royal DSM N.V.	- President of DSM (the Netherlands) - Director of Communications	10 <sup>th</sup> of July, 2012
Randstad Holding N.V.	- Managing director of Group Social & Public Affairs	5 <sup>th</sup> of July, 2012
Royal Philips Electronics N.V.	- Global Head of Public & Government Affairs	9 <sup>th</sup> of July, 2012
Royal KPN N.V.	- Director of Public Affairs & Regulations - Director of Strategy	26 <sup>th</sup> of July, 2012
Financial Services Industries	- ***	18 <sup>th</sup> of July, 2012

Table 3: MNC respondents and dates of the interviews

On the dates listed in the table, the MNCs were visited in order to conduct the interviews.

Prior to each interview, an introductory round took place. In this phase, the content and purpose of the research were explained to the respondents. Here, we clearly indicated that the name of the organization could be anonymous in the research report, if desired. The respondents were also asked to provide a description of their position in the company. This gave us an initial picture of how these persons and their functions were related to business diplomacy.

At the beginning of each interview, the respondents were asked to give a definition of business diplomacy. By including this question in the interviews, it became clear how familiar these companies are with the concept. Before we started measuring the business diplomacy dimensions, we also wanted to make sure that we were talking about the same concept. Therefore, we introduced and explained our definition of business diplomacy. In this way, the respondents were better able to provide focused and accurate answers to the subsequent questions. This improved the validity of the study; it helped us to measure what we intended to measure.

Guba and Lincoln (1981) propose that the appropriate measure of consistency in qualitative research is 'auditability'. In their book, they suggest that a study is considered auditable when the reader can understand and follow its decision path. In order to increase the consistency (reliability) of our research findings, we made sure that the actions and procedures taken in this study were consistent and auditable. Prior to each interview, we asked the respondents for permission to record the interviews using a tape recorder. This was allowed during all interviews. We also took notes during the interviews. Using the notes and recordings, the interviews were transcribed and carefully documented.

### 3.4 Data analysis

Ruona (2005) argues that data preparation, which involves getting the data into an easily processible form, precedes the analysis of qualitative data. This process of data preparation involves the transcription of interviews from the tape recordings. The transcripts were literal representations of the interviews as they had taken place. Ensuring clean data in this way contributes to the reliability and quality of the research findings.

The process of data analysis consists of data reduction, data display, drawing conclusions and verification (Miles & Huberman, 1994).

#### **Data reduction**

Data reduction cannot be considered separately from data analysis, being an important part of it (Miles & Huberman, 1994). This analytic process organizes, sorts, sharpens and focusses the data in order to successfully draw conclusions. In this process, we decided which data fragments to select for further analysis. Data fragments that were considered irrelevant for this research were filtered from the interview transcripts. The remaining data were not restructured. The transcripts were left intact as literal presentations of the interviews as much as possible, arranged by question and answer.

Sandelowski (1986) argued that a measurement instrument can be labeled as valid when it measures what it intended to measure. The truth value of qualitative research can be measured by the 'credibility' of the work rather than internal validity, which would be the case in quantitative research projects (Guba & Lincoln, 1981). These researchers argue that in order to ensure credibility, qualitative interview data should be checked by the original source from which they were derived to be considered credible. Likewise, Sandelowski (1986) considers data credible when it contains precise descriptions of the experiences of individuals which the interviewees would recognize as their own. In order to examine the credibility of our data, the interview transcripts were sent back to the MNC respondents after data reduction. The interviewees were requested to read, correct and supplement the transcripts. After two weeks, the transcripts were approved and returned by the

respondents. The interview data reflected the interviewees' own experiences, and hence it had truth value. This strengthened the credibility of the research findings.

### **Data display**

A display is an organized collection of information that makes the drawing of conclusions easier; it can improve people's understanding of what is happening (Miles & Huberman, 1994). In this study, extended texts are used to display our data. The eight interview transcripts were arranged in question and answer format, in the sequence in which they had taken place. The data of all interview transcripts were subdivided into seven categories, the six business diplomacy dimensions and an additional category, 'Business diplomacy as defined by MNCs'. All data fragments that were related to a particular category were allocated to that category. By displaying the data in this manner, a clear and comprehensive picture of each business diplomacy dimension could be formed. The category 'Business diplomacy means deployment' was further elaborated by including CSR information from the corporate websites. Through this process of data display, the data was better organized, and we were better able to understand it and draw substantiated conclusions.

### **Drawing conclusions and verification**

From the beginning of the data collection process, we started to develop an understanding of the data; some patterns, regularities and explanations could already be noted. Preliminary conclusions were vague in the beginning, but became increasingly clear and explicit as the data collection progressed. By reducing and displaying the collected data in an appropriate manner, substantiated conclusions about how business diplomacy is enacted by and embedded in the organization of these MNCs could be drawn.

As the analysis proceeded, it became important to verify conclusions (Miles & Huberman, 1994). Researchers stress the importance of continuously checking the data when conclusions are debatable. Indeed, we continuously returned back to the original interview data when our conclusions were uncertain or exceptional. In this way, we ensured the credibility of our research findings (Appleton, 1995).

## 4. Research findings

This section presents the findings of the interviews conducted with the eight MNCs. It is structured as follows. First, we describe how these MNCs define business diplomacy (section 4.1). Then the findings regarding business diplomacy intensity, policy clarity, breadth, responsibility, means deployment and resource availability within the MNCs are presented in sections 4.2 - 4.7, respectively.

### 4.1 Business diplomacy as defined by MNCs

None of the eight MNCs had a dedicated business diplomacy function or department. Instead, functions and departments like Public Affairs, Corporate Communications, Public Relations, Government Relations and Government Affairs were concerned with business diplomacy activities. For example, within DSM the two departments of Public Affairs and Corporate Communications together focus on establishing and sustaining positive relationships with governments and non-governmental stakeholders.

Although the term business diplomacy was not actually used by any of the eight MNCs, all of them were able to describe and define the concept. There is great consistency in how seven out of eight MNCs defined business diplomacy. The Vopak respondent put it as follows:

*“Business diplomacy is the bridging of the gap between the core business activities and having an understanding of the political social elements in all places within which the multinational company operates. The more global you get as a firm, the more important it is to tighten the relationships with governments and non-governmental stakeholders. Business diplomacy, at its best, safeguards corporate image and reputation.”*

And the Randstad respondent stated:

*“Within Randstad, business diplomacy is regarded as the simultaneous promotion of interests of all stakeholders. In order to signify these interests, it is necessary to maintain relationships with all stakeholders in the business environment.”*

The respondents of Vopak, Royal Dutch Shell, Wolters Kluwer, Philips, Financial Services Industries, Randstad and DSM all described it as maintaining positive relationships with all stakeholders of the company (such as governments, customers, unions, employees, NGOs, universities, suppliers, etc.) in order to create a good corporate image and reputation in all business markets. These respondents all agreed that business diplomacy in this context helps in creating business opportunities.

### 4.2 Business diplomacy intensity

Although all eight MNCs understand the general importance of business diplomacy, there are differences in the way and the extent to which these companies actually seek contacts and build positive relationships with foreign government representatives and non-governmental stakeholders.

The interview data revealed that business diplomacy is conducted intensively within Vopak, Randstad, Wolters Kluwer and Philips. According to the Vopak respondents, it is very important to identify and know all stakeholders of the business, recognise their wishes and demands, and act upon this knowledge in order to create legitimacy. Vopak cooperates and maintains positive

relationships with all kinds of international and local bodies and organizations. The same applies to Philips, which operates in a field where governments play a significant role.

Since the business of Wolters Kluwer and Randstad is largely determined by laws and regulations, it is necessary for these MNCs to cooperate and maintain positive relationships with foreign government representatives and non-governmental stakeholders.

The interview data also revealed that business diplomacy is conducted intensively within DSM, Royal Dutch Shell and Financial Services Industries, but these MNCs lean to a certain extent on the home government in establishing and sustaining positive relationships with foreign government representatives and non-governmental stakeholders. The DSM respondents explained that DSM is a multinational that tries to respond to complex global issues in the area of health, nutrition and materials from a scientific basis. They argued that since these issues are so complicated, DSM needs to cooperate with a lot of divergent stakeholders, governments, NGOs, universities, etc. Although the regional directors of DSM in the Netherlands, the United States, China, India, Japan and Russia maintain relationships directly with foreign government representatives and non-governmental stakeholders, the company also leans on the Dutch ambassador network. In each country in which DSM operates, there are lines with the local Dutch embassy through which local government representatives can be reached. The DSM respondents stated:

*“By maintaining a positive relationship with the home government, an entrance to the public world can be created. Within DSM we think that it is much easier to influence foreign governments via the Dutch government. Imagine for instance that a conflict arises in Russia. In that case DSM can create an entrance to the Russian Minister via The Hague. It is almost impossible to reach this Minister directly.”*

Within Financial Services Industries and Royal Dutch Shell, relationships with foreign government representatives and non-governmental stakeholders are also partially maintained directly and partially through the Dutch Ministry of Foreign Affairs. The Royal Dutch Shell respondent argued that large projects, for example in the United States, Kazakhstan or Russia, are always linked to governments and other stakeholders, such as NGOs. The respondents added that leaning on the home government also serves to provide a form of insurance for the company:

*“When the company invests in a country in which the Western business values are incorporated to a lesser extent, it is wise to establish a government-to-government relationship to fall back on. In this way the relationship between Royal Dutch Shell and the country concerned will be more stable.”*

The interview data furthermore showed that KPN conducts business diplomacy less intensively than the other seven MNCs. KPN is a government-regulated business. Governments have a major impact on the proceedings and results of KPN, and therefore, it has contacts with foreign telecommunication regulators and government representatives. Usually, these contacts are fostered at a specific time to achieve a specific goal. KPN is focused mainly on the business and to a lesser extent on establishing and sustaining long-term relationships with foreign governments and surrounding organizations. Although the company operates internationally, it is mainly concentrated in three countries, the Netherlands, Belgium and Germany.

### 4.3 Business diplomacy policy clarity

The interviews revealed that none of the eight MNCs applies a clear and organization-wide business diplomacy policy. There are no clearly written formal rules on how to establish and sustain positive relationships with foreign government representatives and non-governmental stakeholders. For example, the Financial Services Industries respondent stated:

*“As a general policy we try to bring out the facts about our company as clearly as possible and provide feedback to policymakers on what impact future regulations will have on the sector and Financial Services Industries in particular... But there is no formally written policy on how positive relationships with these external parties need to be maintained.”*

All respondents agreed that the conduct of business diplomacy will depend on the country and its institutional situation and that, therefore, a universal formal business diplomacy policy will not suffice. The Royal Dutch Shell respondent mentioned that in addition to the institutional setting and current situation in a country, regional issues also play an important role in determining how positive relationships are established and maintained with foreign governments and other stakeholders. The Wolters Kluwer and DSM respondents pointed out that the manner in which these relationships are maintained will vary by country and region. The DSM respondents explained that this partly depends on the role of the local government in the respective country. As an example, they stated:

*“In China, it is very common that the establishment of joint ventures is done with public enterprises. Doing business directly with the Chinese government is necessary here. In China, the contacts with the Chinese authorities are indispensable in the MNCs’ daily operations. In the United States, this government interference in business activities is much less present. In the United States there are, for example, more rules and regulations in the field of sustainability. In this context, the role of the Chinese government is completely different than that of the United States government. Business diplomacy should be adapted to the institutional setting of a country.”*

Although no clear and organization-wide business diplomacy policy is applied, the respondents of Randstad, Vopak, Philips, DSM and Royal Dutch Shell pointed out that guidelines exist on how to establish and maintain positive relationships with governments and other stakeholders of the business. Within Randstad an annual international Public Affairs meeting takes place with all Public Affairs agents of all subsidiaries worldwide. In this meeting a Public Affairs agenda is developed in which stakeholders and objectives are defined. On the basis of this agenda, policy coordination for Public Affairs is arranged, leading to general guidelines on how to establish and sustain positive relationships with the stakeholders of the business. Another example is Vopak, in which the general framework of Public Affairs is outlined from a high corporate perspective. The Vopak respondents stated:

*“On the one hand, there is a general (corporate) policy in how we deal with foreign policymakers and non-governmental stakeholders, and on the other local terminal managers have to deal with the same issues on a local level. The challenge is to make this framework applicable to everybody in the company, what it entails, and then to make sure that people in the terminals, in all locations or in divisional headquarters are capable of dealing with Public Affairs matters. This is a relatively new process that Vopak is currently working on.”*



Philips is also working towards a general business diplomacy framework. A new business diplomacy model is under development in which previously acquired experiences in the field of establishing and sustaining positive relationships with foreign governments and other stakeholders are incorporated. Within this context the general business diplomacy guidelines are determined by input from the various countries in which Philips operates.

The respondents of Wolters Kluwer, Financial Services Industries and KPN indicated that business diplomacy reflects their business values and business principles. For example, within Financial Services Industries there is a general code of conduct that prescribes that all employees must comply with the rules, be transparent and behave properly in everything that they do.

#### 4.4 Business diplomacy breadth

The interviews revealed that in none of the eight MNCs are all employees involved in establishing and sustaining positive relationships with foreign government representatives and non-governmental stakeholders. For example, within Wolters Kluwer often only the people at the management level or employees with a Public Affairs-like role directly maintain contacts with foreign governments and other stakeholders. The KPN respondents also recognized establishing and sustaining such relationships as an activity of the top management level. They mentioned that the chairman of the Executive Board regularly meets with the mayor of Düsseldorf to discuss issues regarding E-Plus, but that the average production manager within KPN is mainly focused on the business and its clients. The Philips respondent also indicated that the extent to which business diplomacy is conducted by every company employee is low and stated:

*“In every country in which Philips operates, specialized functionaries are active in establishing and sustaining positive relationships with local government representatives and non-governmental stakeholders. For example, in the Netherlands Philips has a department that focuses on the relationships with the Dutch government. These specialized functionaries within this department are familiar with the ways and procedures in The Hague and the provinces.”*

Yet the respondents of all eight MNCs indicated that all employees within the organization need to consider themselves as representatives of the organization when they are in contact with stakeholders of the business.

All eight MNCs have set general business codes of conduct to ensure that every company employee behaves properly as a representative of the organization. The respondents of all eight MNCs argued that all company employees in all subsidiaries worldwide, regardless of their function, need to comply with these codes of conduct while carrying out their daily tasks. These codes of conduct have a general nature and have no direct link with business diplomacy. Within Royal Dutch Shell, for example, the business principles prescribe that laws and regulations need to be adhered in all countries in which it operates, and that bribery is prohibited at all times. The Vopak respondents argued that it is very important to include codes of conduct that prescribe how to behave as an employee when using social media. The respondents stated:

*“The internet and social media have blurred the borders to communication. When there is a crisis, it is always dangerous when employees use Twitter and leak sensitive information. You have to be very careful with it. Everything that can be expressed through social media can affect the reputation of the company.”*

According to the Royal Dutch Shell respondent, bribery and corruption become more tempting when employees have more contact with government representatives in their function. Therefore, the business principles within Royal Dutch Shell are emphasized even more strongly for those employees.

#### 4.5 Business diplomacy responsibility

The interviews revealed that in none of the eight MNCs did the responsibility for establishing and sustaining positive relationships with foreign government representatives and non-governmental stakeholders lie at the headquarters level. Instead, the data showed that in all MNCs the responsibility for business diplomacy largely lies within the foreign subsidiaries. All MNC respondents agreed that business diplomacy should be adapted to the institutional situation of the respective country. They argued that the local employees in foreign subsidiaries have the best insight into the institutional context in which they operate and should therefore have a certain degree of freedom in adapting business diplomacy to the specific characteristics of their local business market. For example, the Vopak respondents stated:

*“Vopak operates 84 terminals in 31 different countries, all with different stakeholders. The approach towards business diplomacy varies between countries. These variations in approach can be explained by the institutional differences between countries. Culture in particular affects the approach towards business diplomacy. The local people on the ground have a better understanding of what local rules and protocols to adhere to in order to establish and sustain positive relationships with all stakeholders in the country.”*

The Wolters Kluwer respondent stated:

*“The local people have the best understanding of how certain issues need to be addressed. In China things work differently than in the United States. Therefore, the manner in which business diplomacy is executed varies by country and situation. For example, the local team in Wolters Kluwer China needs to have the freedom to adjust business diplomacy to the Chinese business market.”*

Within Vopak, Royal Dutch Shell, Randstad, Philips and DSM, guidelines for business diplomacy are set at the headquarters level. The respondents of these MNCs explained that the foreign subsidiaries are free to decide upon how to establish and sustain positive relationships with local government representatives and other stakeholders, but that these business diplomacy guidelines and the general codes of conduct which apply to all employees must be adhered to. For example, the Vopak respondents stated:

*“It can be said that the approach and organization of business diplomacy are set on the headquarters level and disseminated to all local terminals. All terminal managers act in line with the general guidelines and codes of conduct set by headquarters. But at a certain point local terminal managers have to deal with the specific issues (e.g. rules and regulations) locally and adapt business diplomacy to the specific characteristics of their local market. If certain issues affect the global brand of Vopak (e.g. if the WTO is involved), it will be dealt with from a corporate level. In that case, the director of Communication & Investor Relations and the manager of Public Affairs become involved.”*

Philips is represented in 120 countries. On the top corporate level, Philips has a global network in which relationships are maintained with representatives of the largest countries. In this network

knowledge and experiences are exchanged, best practices are shared, new activities are introduced, and certain matters are coordinated. This network produces general business diplomacy guidelines.

In both Randstad and DSM, annual meetings take place in which general business diplomacy guidelines are determined and disseminated to all foreign subsidiaries. Yet the respondents of both MNCs indicated that the foreign subsidiaries have a high degree of freedom in adapting business diplomacy to the specific characteristics of their local business environment.

Within Royal Dutch Shell, the responsibility for the maintenance of contacts with foreign government representatives and non-governmental stakeholders lies largely with the local Country Chairs in the foreign subsidiaries. Business diplomacy guidelines are set by the main headquarters and regional headquarters for the Country Chairs. The respondent explained that the strictness of these guidelines and the extent to which a Country Chair is free to give substance to business diplomacy depends on the current situation in the respective country and existing regional matters. Through dialogues between headquarters and the Country Chairs, the changes these regional issues entail for the conduct of business diplomacy in a certain business market are viewed and discussed. The respondent stated:

*“The intensity and frequency of the dialogues between the Country Chair and headquarters may vary by country; these dialogues can take place once a week, but also once a month. This depends on the institutional setting and situation of a country. For example, when there are political struggles in a certain country, the Country Chair gets guidance from headquarters more frequently.”*

Within Financial Services Industries, Wolters Kluwer and KPN, there are no guidelines for business diplomacy. The respondents of these MNCs emphasized that business diplomacy is carried out along the lines of business values and business principles; although foreign subsidiaries are free to decide upon how to establish and maintain stakeholder contacts in their local business market, the general business codes of conduct need to be adhered to at all times.

#### **4.6 Business diplomacy means deployment**

The interviews revealed that all eight MNCs deploy a wide variety of means, methods and channels to establish and sustain positive relationships with foreign government representatives and non-governmental stakeholders (economic and non-economic). The MNC respondents gave a wide range of examples of direct stakeholder dialogues, events, forums, meetings, industry associations, social projects and social partnerships that are used as means for business diplomacy.

All MNC respondents indicated that entering into direct stakeholder dialogues can serve as an important means for business diplomacy. For example, Royal Dutch Shell wants to issue a clear message to all its stakeholders. Through stakeholder dialogues, Royal Dutch Shell clearly explains and clarifies its project plans. The respondents stated:

*“A good example is the project in Alaska. Besides the support of the United States government that we have for this project, we also talk with stakeholders in other countries where interest can be expected. Before the start of this project, Royal Dutch Shell made appointments with a number of NGOs, newspapers, television stations, government officials and scientists. In these arrangements with the whole range of stakeholders, we explained very clearly what our intentions and plans are for this project. For example, we clearly showed NGOs the way in which an attempt was made to*

*minimize the negative effects on the environment. In this way, Royal Dutch Shell shows that everything possible is being done in this area.”*

In these dialogues, Royal Dutch Shell also tries to uncover how different stakeholder groups look at a particular project. From this it can be deduced to what extent the story is complete, what dilemmas exist for certain stakeholders, and how this should be anticipated. In this way, Royal Dutch Shell tries to establish and sustain positive relationships with all its stakeholders.

As another example, Vopak maintains contacts every year with a wide range of stakeholders (NGOs, sustainability organizations and ministries) in all the countries in which it operates.

According to the Philips respondent, there are strict rules regarding these business diplomacy means.

The respondent of Wolters Kluwer argued that through events, positive relationships with foreign government representatives and other non-governmental stakeholders can be established and sustained. Every year Wolters Kluwer is active in a number of fairs. The respondent mentioned the annual Frankfurt Book Fair, one of the largest fairs in the world in the field of intellectual property rights. The respondents stated:

*“At these fairs, publishers buy each other’s property rights, and large educational institutions (e.g. universities) figure out which series of professional information will be prescribed to their students and purchased for their libraries. Government officials from several countries are present as well. Wolters Kluwer uses this opportunity to establish and sustain positive relationships with these stakeholders.”*

The respondents of Philips and KPN also indicated that events are used as a means for business diplomacy. Each year, KPN organizes a number of corporate events.

According to the Vopak respondents, forums and meetings can also function as tools for business diplomacy. Vopak wants to be recognized within the energy sector via participating in several key conferences in the energy arena. The respondents stated:

*“This year Vopak attended the international energy forum in Kuwait, giving our views on the role of NOCs (national oil companies) and IOCs (international oil companies). We have also expanded our diplomacy to attendance to World Economic Forum meetings. These opportunities are useful for developing business diplomatic ties, meeting with key ministers and key energy industry associates.”*

According to the Randstad respondent, being part of an industry association can also serve as a means for business diplomacy. Randstad is active in industry associations on a national, European (Eurociett) and international level (Ciett). The strategy is to ensure that these associations exist in every country in which Randstad operates. The MNC is deeply convinced that through these associations, it is easier to reach governments and other surrounding stakeholders. The respondent also argued that by being part of a strong association in a particular country, the opinions of Randstad will be better heard by the local government.

Furthermore, all MNC respondents provided examples of social projects and social partnerships as means for building and sustaining legitimacy in foreign business markets. For example, Wolters Kluwer encourages initiatives that are aimed at enhancing the quality of life in all communities in

which it operates. The respondent mentioned that free access to medical databases is provided to a number of African hospitals. In this manner, the quality of healthcare in these countries can be improved. Another example of this social involvement is KPN's support of a number of social projects.

Royal Dutch Shell helps to meet the world's growing energy needs in economically, environmentally, and socially responsible ways. The Shell-Eco marathon is a social project that challenges students from around the world to develop and build energy-efficient vehicles. This project sparks debate about the energy future and inspires students to push the boundaries of fuel efficiency.

The DSM respondents mentioned that besides cooperation with governments and knowledge institutes, a partnership has been set up with Greenpeace in the field of sustainable development. When somewhere in the world a disaster occurs, Financial Services Industries works together with a number of partners to provide short-term emergency assistance and long-term recovery assistance. Philips tries to make healthcare accessible for communities that lack access to medical care. In 2009, a program was launched in collaboration with the Chinese Red Cross to train 300 village doctors. Another example is the global partnership between Randstad and VSO (Voluntary Service Overseas). The respondent stated:

*"VSO is one of the largest development organizations that provides structural support to developing countries. VSO are specialists in recruiting and placing volunteers with professional qualifications from around the world to live and work in developing countries. In addition to a financial contribution, Randstad helps VSO with expanding its recruitment of volunteers. This collaboration fits well with the social responsibility that we as Randstad stand for."*

#### **4.7 Business diplomacy resource availability**

All MNC respondents indicated that time and financial resources are available in their organization for establishing and sustaining positive relationships with foreign government representatives and other non-governmental stakeholders. This is also reflected in the wide variety of means that all MNCs deploy for business diplomacy. For example, the Royal Dutch Shell respondent mentioned that a lot of time and money is spent on intensively managing all stakeholders of the business. The respondents of Wolters Kluwer stated:

*"Wolters Kluwer spends time and money on establishing and maintaining relationships with foreign governments and other stakeholders. Each year appointments with various governments are made, fairs are organized, various countries are visited, and meetings are held with various stakeholder groups."*

The Randstad respondent argued that since the business is largely determined by laws and regulations, a lot is invested in business diplomacy. As an example, the respondent stated:

*"In the Netherlands, four people operate within the International Public Affairs Department and are concerned with matters regarding business diplomacy. In the other countries in which we operate, approximately fifty people are occupied with these matters, sometimes in combination with other functions."*

For DSM, the level of investment in business diplomacy cannot be expressed by the size of the Public Affairs Department. The respondents stated:

*“Within DSM the number of people that work within the Public Affairs Department and are engaged full-time with business diplomacy is limited. Yet, there are many people that are part-time focused on business diplomacy. Even the local DSM businesses are active in the managing of stakeholders in their local environment. This external orientation is reflected in the content of the work of DSM. Consider for instance the many partnerships that DSM has set up with governments, knowledge institutes and NGOs for the performance of daily operations.”*

Phillips considers business diplomacy an essential component of the general business operations. The amount of time and money spent on business diplomacy depends on the institutional context of a country. The respondent explained that in countries in which the obtaining of licences proceeds slowly and laborious, more time and attention are paid to maintaining contacts with local authorities than in countries in which these matters run faster and smoother.

The respondents of Vopak, Financial Services Industries, DSM and Philips mentioned that the CEO is intensively involved in business diplomacy. The Vopak respondents stated:

*“The CEO and the Executive Board of Vopak spend a significant amount of time on business diplomacy, around fifty percent.”*

The respondent of Financial Services Industries indicated that since the outbreak of the financial crisis in 2008, business diplomacy has become more important for financial institutions. The respondent stated:

*“The managing of the perception of Financial Services Industries has moved up the agenda since the outbreak of the financial crisis in 2008. The critical attitude of society towards our industry has put greater pressure on maintaining positive relationships with external stakeholders. The CEO of Financial Services Industries devotes considerable attention to the communication with the outside world.”*

Also within KPN, time and financial resources are available for business diplomacy. However, the respondents pointed out that these resources are mostly devoted to the creation of social projects in the societies in which KPN operates, and to a lesser extent for maintaining positive relationships with foreign governments.

With respect to knowledge resources, the interviews revealed that none of the eight MNCs have specific business diplomacy training programs. However, there are general training programs that teach employees how to act in line with their business values and principles, and how to deal with the external stakeholders of the business.

The respondents of Vopak, Financial Services Industries, Randstad, Wolters Kluwer, KPN and DSM mentioned that by means of training programs, the business codes of conduct are taught to all employees. Within Financial Services Industries, each employee receives E-training. The respondents mentioned that once in a while all employees have to do a casus test in which a number of business situations need to be assessed properly. Randstad applies an Induction Program in this context.

In addition, the respondents of Wolters Kluwer, Vopak, Royal Dutch Shell, DSM, Randstad, Philips and Financial Services Industries indicated that general stakeholder management training programs are available in the organization.

The Randstad respondents stated:

*“Every employee within Randstad receives training in simultaneous advocacy, focused on the stakeholder group they have to deal with in the business.”*

Philips is currently working on a cumulative learning system for business diplomacy. The respondent explained that this database management system keeps track of what business diplomacy actions are taken, what the results of these actions are, and what lessons can be learned from these actions. Vopak also recognizes the importance of learning from previous business diplomacy experiences. The respondents stated:

*“It is important to make use of specific qualities of local employees. For example, an employee that has experience in dealing with local issues in South Africa can bring this knowhow over to other employees”.*

## 5. Discussion and future research directions

### 5.1 Discussion

Our definition of business diplomacy was widely supported by seven out of eight MNCs. This means that our definition has a high external validity and can be used as a basis for further research into business diplomacy.

The concepts of business diplomacy and CPA are used interchangeably fairly often. This was particularly evident in the examples of business diplomacy means provided by the MNCs. For example, the Randstad respondent emphasized that by being active in industry associations on a national, European and international level, it is easier to reach foreign governments and surrounding stakeholders. As confirmed by the theoretical framework, being part of industry associations can be considered a means for business diplomacy, granting access to these stakeholders for the creation of long-term, positive relationships. The respondent also argued that through these associations, the opinions of Randstad will be better heard by foreign governments. This suggests that industry associations are also used as an instrument for lobbying. It implies that in practice, certain means for business diplomacy and CPA are closely allied.

The interview data show that Royal Dutch Shell, Financial Services Industries and DSM lean on the home government to a certain extent in establishing and sustaining positive relationships with foreign government representatives and non-governmental stakeholders. These MNCs also use the home government as a channel to influence foreign governments and related stakeholders on certain matters. For example, the DSM respondents argued that it is much easier to influence foreign governments via the Dutch government. Activities like that can be considered lobbying, which falls outside our definition of business diplomacy. Leaning on the home government can be considered a means for conducting business diplomacy, as it is deployed to establish and sustain positive relationships with foreign stakeholders. When it is used for lobbying purposes, leaning on the home government cannot be considered a means for business diplomacy, but rather a means for CPA.

Is the type of industry in which a MNC operates a determining factor for the intensity with which business diplomacy is conducted? In the interviews, several MNC respondents indicated that industry-specific factors determine the degree of business diplomacy intensity. As described in the research findings, Philips, Wolters Kluwer and Randstad conduct business diplomacy intensively since they operate in industries in which the business is strongly influenced by government policies (rules and regulations). These research results confirm earlier findings in the work of Hillman and Hitt (1999), who claimed that firms with a high level of government policy dependency are more likely to build upon long-term relationships with governments.

Royal Dutch Shell is active in the oil business. According to Saner et al. (2000), business operations in the oil industry directly affect populations. Especially firms that operate in such sensitive industries can no longer ignore business diplomacy. Indeed, the Royal Dutch Shell respondent argued that since large oil projects are always linked to foreign governments and other stakeholders (such as NGOs), business diplomacy is conducted intensively. This is reflected in the many resources that Royal Dutch Shell deploys for the intensive management of all stakeholders. The respondent of Financial Services Industries indicated that since the outbreak of the financial crisis in 2008, society has taken a critical



attitude towards the financial services industry. Correspondingly, the maintenance of positive relationships with external stakeholders has moved up the agenda within Financial Services Industries.

Is the number of countries in which a MNC operates another determining factor for the intensity with which business diplomacy is performed? The interview data revealed that KPN conducts business diplomacy less intensively than the other seven MNCs that operate worldwide. KPN is concentrated in three countries only: the Netherlands, Germany and Belgium. The respondents explained that since KPN operates in an European context and is a major player only in the Dutch business market, business diplomacy is less necessary and probably less intensive than for MNCs that operate worldwide.

Perhaps the institutional settings of the countries in which KPN operates can also help explain the lower intensity with which business diplomacy is conducted. As Chan, Isobe and Makino (2008) recognized, companies will act differently in different countries, depending on the institutional setting. North (1991) emphasized that companies rely heavily on personal networks in host countries in which the institutional infrastructure is weak. This suggests that companies operating in those countries will be more likely to recognize the importance of business diplomacy. KPN operates in three Western European countries in which the institutional development is strong. This may partly explain why KPN conducts business diplomacy less intensively than, for example, Royal Dutch Shell that operates in countries in which Western business values are imposed to a lesser extent and where the institutional setting is weak.

The interview data revealed that these institutional factors also affect the policy clarity and responsibility of business diplomacy in MNCs. All MNC respondents emphatically indicated that a universal formal business diplomacy policy will not suffice since the conduct of business diplomacy depends on the country concerned and its institutional situation. They agreed that business diplomacy should be adapted to the institutional situation of the respective country. They indicated that precisely for that reason, the responsibility for business diplomacy is largely decentralized to the foreign subsidiaries. They explained that the local subsidiary employees have the best insight into the institutional context in which they operate. These research findings are in line with the work of Blumentritt and Ningh (2002). They argued that governmental structures and procedures often differ substantially between countries, and that therefore MNC subsidiaries are forced to deviate from standard procedures in order to interact with political actors.

As mentioned in the introduction, business diplomacy is a part of the field of international business management which is still relatively under-explored. In their studies, London (1999), Saner et al. (2000), Saner and Yiu (2005), Ordeix-Rigo and Duarte (2009), and Muldoon (2005) have already emphasized the relevance of business diplomacy in today's business environment. Our research has shown that the MNC respondents also recognized the increasing value and necessity of business diplomacy. They made a connection between business diplomacy and the creation of legitimacy (safeguarding corporate image and reputation). In this respect, our study confirms previously conducted research on the importance of business diplomacy.

The need for research on how MNCs actually conduct business diplomacy in practice was already identified by Saner and Yiu (2005). In an attempt to reduce this knowledge gap, they investigated how four Swiss MNCs are developing their business diplomacy competency. Our research has

contributed to the scientific literature by further reducing this knowledge gap. The in-depth measurement of six dimensions created a complete and extensive picture of how business diplomacy is actually enacted by and embedded in the organization of MNCs. Each dimension by itself has contributed to this research by providing new insights into this topic.

It was remarkable that all MNC respondents in our research recognized the growing relevance of business diplomacy in today's complex and rapidly changing business environment. Logically, it can be expected that this realization will lead to further developments of the business diplomacy function in MNCs. Indeed, this was demonstrated by Vopak and Philips. Vopak is currently working on improving business diplomacy process. Philips is also working towards a new business diplomacy model in which experiences previously acquired in the field of establishing and sustaining positive relationships with foreign governments and other stakeholders are incorporated. It is therefore all the more interesting to examine how MNCs develop their business diplomacy function. Perhaps a seventh dimension, 'business diplomacy development', can be added in future research on this topic.

## 5.2 Future research directions

The literature review has shown that business diplomacy is a relatively under-explored topic. Most studies have focused on its importance. Since there is hardly any research on how MNCs conduct business diplomacy in practice, more qualitative research is required. Additional studies in this context should be conducted with other MNCs. This will provide new insights into how MNCs conduct business diplomacy in practice. In addition, more attention should be paid to how firms develop their business diplomacy function. Newly acquired insights and understandings can then contribute to the improvement of business diplomacy in organizations.

Along with qualitative research, more quantitative research on business diplomacy is also required. Hardly any research has been conducted on the antecedents and outcomes of business diplomacy. The literature review has shown that this has been done comprehensively for CPA (Bonardi et al., 2005; Hillman et al., 2004; Lux et al., 2011; Schuler & Rehbein, 1997). The MNC respondents in this study indicated that the conduct of business diplomacy will depend on the country concerned and its institutional setting. The research findings also suggest that the type of industry in which an MNC operates is decisive for the degree of business diplomacy intensity. In order to verify whether these relationships really exist, further quantitative examination is necessary.

What can also be examined is whether there are different types of business diplomacy. There are differences in how MNCs conduct business diplomacy since it is not a one-size-fits-all phenomenon. As explained in the theoretical model, we expect that the MNC's level of global integration and local responsiveness influence the enactment and embeddedness of business diplomacy. Bartlett and Ghoshal (1989) propose a typology of MNCs in which the level of global integration and local responsiveness determines whether a firm is typified as international, multinational, global or transnational. In the theoretical model, we proposed a typology for business diplomacy by using the theory of Bartlett and Ghoshal (1989). Based on our own expectations, we explained how the enactment and embeddedness of business diplomacy are characterized for each type of MNC in the typology of Bartlett and Ghoshal (1989). Empirical research is required to check these expectations. By developing and investigating such a typology, an increased understanding of how MNCs conduct business diplomacy can be acquired.



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