

Shedding light on Business Diplomacy.

A systematic review on typology and its implications for MNC's

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ABSTRACT,

The aim of this paper is to distinguish different types of business diplomacy and identify appropriate strategies for conducting diplomatic activities. The research has been based on a literature review and a media content analysis. Four types of business diplomacy were identified, namely: (1) Intra-firm Business Diplomacy, (2) Inter-firm Diplomacy, (3) Home-Country Government Diplomacy and (4) International Business Diplomacy. In addition, findings suggest that all four types require diplomatic capabilities to be successful. This paper advises MNC's to apply business diplomacy for relationships, both on the short- and long-term, to sustain legitimacy. The results of this paper possess both scientific relevance and indicate the possible beneficial implications of business diplomacy for MNC's.

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Keywords

Business diplomacy, typology, corporate diplomacy, Multinational corporations, Diplomatic capabilities, Relationships, strategy

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1. INTRODUCTION

Diplomacy today is evolving at a much faster rate than in the second half of the twentieth century (Melissen, 2011). Globalisation and technological revolution has increased the speed of change within different spheres of daily life and international relations (Saner & Yui, 2003). Global companies need to anticipate environmental conflicts, communicate effectively with nonbusiness interest and pressure groups, influence the decisions of foreign governments, maintain and cultivate constructive relations with external constituencies, and negotiate on behalf of the company in foreign countries with nonbusiness groups (Saner, Yui & Søndergaard, 2000). This need for anticipation, communication and increased influence is a consequence of the changing business environment. The business environment is increasingly imposed by complex international relations, due to the growing globalisation and a higher degree of intercontinental connections (Saner & Yiu, 2003). Globalisation has increased the power of international business (Muldoon, 2005). This "power shift" in the international system has dramatically altered the international political, economic, and social landscape, transforming the roles of and changing the relationships between state and non-state actors (Muldoon, 2005). The challenges, which are consequences of globalisation, need to be addressed and businesses must adjust to this change. Saner, Yiu and Søndergaard (2000) state that global companies must succeed in the business they are in and at the same time show competence in managing multiple stakeholders at home and abroad. This means facing cultural diversities, governments, NGO's, pressure groups and many more. Business diplomacy is believed to help multinational corporations (MNC's) with these challenges.

The new diplomacy of business is one of the more interesting and pronounced features of the evolving character of 21st century diplomatic practice (Muldoon, 2005). However, literature regarding business diplomacy is scarcely available. Especially literature related to typology and strategy. This paper aims to add value to the field of business diplomacy by answering the following research question:

What types of business diplomacy can be distinguished and how could MNC's conduct each of these types?

This paper is structured in the following manner: First, a literature review with the addition of the definition regarding business diplomacy will be presented. From this we will identify and define different types of business diplomacy. Then, we will explain the method applied, which is a media content analysis, after which the results will be presented. This paper ends with a conclusion and discussion section followed by limitations and acknowledgements.

2. LITERATURE REVIEW

The Purpose of the literature review is to identify and distinguish different types and strategies of business diplomacy. Although scientific literature is scarcely available, the subject business diplomacy is of growing importance and interest. The retrieved literature has been obtained through the following scientific databases: Web of Science, Google Scholar and Scopus. All literature was obtained by using keywords suchlike: business diplomacy, corporate diplomacy, diplomatic strategies, public diplomacy and corporate political activity (CPA). The literature search is confined to academic literature that has been published, cited and peer reviewed within the past fifteen years.

Analysing the literature, it appears that there are several and different perceptions on the concept of business diplomacy.

However, none of the authors on business diplomacy acknowledges these differences and address this issue. The assumption is made that there are different types of business diplomacy and this paper aims to identify, define and describe these different types in this paper. First, a clear working definition of business diplomacy will be given after which the literature will be reviewed.

2.1. Business diplomacy

As previously stated, there are several and different perceptions on the concept of business diplomacy. Whereas before the institution of diplomacy needed only to manage the relations between states, now it is being forced to expand its institutional boundaries to manage the relations among a wider set of global actors (Muldoon, 2005).

Most authors refer to diplomacy either using business diplomacy or corporate diplomacy. However, Ruël (2013) states that business diplomacy and corporate diplomacy can be considered synonyms. We concur with this statement since both concepts describe the same business process even though corporate diplomacy includes some additional concepts, such as CPA and corporate political strategy (CPS). This paper considers these additional concepts as diplomatic strategies under the umbrella of business diplomacy. Throughout this paper we will work with the concept of business diplomacy.

2.1.1. Definition

As stated earlier, there is no uniform description of business diplomacy. A few examples of different descriptions:

- London (1999) states that business diplomacy is a way of working with people effectively to get things done.
- Hillman (1999) describes it as behaviour to produce public policy outcomes that are favourable to the firm's continued economic survival and success.
- Business diplomacy is the capability that some major transnational corporations develop to draft and implement their own programs, independent from the government's initiative, to pursue similar diplomatic aims (Ordeix-Rigo, & Duarte, 2009).
- "(Diplomacy) is defined as the mechanism of representation, communication and negotiation through which states and other international actors conduct their business" (Melissen, 1999; Saner & Yui, 2003).

For clarity purposes of this paper a single uniform definition will be used. The definition that has been suggested by Ruël, Wolters and van der Kaap (2013) is most extensive and best captures the interests of all parties involved. The definition that will be used during the course of this paper is as follows:

"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." (Ruël, Wolters and van der Kaap, 2013).

2.2. Types of business diplomacy

After reviewing the literature we found that a consensus is lacking regarding the concept of business diplomacy; actually we observe that the different ways authors implicitly or explicitly explain and define business diplomacy may mean that it is more likely to identify different types of business diplomacy. It appears that

authors describe different types of business diplomacy yet none of the authors on business diplomacy acknowledges these differences and address this issue. The paper of Suren (2014) distinguishes four different types of business diplomacy. Namely, Intra-firm Business Diplomacy, Inter-firm Diplomacy, Home-Country Government Diplomacy and International Business Diplomacy. This paper will, for all intents and purposes, build on this distinction by researching its existence and validity.

There are three parties involved in business diplomacy namely: Government, businesses and the society at large. Business diplomacy is focussed on the business perspective and how businesses interact with government, other firms and the society at large. These parties interact with one another in different manners. A distinction is made based on orientation and communication. Authors, implicitly and explicitly, mention both national and international diplomatic relationships. For example, Saner et al. (2000), Muldoon (2005) and Ruël (2013) all refer to the international orientation of businesses and their connection to foreign governments and NGO's. Hillman (1999) focusses on the interaction with governments which can be considered both national and international. Businesses can differ in regards to orientation and thus the distinction is made between national and international. The paper of London (1999) states that diplomacy is treating people with respect, being honest, recognising and valuing differences, voicing agreement when appropriate, and accomplishing goals. This view suggests that diplomacy is an internal issue of a business. Several authors acknowledge this internal view, others describe a more external view. Figure 1 shows our distinction in which the four types of business diplomacy are located.

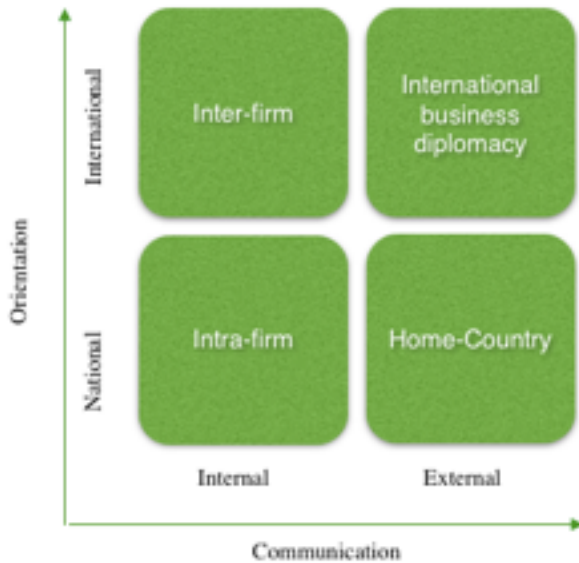


Figure 1. Business diplomacy typology matrix

As stated earlier, the distinguished types of business diplomacy were derived from the paper of Suren (2014). We reviewed the literature and agree with the distinction of the four types. Figure 2 shows a matrix in which several authors are placed in the typology section that corresponds with their view on business diplomacy.



Figure 2. Authors and their corresponding types

The majority of authors, in respect to their own views and definitions, describe business diplomacy by explaining the interactions between government, businesses and society (mostly NGO's). Few authors share London's view (1999), who focusses on the diplomatic characteristics and capabilities within a single business. Although most authors agree with these characteristics and capabilities, they acknowledge them as necessities for conducting business in the other three types of business diplomacy. Therefore we will discuss Intra-Firm diplomacy as a separate type with diplomatic capabilities as a prerequisite for conducting all types of business diplomacy. The next section of this paper elaborates in detail on the four types of business diplomacy and their required diplomatic capabilities. In addition, several strategies, tactics and approaches will be introduced.

2.2.1. Diplomatic Capabilities

While the foreign services of most OECD countries make great efforts to teach diplomats about business, few global companies try to understand the world of international relations and diplomacy (Saner et al., 2000). While CEOs of global companies need to carry out an increasingly large number of diplomatic missions, global managers do not necessarily know how to manage nonbusiness stakeholders in all the countries where they operate (Saner et al., 2000). This is a significant issue which needs to be addressed. For businesses to deal with the diplomatic changes they require internal diplomatic capabilities. Diplomacy is valuable in handling performance problems, managing diversity, improving teamwork, overcoming resistance to change, and gaining cooperation from others (London, 1999). Business diplomacy managers need to be competent at international, national, community, and firm levels (saner et al., 2000). Diplomacy is treating people with respect, being honest, recognising and valuing differences, voicing agreement when appropriate, and accomplishing goals (London,1999). Thus we can state that Business Diplomacy requires ethical behaviour without being manipulative, shrewd or cunning.

We found that diplomatic capabilities are crucial for all four types of business diplomacy. Global companies need to acquire diplomatic know-how that goes beyond what is normally expected of public affairs offices (Saner et al., 2000). Having the skills and capabilities in order to conduct business is not easily achieved.

This raises the question: How can internal business diplomacy capabilities be developed?

At the heart of any successful public diplomacy initiative is meeting the challenge of understanding, respecting, and appreciating cross-cultural differences as well as similarities (Payne, 2009). Businesses must gather knowledge on the environment in which they want to conduct business. Environments differ from one another and managers need to understand the differences in order to take advantage of the opportunities. Individual, NGO, business, and governmental efforts are required to meet this emerging diplomacy challenge, as peoples attempt to both assimilate and maintain cultural identity (Payne, 2009). There are numerous ways in which a business can enhance its diplomatic capabilities. For one, a business can train or hire experienced diplomats. Global companies prefer to hire professional diplomats on an ad hoc basis (Saner et al., 2000). Hiring professional diplomats is especially useful when working on a temporary project basis. In addition to the short-term, the hired diplomats can be useful for the introduction of a long-term commitment. After the introduction communication could continue with in-house capabilities. The advantage of hired professional diplomats is that they are experienced and possess the required know-how. Training diplomats is a long and costly process which is unlikely to take place when conducting business on short-term project bases. Besides these disadvantages there is the issue of different environments. When operating globally, a business encounters a range of cultures which need alternate approaches. In addition, a business could set up a business diplomacy management position to enhance diplomatic capabilities. Diplomatic know-how should be a company-wide responsibility shared by top management and the respective heads of business units (Saner et al., 2000). The chapter on international business diplomacy will further elaborate on this tactic. Rather than work over, around, or through other people, the idea of business diplomacy is to help managers understand each other's point of view and reach common ground without hostility (London, 1999). Diplomacy uses tact and understanding to build trust and develop relationships (London, 1999). Global companies, in that case, should have an arsenal of in-house diplomats with experience in specific environments.

2.2.1.1. Conclusion on diplomatic capabilities

Global companies need to consider building up their own diplomatic competency and acquire adequate knowledge in international politics and be competent in international business (saner et al., 2000). This can be achieved by setting up a business diplomacy management position and by hiring experienced professionals or training diplomats. These diplomats should be able to master the multiple cross-cultural interfaces at internal and external boundaries, at different hierarchical levels, and within different national cultures and subcultures (Saner et al., 2000). The key lies with the manner in which businesses conduct diplomatic activities. Diplomacy requires strategising, planning and a diplomat must understand human behaviour in difficult situations (London, 1999).

2.2.2. Intra-Firm Diplomacy

As previously mentioned, Intra-Firm Diplomacy consists for a major part of diplomatic capabilities which a business could obtain internally. Intra-Firm diplomacy is also the application of diplomacy to solve both internal and headquarter-subsidary issues. According to London (1999), it is a way to work within corporate politics to make things happen rather than get bogged down in turf battles, resource wars, and dysfunctional, unpleasant competition. This type of diplomacy encourages ethical behaviour

within the business. An example is a policy that harassment and discrimination will not be tolerated, and that fair treatment is expected and rewarded (London, 1999).

According to Nohria & Ghoshal (1994), organising headquarters-subsidary relations is a key challenge for managers of MNC's. Two aspects of the subsidiary context have to be taken into account: (1) the complexity of the subsidiary's local environment, and (2) the level of resources possessed by the subsidiary (Nohria & Ghoshal, 1994). The paper of Nohria & Ghoshal (1994), suggests two solutions namely: a differentiated structure of each headquarters-subsidary relation to 'fit' its context and building shared values across headquarters and subsidiaries. Building shared values is related to the field of business diplomacy. The reason for applying these solutions is to improve performance. Businesses that can simultaneously create a strong set of shared values as well as differentiated fit will outperform those that rely on one or the other of these administrative approaches (Nohria & Ghoshal, 1994). The application of Intra-Firm diplomacy for headquarter-subsidary relations is challenging. It involves a significant investment of resources for both initial socialisation and continued normative allegiance (Nohria & Ghoshal, 1994).

2.2.3. Inter-Firm Diplomacy

The development of the collaborative relationships literature suggests that the much vaunted 'partnership' approach has been brought about by firms needing to reduce costs, following changes in the world's industrial and economic climate that have taken place over the last three decades (Cousins, 2002). In addition, we argue that, although it started with the goal of reducing costs, there are multiple reasons for collaboration. Relationships should be viewed as an inter- and intra-organisational processes that exist to deliver value (Cousins, 2002).

The inter-firm diplomacy type focusses on the interactions between businesses within their environment. The subject of inter-organisational network relations has been widely researched. However, regarding these relations, few authors describe the need for diplomatic activities and capabilities. This paper does not discuss the purpose of why these relations exist but rather how diplomatic activities are conducted within this type of diplomacy. Diplomacy requires the fulfilment of four critical dimensions. The four critical dimensions of political skill are: social astuteness, interpersonal influence, networking ability, and apparent sincerity (Ferris, Treadway, Perrewé, Brouer, Douglas & Lux, 2007). For inter-firm diplomacy the networking ability is crucial. The network ability within a business consists of individuals with political skill that are adept at identifying and developing diverse contacts and networks of people (Ferris et al., 2007). In addition, Ferris et al. (2007) state that politically skilled individuals combine social astuteness with the capacity to adjust their behaviour to different and changing situational demands in a manner that appears to be sincere, inspires support and trust, and effectively influences and controls the responses of others.

Collaboration is the interaction between businesses. There is a variety of reasons for businesses to interact with one another. For one, not only does a collective share the cost and risks it also creates a more forceful voice than a single business. In the next section of this paper there will be more information on the collective collaboration. This type of diplomacy can lead businesses to success or survival. However, the issue is about choosing the correct relationship process to deliver the desired output (Cousins, 2002).

2.2.4. Home-Country Government Diplomacy

Governments encourage competitiveness of their economies in order to respond to opportunities and threats of global markets and business establishment pressures for beneficiary-orientation and more efficiency of government services, such as commercial diplomacy (Naray, 2008). Home-country government diplomacy describes the diplomatic relationship between businesses and governments, both home and foreign. In many industries the success of business in the public policy arena is no less important than business success in the marketplace (Hillman & Hitt, 1999). Hillman and Hitt argued that the overall objective of political behaviour is to produce public policy outcomes that are favourable to the firm's continued economic survival and success (as cited in Baysinger, 1984; Keim & Baysinger, 1988). Success can be both financial prosperity or creating a competitive advantage. Successful commercial diplomacy gains access to new markets and serves the home country's economy (Ruël 2013).

Many authors use “commercial diplomacy” to describe the relation between businesses and governments. This paper acknowledges this definition but regards commercial diplomacy as a sub-concept of business diplomacy that covers the diplomatic relation between businesses and governments. Commercial diplomacy combines the interests of both government and business by highlighting new markets and investment opportunities (Ruël, 2013).

Naray (2008) and Ruël et al. (2012) identified the following rationale for commercial diplomacy: (1) the need for access to reliable and neutral business information, (2) economic intelligence that would have otherwise been unavailable or already existing, which prevents “reinventing the wheel”, (3) support for the newcomer’s weak credibility and image in foreign markets, (4) draw attention (marketing) at a relatively low cost, (5) partner search: encouragement of national firms (mainly SMEs) to promote internationalisation, (6) diplomatic networks usually have easier and influential access to high-level contacts than most businesses do individually, especially small and medium-sized firms, (7) support of home country delegations: ministers often are accompanied by business people in State visits (8) conflict handling, (9) diplomatic networks have a high ‘trust factor’ and



Figure 3. Possible activities within commercial diplomacy according to Reuvers & Ruël, 2012 (Kosters, 2013)

that makes it easier to attract foreign direct investment, and (10) strategic concerns, such as a government's desire to engage in strategic trade policies, support for R&D activities or improved access to (energy) supplies. Figure 3 presents the rationale for commercial diplomacy divided into four parts.

We can conclude that commercial diplomacy is conducted to bolster performance for many purposes which ultimately should lead to success or survival. Consequential, this raises the question of how businesses can and should manage their relations with governments? There are a variety of ways in which firms try to influence public policy decisions (Hillman & Hitt, 1999). First there is a distinction between reactive and proactive behaviour. We focus on proactive behaviour which is actively participating while reactive behaviour has no direct participation in public policy. Hillman & Hitt (1999) created a framework for formulating a political strategy which is presented in figure 4.

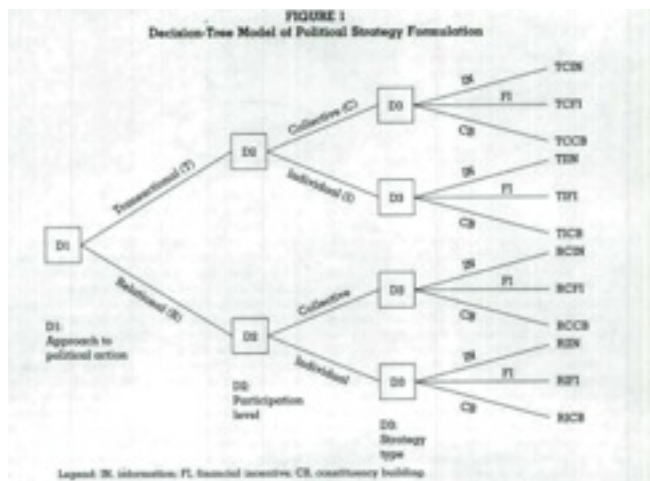


Figure 4. Decision-Tree Model of Political Strategy Formulation

The first decision a business should make is how to approach political actions. Whether to participate in a transactional or relational manner. The transactional approach is on a issue-by-issue basis and the relational approach is concerned with long-term collaboration. Thus, a transactional approach refers to a relatively short-term exchange relationship or interaction, whereas a relational approach denotes a long-term exchange relationship (Hillman & Hitt, 1999).

Which approach to implement depends on three variables. Hillman & Hitt (1999) identified the three variables as: (1) the degree to which firms are affected by government policy, (2) the level of firm product diversification, and (3) the degree of corporatism/pluralism within the country in which firms are operating.

Second, a business should decide on their level of participation. The participation level can be either collective or individual. Individual action refers to solitary efforts by individuals, or individual companies in this case, to affect public policy while collective action refers to the collaboration and cooperation of two or more individuals or firms in the policy process (Hillman & Hitt, 1999). This decision is affected by the size of MNC’s and smaller businesses, capabilities and their financial resources. Hillman & Hitt (1999) state that the choice of individual versus collective participation in politics may also be affected by the

degree of corporatism/pluralism in a country. The final variable that might affect level of participation is the type of issue that needs to be faced. Issues with a high interest will be a public topic and the sooner the issue is solved the better it is. Therefore a business is more inclined to cooperate and thus limit liability and exposure.

The final decision lies with which strategy type to choose. Exchange theory suggests three general or "generic" political strategies that firms and interest groups may use to compete in the public policy process based on the fundamental resources exchanged: (1) information, (2) financial incentive, and (3) constituency building (Hillman & Hitt, 1999). Table 1 shows all three strategies and their corresponding tactics. The information strategy is related to, what several authors call, the "soft power" of diplomacy. Soft power is "the power of persuasion through ideas, cultures, and policies" (Miller, 2009). Miller (2009) states that image, suggestion, and appearance, soft power, can be considered more important than legislation itself, "hard power" and perhaps even the currency of current state-firm relations.

Strategy	Tactics
Information strategy	<ul style="list-style-type: none"> • Lobbying • Commissioning research projects and reporting research results • Testifying as expert witnesses • Supplying position papers or technical reports
Financial incentive strategy	<ul style="list-style-type: none"> • Contributions to politicians or party • Honoraria for speaking • Paid travel, etc. • Personal service (hiring people with political experience or having a firm member run for office)
Constituency-building strategy	<ul style="list-style-type: none"> • Grassroots mobilization of employees, suppliers, customers, etc. • Advocacy advertising • Public relations • Press conferences • Political education programs

Table 1. Strategy and tactics for Home-Country government diplomacy (Hillman & Hitt, 1999)

2.2.4. International Business Diplomacy

International business diplomacy is the last type that we will be discussing. Globalisation has transformed the organisation of international economic relationships around the world, affecting the economic, social and political spheres of societies and citizens (Saner & Yui, 2003). Business enterprises have to perform and compete in a largely unregulated global market economy if they are to survive, let alone prosper, and contend with higher levels of financial and political risks (Muldoon, 2005). This requires them to interact with multiple stakeholders such as host governments and NGOs (Ruël, 2013). In addition, civil societies play an increasingly larger role within the business environment. The public has more access to information and more influence on corporate governance than ever before (Saner et al., 2000).

The "soft power" of the private sector in the world economy and world politics has clearly expanded (Muldoon, 2005). The increased power caused by globalisation led to more responsibilities and increased obligations. Consequently, international business can no longer downplay its political influence, ignore the social and ecological consequences of its

activities, nor dismiss as irrelevant the responsibilities that naturally emanate from power (Muldoon, 2005). Muldoon (2005) states that the dilemma facing international business is how to maintain its autonomy and legitimacy in the global economy, while at the same time blunting efforts by governments and non-governmental organisations to add more environmental and social responsibilities on the private sector.

How to deal with this dilemma? It is no longer sufficient to only know the business and legal conditions of a global company's headquarter country and those of host countries where its subsidiaries might conduct business (Saner & Yui, 2003). There are several ways for dealing with this dilemma. Saner and Yui (2003) state that transnational companies increasingly form cross-national alliances to strengthen their position and to effectively interact with different stakeholder groups. This can be linked to the part of the framework in which Hillman and Hitt (1999) discuss participation level. In addition, Muldoon (2005) states that the interactions need to be based on building long-term relationships.

A second approach has been suggested by Saner et al. (2000) as well as Ruël (2013), that global companies should create a business diplomacy management function consisting of a business diplomacy office, similar to the public affairs office but expanded to include diplomatic functions and placed under direct supervision of the CEO. By engaging in business diplomacy, corporations can increase their power and legitimacy (Ordeix-Rigo and Duarte, 2009). MNC's have to extend their view which includes stakeholders to obtain, what authors refer to as, a "license to operate". Corporate citizenship, Social responsibility, and sustainability are other business activities that could strengthen the relation with host governments, NGO's and civil societies.

3. METHODOLOGY

The concept of business diplomacy was defined and the literature review provided an elaborate explanation of the four different types of business diplomacy. In addition, the literature review revealed which internal capabilities a business should obtain in order to be successful in either four types of business diplomacy. This section contains a qualitative inductive media content analyses with the aim to empirically illustrate the four types of business diplomacy as identified in the literature review section. Media content analysis is a specialised sub-set of content analysis, a well-established research methodology (Macnamara, 2005). Content analysis has a long history of use in communication, journalism, sociology, psychology and business, and during the last few decades its use has shown steady growth (Neundorf 2002). According to Macnamara (2005) content analysis can be used to study a broad range of 'texts'. It is also known as a method of analysing documents (Elo & Kyngäs, 2008). Therefore, in addition to the media 'texts', we also analyse academic documents which are published and cited multiple times to increase reliability. Content analysis allows the researcher to test theoretical issues to enhance understanding of the data with the aim to attain a condensed and broad description of the phenomenon, and the outcome of the analysis is concepts or categories describing the phenomenon (Elo & Kyngäs, 2008).

In the past there have been numerous cases in which business diplomacy was applied. We will present some of these business diplomacy cases and place them in either one of the four types of business diplomacy. In addition, a description of the situation is

given that will indicate both the manners of- and reasons for cooperation. The cases are not confined to the Netherlands but consist out of diplomatic activities conducted by MNC's around the world. Each case was obtained by either searching with keywords suchlike: business diplomacy, corporate diplomacy, corporate responsibility and inter-business collaboration or by searching in-depth information, regarding business diplomacy, on a chosen well-known MNC. On average the scientific documents were clear on which diplomatic actions were taken and for what reason. However, few media 'texts' explicitly mention diplomatic activities and thus requires some deduction.

In summary, media content analysis is a non-intrusive research method that allows examination of a wide range of data over an extensive period to identify popular discourses and their likely meanings (Macnamara, 2005). According to Matthes & Kohring (2008) content analysis produces reliable findings. Thus, media content analysis is an appropriate research method for this paper which aims to empirically illustrate the four types of business diplomacy.

3.1. International Business Diplomacy cases

3.1.1. Shell Nigeria

The oil industry presents us with an example for international business diplomacy. According to Frynas (2005) oil companies attach greater importance to their social and environmental impact and they engage more with local communities than they used to in the past. For example, oil companies now help to build schools and hospitals, launch micro-credit schemes for local people and assist youth employment programmes in developing countries (Frynas, 2005). There are several reasons for their higher involvement in CSR. Among them are: engagement in polluting industry with higher expectations towards minimising environmental impact, increased global awareness due to technological advances and it is necessary to obtain a "license to operate". Oil companies participate in partnerships with established development agencies such as the US Agency for International Development (USAID) and the United Nations Development Programme (UNDP), while using NGOs to implement development projects on the ground (Frynas, 2005).

Shell's actions in Nigeria are widely known and makes a good example to illustrate, what we refer to as, international business diplomacy. The Shell Petroleum Development Company (SPDC) is the largest oil and gas company in Nigeria (Ite, 2007). Shell used diplomacy along with CSR activities in order to conduct business in the Nigerian Delta. The reasons for such activities are: (1) obtaining competitive advantage, (2) maintaining a stable working environment, (3) managing external perceptions (4) keeping employees happy (Frynas, 2005). Maintaining a stable working environment is important since Ite (2007) states that it is a common political characteristic of the Nigerian government and its political elites to blame multinational oil companies for the problem and incidence of poverty in the region. Business diplomacy was required to prevent violent situations and obtain a "license to operate". The county- and context-specific issues put constraints on the capabilities of oil companies to operate and act in a responsible way. Opinions on the motivations of oil companies like Shell differ. For one, Shell's main Nigerian affiliate Shell Petroleum Development Company (SPDC) provides its major contract managers with a development budget, so that when a new pipeline is built, the manager can initiate a new development project within a community in order to enable pipeline construction to continue unhindered (Frynas, 2005). While some consider this a valuable act because the business

gives back to the community or environment, others refer to these actions as bribes to be able to conduct business. Frynas (2005) states that when the construction of a particular section of the pipelines is finished, the community development budget for the area is simply closed. In addition to the money, Nigeria also allowed the presence of Shell and its pollution for the increased employment opportunities. The reality is that the people are lacking the required skills and thus unable to acquire the jobs.

Its earliest form of involvement of Shell Nigeria dates back to the 1960s, when the company supported efforts aimed at improving the livelihood of the largely agrarian communities of the region (Ite, 2007). Their strategy was providing basic things such as health care, water and infrastructure near Shell's exploration facilities. The development initiatives consisted of a set of ad hoc development projects rather than coordinated plans (Ite, 2007). According to Ite (2007), these development projects were a form of rent for Shell's use (and abuse) of the environment and resources. Focus lied with short-term success in stead of long-term sustainable development. This strategy changed when faced with the changing global business environment we previously described. In 1997, Shell Nigeria began the community development (CD) approach which placed emphasis on the empowerment of communities in the development process (Ite, 2007). Focus shifted towards more coordinated plans which according to Ite (2007) were designed to solve the communities' most pressing economic, environmental and social problems, and provide a comprehensive development programme covering virtually all sectors (e.g. gender, health, income generation) that donors usually address in isolation from one another. In 2004 Shell Nigeria initiated the sustainable community development (SDC) approach. This meant empowering local communities and focussing on key areas of development. In addition, the SCD strategy places greater emphasis on partnerships between Shell and various stakeholders and interested parties (including corporate bodies, society at large, Nigerian government agencies, international organisations etc) as a strategy for achieving sustainable development in the Niger Delta (Ite, 2007). The current strategy of Shell (Nigeria) aligns with the findings in our literature review. Recognising the need for change consequently made the company change not only its strategy but also their policies concerning their business environment. Shell did not adjust to the new business environment on its own. Through partnering, the company seeks to draw from the resources of local and international development and government agencies to complement its own efforts (Ite, 2007).

We established the goal, reasons and activities of Shell in the Nigerian Delta. Shell is improving its development programs and increased their CSR activities. It is evident that Shell has responded to increased stakeholder activism and in particular to NGO pressure at the local, national and global levels (Ite, 2007). According to Idemudia (2010), oil MNC's have sort to secure their social license to operate, legitimise their position as well as accommodate local and international criticisms by adopting CSR initiatives as a strategy for managing conflict in the region. However, there are some remarks to be made. Shell remains a MNC that operates for the purpose of profit or survival. Fact is that opinions differ on the actions undertaken by Shell Nigeria. They conduct business in Nigeria and therefore have engaged in the previously mentioned activities. There is no doubt that Shell has recognised its responsibilities and public expectations in the Niger Delta, and has proceeded to embrace partnership as the preferred model for its community development activities (Ite, 2007). However, some activities are questionable since these are, or considered to be, bribes. Opinions on Shell's activities variate

but the fact is that business diplomacy is there to facilitate and to create the best possible situation in a legal manner.

3.1.2. Microsoft Corporation

There are issues which business diplomacy can resolve, however there is no guarantee that a solution will be found that satisfies all parties involved. This was the case in the partnership between Microsoft Corp and One Laptop per Child. In May, 2008, Microsoft Corp (MS) and One Laptop per Child (OLPC) of Cambridge, MA, announced an agreement to make a version of MS Windows available on the low-cost XO laptops the non-profit is distributing around the world (Dahan, Doh, Oetzel, & Yaziji, 2010). Both MS and OLPC argued for years before coming to this agreement. Microsoft was reluctant to participate because OLPC used different software, namely Linux instead of Windows. Consequently, this caused problems since some people within the project wanted to use the Linux open-source software but customers demanded Windows. The people who buy the machines are not the children who use them, but government officials in most cases (Lohr, 2008).

The alliance between Microsoft and OLPC comes after long stretches of antagonism, punctuated by occasional talks, between them (Lohr, 2008). As time went by Microsoft became less reluctant towards the initiative and ultimately agreed to work out a deal. Private meetings were scheduled to initiate the partnership. The deal MS and OLPC struck contained the following: (1) The pact with Microsoft is not an exclusive agreement, (2) Windows will add a bit to the price of the machines, (3) The project's agreement with Microsoft involves no payment by the software giant, and (4) Microsoft will not join One Laptop Per Child's board. However, not everyone was satisfied with the alliance. The agreement created some turmoil within the project team and the president who oversaw software development resigned (Lohr, 2008). Letting go of the ideal to primarily work with open-source software made the alliance possible. The OLPC initiative can distribute low-cost laptops and MS is improving its image while Windows is strengthening its position as preferred operating system.

In summary, MS entered into an alliance with OLPC which was aimed at licensing Windows, for a small fee, to OLPC. In turn, OLPC was able to distribute low-cost laptops around the world. Although the desired outcome was reached, it took several years to strike a deal.

3.2. Inter-Firm Diplomacy cases

3.2.1. KLM and Northwest Airlines

A second well known case is the alliance between KLM and Northwest Airlines. Their relationship began in 1989 and eventually evolved into a Joint Venture (JV) without a new legal entity. Around 1989, several industry-wide developments triggered a need in both companies to join forces (de Man, Roijackers & de Graauw, 2010). Inter-firm collaboration between the two airline companies was initiated. The airline industry market was undergoing changes and consequently both companies were confronted with new issues. The goal of the alliance was to reduce costs and increase revenues by becoming more efficient. Thus not a partnership to obtain a license to operate or improve their corporate image by engaging in responsible and sustainable projects. The alliance between KLM and Northwest is one of the first cooperative agreements in the airline industry targeted at increasing revenue (de Man et al., 2010). An enhanced alliance agreement was drawn up in 1997 and is still in place today (de Man et al., 2010). This meant sharing their profits or losses on an equal (fifty-fifty) basis, representation at the highest decision level

of their partner's organisation and closing down sales offices in each other's continents. For enabling such an alliance we emphasise the need for business diplomacy, especially when establishing representation at the highest decision level in each other's organisation. This is an uncommon diplomatic action but it enabled the long-term beneficial alliance. However, such action is intense and requires trust, experience and diplomatic capabilities. In addition to the board representation there was continued communication between the two companies. The networking ability facilitated both businesses in coping with the changing environment and led to this alliance opportunity. The alliance between KLM and Northwest Airlines, however successful, was challenging and required diplomacy throughout the duration of the alliance. In 1997, the Northwest Airlines Corporation stated that it would buy back the 19 percent stake held by KLM Royal Dutch Airlines by the year 2000, ending a feud that threatened to unravel their profitable trans-Atlantic alliance ("Northwest Air to Buy Back 19% Stake Held by KLM," 1997). In return, KLM dropped two lawsuits against Northwest and reduced the number of seats it had on Northwest's board from three to one ("Northwest Air to Buy Back 19% Stake Held by KLM," 1997).

The case of KLM and Northwest Airlines is one of Inter-Firm Diplomacy. The two businesses engaged into an alliance within the same competitive business environment. We established their motivations for the alliance and the diplomatic activities they undertook. Business diplomacy facilitated in creating the alliance and supported the alliance throughout the years. Facing the same issue as a competitor does not necessarily lead to a potentially successful collaboration, be it a beneficial or productive collaboration. The relationship between KLM and Northwest could not have existed, let alone survive for so long, without diplomacy and its required capabilities. Business diplomacy is necessary for both the start-up as well as the long-term collaboration of a good partnership. Even if businesses have common goals and have to deal with similar issues, such as interaction with different cultures, governance structures and distrust, one cannot ensure a successful outcome.

3.2.2. Coca-Cola company and H.J. Heinz

The case of KLM and Northwest is one of competing businesses in the same environment with their focus on increasing revenue. A different case within the type of inter-firm diplomacy is the collaboration between The Coca-Cola company and H.J. Heinz. These two businesses started collaborating in 2011. They are non-competing businesses in different business environments but nevertheless entered into a partnership. The strategic partnership enabled Heinz to produce its ketchup bottles using Coca-Cola's "PlantBottle" packaging ("Plantbottle partnerships: The Coca-Cola Company," 2014). The technology has been described as "breakthrough" and "revolutionary" because the PlantBottle: (1) Looks, feels and functions just like traditional PET plastic, (2) is fully recyclable, and yet (3) is made from up to 30 percent renewable, sustainably-sourced plant-based material (Siranosian, 2011). The reason for a partnership was not motivated by financial gains but rather as an opportunity to increase their sustainability commitments. Heinz wanted to reduce greenhouse gas emissions, solid waste, water consumption and energy usage at least 20 percent by 2015 (Siranosian, 2011). For Heinz, acknowledging the potential of this technology was the first step. The challenge was to gain access to the technology, in this case, by engaging in a partnership. Similar to the case of KLM and Northwest Airlines, business diplomacy was required to initiate and maintain this long-term commitment. Contact can be

sought through by several means such as a formal enquiry or through informal contacts or relations.

3.3. Intra-Firm Diplomacy case

As previously stated, organising headquarters-subsidiary relations is a key challenge for managers of MNC's. This was also the case for Chiquita brands international and its former subsidiary Banadex. Chiquita was accused of being complicit in hundreds of deaths because of its financial support, from 1997 till 2004, of the United Self-Defense Forces of Colombia, also known by its Spanish initials, A.U.C. ("Victims of Colombian Conflict Sue Chiquita Brands," 2007). Chiquita has acknowledged that its former subsidiary, Banadex, had paid \$1.7 million to the A.U.C. from 1997 to 2004 ("Victims of Colombian Conflict Sue Chiquita Brands," 2007). The punishment was a \$25-million fine to be paid to the U.S. government. The company has admitted that the payments were illegal. However, to this day, Chiquita maintains that the payments were "extortion," as the AUC allegedly threatened the safety of the company's workers in Colombia (Eutaw, 2014). If Chiquita did not pay the protection money death squads would be sent to its employees and banana plantations. The company stated that the actions taken by the company were always motivated to protect the lives of our employees and their families ("Victims of Colombian Conflict Sue Chiquita Brands," 2007). This predicament began after a Banadex general manager met with the then-leader of the AUC, Carlos Castano ("Chiquita: \$25M fine for terror payments," 2007). Ownership over the subsidiary Banadex resulted in severe consequences. In addition to the financial consequences there was a huge negative impact on image.

This case fits in the Intra-Firm Business Diplomacy type of business diplomacy since this concerns an internal issue. Chiquita brands international was aware of the situation. Thus, Chiquita and Banadex communicated regarding the situation and shared the same values for conducting business in this kind of situation. Later, the company has spent close to \$800,000 lobbying against a bill that could've been extremely damaging for Chiquita since the company could become free game for victims looking to file a lawsuit (Eutaw, 2014). On the one hand Chiquita paid protection money for the safety of the subsidiary's employees but on the other hand they lobbied against a bill to reduce liability. The quality of the diplomatic actions is debatable. After communicating and evaluating the situation both Chiquita and Banadex found it permissible to pay protection money to a terrorist group in order to save lives. On the other hand, these payments were made for a total of seven years. This is an ethical dilemma for Chiquita, that eventually sold Banadex to another company ("Chiquita: \$25M fine for terror payments," 2007).

3.4. Home-Country Business Diplomacy cases

We found three types of situations concerning Home-Country Business Diplomacy. Namely, the situation in which (1) the government acts to inform, assist and promote businesses, (2) businesses try to influence government policies and (3) governments working together with businesses as partners. Governments and businesses interact for different reasons and there will be multiple cases presented which elaborate on the interactions between businesses and governments.

3.4.1. The government of the Netherlands

An example of Home-Country Government Diplomacy can be found in the Netherlands. The government of the Netherlands acknowledges the changing global business environment and its consequences. Therefore they have created the Netherlands Business Support Offices (NBSO-network) and initiated

numerous trade missions. They have set-up two kinds of trade missions, namely (1) trade missions and (2) economic missions (Handelsmissies, 2014). During trade missions businesses have appointments with potential trade partners. In addition there are economic missions in which businesses are accompanied by a minister or senior civil servant. The purpose of these missions is to get businesses in contact with potential partners that otherwise would not be possible or to attract foreign businesses towards the Netherlands (Handelsmissies, 2014). In 2012 the government organised the biggest economic mission in the history of the Netherlands. More than 170 businesses were accompanied by, at that time, the prince and princess on a economic mission to Brazil (Hekster, 2012). The mission was a success which resulted, among other things, in a one billion euro contract for IHC Merwede and a pledge by the government of the Netherlands to organise this economic mission to Brazil every year ("Ploumen weer op handelsmissie naar Brazilië," 2013). The aim of a yearly mission to Brazil is to increase exports over the long-term. Besides the trade missions there is the NBSO-network initiative. The NBSO-network consists out of offices which are established in areas that provide opportunities for Dutch businesses, but lack the presence of an embassy or consulate (Netherlands Business Support Offices, 2014). The NBSO offices provide the following services: (1) they help businesses find partners, (2) provide market information adjusted to the specific needs of a business and (3) provide information on the legal environment in which they will have to operate. This initiative has been set-up for businesses that aim to do business in upcoming economic regions. For businesses that lack the resource and diplomatic capabilities to acquire this information this can be a helpful service. In addition, also MNC's might consider to make use of these services since they could learn something new.

3.4.2. Influencing government policies

Business diplomacy could be used, on an individual level or in collaboration with partners, to affect government policies. There are multiple cases that indicate the existence of such phenomena. In October 2014, nearly 60 leading businesses including Tesco, IKEA, Coca-Cola Enterprises and Unilever, have written to EU heads of state calling for the bloc to swiftly agree to 2030 carbon reduction targets and reform of the emissions trading system (Shankleman, 2014). By jointly writing a letter these businesses created a strong message towards the EU leaders. As a collective, consisting of major MNC's, they have the opportunity to influence environmental policies set by the EU leaders. Besides the advantage of increased influence, joining forces raises more awareness towards the issue as well. In the writings to the EU leaders, the businesses state that 40 percent energy savings, 40 percent renewable energy generation and more than 40 percent CO2 reduction is needed to treat climate change ("Bedrijfsleven pleit voor ambitieuze klimaatdoelen," 2014). The results of the EU summit will indicate if this diplomatic approach was appropriate and successful for this situation. The request asks for a significant increase which indicates that businesses are aware of the need to act on this important issue. However, it remains to be seen if these goals can actually be attained. A similar action was undertaken by Tata Group and General Motors. Together they warned the UK government over its commercial tax rates system, saying it is making Britain less attractive for the industry ("Tata Group warns UK over harsh business tax regime," 2014). Instead of writing they sought the attention of the media to express their concerns and warn the UK government.

In addition to the cases previously described, there are also those who try to affect the policy makers by lobbying. Lobbying could

be a strategy for businesses to affect public policies created by the government. By definition, lobbying activities can include direct, explicit effort in communicating with lawmakers to influence their opinions, as well as grass roots activities aiming to solicit general support for, or to indirectly create a favourable public environment for a desired legislative goal (Chen, Parsley & Yang, 2010). We view lobbying as a possible diplomatic action within the field of business diplomacy.

3.4.3. Government as partner

In the field of business diplomacy we found cases in which government and businesses are working hand-in-hand. "Let's Move Active Schools" is such a case. Obesity is a well known problem in the US and "Let's Move Active Schools" is an initiative to help schools create a more physically active environment. The initiative is supported by Nike, The white house and several other organizations, including the GENYOUth Foundation, ChildObesity180, Kaiser Permanente and the General Mills Foundation (Blake, 2013). Nike is combining resources with the US government and NGO's to create awareness and act on the issue of obesity. Again, business diplomacy is needed to start and maintain such a long-term initiative. For Nike this is a clever way to engage in a CSR project and improve their image. Challenging child obesity is both acting as a corporate citizen and setting the image of a healthy sport brand. In addition, this case is interesting due to the fact that the initiative is endorsed by the White House and presented by the president's wife, Michelle Obama. Obtaining a high placed government official consequently leads to increased media coverage and awareness. By investing fifty million Nike made an investment which according to Suren (2014) will result in improved business performance. Similar to the case of Nike is the Clinton Global Initiative. In september 2014 the Clinton Global Initiative announced the participation of AkzoNobel. Being the key player in its industry, stakeholders have certain expectations of AkzoNobel. By participating AkzoNobel is reinforcing its position as a key player in the whole area of urban resilience and regeneration, helping planners and policy-makers to build more capacity and adaptability into city systems, businesses and communities ("AkzoNobel makes 100 Resilient Cities Commitment to Action to Clinton Global Initiative Amsterdam Stock Exchange:AKZ," 2014). While both cases are examples of international business diplomacy they require less diplomatic capabilities than previously mentioned cases. Nike and AkzoNobel solely pledged their participation and financial aid to the initiatives, thus limiting the diplomatic requirements.

4. CONCLUSION

As previously stated, business diplomacy is a growing field of interest and mainly due to fact that the global business environment is changing. Today, management of international economic relations is no longer confined to the state but rather extended to civil and commercial affairs (Saner & Yui, 2003). This paper aimed to add value to the field of business diplomacy by answering the following research question:

What types of business diplomacy can be distinguished and how could MNC's conduct each of these types?

This paper agrees with the business diplomacy definition suggested by Ruël, Wolters and van der Kaap (2013): "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.". The literature review revealed the existence of four different types of business diplomacy. Namely, Intra-Firm diplomacy, Inter-Firm Diplomacy, Home-Country Government Diplomacy and International Business Diplomacy. In addition, we found that diplomatic capabilities are crucial for all four types of business diplomacy to be successful. This is presented in figure 5.

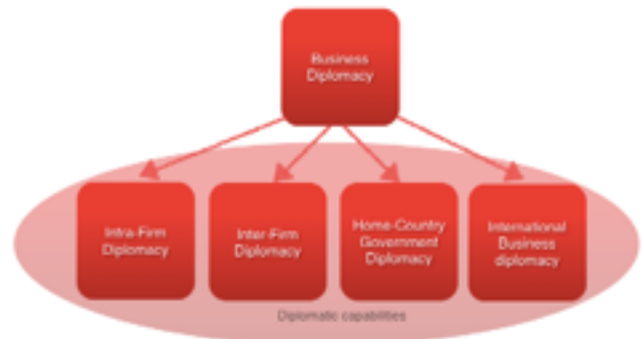


Figure 5. Distinction of types

Throughout the paper we described different diplomatic strategies, tactics and approaches that can be applied in the types of business diplomacy. Subsequently, in the media content analysis we elaborated on multiple cases which empirically illustrated the existence of the four types of business diplomacy. The research presented evidence which supports our distinction of the four types. In Intra-Firm Diplomacy, headquarter-subsiary relations often requires diplomacy to deal with cultural differences and the process of restructuring. Inter-Firm diplomacy concerns the collaborative relationships between businesses and their required political skill, among which their networking ability. The business type Home-Country Government Diplomacy concerns the relationship between businesses and governments. The model of Hillman & Hitt (1999) extensively elaborates on how businesses can affect government policies. International Business Diplomacy requires businesses to interact with multiple stakeholders such as host governments and NGOs (Ruël, 2013). The case of Shell Nigeria presents a broad elaboration on International Business Diplomacy, how it evolved over the years, why Shell conducted diplomatic activities and how they were conducted.

In summary, there are four types of business diplomacy which require diplomatic capabilities. MNC's should apply business diplomacy for relationships, both on the short- and long-term, to sustain legitimacy.

5. DISCUSSION

The research revealed the existence of four types of business diplomacy. We are confident in our literature review and media content analysis which led us to our findings. The media content analysis provided reliable findings and created the opportunity to conduct a non-intrusive research of a wide range of data. Another benefit of content analysis is that it can be conducted frequently (eg. every month), whereas audience research such as large-scale surveys are, because of their cost and time taken, restricted to once per year or every few years (Macnamara, 2005). A content

analysis also has its challenges. According to Elo & Kyngäs (2008) one challenge of content analysis is the fact that it is very flexible and there is no simple, 'right' way of doing it. A second challenge is the use of media 'texts' which might lead a researcher to a biased conclusion.

Business diplomacy remains a topic in which authors have diverse views on its definition and implementation. Many authors refer to business diplomacy as either one of four types with very little research to empirically illustrate this phenomenon. In addition, many MNC's see the term 'business diplomacy' as a somewhat theoretical umbrella term, encompassing activities that are often done when needed by varying departments (Suren, 2014).

5.1. Scientific and Practical relevance

This paper has both practical and scientific relevance. Scientifically, it provides structure to a relative new field of study that was still very divided. Few literature exists on business diplomacy and within that literature there is little consensus regarding the definition and types of business diplomacy. Most authors do not even mention different types of business diplomacy. Practically, companies are faced with a changing global business environment and business diplomacy can aid businesses in coping with this change to survive, obtain a license to operate or prosper. This paper aims to create an overview of the typology of business diplomacy and show MNC's the possible beneficial implications of business diplomacy.

5.2. Limitations

The paper is subject to some limitations. For one, the research method was based on secondary data obtained through both academic and non-academic sources. There are critics that question the reliability of the research method media content analysis. In addition, we examined a restricted amount of cases. Although the cases were not confined to a specific region or area, more cases would increase generalisability and significance of the study.

5.3. Recommendations for future research

Future research is advised to address the limitations in this paper. A valuable addition to the field of business diplomacy would be to conduct a more extensive research with more cases to increase significance. This research could be based on interviews or by collaborating with MNC's which are currently conducting diplomatic. Future research could further elaborate on specific types of business diplomacy and create additional sub-types.

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