

# **BUSINESS DIPLOMACY IN MULTINATIONAL FIRMS: A STUDY INTO ITS DETERMINANTS**

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## **Abstract**

Business diplomacy seems to be of increasing importance for multinational firms, however, little is known about it. Our research fills the gap by defining business diplomacy, operationalizing the concept and conducting an international survey based study.

This paper presents a study that examines the influence of firm characteristics, type of industry and institutional development on business diplomacy within multinationals (MNCs).

The findings show that the approach and organization of business diplomacy that firms employ with foreign government representatives (FGreps) and non-governmental stakeholders (NONg) stakeholders do differ, though the differences in and between firms are relatively small.

We tested firm characteristics, the type of industry and institutional development (a total of nine independent variables) with the (sub)dimensions of business diplomacy towards FGreps and NONg stakeholders.

Our findings suggest that globally integrated firms are more active in business diplomacy, have a broader approach, deploy more means and have more resources available for business diplomacy.

Firm size has an positive impact on a business diplomacy policy clarity, but firm age does not influence the level of business diplomacy approach or level of responsibility. Also, the institutional development of the host country was not significantly related to the organization nor approach of business diplomacy.

## **1. Introduction**

The globalization of markets is having enormous effects on how multinational corporations (MNCs) are organized nowadays. Figures from the United Nations Conference on Trade and Development show that foreign direct investments (FDIs) have risen in the last 30 years (UNCTAD, 2011). Saner and Yiu (2005) argued that MNCs face various local pressures and requirements as they increase their presence in multiple countries. MNCs are exposed to different national laws and multilateral agreements, negotiated by the International Labour Organization, the World Trade Organization, and other international organizations. To survive, MNCs will need the ability to manage complex interactions with 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 these opportunities will enjoy a competitive advantage (Schuler et al., 2002). Therefore, companies need a 'license to operate'. Overall, this can be explained by the term '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 the current complex business environment (Saner & Yiu, 2005; Saner et al., 2000). Business diplomats should negotiate, renegotiate and make compromises with local authorities, and at the same time they should be sensitive to the wishes and demands of the increasing number of local and international NGOs that monitor global companies in conducting business (Saner & Yiu, 2005). Working conditions, environmental standards and employment practices should all be taken into account to prevent conflicts that can destroy the MNCs' reputation (Saner et al., 2000). To manage 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) argued that by engaging in business diplomacy, corporations can increase their power and legitimacy. Corporations that are involved in business diplomacy decide to satisfy a social public demand, rather than only a market demand.

Business Diplomacy is a part of the field of international business management which is still relatively under-explored, however.. Conducting research in this topic can contribute to the existing literature and might trigger other authors to explore the field of business diplomacy further.

## **2. Definition and theoretical framework**

### **2.1.1. Definitions**

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 in their research articles.

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). The term is also defined by Saner and Yiu (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. In this article, the researcher mentions that business diplomacy uses tact and understanding to build up relationships and trust. He states, "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. In order to develop an adequate working definition, it is important to examine how these different concepts are related to it. By developing a complete and delineated working definition of 'business diplomacy', the focus of this research project will be clarified. For this purpose, the related concepts are discussed below.

### **Corporate Diplomacy**

In the scientific literature, the related term "corporate diplomacy" is used to describe the same concept and can therefore be considered a synonym for business diplomacy. Corporate diplomacy is described as "a process to develop a corporation's power and legitimacy" (Ordeix-Rigo & Duarte, 2009, p.561). In this light, a corporation is seen as a member within a network of stakeholders.

### **Corporate Political Activity (CPA)**

Corporate political activity is broadly defined as a firm's efforts to influence or manage political entities (Hillman et al., 2004). The researchers argue that corporate political activities (such as lobbying, campaign contributions, operating a government relations office, trade political committees, etc.) are aimed at getting access to politicians to influence policymaking processes in favour of the firm. Indeed, Hansen and Mitchell (2000) argue that the dimensions of CPA are used to secure potential sales and to modify or fence off costly regulations. According to Hillman et al. (2004), CPA practices are expanding as commerce moves increasingly across borders, which in turn entails more political institutions and actors.

### **Corporate Political Strategy (CPS)**

Corporate political strategies are also aimed at influencing public policymakers in order to shape a favourable business environment for the firm (Baron, 1997; Hillman, 2003; Hillman et al., 1999; Keim & Baysinger, 1988).

### **Strategic political management (SPM)**

“Strategic political management refers to the set of strategic actions that are planned and enacted by firms for purposes of maximizing economic returns from the political environment” (Oliver & Holzinger, 2008, p.3). For this reason, strategic political management is seen as a synonym for corporate political activity (CPA) and corporate political strategy (CPS).

### **MNC global governance**

“An indication that MNCs increasingly accept broader stakeholder obligation is the current emphasis many of them place on developing or renewing their public commitment to the broad domain of corporate social responsibility (CSR)” (Detomasi, 2007, p. 223). The researcher argues that the social commitments of MNCs go further than simply meeting legal requirements in jurisdictions. This exercise in stakeholder commitment improves the competitive advantage of MNCs; it reduces their political, media and social risk, provides them with better insight into local markets and improves the workforce quality. Muldoon (2005) describes the importance of the terms “corporate citizenship” and “corporate social responsibility” (CSR). The success of a company depends to a significant extent on its capability to commit to a variety of stakeholders on social and environmental concerns (Muldoon, 2005). There is a growing interest in NGOs due to their increasing number and growth (Kourula and Laasonen, 2010).

### **MNC-Host Government Relations**

The literature regarding this keyword entails many sides of relationship building. Luo (2001) introduces four building blocks which will improve the cooperative relationships between MNCs and governments: resource commitment, personal relations, political accommodation, and organizational credibility. MNC-host government relations are critical for a MNC’s potential to grow and expand internationally since host governments influence the parameters of production, management, investment and localization (Boddewyn & Brewer, 1994).

#### **2.1.2. Defining business diplomacy**

We think that the aforementioned definitions of business diplomacy are rather unclear, and either too broad or too narrow. To focus our research better, it is necessary to develop a clear and delineated working definition of business diplomacy. For this purpose, we take several elements derived from existing definitions identified in the literature review as cornerstones: 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 working definition:

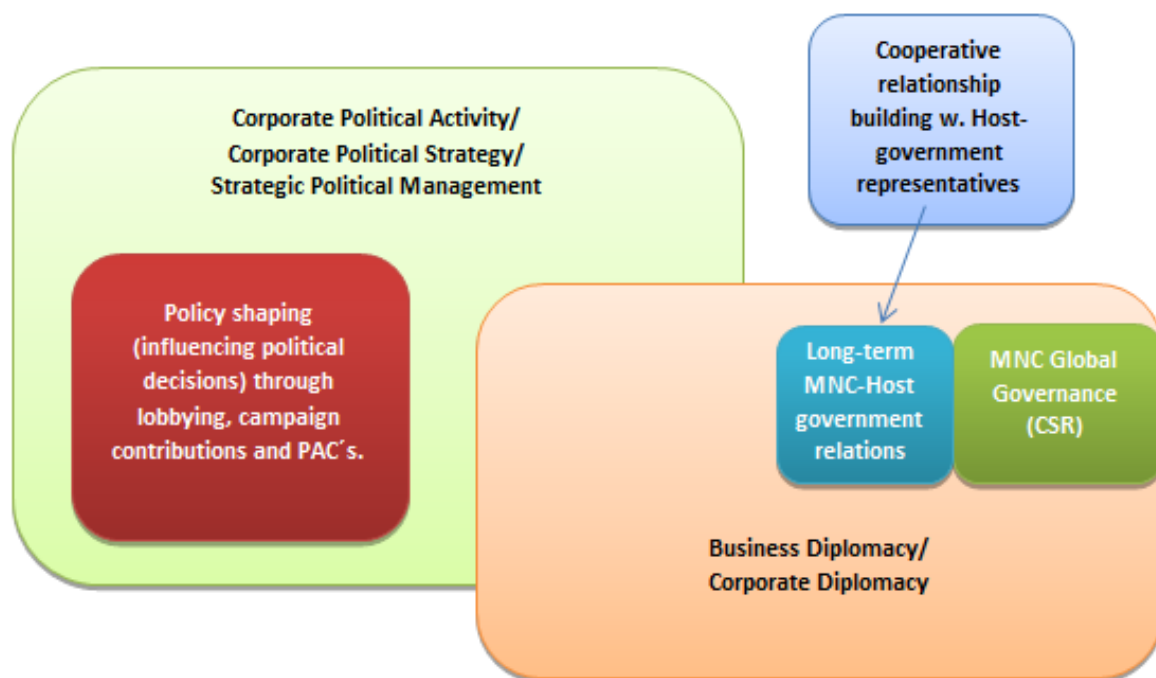
*Business diplomacy involves establishing and sustaining positive relationships (by top executives or their representatives) with foreign government representatives and non-governmental stakeholders (economic and non-economic) with the aim to build and sustain legitimacy (safeguard corporate image and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

In this project, corporate diplomacy is seen as a synonym for business diplomacy; both concepts describe the same business process and associated elements. As indicated in the definition overview, 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), 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. Also, corporate political activities, such as campaign contributions for the purpose of influencing home government officials, are not considered 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 as they are both focused on influencing parties in the organization’s external environment. The keywords MNC-host 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 upon positive relationships with multiple host government representatives and non-governmental stakeholders (economic and non-economic), such as NGOs. Measures like committing to and negotiating with a variety of stakeholders (such as NGOs) on social and environmental matters in the international business environment are growing in importance (Kourula and Laasonen, 2010).

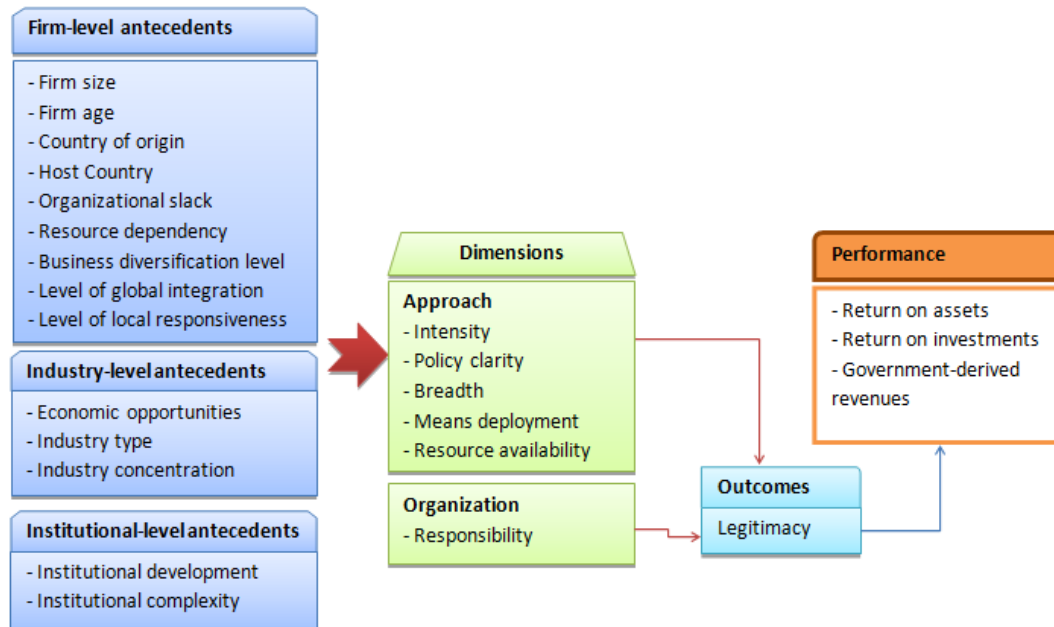
**Figure 1: Business diplomacy and related concepts**



## 2.2. Theoretical Model

Based on the literature review, a theoretical model concerning business diplomacy is proposed in this section. It attempts to give an overall picture of business diplomacy by including its antecedents, dimensions and outcomes.

Figure 2: Theoretical model



### 2.2.1. Dimensions

The theoretical model distinguishes between two dimensions of business diplomacy, approach and organization. The approach dimension consists of business diplomacy intensity, policy clarity, breadth, means deployment and resource availability. The organization dimension consists of responsibility. Based on our working definition of business diplomacy, we expect that by measuring these six sub-dimensions, a complete picture of how business diplomacy is approached and organized within a MNC can be created.

#### Approach

The approach dimension concerns business diplomacy intensity, policy clarity, breadth, means deployment and resource availability within MNCs employed in establishing and sustaining positive relationships with foreign government representatives and non-governmental stakeholders (economic and non-economic) in a foreign business environment.

Business diplomacy intensity reflects the extent to which a company actively establishes and sustains positive relationships with FGreps and NONg stakeholders. It indicates how intensively the company executes business diplomacy. The second sub-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. It indicates whether there are formal/written rules for business diplomacy or informal/unwritten guidelines. Business diplomacy breadth reflects the extent to which establishing and sustaining these relationships is done by every company representative. It also indicates whether employees consider themselves as representatives of the organization when they are in contact with FGreps and NONg 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 show the value of business diplomacy to peers, subordinates, customers, etc. The fourth sub-dimension, means deployment, reflects the extent to which the company deploys a diversity of means for establishing and sustaining positive relationships with FGreps and NONg stakeholders. It indicates which means, methods and channels (e.g. social meetings, public forums, seminars, local government debates, media, ethics, sponsor activities, etc.) are used by the firm for business diplomacy. Input for this sub-dimension is derived from the scientific work of Luo (2001), included in the literature review. The researcher 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), included in the literature review. The researchers make 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.

### **Organization**

The organization dimension concerns the responsibility within MNCs for establishing and sustaining positive relationships with FGreps and NONg stakeholders (economic and non-economic) in a foreign business environment. Business diplomacy responsibility reflects the extent to which the company's responsibility for establishing and sustaining positive relationships with FGreps and NONg stakeholders lies on the headquarters level or within the foreign subsidiaries, or whether they are both partly responsible. This dimension indicates whether business diplomacy is set by the headquarters for the whole organization (centralized), whether a framework of guidelines has been set by the headquarters but a foreign subsidiary has some degree of freedom to decide upon implementing them, or whether subsidiary executives are free to decide upon how to execute business diplomacy (decentralized).

#### **2.2.2. Firm-, industry- and institutional-level antecedents**

There is a lack of research towards the antecedents of business diplomacy specifically; it is not exactly clear what determines the approach and organization of business diplomacy in MNCs. However, several researchers (Bonardi et al., 2005; Hillman et al., 2004; Lux et al., 2011; Schuler & Rehbein, 1997) conducted research on the firm-level, industry-level and institutional-level antecedents of CPA. Most antecedents of business diplomacy, as presented in the theoretical model, are based on findings in the CPA field. The theoretical framework that describes how CPA is related to business diplomacy can help explain why certain antecedents of CPA can also be applied to business diplomacy, and thus are included in the theoretical model. Although business diplomacy is focused on creating long-term relationships with FGreps and NONg stakeholders (economic and non-economic) to create legitimacy in a foreign business environment and CPA is aimed at influencing public policy makers (in the home country, and increasingly in foreign countries) in favour of the firm, both are focused on influencing parties in the organization's external environment.

As firm-level antecedents of business diplomacy, firm size (Hillman & Hitt, 1999; Hillman et al., 2004; Schuler, 1996; Schuler & Rehbein, 1997), firm age (Hansen & Mitchell, 2000), organizational slack (Schuler, 1996), resource dependency on the host government (Schuler, 1996) and the business



diversification level of the firm (Hillman, 2003; Lux et al., 2011; Schuler, 1996) are derived from the CPA literature. We expect that these antecedents influence business diplomacy in the same way as described in the literature review in the CPA context. Firm size: bigger firms have more resources to engage in business diplomacy alone, whereas smaller firms are more likely to work collectively. Firm age: firms which have been in business for a relatively long time are more experienced and have more credibility (Hillman, 2003; Hillman & Hitt, 1999). Older firms can be expected to need a less advanced approach for business diplomacy as they have already gained more legitimacy. Organizational slack: firms with a relatively high level of organizational slack are more likely to engage in business diplomacy since they possess the financial resources. Resource dependency: the greater the extent to which a firm depends on host government resources, the more likely it is to engage in business diplomacy. Business diversification level: firms that pursue diversification strategies are exposed to a greater number and variety of social pressures, and hence are more likely to engage in business diplomacy. For these reasons, we expect that the approach and organization of business diplomacy will be characterized by a higher intensity, a more sharply defined policy, greater breadth, a greater deployment of means, a greater availability of resources if companies are larger, and a more decentralized responsibility if firms are relatively larger, relatively younger, have a relatively high level of organizational slack, depend more on host government resources and pursue diversification strategies.

In addition, global integration and local responsiveness are included as firm-level antecedents in the model. The approach and organization of business diplomacy might depend on the type of MNC. In their article, Bartlett and Ghoshal (1989) proposed a typology of firms in which the level of global integration and local responsiveness determines whether a firm is typified as international, multinational, global or transnational. We expect that locally responsive firms approach and organize business diplomacy in a different way than centrally integrated firms. We describe below how we expect the approach and organization of business diplomacy to be characterized for each type of MNC in the typology of Bartlett and Ghoshal (1989).

#### *1. International firm (scores low on both global integration and local responsiveness)*

International firms are characterized as domestic corporations with foreign appendages (Bartlett & Ghoshal, 1989). They have an opportunistic approach towards FDIs. Building up long-term positive relationships with FGreps and NONg stakeholders (economic and non-economic) has no priority for them. Thus, we expect that these firms will have no policies or guidelines for business diplomacy and will not be intensively active in seeking contacts and building these relationships. The extent to which all employees engage in business diplomacy is low, and since international firms are operating from their home country (headquarters), there are no subsidiaries with a differentiated business diplomacy function. For international firms, creating and sustaining legitimacy in foreign business environments has a much lower priority than taking advantage of economic opportunities that arise. For these reasons, we also expect a low deployment of means and a low availability of resources for business diplomacy.

#### *2. Multinational firm (scores low on global integration, high on local responsiveness)*

Multinational firms have a better realization of the importance of international markets (Bartlett & Ghoshal, 1989). As opposed to a clearly defined, organization-wide policy, we expect that multinational firms have developed some basic policies and informal guidelines for business diplomacy, as they are attempting to be locally responsive to the specific needs and demands of each individual business market. Since corporate image and reputation are perceived as important, the

multinational firm intensively seeks contacts and builds positive relationships with FGreps and NONg stakeholders (economic and non-economic) in each local business market. For these reasons, we expect that the extent to which all employees engage in business diplomacy will be high, and that the responsibility is decentralized. Each foreign subsidiary is free to adapt business diplomacy to the specific characteristics of its local business market. Furthermore, we expect a high deployment of means and a high availability of resources for business diplomacy.

*3. Global firm (scores high on global integration, low on local responsiveness)*

According to Bartlett & Ghoshal (1989), global firms are increasingly concerned about international competition. This type of firm strives for cost competitiveness by means of product standardization and organizational centralization. We expect that it realizes the importance of establishing and sustaining positive relationships with foreign stakeholders, but doesn't perceive local business markets as different in terms of specific stakeholder expectations and demands. Probably, a strict formal policy for business diplomacy is set by the headquarters, and standardized for all foreign subsidiaries. Therefore, the approach and organization of business diplomacy are characterized by a low intensity, narrow breadth, centralized responsibility, moderate deployment of means, and moderate availability of resources.

*4. Transnational firm (scores high on both global integration and local responsiveness)*

According to Bartlett & Ghoshal (1989), transnational firms need to respond to global competition and specific host-country pressures simultaneously. We expect that this firm recognizes specific stakeholders' expectations and demands in each local business market, suggesting a decentralized business diplomacy responsibility in which subsidiary executives intensively seek contact and build relationships with foreign stakeholders in each local business market. Along with local responsiveness, this type of firm also strives for global efficiency, suggesting a centralized business diplomacy responsibility in which a strict and clear business diplomacy policy is set by the headquarters and standardized for all subsidiaries in all local markets. Therefore, we expect a combined approach and organization of business diplomacy, for example, the use of regional headquarters. The main headquarters can allow its regional headquarters to include elements of differentiation in their approach and organization of business diplomacy to deal with the specific characteristics in that local region (e.g. Asia). Subsequently, each regional headquarters will set a clear business diplomacy policy for all its subsidiaries. In that case, the responsibility for business diplomacy is partly decentralized. In this combination we expect that business diplomacy intensity, policy clarity, breadth, means deployment, and resource availability are all at a moderate to high level.

As industry-level antecedents of business diplomacy, industry concentration (Hillman et al., 2004; Olson, 1965; Schuler et al., 2002) and economic opportunities (Lux et al. (2011) are derived from the CPA literature. For business diplomacy, we also expect a positive relationship with industry concentration in the markets in which the firm operates, since the firm has a greater need to distinguish itself from its local competitors in order to create legitimacy in a foreign business environment. Economic opportunities: when firms enter rapidly growing markets in which economic opportunities exist, the firm is less likely to engage in business diplomacy since it will focus more on economic returns. Furthermore, we expect that the type of industry in which the firm is active will influence the commitment to business diplomacy. Especially firms that engage in business operations that directly affect the population are expected to engage in business diplomacy to safeguard their

corporate image and reputation. In their article, Saner et al. (2000) give some examples of a firm in the oil industry. Environmental disasters and air pollution, resulting from oil spills, have led to a massive deterioration of the living conditions of a local population group. This firm lacked the diplomatic skills to deal with a population directly affected by its business operations. As a consequence, many NGOs have openly accused the firm of negligence (Saner et al., 2000). For these reasons, we expect that the approach and organization of business diplomacy will be characterized by a higher intensity, more sharply defined policy, greater breadth, higher deployment of means, higher availability of resources and more decentralized responsibility when companies operate in industries with relatively lower economic opportunities and in which business operations affect populations more directly. For an industry type of organization, we expect to see a difference between the primary, secondary and tertiary sector in terms of approach and organization.

Chan et al. (2008) recognized that, depending on the institutional setting, companies will act differently in different countries. Kostecki and Naray (2007) also mentioned that the institutional characteristics of a host country determine a commercial diplomat's activities. When the institutional structure of a country is characterized by instability and vulnerability, a company can be scared off (Tsui-Auch & Möllering, 2008). The company runs the risk of incurring losses due to institutional insecurity. Institutional development, the first institutional-level variable, indicates a country's openness towards international trade. North (1991) mentioned that companies rely heavily on personal networks in host countries in which the institutional infrastructure is weak. We therefore expect that companies operating in such countries will recognize the importance of business diplomacy better. They will consider establishing and sustaining positive relationships with FGreps and NONg stakeholders (economic and non-economic) as essential for creating business opportunities. Institutional complexity, the second institutional-level variable, indicates the extent to which the decision powers in a country are dispersed. According to Mahoney and Baumgartner (2008), diplomats have to address more layers of governance when decision powers are widely dispersed, and there are many levels of decision-making. We expect that companies operating in countries in which the institutional complexity is high will recognize the importance of business diplomacy better since they have to establish and maintain relationships with many parties on many levels in order to create business opportunities. Especially if the institutional system of a country reflects a classic corporatist structure, the company will be able to collaborate with decision-makers (Mahoney & Gartner, 2008). When the institutional complexity is low and the decision power is held by one single party, we expect that companies will regard business diplomacy as less important since they will focus on the one party in charge. Thus, we expect that as companies operate more in countries in which the institutional development is weak and the institutional complexity is high, their approach and organization of business diplomacy will be characterized by a higher intensity, more sharply defined policy, greater breadth, more decentralized responsibility, higher deployment of means, and higher availability of resources.

### 2.2.3. Outcomes

Ordeix-Rigo and Duarte (2009) argue that by engaging in corporate diplomacy, corporations can increase their power and legitimacy. Hillman et al. (1999) suggest that interacting with governments can provide MNCs with more influence over legislative and regulatory processes. Hillman and Wan (2005) mention that without legitimacy, MNCs won't be able to influence public policy outcomes. Given these insights from several different researchers, it can be argued that legitimacy, as a direct outcome of business diplomacy, creates business opportunities for MNCs. Firms that have access to

these opportunities will enjoy a competitive advantage (Schuler et al., 2002). Lux et al. (2011) mention that CPA leads to better firm performance, higher return on investment, return on assets and government-derived revenues. Although this falls outside the scope of our research, we expect that business diplomacy eventually leads to better firm performance as well. The theoretical model shows that business diplomacy leads to legitimacy and, in turn, to better firm performance.

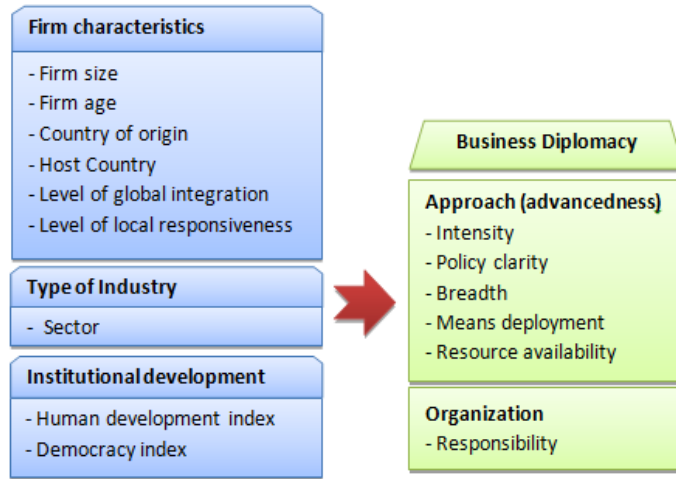
### **2.3. Research direction**

In today's dynamic business environment, there is a growing need for business diplomacy managers and BD function(s) within organisations (Saner & Yiu, 2005). We define business diplomacy 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"*. The field of CPA, which is focused on firms influencing governmental policies in home countries, is a popular field of study as the amount of scientific literature published in the last few decades suggests. In the CPA literature, firm-, industry- and institutional-level variables in home countries are tested by several authors. Furthermore, various types of corporate political strategies have already been developed, but for business diplomacy there is still a lack of proper studies.

Business diplomacy research that is focused on its determinants has not yet been conducted. The quantitative business diplomacy gap needs to be filled. The theoretical model proposed in the previous section is part of the research model of the business diplomacy study. Our study focuses on firm-level characteristics, type of industry and institutional development, and their influence on the approach and organization of business diplomacy within multinationals. In our definition we distinguished between FGreps and NONg stakeholders, as we expect that differences in the stakeholders will also lead to different business diplomacy approaches. The antecedents described in the theoretical model, derived from several CPA studies and our expectations, could affect a firm's business diplomacy approach and organization. This study provides the opportunity for a better understanding of the approaches and organisation of business diplomacy with independent antecedents in multinational organizations.

The research question of our study is formulated as: *"To what extent do firm characteristics, the type of industry and institutional development determine the approach and organization of Business Diplomacy within MNCs?"*

**Figure 3: Research model**



### 3. Method

#### 3.1. Data collection methods

To determine the relations between firm-level characteristics, type of industry and institutional development and the business diplomacy approach and organization, the following data is required: (1) the business diplomacy level of firms for the approach and organization dimensions, measured with the sub-dimensions of business diplomacy and (2) the independent variables, measured with nominal, ordinal and scale data. An online questionnaire was used as the data collection method for the data which was not included on the corporate websites, annual reports, the Human Development Report (Klugman et al., 2011) and the Democracy Index Report (Economist Intelligence Unit, 2011) consulted. Quantitative research has the drawback that the data is limited in depth (Babbie, 2010).

##### 3.1.1. Questionnaire construction

Business diplomacy intensity, policy clarity, breadth, resource availability, means deployment, and responsibility are measured by the self-constructed questionnaire. For each sub-dimension six to seven items were created based on the structured literature review and potential antecedents created by us. The items formed the input for the questions in order to determine a respondent's score for each sub-dimension (Appendix A). The questions (items) for determining the scores for a sub-dimension are based on theory discussed by previous researchers as mentioned in the literature review, along with items which we considered important (Appendix B). The questions are measured on a 7-point Likert scale for which the value of each question was: strongly disagree (1), disagree (2), disagree somewhat (3), neither agree nor disagree (4), agree somewhat (5), agree (6), strongly agree (7). Each sub-dimension was measured for FGreps and NONg stakeholders except for the resource availability sub-dimension. In the questions, abbreviations are used for both foreign government representatives (FGreps) and non-governmental stakeholders (NONg). For all questions the grammar and the presence of unambiguous questions were checked by people specialized in English.

To determine the level of global integration and local responsiveness (Bartlett and Ghoshal, 1989), five questions derived from the research of Leong and Tan (1993) were inserted in the questionnaire. In the study of Leong & Tan, twelve questions were asked of 131 top management personnel of MNCs in order to evaluate the typology of Bartlett and Ghoshal. In our identification of the typology of the firms, the questions with the greatest differences between the four different types of MNCs (5-point Likert scale) were used. These questions (see appendix A) indicate the extent to which a firm is globally integrated and locally responsive, which is linked to the four types of MNCs (international, multinational, global and transnational). Questions for determining the antecedent host country (country in which the respondent is situated) and the industry type were included in the questionnaire. The independent variables firm size, firm age and home country (country of origin) were collected from the corporate websites and annual reports. The institutional development variables of a host country were collected from the Human Development Report (Klugman et al., 2011) and the Democracy Index Report (Economist Intelligence Unit, 2011). The questions for measuring the host country, sector, level of global integration, local responsiveness and level of business diplomacy approach and organization towards FGreps were presented in the questionnaire (Appendix A). An overview of the construct, dimension, indicators, sources and output types of each variable for the measurement of the (sub)dimensions is given in appendix B, and the nine independent variables are described in appendix C.

NetQ was selected as the online tool for creating and editing the questionnaire. The criteria used for the selection of the online tool was the number of possible respondents (at least 500), a manageable tool, data which could easily be transferred to SPSS, and a professional-looking questionnaire. Netquest as a tool offered students the easy creation of questionnaires, up to 1000 respondents, professional look of the questionnaire, and data results could be saved within an Excel file. Other tools such as Survey Monkey, surveys, etc. were also considered but did not meet some criteria.

### **3.2. Sample techniques**

As our definition of business diplomacy describes, it aims at establishing and sustaining relationships with FGreps and NONg stakeholders (economic and non-economic) in host countries. The sample used in our research was purposively chosen as we expect that the environment of an emerging economy influences the way business diplomacy is organized within European companies. In emerging economies whose institutional development is categorized as flawed or even authoritarian, firms need to create legitimacy to be competitive. The purposive sampling technique is used to conduct research when the host country of a firm is an emerging economy. Our sample consists of managers of public affairs, government relations, communication, or regulatory affairs or the country director of European multinationals with a subsidiary in Indonesia, Vietnam or Taiwan. The latter three countries are considered emerging economies. We expected that companies need to build relationships with FGreps and NONg organisations to create a license to operate (legitimacy) in order to survive. As emerging economies are rapidly changing, the host country can be expected to influence business diplomacy. For European businesses in Indonesia, the book *Eurobusiness directory* (Eurocham, 2012) is used as a resource. It contains the names of European companies and private investors, including the names of the country directors and his/her e-mail address or the general e-mail address. Regarding the respondents of subsidiaries operating in Vietnam (European Chamber of Commerce in Vietnam, 2012) and Taiwan (ECCT, 2012), websites of the European Chamber of Commerce were used as sources. Then, the first 500 of the world's biggest companies (as determined in the Forbes 2000 list) were selected as respondents for the study. This was due to the

low response rate from European businesses in the emerging economies. Forbes generates a list of the “world biggest public companies” each year, with the ranking based on four metrics: sales, profits, assets and market value (Forbes, 2012). The purposive sampling method was also applied to the Forbes 2000 list, as we sent the questionnaire invitations only to subsidiaries of firms in developed countries. In this way we are able to determine whether there is a difference in the level of business diplomacy between firms whose subsidiary is located in an emerging economy or in a developed economy.

We set some criteria for inclusion in the sample. For the emerging economies there were three criteria. The first was that the firms must be European (the headquarters in a European country); second, the companies should have a subsidiary in one of the three named countries; third, it has to be a company with more than one subsidiary. The last requirement was meant to exclude firms which only use emerging economies to produce their product for the European market, as business diplomacy in that case is only oriented to the European market. The two criteria for the companies on the Forbes list are that it has to operate internationally and may not be state/nation-owned.

### 3.2.1. Invitation procedure

Invitations were sent directly by e-mail, where possible, to managers of public affairs, government relations, communication, regulatory affairs or the country director (with name and personal e-mail address) as they are in most cases responsible (partly) for business diplomacy in their subsidiary. When no e-mail addresses and/or names of people in the relevant functions were available, the mails were sent to corporate e-mail addresses and accompanied by a contact form. The invitations contained a header with the subject and the value of the research, explaining who we (the researchers) are, the person we would like to have respond, the confidentiality of the data, the time completion of the questionnaire approximately takes and the URL (see appendix D). Reminders regarding the questionnaire were sent between 7 and 10 days later, to avoid inundating firms with reminders in a short period of time.

### 3.2.2. Response

The response rate was low, with an average return rate of 5.05%. Only 61 (50 useful) questionnaires of the total of 1207 were returned.

**Table 1: Response to questionnaire**

	<b>Total invitations sent</b>	<b>Returned invitations (total after 3 reminders)</b>	<b>Response rate</b>
Indonesia	330	17 (of which 7 useful)	5.15%
Vietnam	282	18 (of which 17 useful)	6.38%
Taiwan	137	4	2.92%
Forbes 2000	458	21	4.59%
<b>Total</b>	<b>1207</b>	<b>Total 61 (50 useful)</b>	<b>5.05%</b>

We had hoped that at least a 10% response rate would be feasible. However, due to time restrictions, we decided to analyse the 50 useful questionnaires. The other 11 completed questionnaires did not meet the criteria we set.

### 3.3. Internal consistency

Consistency of the scales for the business diplomacy approach and organization dimensions, global integration and local responsiveness was tested with Cronbach's alpha reliability test ( $\alpha$ ). Reliability tests for the dimensions of business diplomacy approach and organization were considered good (Approach advancedness FG Reps  $\alpha = .804$ , NONg  $\alpha = .745$ ) (Organization FG Reps  $\alpha = .734$ , NONg  $\alpha = .822$ ). Business diplomacy approach advancedness is based on the means of the five sub-dimensions: intensity, policy clarity, breadth, means deployment and resource availability. These sub-dimensions individually showed 'good' reliability scores or better. The lowest reliability score was  $\alpha = .777$  for resource availability, which is considered a good coefficient score according to George and Mallery (2003). The means deployment sub-dimension scores  $\alpha = .804$  for FG reps and  $\alpha = .842$  for NONg. The policy clarity, intensity and breadth sub-dimensions have excellent reliability scores ( $\alpha > .900$ ) for FGReps as well as for NONg stakeholders. There is thus no reason to suggest that the questions and scales used for measuring the dependent variables are unreliable.

For global integration ( $\alpha = .518$ ) the consistency is considered poor, and the scale for local responsiveness ( $\alpha = .680$ ) is considered questionable. Although these are low coefficients, it was decided to retain the measurement as the questions complement each other and will give a better insight into whether firms are globally integrated and locally responsive than when that item/question is deleted.

#### 3.3.1. Independent variables recoded.

Due to the small sample size and the large variation between firms, it was decided to recode the following variables: firm size, firm age, home country, host country, type of industry, and HDI. Firm size was recoded into four ordinal scales: small MNCs (up to 5,000 employees), medium MNCs (5,001 to 25,000 employees), medium-large MNCs (25,000 to 100,000 employees) and large MNCs (more than 100,000 employees). The main reason for this recoding was the wide distribution (SD=103,125 employees).

Firm age was taken to indicate 'experience' and 'credibility' as suggested by Hillman (2003; Hillman et al., 1999). This was recoded into five ordinal categories: up to 25 years, 26-50 years, 51-100 years, 101-150 years, and over 150 years. The home country (country of origin) of a firm was ascertained by consulting the corporate websites for the location of its headquarters. To make the dependent variable 'country origin' measurable, a distinction was made between the regions as the locations and cultural differences could influence business diplomacy. Four main regions were defined: northwest Europe, southern Europe, Anglo/US and Asia. Countries which are not represented in those four regions were categorized as "other". In the questionnaire eight different industries were distinguished for the variable sector. Of our sample, 30% (n=15) operated mainly in the service industry and only 4% (n=2) in the financial sector. To test possible differences in business diplomacy between firms operating in different sectors, the number of each category should exceed two. New categories were created of firms operating in the primary, secondary or tertiary sectors. The primary sector includes firms with basic production (oil, fishery), the secondary sector involves the production of goods (food, industry, etc.), and the tertiary sector is the service sector (financial, consultancy, etc.). Each of the eight industries in the questionnaire was recoded according to this new distinction.

The different human development indices of the host countries were divided into two groups. The group distinction is based upon the aggregating ratios of the host countries. The first group consisted

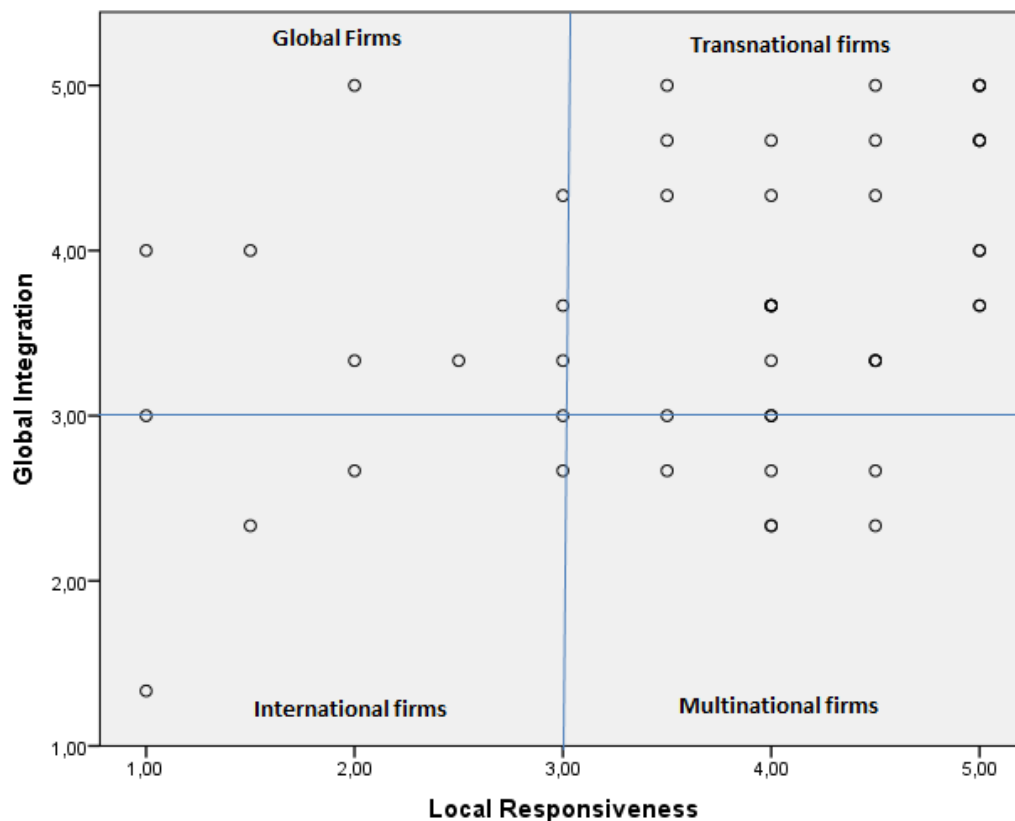


of HDI values between .500 and .750, which corresponds to a medium score, the second group consisted of HDI values from .750 up to 1 and corresponds to a high/very high score.

### **3.4. Sample distribution**

In our sample, 38% (n=19) was considered small MNCs with up to 5,000 employees, and 26% each (n=9) for medium and medium-large firms. Our sample consisted of firms mostly up to 50 years old and between 100 and 150 years in business. Thus, for firm size and firm age, the most extreme categories are represented the best. The sample technique, use of emerging economies and the Forbes 2000 list, has influenced the distribution of the firm-level variables of host and home countries and the institutional development of host countries, HDI and Democracy Index. West Europe is highly represented in the home-country variable with 38% (n=19). This region includes the Netherlands, Germany, Belgium and Scandinavian countries. Asia has the highest number of representatives for the host-country variable as Vietnam, Indonesia and Taiwan are part of this region. The authoritarian regime has the highest frequency as it includes the regime state of Vietnam (n=18) followed by flawed democracies (Taiwan and Indonesia, n=15) and full democracies (Forbes 2000, n=17). Not represented in our sample are countries characterized with a hybrid regime as they mostly occur in the African continent. The distribution of HDI is equally divided with 52% (n=26) subsidiaries in a host country with a medium HDI index (Vietnam, Indonesia and Taiwan) and 48% (n=24) subsidiaries in a host country with a high to very high HDI index. In our sample, the primary sector was relatively small with 8%, and the secondary sector was the largest with 58% represented. The measurement of global integration and local responsiveness showed relatively high means (5-point Likert scale; Global integration M=3.66 and Local responsiveness M=3.7), suggesting that firms in our sample are considered to be mainly transnational. Transnational companies are considered globally integrated and responsive to local demands. The least present type of firms in our sample is the international firm, which scores low on both global integration and local responsiveness. The sample distribution based on the typology of Bartlett and Ghoshal (1989) is displayed in Figure 4.

**Figure 4: Sample distribution based on typology of Bartlett and Ghoshal (1989)**



### 3.5. Analysis methods

The quantitative data as well as the data from the corporate websites, annual reports, the Human Development Report (Klugman et al., 2011) and the Democracy Index Report (Economist Intelligence Unit, 2011) were used for a statistical analysis with the SPSS program. The questionnaire data collected with the NETQ online tool can be saved in an Excel document, which can be imported in SPSS. In SPSS the data were transformed from string data to numerical data. At all times the analysis script codes are put in the syntax, so SPSS can calculate and transform the data faster when new data is inserted. An exploratory analysis was done, resulting in a table with the number of cases (n), the minimum (Min), maximum (Max), mean (M), standard deviation (SD), scale reliability by measuring the Cronbach's alpha ( $\alpha$ ), and the number of items of which the constructs are composed (Appendix E, Table 5). The following significance levels will be used for the findings: highly significant when  $P < 0.01$  and significant when  $0.01 < P < 0.05$ . The distinction for the interpretation of each sub-dimension is applied.

A score of:

- 1 - 1.5 = Very low
- 1.5 - 2.5 = Low
- 2.5 - 3.5 = Moderately low
- 3.5 - 4.5 = Medium
- 4.5 - 5.5 = Moderately high
- 5.5 - 6.5 = High
- 6.5 - 7 = Very high

## 4. Findings

First, we present the results on the business diplomacy approach (consisting of the sub-dimensions intensity, policy clarity, breadth, means deployment, and resource availability), followed by the results on business diplomacy organization (responsibility). After that, we present the results of our attempt to explain the variance in business diplomacy approach and organization based on the independent variables we identified from the literature. This section concludes with tests concerning the impact factors of business diplomacy.

### 4.1. Business Diplomacy Approach

The business diplomacy approach of multinational firms is moderately highly advanced (FGreps:  $M=4.57$ ,  $SD=0.97$ ; NONg:  $M=4.56$ ,  $SD=0.90$ ). There is no mean difference in how advanced the approach is for FGreps and NONg stakeholders, though the distribution of the advanced level of firms for establishing and sustaining relations towards FGreps and NONg varies (Appendix F, Figure 6). The approach for establishing and sustaining relations regarding FGreps is concentrated mainly between a medium to a highly advanced one (scores 3.5 - 6), while that for NONg stakeholders is mainly distributed around a medium to a moderately highly advanced one (scores 4 - 5.5). The advanced approach towards FGreps is more broadly dispersed than that towards NONg stakeholders, suggesting that firms vary more in the level of advancedness for FGreps than for NONg stakeholders regarding business diplomacy.

Firms score moderately high on average on the level of business diplomacy intensity and policy clarity, but the differences between the firms are relatively large (Intensity: FGreps  $M=5.27$ ,  $SD=1.41$ ; NONg  $M=5.18$ ,  $SD=1.39$ ) (Policy clarity: FGreps  $M=5$ ,  $SD=1.45$ ; NONg  $M=4.9$ ,  $SD=1.4$ ). This means that the firms in our questionnaire say they have a rather clear policy on business diplomacy, and their intensity of conducting business diplomacy is moderate to high. Firms score mostly moderately high to high (scores 5 - 6.5) for business diplomacy intensity towards FGreps, while that towards NONg stakeholders peaked at a medium, a moderately high and a high intensity level (4.5 - 6) (Appendix F, Figure 7). When it comes to the distribution of policy clarity, the differences between firms are more widespread. For NONg stakeholders the most frequent clarity scores are between a medium level (score 4 - 4.5) and a high level (score 6 - 6.5), while for FGreps the accent of the distribution is a slightly broader, spread between a medium to a high level of policy clarity (Appendix F, Figure 8). The distribution suggests that firms are slightly more intense and have clearer policies in establishing and sustaining relations with FGreps than with NONg stakeholders, though firms vary more in the level of intensity and policy clarity towards FGreps than towards NONg stakeholders.

Breadth of business diplomacy scores medium on average, though there is a great difference between firms (FGreps:  $M=4.3$ ,  $SD=1.37$ ; NONg:  $M=4.5$ ,  $SD=1.46$ ). The Items sub-dimension suggests that employees are considered firm representatives when in contact with FGreps and NONg stakeholders (item score: FG reps  $M=5.46$ ; NONg  $M=5.18$ ), but establishing and sustaining relationships is a moderately low activity for all employees (item score: FG reps  $M=3.5$ ; NONg  $M=3.8$ ). This suggests that not all employees are the initiator in establishing and sustaining these relations. The distribution of the level of breadth for FGreps as well as for NONg stakeholders is highly dispersed, and both distributions peak at a medium score [4 - 4.5; FGreps  $N=16$  (32%), NONg  $N=12$  (24%)] (Appendix F, Figure 9).

On deploying means for establishing and sustaining relationships with FGreps and NONg stakeholders, firms score moderately high (FGreps:  $M= 4.56$ ,  $SD= 1.01$ ; NONg:  $M=4.56$ ,  $SD=1.16$ ). This indicates that they deploy a rather diverse set of means when conducting business diplomacy. The distribution between firms and the level of means deployment for FGreps as well as for NONg stakeholders consist mainly of scores referring to a medium to a moderately high level of mean deployment (scores 3.5 - 5.5) (Appendix F, Figure 10).

Firms score medium on resource availability for business diplomacy (FGreps:  $M= 3.71$ ,  $SD= 1.01$ ; NONg:  $M=3.71$ ,  $SD=1.01$ ). The items of 'a cumulative learning system for business diplomacy ( $M= 3.08$ )' and 'training for managers ( $M=3.26$ )' score low. This implies that firms have medium resources available for business diplomacy and invest moderately little in knowledge transfers through training courses or a learning system. Resource availability is distributed mainly around scores referring to a medium level for establishing and sustaining relations with FGreps and NONg stakeholders ( $n=23$ , 46%) (Appendix F, Figure 11). The distribution shows that a low level of resources is more commonly available for business diplomacy (scores  $<3.5$ ,  $n=16$ ) than a high level of resources (scores 4.5 – 5.5,  $N=9$ ).

#### **4.2. Business Diplomacy Organization**

Firms in our sample indicate that decision-making regarding business diplomacy is neither completely decentralized (subsidiary level) nor fully centralized (headquarters) for FGreps and NONg stakeholders (FGreps:  $M= 3.9$ ,  $SD= 0.734$ ; NONg:  $M=3.7$ ,  $SD=8.22$ ). So subsidiaries of the firms involved have considerable freedom to decide on how to conduct business diplomacy, though the scores imply that there is a clear involvement from the central headquarters as well. The distribution of differences in responsibility towards FGreps and NONg stakeholders suggests that decision-making for establishing and sustaining relationships with FGreps is slightly more centrally organized in firms (peak 4 - 4.5, decentralised to centrally organized), where NONg is more moderately decentralized (peak = 3 - 3.5). For both FGreps and NONg, however, business diplomacy decision-making among firms is broadly dispersed between a moderately low to a moderately high central organization (Appendix F, Figure 12).

#### **4.3. Explanatory factors of business diplomacy**

We argue that firm characteristics, type of industry and the institutional development of the host country are related to the approach and organization of business diplomacy. An overall distribution of the business diplomacy scores for the sub-dimensions among the ordinal and nominal antecedents is presented in Appendix G (Table 7). We therefore computed a Pearson's correlation coefficient (Appendix H), ANOVA analyses and independent t-tests (Appendix I) to examine the relationship between the antecedents and the (sub-)dimensions of business diplomacy for FGreps and NONg stakeholders. In total, each independent variable is tested against the approach and organization dimensions and also the five sub-dimensions of approach. An overview of all tested relations is given in Table 2.

**Table 2: Overview of tested relations and significance**

		Approach (Advancement)						Organization (Responsibility)
		- Intensity	- Policy clarity	- Breadth	- Means deployment	- Resource availability		
Firm size	FGreps	-	-	X**	-	-	-	
	NONg	-	-	X*	-	-	-	
Firm age	FGreps	-	-	-	-	-	-	
	NONg	-	-	-	-	-	-	
Country of origin	FGreps	-	-	-	-	-	X*	
	NONg	-	-	-	X**	-	-	
Host country	FGreps	-	X*	X*	-	-	-	
	NONg	-	-	-	-	-	-	
Global integration	FGreps	X**	X**	-	X*	X*	-	
	NONg	-	-	-	X*	-	X*	
Local responsiveness	FGreps	-	-	-	X*	-	-	
	NONg	-	-	-	X*	-	-	
Industry Type	FGreps	-	-	X*	X*	-	-	
	NONg	-	-	X*	X*	-	-	
HDI	FGreps	-	-	-	-	-	-	
	NONg	-	-	-	-	-	-	
Democracy index	FGreps	-	-	-	-	-	-	
	NONg	-	-	-	-	-	-	

Total relations tested 126 (20 significant)

- No significant relation is found

\*\* Significant at the 0.01 level.

\* Significant at the 0.05 level.

#### 4.3.1. Firm characteristics and business diplomacy

No relation between firm size and the approach advancedness nor organization (*responsibility*) was found, but the size of a firm was found to be significantly related to the business diplomacy sub-dimension of *policy clarity* for FGreps and NONg stakeholders (Clarity: FGreps  $p \leq .001$ , NONg  $p \leq .05$ ). The relation between firm size and clarity for FGreps is highly significant, whereas the relation for NONg stakeholders is only just significant. The positive relationship (clarity: FGreps  $r = .370$ , NONg  $r = .352$ ) suggests that the larger a firm is, the clearer the business diplomacy policies are.

We expected that the age of a firm would also be positively related to the sub-dimensions of the business diplomacy approach, but no significant relation was found. According to our sample, the age of a firm influences neither how advanced the approach is nor the responsibility.

Significant differences in business diplomacy due to a firm's country of origin is found for business diplomacy organization (*responsibility*) with FGreps ( $p = 0.34$ ), but no relation is found with business diplomacy responsibility for NONg and with the approach advancedness. A significant relation exists between northwest Europe and Anglo/US ( $p = .02$ ) and southern Europe and Anglo/US ( $p = .044$ ), implying that firms from northwest Europe ( $M = 4.13$ ) and southern Europe ( $M = 4.2$ ) have a more centralized business diplomacy decision-making for FGreps than firms originating from the Anglo/US ( $M = 3.3$ ). An independent t-test shows a highly significant relation for *Means deployment* for NONg stakeholders between firms with an Anglo/US origin and northwest Europe ( $p \leq 0.01$ ). This implies that firms with an Anglo/US origin use more diversified means for establishing and sustaining relations with NONg ( $M = 5.2$ ) than firms originating in northwest Europe ( $M = 4.15$ ).

No relation between the host country and the approach advancedness or organization (*responsibility*) was found, but there is a significant difference between the host country areas of Asia and Europe for *clarity* ( $p = .02$ ) and *intensity* ( $p = .035$ ) towards FGreps. This implies that firms based in Europe have clearer (stricter) business diplomacy policies ( $M = 5.6$ ) and are more intense ( $M = 5.66$ ) in establishing and sustaining relationships with FGreps than firms based in Asia (clarity  $M = 4.6$  and intensity  $M = 4.9$ ). No other differences in business diplomacy approach or organization are significantly related to the host countries.

We examined whether the extent of internationalization of firms (based on the typology of Bartlett and Ghoshal, 1989) influences the level of business diplomacy by correlating global integration and local responsiveness with the business diplomacy sub-dimensions. The extent to which a firm is globally integrated and responsive to locally responsive is significantly related to business diplomacy (sub-)dimensions.

Global integration is highly significantly related to approach advancedness for FGreps ( $p < .01$ ), but no relation is found with the organization (*responsibility*) of business diplomacy. For the business diplomacy approach sub-dimensions, global integration is related to intensity ( $p < .01$ ), breadth ( $p < .05$ ), means deployment ( $p < .05$ ) and resource availability ( $p < .05$ ). The relation implies that firms with a higher level of global integration have more intense relationships with FGreps, a broader approach, more diverse deployment of means and more resources available for business diplomacy. The highly significant correlation with business diplomacy *approach* advancedness indicates that the more globally integrated a firm is, the more advanced an approach to business diplomacy it uses (FGreps). Global integration with business diplomacy for NONg stakeholders is significantly related to business diplomacy *breadth* ( $p < .05$ ) and *resource availability* ( $p < .05$ ).

Local responsiveness is positively significantly related to business diplomacy organization (*responsibility*) for FGreps ( $p < .05$ ,  $r = .314$ ), which suggests that locally responsive firms have a more centralized (HQ) decision-making regarding business diplomacy. Local responsiveness is significantly related to business diplomacy *breadth* for FGreps and NONg stakeholders ( $p < .05$ ). This positive relation implies that locally responsive firms use a broader approach for establishing and sustaining relationships with FGreps and NONg stakeholders ( $r = .33$ ).

#### 4.3.2. Type of industry and business diplomacy

No relation was found between the type of industry and the approach advancedness or organization (*responsibility*), but significant relations between the type of industry and the business diplomacy sub-dimensions were found for *policy clarity* (FGreps  $p = .017$ , NONg  $p = 0.13$ ) and *breadth* (FGreps  $p = .045$ , NONg  $p = 0.18$ ) for both FGreps and NONg stakeholders. The difference among the secondary and the tertiary sector for business diplomacy clarity was significant (Clarity: FG Reps  $p = .015$ , NONg  $p = .014$ ), implying that firms in the secondary sector score significantly higher on business diplomacy clarity than ones in the tertiary sector (FGreps difference  $M = 5.49$  and  $M = 4.27$ ; NONg stakeholders difference  $M = 5.38$  and  $M = 4.21$ ). For business diplomacy *breadth* the primary sector scores significantly lower than the secondary sector (FGreps  $p = .05$  and NONg  $p = .015$ ), implying that employees in the secondary sector are considered to be seen more as representatives when in contact with FGreps and NONg stakeholders (mean breadth FG reps  $M = 4.63$ , NONg  $M = 4.78$ ) than employees in the primary sector (mean for FG reps  $M = 2.93$ , for NONg  $M = 2.64$ ). With  $\alpha > 0.10$ , business diplomacy *Intensity* (FGreps, secondary > tertiary) and *Approach advancedness* (NONg only between groups) were significantly related to the type of industry.

#### 4.3.3. Institutional development and business diplomacy

No significantly related difference between the level of institutional development, HDI and democracy index of a country was found for business diplomacy approach and organization. The development state of a host country was expected to relate to the business diplomacy approach of a subsidiary, but no data was found to support this expectation.

#### 4.4. Business diplomacy impact factors

A regression analysis was conducted to determine to what extent firm-level characteristics, type of industry and institutional development can explain the level of the business diplomacy (sub-) dimensions (and their variance). The antecedents are tested for their contribution to the (sub-) dimensions of business diplomacy, and regression models will be tested.

**Table 3: Regression results**

		Approach (Advancement)	- Intensity	- Policy clarity	- Breadth	- Means deployment	- Resource availability	Organization (Responsibility)
Firm size	FGreps	.010	.027	.137**	.000	.013	.007	.013
	NONg	.016	.001	.124*	.002	.025	.007	.000
Global integration	FGreps	.152**	.096*	.051	.123*	.081*	.094*	.063
	NONg	.036	.000	.001	.080*	.005	.094*	.002
Local responsiveness	FGreps	.021	.000	.001	.019*	.012	.008	.027*
	NONg	.043	.014	.006	.019*	.008	.008	.007

\*\* Regression is significant at the 0.01 level.

\* Regression is significant at the 0.05 level.

The regression analysis showed a highly significant effect of firm size on business diplomacy *clarity* for FGreps as the unstandardized coefficient is .435 ( $t = 2.756$ ,  $p < .01$ ). The explained variance is 13.7% ( $R^2 = .137$ ), and firm size explains 13.7% of the level of business diplomacy clarity for FGreps (Appendix K, Table 13). Thus, firm size positively impacts clarity. Firm size also determines business diplomacy clarity for NONg stakeholders as the unstandardized coefficient is .401 ( $t = 2.607$ ,  $p = .012$ ) with an explained variance of  $R^2 = .124$ .

The level of global integration positively influences how advanced the business diplomacy approach is, with an unstandardized coefficient of .45 ( $t = 2.937$ ,  $p < .01$ ) and an explained variance of 15.2% ( $R^2 = .152$ ). The level of global integration also positively affects each business diplomacy approach sub-dimension except for clarity (Appendix K, Table 14). The more firms are globally integrated, the more advanced the business diplomacy approach they use for FGreps. Also, the intensity ( $R^2 = .096$ ), breadth ( $R^2 = .123$ ), means deployment ( $R^2 = .081$ ) and availability of resources ( $R^2 = .094$ ) for establishing and sustaining relationships with FGreps is positively influenced by the level of global integration. For NONg stakeholders the level of global integration impacts business diplomacy *breadth* with an unstandardized coefficient of .463 ( $t = 2.049$ ,  $p < .05$ ) and an explained variance of 8% ( $R^2 = .08$ ).

The level of local responsiveness has an impact on the business diplomacy sub-dimensions *Breadth* (FGreps and NONg) and *responsibility* (NONg) (appendix K, Table 15). The level of local responsiveness of firms positively affects the business diplomacy breadth for FGreps (unstandardized coefficient .387,  $t = 2.422$ ,  $p < .05$ ) as well as for NONg stakeholders (unstandardized coefficient .413,  $t = 2.433$ ,  $p < .05$ ). The explained variance of 10.9% ( $R^2 = .109$ ) and 11% ( $R^2 = .11$ ), respectively, implies that local responsiveness explains that level of breadth for FGreps and for NONg stakeholders. The level of local responsiveness influences the responsibility for business diplomacy positively (responsibility FGreps) as .265 ( $t = 2.228$ ,  $p < .05$ ) and has an explained variance of 9.8% ( $R^2 = .098$ ).

All sub-dimensions of business diplomacy towards FGreps are impacted by one of the three firm characteristics of global integration, local responsiveness and/or firm size. For business diplomacy towards NONg stakeholders, we have found no influence of business diplomacy intensity and responsibility. Several multiple regression models were also tested with the firm characteristics of global integration, local responsiveness and firm size, but no significant model was found.



## **5. Conclusion and discussion**

### **5.1. Conclusions**

The findings support our research model that firm-level characteristics and the type of industry determine the level of business diplomacy approach and organization for some dimensions. However, our research has found no evidence that differences in the institutional development of a host country are related to the business diplomacy approach or organization. This suggests that the institutional development of a country we measured does not determine the advancedness of the business diplomacy approach or whether the business diplomacy decision-making process lies with the subsidiary or with the headquarters.

### **5.2. Discussion of the findings**

#### **5.2.1. Business diplomacy development**

Saner and Yiu (2005) and Muldoon (2005) argue that establishing and sustaining relations in today's business environment is becoming increasingly important for creating business opportunities, as firms cannot depend solely on their competitiveness and efficiency any longer. The findings of our research confirm that firms do understand the need for business diplomacy as they are moderately active in establishing and sustaining relationships with government representatives. Furthermore, firms have some clear and business-wide policies for establishing these relations.

In the literature review it is argued that business diplomacy needs to be more effectively introduced throughout the entire organisation and that firms should apply a diplomatic style of operation (London, 1999). Saner et al. (2000) argues that business diplomacy knowledge should be shared throughout the entire company. Our research did not found any evidence that business diplomacy is acknowledged as a broad phenomenon within firms. Employees are moderately involved in business diplomacy when they are in contact with FGreps and NONg stakeholders, but taking the initiative to establish these relations is not an activity done by all employees, as the scores are moderately low to low. Policies are thus indeed relatively clear and widely known throughout the firms, but business diplomacy is not an organization-wide activity (medium level). Also, the score on resource availability for business diplomacy confirms that firms do not encourage business diplomacy effectively in the entire organization (Saner & Yiu, 2005). Firms do acknowledge that establishing and sustaining relationships with FGreps and NONg stakeholders is an activity that takes time, but investing in knowledge transfers through training or a learning system for employees is an activity rarely conducted by the firms in our sample.

The means deployment for business diplomacy scored moderately high, suggesting that firms are not focused on a single means for business diplomacy. The differences among firms are relatively high for the use of diversified means, also when it comes to communicating a clear CSR policy. It is argued that due to the rise of organized civil society, CSR policies are needed even more for legitimacy reasons (Teegen et al., 2004). However, in our sample the communicating of CSR policies towards governments and NGOs scored low.

In general, the business diplomacy approach can be interpreted as firms being moderately advanced when the five sub-dimensions are considered (intensity, policy clarity, means deployment, resources and breadth). However, breadth and resources lag behind in the development of business diplomacy. More resources availability and a broader view on business diplomacy could create even more legitimacy for firms. We expect that there are still potential growth possibilities for firms regarding business diplomacy. Our findings show that the need for business diplomacy has been acknowledged, as the intensity and policy clarity are already implemented at a reasonable level within the firms.

Previously conducted business diplomacy studies have not established its organization within firms. Our findings suggest a moderately decentralized/centralized decision-making for business diplomacy. Subsidiaries in host countries are free in their responsibility to establish and sustain relationships with FGreps and NONg stakeholders but need to act in line with the central standards set by the main headquarters.

#### 5.2.2. Business diplomacy determinants

The extent to which a firm is globally integrated is a determinant of the business diplomacy *approach* for FGreps, as found in our research. The level of global integration positively influences the level of intensity, breadth, means deployment and resource availability for business diplomacy towards FGreps. As derived from the firm typology of Bartlett and Ghoshal (1989), we expected that the extent to which a firm is locally responsive and globally integrated is related to the approach and organization of business diplomacy, because the types of firms have different strategies. As our research concludes, globally integrated firms use a more advanced approach for business diplomacy. They are more focused on cost efficiency (Bartlett and Ghoshal, 1989). Our findings suggest that globally integrated firms have a higher level of intensity, breadth, means deployment and resources availability for business diplomacy because by establishing and sustaining relations with the external stakeholders, they can remain cost-efficient.

Based on the theory of Bartlett and Ghoshal (1989), we expected that locally responsive firms would have a more decentralized business diplomacy organization, as they attempt to be locally responsive to the specific needs and demands of each individual business market. However, our findings contradict these expectations as local responsiveness is positively related to centralized responsibility for FGreps. This suggests a more centralized business diplomacy decision-making for locally responsive firms. It implies that the decision-making authority lies more within the regional headquarters than in each subsidiary as the level of local responsiveness increases.

Lux et al. (2011) determined that firm size is the largest driver of CPA. We expected that firm size would also be an important determinant for the business diplomacy approach as larger firms have more resources available for business diplomacy while smaller firms are more likely to cooperate when it comes to business diplomacy (Hillman and Hitt, 1999). Firm size only influences the business diplomacy policy clarity sub-dimension, however. The positive relation found suggests that the larger the firm, the more written and clearer policies are used, as larger firms might need more widely spread and clearer business diplomacy policies to keep all subsidiaries in line with their philosophy.

The region in which a subsidiary is established is significantly related to the level of policy clarity and intensity, as well as to a firm's country of origin and the level of responsibility (when  $\alpha = .10$ ; also means deployment and breadth). This suggests that cultural and regional differences may be

involved in the organization and approach of business diplomacy. For instance, our sample implies that subsidiaries established in Europe have clearer business diplomacy policies and a higher intensity in establishing and sustaining relationships with FGreps than subsidiaries established in Asia. The intensity in Europe might be higher because lobbying with FGreps is more normal than in Asia. Quantitative research can be used to verify regional and cultural differences in the approach and organisation of business diplomacy.

A firm's industry type was expected to influence the business diplomacy approach advancedness, especially for firms operating in the primary sector. Oil companies in the primary sector need to intensively safeguard their corporate image and reputation (Saner et al., 2000). However, a significant difference is found for business diplomacy breadth between the primary and the secondary sector. The primary sector scores lower (is narrower) on business diplomacy breadth, as it is probably more appropriate for executives to establish and sustain relations with FGreps as basic products are often nation/public-owned than for firms in the secondary sector. Firms in the secondary sector have clearer business diplomacy policies than firms in the tertiary sector (service industry) for establishing and sustaining relationships with FGreps and NONg stakeholders. The difference can be explained by the fact that the secondary sector is focused on creating tangible product(s), and clear policies for the stakeholders (e.g. suppliers, carriers) are applied to create business opportunities, while the tertiary sector is client-oriented and has less clear policies because the clients have different situations. The intensity level of business diplomacy is significantly related to the types of industries when  $\alpha = .10$  is applied to FGreps. The primary sector was expected to be more intense in business diplomacy than the secondary and tertiary sectors as their business is strongly influenced by governments. Therefore, we expect that it is related although it is only related when  $\alpha = .10$  is applied.

Kostecki and Naray (2007) mentioned that the institutional characteristics of a host country determine a commercial diplomat's activities. We expected that subsidiaries operating in less developed countries will have a different (higher) advanced business diplomacy approach than a subsidiary that operates in a highly developed country. After all, subsidiaries in less developed countries have to establish and maintain relationships with many parties on many levels in order to create business opportunities. However, no evidence has been found that the institutional environment measured with HDI and the Democracy Index was related to or influenced the approach of business diplomacy or the way business diplomacy is organized within the MNCs.

### **5.3. Limitations**

Our study has limitations that need to be addressed in future research on business diplomacy.

A major limitation of this study is the low statistical power due to the small sample size. Low statistical power can lead to statistically insignificant results (Type II error). Firm-level characteristics, type of industry and/or institutional development might not result in significant relations with business diplomacy dimensions due to the small sample size, although in fact they are related (Saunders, Lewis, & Thornhill, 2009). Type II error can be reduced by collecting more evidence/data (De Veaux, Velleman, & Bock, 2005). Due to the small number of respondents and large differences between the firms, the data for some determinants was recoded from scale-level data to ordinal data. Therefore, the study should be redone with a larger sample size, which would improve its statistical power.

The internal consistency for global integration and local responsiveness was measured with Cronbach's alpha. The reliability scores were lower than the rule of thumb of  $\alpha > .700$ . This might be due to the small sample size. However, the scale reliability for global integration and local responsiveness can be improved by rewriting questions or adding more to determine the level of global integration and local responsiveness of firms.

A threat to the internal validity of our research might be drop-outs. Firms that are obviously exercising business diplomacy might be overrepresented because ones which have not deployed business diplomacy may not have participated in our study. Another internal validity threat is 'selection' (Babbie, 2010). Some branches are underrepresented in our sample. This might be because they have a 'negative' policy on participating in scientific research, as information about certain processes may be considered confidential/classified. Most of our sample came from the secondary sector, although most firms in the world operate in the tertiary sector. The invitation letter for our research claimed that the questionnaire was anonymous and the data would be presented without a company name, but the firms had to fill in their company name in the questions. We needed the company name to verify quantitative data. In future research, it might be better to include all quantitative data (questions) in the questionnaire. Firms that have strict rules on participating in scientific research might have seen including the company name as an obstacle.

Our research is based on firms operating in emerging economies and firms within the Forbes 2000 list and thus cannot be seen as representative of all internationally operating firms. Because of this purposive sampling procedure, we cannot generalize our findings to internationally operating firms worldwide. Purposive sampling is a threat to the external validity (Babbie, 2010). The study should be conducted with a larger sample size and a more dispersed, worldwide sample or focused on a cross-country/continental analysis.

#### **5.4. Future research**

With our research we were able to identify the determinants of business diplomacy. However, every study creates new questions and leaves some questions unanswered. In this section we will test our business diplomacy model and discuss suggestions for future research.

In our exploratory research we created a model in which business diplomacy is split into two dimensions: approach and organization. A firm's approach advancedness is measured with the business diplomacy sub-dimensions of intensity, policy clarity, breadth, resource availability and means deployment towards FGreps and NONg stakeholders. The organization dimension is measured with the responsibility sub-dimension. We found some relations between the firm-level characteristics and type of industry with the level of business diplomacy. However, we tested the model with a factor analysis to determine whether it needs to be improved when used for further research. The factor analysis tests the degree each of the items (sub-dimension questions) is related to a factor and the number of factors that can be distinguished.

Results of the factor analysis suggest that the items within the questionnaire are related to five factors. The output matrix in Table 16 (appendix L) shows the new differentiation of the factors with the related items (Jolliffe, 2005). Instead of the six sub-dimensions for measuring business diplomacy, future research should measure business diplomacy with five factors/sub-dimensions. The sub-dimension 'Source availability' is spread among the five factors, meaning it is not a sub-dimension of its own, but should be measured within other dimensions. Factor 1 has the most items

and consists of all intensity items, four resource availability items, two means deployment items, and one breadth and responsibility item. Factor 1 is considered the most importance factor. The other four factors mainly consist of items which were originally tested by us. The dimensions which can be distinguished after the factor analysis are: intensity, policy clarity, breadth, responsibility and means deployment. When applying the items mentioned in appendix I, the ones with a factor loading of less than .500 can be excluded. These items are not highly related to the factor.

For further research various other determinants for business diplomacy can be studied, as some are mentioned within our literature review but not included here. These are the firm-level antecedents of organizational slack, resource dependency, and business diversification level and the industry-level antecedents of industry concentration and economic opportunities.

The relatively low number of respondents is considered a limitation of our research. The relations and effects of firm-level characteristics, type of industry and institutional development should be studied with a broader (worldwide) sample or a more focussed sample (for example, only European firms).

The outputs of business diplomacy can also be studied. Suggested outputs are return on assets, return on investments and government-derived revenues mentioned in the literature review (chapter 2). Research on business diplomacy outputs can determine which business diplomacy dimension has the highest influence on the outputs and whether firm antecedents and type of industry are also associated with the outputs.

As we have shown in our literature review, the number of articles about business diplomacy and related concepts has grown in the past few decades. However, we did not consider whether business diplomacy is developing within firms. This could be an interesting subject for future research, along with which elements and to what extent they developed (level of BD integration, increase in BD breadth, increase in BD intensity, etc.). The rise of NGOs is expected to have increased business diplomacy for NONg stakeholders, and thus companies are establishing and sustaining more relations. A development dimension can be added in future research in order to study the evolution of business diplomacy within firms.

In our research we distinguished between business diplomacy towards FGreps and towards NONg stakeholders, although they are highly correlated as shown in Appendix G. However, the distribution of the business diplomacy (sub-)dimension scores suggests different levels of approach and organization towards FGreps and NONg stakeholders. Qualitative research can explore whether firms use differential approaches/tactics for business diplomacy when it comes to FGreps and NONg stakeholders. We expect that a difference in the intensity may arise as firms in some branches need to sustain positive relations with FGreps more than with NONg stakeholders.

In our research we identified that the level of business diplomacy breadth and resource availability is medium. With quantitative research, more in-depth information can be retrieved. For instance, why are firms not investing highly in business diplomacy knowledge because training employees in this can have net results? Also, the underlying concepts of the use of business diplomacy within internationally operating firms can be examined.

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## Appendix G: Business diplomacy scores per nominal and ordinal scale

**Table 4: Business diplomacy scores per nominal and ordinal scale**

	Foreign government representatives							Non-governmental stakeholders						
Firm Size	Approach	Intensity	Clarity	Breadth	Means	Resources	Responsibility	Approach	Intensity	Clarity	Breadth	Means	Resources	Responsibility
Small MNCs (n=19)	4,448	5,061	4,570	4,376	4,406	3,827	3,982	4,423	5,079	4,368	4,534	4,308	3,827	3,579
Medium MNCs (n=9)	4,383	5,074	4,648	4,302	4,333	3,556	4,315	4,717	5,444	4,981	4,905	4,698	3,556	4,333
Medium large MNCs (N=9)	4,613	5,481	4,870	3,667	5,127	3,921	3,463	4,356	4,963	4,704	3,524	4,667	3,921	3,556
Large MNCs (N=13)	4,858	5,577	5,987	4,637	4,560	3,527	3,859	4,796	5,282	5,731	4,670	4,769	3,527	3,641
Firm Age	Approach	Intensity	Clarity	Breadth	Means	Resources	Responsibility	Approach	Intensity	Clarity	Breadth	Means	Resources	Responsibility
Up to 25 years (N=15)	4,388	5,456	4,778	3,981	4,143	3,581	3,600	4,420	5,222	4,822	4,276	4,200	3,581	3,478
Between 26 and 50 years (N=7)	4,856	5,476	4,762	4,755	5,143	4,143	4,000	4,816	5,262	4,429	4,959	5,286	4,143	3,952
Between 51 and 100 (N=7)	4,090	4,500	4,952	4,224	3,694	3,082	4,190	4,401	4,786	5,524	4,469	4,143	3,082	3,952
Between 101 and 150 years (N=15)	4,611	5,233	5,033	4,029	4,895	3,867	4,167	4,290	4,911	4,511	3,838	4,324	3,867	4,022
Older than 150 years (N=5)	5,021	5,467	5,867	5,114	4,743	3,914	3,567	5,365	5,967	5,800	5,686	5,457	3,914	3,167
Host Country	Approach	Intensity	Clarity	Breadth	Means	Resources	Responsibility	Approach	Intensity	Clarity	Breadth	Means	Resources	Responsibility
Europe (n=18)	4,811	5,657	5,602	4,317	4,786	3,690	3,935	4,670	5,287	5,370	4,175	4,825	3,690	3,769
Asia (n=29)	4,365	4,891	4,626	4,271	4,350	3,685	3,994	4,472	5,092	4,586	4,606	4,389	3,685	3,816
Other (n=3)	5,156	6,667	5,111	4,524	5,286	4,190	3,056	4,771	5,333	5,000	4,667	4,667	4,190	2,611
Origin country (home country)	Approach	Intensity	Clarity	Breadth	Means	Resources	Responsibility	Approach	Intensity	Clarity	Breadth	Means	Resources	Responsibility
North West Europe (N=21)	4,466	4,913	5,317	4,102	4,449	3,551	4,143	4,336	4,865	4,944	4,170	4,150	3,551	3,817
South Europe (n=9)	4,632	5,574	4,648	4,460	4,714	3,762	4,204	4,740	5,685	4,556	4,794	4,905	3,762	3,981
Anglo/US (N=10)	4,933	5,667	5,083	4,829	5,000	4,086	3,300	4,980	5,467	5,033	5,100	5,214	4,086	3,233
Asia (N=5)	4,559	5,633	4,733	4,343	4,171	3,914	4,367	4,576	5,267	4,900	4,514	4,286	3,914	4,200
other (n=4)	3,777	4,833	4,125	3,071	3,607	3,250	3,000	3,899	4,458	4,750	2,964	4,071	3,250	3,583
Sector divided	Approach	Intensity	Clarity	Breadth	Means	Resources	Responsibility	Approach	Intensity	Clarity	Breadth	Means	Resources	Responsibility
Primary Sector (N=4)	4,3179	5,7500	4,6250	2,9286	4,5714	3,7143	3,4583	3,83929	4,3333	4,2917	2,6429	4,2143	3,7143	3,9583
Secondary sector (N=29)	4,7972	5,5517	5,4885	4,6256	4,7044	3,6158	4,0517	4,77537	5,4828	5,3793	4,7783	4,6207	3,6158	3,7471
Tertiary sector (N=17)	4,2493	4,6863	4,2745	4,0756	4,3193	3,8908	3,7941	4,36471	4,8529	4,2059	4,3277	4,5462	3,8908	3,6373
Democracy index	Approach	Intensity	Clarity	Breadth	Means	Resources	Responsibility	Approach	Intensity	Clarity	Breadth	Means	Resources	Responsibility
Full democracy (N=17)	4,661	5,706	5,255	3,941	4,613	3,790	3,804	4,462	5,127	4,980	3,824	4,588	3,790	3,647
Flawed democracy (N=15)	4,369	4,722	4,856	4,533	4,257	3,476	3,700	4,559	5,089	4,933	4,867	4,429	3,476	3,667
Authoritarian regime (n=18)	4,659	5,324	4,898	4,452	4,770	3,849	4,204	4,656	5,296	4,778	4,706	4,651	3,849	3,852
Human developement	Approach	Intensity	Clarity	Breadth	Means	Resources	Responsibility	Approach	Intensity	Clarity	Breadth	Means	Resources	Responsibility
Medium HDI (n=26)	4,446	5,000	4,833	4,286	4,456	3,654	3,974	4,484	5,077	4,782	4,560	4,346	3,654	3,724
High and very high HDI (n=24)	4,710	5,569	5,194	4,321	4,679	3,786	3,854	4,644	5,285	5,014	4,339	4,798	3,786	3,729

## Appendix H: Correlations

Table 5: Pearson's correlation coefficients

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19
1 Firm Size	1																		
2 Firm Age	,448**	1																	
3 Global Integration	-,084	,051	1																
4 Local Responsiveness	-,045	,267	,370**	1															
5 Human development	,534**	,133	-,233	-,200	1														
6 Approach (advancedness) FGReps	,174	,126	,390**	,146	,138	1													
7 Intensity - FG Reps	,165	-,060	,309*	-,007	,208	,818**	1												
8 Policy clarity - FG Reps	,370**	,172	,227	,030	,125	,686**	,403**	1											
9 Breadth - FG Reps	,019	,107	,351*	,330*	,013	,759**	,535**	,410**	1										
10 Means deployment- FG Reps	,113	,189	,285*	,107	,096	,764**	,530**	,363**	,452**	1									
11 Resource availability - FGReps	-,085	,075	,306*	,089	,066	,750**	,616**	,308*	,418**	,628**	1								
12 Organization (responsibility) - FG Reps	-,114	,132	,251	,314*	-,061	,256	,124	,279*	,238	,101	,209	1							
13 Approach (advancedness) NONg	,127	,100	,191	,208	,090	,720**	,663**	,452**	,674**	,450**	,444**	,181	1						
14 Intensity - NONg	,034	,018	,012	,116	,082	,368**	,588**	,103	,356*	,162	,134	,051	,786**	1					
15 Policy clarity - NONg	,352*	,087	,024	,076	,083	,491**	,317*	,782**	,397**	,135	,091	,244	,642**	,316*	1				
16 Breadth - NONg	-,048	,044	,284*	,331*	-,076	,529**	,443**	,254	,791**	,242	,198	,129	,836**	,657**	,435**	1			
17 Means deployment - NONg	,158	,137	,071	,087	,196	,462**	,434**	,097	,368**	,545**	,339*	,004	,778**	,606**	,292*	,546**	1		
18 Resource availability - NONg	-,085	,075	,306*	,089	,066	,750**	,616**	,308*	,418**	,628**	1,000**	,209	,444**	,134	,091	,198	,339*	1	
19 Organization (responsibility) - NONg	-,015	,066	,047	,086	,002	,071	,008	,097	,125	-,050	,076	,739**	,045	-,102	,142	,051	-,018	,076	1

\*\* Correlation is significant at the 0.01 level (2-tailed).

\* Correlation is significant at the 0.05 level (2-tailed).

