LIBERA UNIVERSITÀ INTERNAZIONALE DEGLI STUDI SOCIALI

Department of Political Science

Chair of Global Trade

Corporate diplomacy
A stakeholder management strategy for sustainable business internationalisation

Supervisor

Prof. Angelo Taraborrelli

Co-Supervisor

Prof. Matteo Giuliano Caroli

Candidate

Rodolfo Maria Salvi

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Abstract

In the modern globalised world, internationalising companies are increasingly exposed to a broad range of geopolitical, socio-economic and non-commercial risks. Whenever the foreign expansion is direct, the company would face an expanding influence of local, national and international stakeholders. The growth in complexity and number of actors, in the international business environment, has occurred simultaneously with the rising claim for sustainability. Sustainability has become a pivotal element to support internationalisation. At the same time, multinationals need to identify, prioritise and manage external pressures. Therefore, companies should engage external stakeholders actively and anticipate geopolitical and socio-economics dynamics to protect their bottom line and sustain foreign expansions. This thesis proposes Corporate Diplomacy as a strategic management approach to handle company-stakeholder relations, thus fostering sustainable internationalisation. Corporate Diplomacy offers a behavioural mind-set, relationship guidelines, and a robust methodology to achieve competitive advantages. Research findings demonstrate that multinationals engaging external stakeholders diplomatically, can generate financial and non-financial performances, enhance co-creational opportunities, and long-lastingly nurture their foreign expansion. A case study illustrates the attitude and implementation of Corporate Diplomacy conducted by Enel, a leader Italian energy company, during its internationalisation process in Chile. The results of this thesis are relevant to contribute to the awareness and execution of Corporate Diplomacy and promote sustainable internationalisation.

Contents

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Nevertheless, in the end, what you are reading is a very personal reflection which holds my own thoughts, a result of the views of thinking that I developed through various studies, observations, discussions, experience constantly seeking to understand the limes that connect the business world and the art of diplomacy. Hence, I take the sole responsibility for any mistakes, short-comings, inaccuracies that may be found among the letter of my thoughts.

Rodolfo Maria Salvi

Introduction

In the modern globalised world, business environments are increasingly growing in complexity due to the blurring of existing boundaries among socio-political and economic domains. The traditional role played by states, institutions, social organisation, media, civil society and companies is rapidly changing in scope and power. Higher intersectoral and interdependence relations characterise the social and business networks where multinationals operate, facing a broad range of geopolitical and non-commercial risk previously unknown. Whatever the reasons, moving abroad exposes firms to context-specific and diverse local, national and supranational influence, as well as to a colourful set of social and institutional stakeholder extremely volatile in interest and nature. If it is true that multinationals constantly enlarge their presence also with cross-border operations seeking to improve their business opening up to the market, then should be noticed that behind any opportunity lies a risk, and vice versa. It is the ability and flexibility of the multinational to adapt to local and changing contexts that turn situations in opportunities rather than in dangers.

The growing uncertainty and insecurity in the global business environment, the increasing role of social actors in the business and political domains, and the pressuring stakeholders' expectations toward corporations underscored a fundamental reality: multinationals need to develop an organisational system to deal with external dynamics and fruitfully engage stakeholders. Companies can only succeed in the global arena successfully developing their own "representative mechanism", supported by solid methodology to identify, prioritise, and manage complex interactions with the external stakeholder inhabited the global village.

An integrated and open corporate strategy to engage stakeholders enables the company to promptly detect social and institutional "state of mind", identify risks and opportunity, and foster co-creational and value shared activities, seeking a common point between the company and stakeholders' interest. This strategy takes the name of "Corporate Diplomacy". Following the thesis seeks to explain the important of the subject.

The internationalisation process opens multinationals up to new geopolitical, social and institutional risks, facing the divergent, volatile and fragmented expectations of a new local and international set of stakeholders related to the target market. Corporate Diplomacy to successfully establish long-term company embeddedness in the new country's environments needs to adopt an adaptive approach that empowers to manage external stakeholders' pressures over the company to arise at transversal and cross-national levels. As a result of globalisation, stakeholders are increasingly expecting the company commitment towards social, environmental and economic problems. The tremendous demand upon firms to play a positive role and contribute more effectively to sustainable development shows a progressively global resonance. Hence, Corporate Diplomacy might embrace sustainability principles to understand better different context-specific trends and the socio-political and economic stakeholders' concerns. Corporate Diplomacy might find its best allied in the Corporate Sustainability approach: the former concept represents a stakeholder-oriented strategy to create long-lasting and co-creative relationships, while the latter is an issues-oriented complementary approach to adapt corporate diplomatic actions analysing the context, the content and the problems of the local environment and stakeholders.

The research employs a pragmatic vision of sustainability (oppose to the idealistic one). Companies are, indeed and above all, economic actors aimed by nature to generate profit. Hence, sustainability and its value are not wasting resources but, contrarily, creating more economic value through their operations and in collaboration with the external stakeholders.

Sustainability as "sustain" the company operations across time, avoiding potential risk and gathering business opportunities. In other words, sustainability is pursued by co-creational activities involving the company and stakeholders, and in compliance with the economic, environmental and social sustainability principles. Therefore, Corporate Diplomacy is analysed in its capability to fostering sustainable internationalisations, sustainable in terms of time and principles.

The time for reactive and passive business behaviour is over. It is about how modern multinationals may evolve to fit the changing features of business environments and stakeholder relationships. Dealing with a complex international arena, to remain competitive and expand abroad their activities, multinationals should embrace proactive and forward-looking strategies, taking into consideration the volatility, unpredictability and mutability of the global business environment and stakeholder expectations.

The main research question shapes this study: **«Can Corporate Diplomacy foster sustainable internationalisation? »**

In order to provide a comprehensive answer, the question has been split into three sub-questions, to the explanations which a paragraph is dedicated:

1. In the modern globalised world, what is the role of networking and sustainability activities in the internationalisation process?
2. What is Corporate Diplomacy and how it can contribute to the company's embeddedness in foreign countries?
3. Can and how Corporate Diplomacy represent a stakeholder management strategy to foster a sustainable business internationalisation process, sustainable in term of time and actions?

Part I describes the role of networks and sustainability in the modern internationalisation process. The changed and changing international landscape ensued by globalisation has profoundly modified the company's internationalisation process, resulting in a growing complexity in the business environments and a multiplicity of stakeholder to be taken in consideration by multinationals. The expanding and empowering role of social stakeholder and international organisation profoundly shapes the challenge faced by multinationals going abroad. Companies need even more to develop an extensive and pervasive external network, as a net of relationships with various stakeholders, to engage them in its company activities, creating a platform to gather and share information to and with the external actors seeking to co-create valuable business opportunities with them. A leading role among networks is played by the "referral point", touchpoint across all stakeholder and channel between different networks (such as media, NGOs, influencer stakeholders, institutions). Engaging, interacting with and placing the company in these networks' pivotal junctures would enable multinationals to control the information flown, influence opinions, and anticipate potential dangerous or promising situations. Due to the global complexity, volatility, and divergence in the stakeholders' nature and interest, multinationals during the internationalisation process might embrace sustainability approach to strengthen the company's embeddedness and networks in the new environment. Corporate Sustainability is presented as a potentially useful framework for companies to understand, engage, stakeholders' pressures, and adapt their strategies during different internationalisation phases. Several findings suggest that following sustainability's principles multinationals might foster valuable competitive advantage generating non-financial and financial returns. The example analysis of the "social licence to operate" in the extractive industry is given as a case in point for understanding the value of sustainability in the internationalisation process.

Part II centres on the concept of Corporate Diplomacy and its features. A literature review of the Corporate Diplomacy's concept is proposed, illustrating explanations made by various scholars, and also including those who refer using related terms (such as business diplomacy, corporate public diplomacy. The Oxford Dictionary explains diplomacy as the art of «skill in dealing with people in difficult situations without upsetting or offending them». Correspondingly, the thesis defines Corporate Diplomacy:

> *«the art of systematically handling relationships among networks with various and different sets of external stakeholders, to protect and enhance the corporate business, by promoting corporate interests in the numerous business environments where the company operates, with a proactive and co-creational mind-set».*

Corporate diplomacy is then discussed related to the internationalisation process and explained through the lens of the network view and the strategic management theories, emphasising its suitability to handle multi-actor relationships in a cycle process framework. A wide set of company-stakeholder relationships is outlined to have a comprehensive understanding, summarising Corporate Diplomacy's role in managing the interactions with different actors encountered during foreign expansions. The part concludes by suggesting six main specific barriers to the implementation of Corporate Diplomacy, aiming to incentivise companies to develop their own and tailor-made Corporate Diplomacy strategy.

The themes converge in the Part III, with the concept of Corporate Diplomacy embracing sustainability principles. The difficulties in detecting all different types of stakeholders, establishing relations, and professionally engaging them, raise the question of whether Corporate Diplomacy would be enough to secure foreign investments during the internationalisation process. Corporate Diplomacy might well identify the stakeholders and how to interact with them, but it might lack in including standardised, reliable and replicable methodology to understand the nature and issues of stakeholder's expectation across different latitudes, in which the company might operate. To remove the latent risk of neglecting or misunderstood some stakeholders and their expectations, to improve the adaptability of

Corporate Diplomacy to different contexts, the analysis would shift the focus from stakeholders to the nature of its expectations.

By analysing and prioritising the matters of stakeholders' expectations, companies can promptly detect potential thematic butterflied. Sustainability approach is considered suitable to identify potentially threatening concerns relevant for both the firm and its external stakeholders. At the same time, Corporate Diplomacy represents a valuable strategy to foster the achievement of sustainability-related competitive advantages related to the internationalisation process. Sustainability, focusing on environmental, economic and social concerns, and being a context-adaptable approach, can be easily employed to support in the proper way corporate diplomacy activities worldwide. This hypothesis is then tested in a case study, analysing the corporate diplomatic structure and relations in Enel Spa, the Italian multinational company engaged in the energy field, during its internationalisation process with specific reference to Chile.

The case study's findings represent an essential and pivotal element supporting this thesis' argumentation.

We can be sure that, in the years ahead, new "surprise" will upset the company's internationalisation process, whatever they are coming from an even more social concern for sustainability matters, an involution of the globalisation trend, an increase in digital relationships between company and stakeholders. These potential events would shock and modify the nature and method of interacting between actors within the business environment. Or they could even revolutionise the role of the players in the global and business arena, with companies increasingly in charge of former State duties and responsibility, or contrarily with a renewed and prominent rule of governments at local and international level.

Nevertheless, one thing can be easily predicted about the future: the relevance of stakeholder relationships for enduring internationalisation business is far away from wane.

PART I

Networks and sustainability in the modern internationalisation process

In the modern globalised world, most companies have a little alternative but to gradually internationalise their business in order to remain competitive, gathering valuable resources and information and expanding their market share. Nevertheless, new globalisation trends and dynamics are continuously modifying the international landscape, resulting in a growing complexity in the business environment and an expanding multiplicity of stakeholders that multinational faces going abroad. If it is sure that internationalising companies might access uncharted business opportunities, it is also true that behind any chance lies a potential threat. Thus, the ability and flexibility to navigate the international arena, employing adapted strategies to different situations, would enable the company to turn situations in business success and find opportunities where others see hurdles.

Firstly, a conceptual definition of modern internationalisation process is given, pointing out the main globalisation features that shapes and modify the present global arena. The international landscape is all but fixed, and the changing dynamics continuously produce challenges to corporate foreign expansions. Identify the main globalisation trends helps multinationals to ensure a safe journey while preparing to weigh anchor.

Secondly, Part I focuses on the role played by the corporate external network during expansions abroad. Companies are considered embedded in external networks, in which relationships shape any company's activity. No business can exist, no good can be produced, no trade can be conduct if there is no interaction. Hence, during the internationalisation process, external networks represent a key source to gather valuable information, resources, knowledge and create partnerships and alliance with institutional, social and business actors.

Later, the research focuses on the growing claim for sustainability in the international business environment. New social and institutional expectations generate a tremendous demand upon firms to play a positive role and contribute more to sustainable development. Corporate Sustainability specifically concerns corporate foreign expansions because traditionally, internationalisation has long been seen as a way to exploit foreign resources and escape legal sustainability norms.

Fourthly, the concept of Corporate Sustainability is added as a potential facilitator in corporate foreign expansions. Sustainability and its principles are proposed as a helpful framework to organise and standardise the MNCs relationships with the external actors, giving the content to the actions, and maintaining a consistent and replicable corporate approach globally.

Fifthly, the contribution of Corporate Sustainability during foreign expansions is analysed. Embodying sustainable principles and employing sustainable activities, companies might achieve outstanding competitive advantages in the target market, fostering their local embeddedness and producing non-financial and financial returns.

The Part concludes presenting a case study base in the extractive industry, which demonstrates the potentiality of Corporate Sustainability in fostering and securing internationalisation processes.

1.1. Internationalisation and the growing complexity of the business environment

Firm internationalisation has been defined as an «evolutionary process»[1] «through which a firm expands the sales of its goods or services across the borders of global regions and countries into different geographic locations or markets»[2]. In general terms, international diversification strategies are implemented to increase a firm's competitive advantage[3] and in turn value, through enhanced economies of scale and scope[4], growth opportunities[5] and diversification benefits[6], and access to new resources, knowledge, and production capabilities[7]. This analysis refers to the company's internationalisation as the modern internationalisation process that occurred in the present time, facing the present challenging

[1] Santangelo and Meyer, 'Internationalization as an Evolutionary Process'.
[2] Hitt, Ireland, and Hoskisson, *Strategic Management: Competitiveness and Globalization (7th Ed.). Mason, OH: South-Western.* p. 251
[3] Nachum and Zaheer, 'The Persistence of Distance?'
[4] Kogut, 'Designing Global Strategies: Comparative and Competitive Value-Added Chains'.
[5] Porter, *The Competitive Advantage of Nations*.
[6] Geringer, Beamish, and Dacosta, 'Diversification Strategy and Internationalization'.
[7] Hitt, Hoskisson, and Kim, 'International Diversification'.

of the current globalisation trends and the socio-economic-political dynamics happening at the global level.

Regardless of the corporate attitude, action orientation, managerial strategy, and scope, the essential feature of the modern internationalisation process is the increasing commitment toward cross-border operations. Going abroad is a process where companies leave their comfort zone to undertake entrepreneurial activities in new business environments, seeking an overall increase in profits. Therefore, companies expanding abroad will be challenged not only by new pressure arising from the interests of new stakeholders[8] or potentially hostile local and international environments[9], and the liability of foreignness[10] and outsidership[11].

Following the literature on the internationalisation process (distinguished from the economic studies of the *reasons* of internationalisation, which remains outside the scope of the present work), we may point out some critical points of this process based on three scholarly definitions of expansion abroad. Welch and Luostarinen (1988) consider internationalisation to be «the process of increasing involvement in international operations»[12]. Calof and Beamish (1995) define international expansion as «the process of adapting firms' operations (such as strategy, structure, resources) to international environments»[13]. Some years later, Mathews (2006) considers new forms of business engagement with foreign markets and the international economy, including multiple types of connections and relations across borders, describing internationalisation as «the process of the firm's becoming integrated in international economic activities»[14]. Based on this, there could be three ways of business internationalisation, or three different phases of the same process: "Involvement", "adaptation" and "integration". What should be point out here is that not one of these definitions of internationalisation as a process acquire a full meaning without being related to a specific business environment, be it local or international.

At a closer look, internationalisation is the process of increasing involvement in, adaptation to, and integration in new business environments to increase economic revenue – i.e., creating outward economic relations with a foreign business environment. Thus, international expansion represents a process of engagement, cooperation, and conflict, with prior existing entities present the foreign business environment, which have relations and

[8] Attig et al., 'Firm Internationalization and Corporate Social Responsibility'.
[9] Nachum and Zaheer, 'The Persistence of Distance?'
[10] Nachum and Zaheer.
[11] Johanson and Vahlne, 'The Uppsala Internationalization Process Model Revisited'.
[12] Welch and Luostarinen, 'Internationalization'. p.36
[13] Calof and Beamish, 'Adapting to Foreign Markets'. p.116
[14] Mathews, 'Dragon Multinationals', 16.

linkages among themselves and with the global economy. Therefore, a central challenge for the firms moving abroad is to understand the host countries' attitude, grasp customer expectations and market competencies, integrate domestic innovation processes, and boost the effectiveness of external networks with their counterparts[15].

The company need to deal with the intensified pressures arising from a larger, culturally, and politically various sets of stakeholders, establishing a stable relationship, proactively targeting their interests, and negotiating their needs. Firm-stakeholder's relationships would provide extensive knowledge of business contexts and market forces and become the playground where determine the success or failure of the whole international experience.

Business environments of whichever international operations are specific and dependent on various factors such as the industrial sector where the company operate, the host country, and the market sector. The local diversity represents both a threat to the internationalisation since it requires a deep understanding by firms and the primary source of a complementary asset for multinational companies[16]. As Kogut (1992) notices: «What is distinctive in the international context, besides larger market size, is the variance in country environments and the ability to profit through the system-wide management of this variance»[17]. Complementarily, Hedlund (1986) probably caught the fundamental aspect in considering the potentiality of local contexts saying: «The main idea is that the foundations of competitive advantage no longer reside in any one country but in many. New ideas and products may come up in many different countries and later be exploited on a global scale»[18]. Therefore, managing different local environments and their stakeholder turns out to be a strategic way to seek competences, resources, and business opportunities.

With the persistence and further evolution of globalisation, the complexity of the global business arena has increased. These new trends worldwide interconnect events happening all around the globe. Simultaneously, the number of players is growing, their responsibilities are subverted, and the interconnections in the economic, political, and social spheres become condensed.[19] As Steger (2003) observed, «the traditional roles played by institutions, like nation-state and governments, as well as that of the public, the media and, last but not least, the economy, are changing dramatically and rapidly»[20].

[15] Zanfei, 'Transnational Firms and the Changing Organisation of Innovative Activities'.
[16] Zanfei, 521.
[17] Kogut, 'A Note on Global Strategies', 388.
[18] Hedlund, 'The Hypermodern MNC – A Heterarchy?', 20.
[19] Steger, *Corporate Diplomacy*.
[20] Steger. p. 26

However, despite the diversity from one context to another, globalisation and the global economy's homogenisation produce some common trends, affecting business environments. These are worth to be point out because they are relevant to any international expansion. Following the six key characteristics of globalisation proposed by Steger (1998; 2003)[21], allows us to understand how the phenomenon of globalisation affects not only the economic sphere but also social, institutional, and political structures at every level:

– *Boundary erosion.* The central aspect of modern globalisation is boundary erosion that refers to the severe reduction in existing frontiers, the growing permeability of previously distinct domains, or eventually even the total collapse of (tangible and intangible) boundaries. This erosion takes place on several dimensions affecting all the spheres of the business environments. Not limited to state borders dissolution, globalisation also blurs the demarcation between and within societies, economy, politics, cultures, technology and information. Particularly incentivised by liberalisation policies and development in the technological and communication fields, the vanishing of boundaries is happening at different speeds in various parts of the world and differently affecting spheres, supported, or opposed by several forces worldwide, such as governments, institutions, financial markets, and companies[22]. The resulting world appears fluid, volatile, densely interactive[23], creating growing business uncertainty and managerial decision-making problems.

– *Heterarchy.* Also known as “network of actors”, heterarchy is defined as «a form of management or rule in which any unit can govern or be governed by others, depending on circumstances, and hence no one unit dominates the rest»[24]. It describes the transformation from hierarchical structures, based on clear dominance in relationships and subordination among entities to a more cooperative heterarchical form, characterised by mutual and asymmetrical dependency. This structure’s reorganisation entails that authority becomes distributed, and the structure itself receives a certain amount of flexibility and interdependence among units. Besides, being more fluid and without a fixed decision-taking entity, the newly created structure ends up being less stable. This rearrangement is happening among and within business entities, increasing their respective interdependence and varying degrees depending on location and methods, in political and social structures. The decision-making process is allocated to several institutional bodies at different levels, both national and international. Moreover, institutions and individuals get a higher degree of power and autonomy, with many

[21] Steger, *Discovering the New Pattern of Globalization*; Steger, *Corporate Diplomacy*, 25–33.
[22] Steger, *Discovering the New Pattern of Globalization*.
[23] Steger, *Corporate Diplomacy*, 8.
[24] ‘Heterarchy | Social Science’.

behavioural options, attributing them certain powers even when they are not directly involved in the decision-making process. As a result, it is hardly possible for any actor to obtain its goals without coordination with others[25], while the relationship among not directly related entities is becoming a part of the new system shaped in a "polycentric structure"[26].

– *Factor mobility.* As a specific outcome of boundary erosion and fostered by the development of new technologies, there is a high and expanding mobility of goods, people, services, capital, knowledge, and information. As shown by Neary (1995), factor mobility is a pervasive and integral part of the modern world economy[27]. Although international factor movements are an essential element in international trade, and global interconnections arise from the integration of markets, the facilitated transmission of information can negatively affect international firms' performance. A hyper-connected society is a place where information moves quickly, thus enabling bad news to easily impact business outcomes in other parts of the world, independently of whether or not these are themselves accountable for what happened or not.

– *Legitimacy erosion.* As a direct consequence of the previous three phenomena, responsibility for results cannot always clearly be allocated to one entity. The complexity, interlinkages, and heterarchy of the new system make it impossible to find only one responsible party or reconstruct the precise chain of responsibilities. As Stenger (2003) notices[28], «legitimacy erosion, can be detected at all levels of society: the weakened role of nation-states reduces the general acceptance of laws and regulations, corporations are both hunters and hunted in the global competition, and the same individuals in their different roles are often both ‘‘agents’’ and ‘‘victims’’ of globalisation». Therefore, firms in their internationalisation processes must conceptualise reputational strategies to gain, strengthen, and maintain legitimacy recognised by stakeholders in the new host country's environment.

– *Past-future asymmetry.* The analysis of the current path of global economies cannot merely follow a linear direction. Changes brought by globalisation dynamics create discontinuous and dynamic flows and history, making future developments challenging to predict accurately in all areas of society. Previously unrecognised trends can develop into new dominant influences, just like neglected stakeholders may become dominant market forces. Reversals and problems might burst out suddenly. There is little doubt that the growing uncertainty is a fixed trait of the internationalisation process. Therefore, businesses' success

[25] Steger, *Corporate Diplomacy*. p. 28.
[26] Forsgren, Holm, and Johanson, 'Internationalization of the Second Degree'.
[27] Neary, 'Factor Mobility and International Trade'.
[28] Steger, *Corporate Diplomacy*, p. 29.

appears related to forecasting, managing, and adapting corporate practices to new events, transforming challenges into opportunities.

– *Variety of options.* The last of the six characteristics of globalisation results in their combination. Globalisation expands the choices for all actors, producing a "fluidised" environment for individuals, organisation and even society. The spectrum of possible options increases the pain of indecision, creating ambivalence and uncertainty in the behaviours of the various actors in the stage[29]. Among others, a significant concern, which societies are confronted with, is whether to privilege economic, environmental, or social benefits.

Although globalisation is an ever-evolving process which will continue to influence global societies in different ways, with the speed and intensity of this phenomena continually changing, the previous six characteristics remain valid to understand the trend within different business environments. Nevertheless, it should be noticed that the local environment can be considered differentiated and evolving sets of cultural values, institutions, and norms, which influence the behaviour of economic agents' behaviour and their ultimate performances.[30] So, by and large, even if the local context is distinct and diverges from a 'general' business environment, the previous phenomena are successful theoretical tools to monitor both local and global trends, happening in a fluid, volatile, fragmented, unpredictable and potentially hostile business environments.

To understand the confusing global world, one can collect by groups the colourful players of the *global village*, as called by McLuhan (1989)[31]. The existence of any business entity is deeply embedded in the relations with its stakeholders. Therefore, and not surprisingly, the business environment has been viewed as a network of connections[32]. Freeman and Reed (1983) define stakeholders as «a group (or entity) without whose support the organisation would cease to exist»[33]. The stakeholder theory embraces a proactive approach, seeking to understand how managers can prioritise and address stakeholders' claim, to improve the firm's ability to create value and adapt to new challenges[34]. Concerning the internationalisation process, the peculiarity of stakeholders involved is firm-specific, depending on the host country, and vary from market to market (similar to the analysis of business environments). Internationalisation occurs in relations with stakeholders belonging

[29] Steger, 29.
[30] Zanfei, 'Transnational Firms and the Changing Organisation of Innovative Activities'. p. 521.
[31] McLuhan and Powers, *The Global Village*.
[32] Johanson and Vahlne, 'The Uppsala Internationalization Process Model Revisited', 1411.
[33] Freeman and Reed, 'Stockholders and Stakeholders'.
[34] Freeman, *Strategic Management*.

to three primary business environments: the global business environment, the host country's business environment, and its business environment.

The following group classification gives information about external stakeholders in foreign expansion processes (as opposed to internal stakeholders, such as shareholders and workers). However, one must bear in mind that the influence, relevant for any actor, changes depending on the situation considered and changes over time.

1. *States.* As Steger (2003) notices, «the conduct and the context for a state has changed [and will continue to change], but it remains the key political player in the world arena»[35]. Sovereign states are the primary stakeholders in any international process since they have unique powers and capacities.[36] States hold a unique compulsion power, through which they can influence - positively or negatively - not only firms' entry and operations in the market but also their corporate legitimacy and the possible set of relations among stakeholders.

The hosting countries can promote foreign firms' expansion by so-called "active internationalisation policies". This strategy aims to increase the country's attractiveness for foreign investors, by influencing industries' productivity and trade opportunities and implementing specific regulation for incoming companies.[37] Governmental institutions generally offer financial services, such as partial internationalisation cost refunds, tax incentives, insurance orders; or support in the information spheres, providing detailed market data, legal advice, and encouraging connections with local networks. On the other hand, states might limit international expansion or foreign companies' entry modalities by protectionist norms. The host country also becomes a key stakeholder in the analysis of political risks. In democratic states, governments can adjust and modify the business environment by leveraging regulations, allocating resources, taxation, and establishing new industries. While in less or non-democratic countries, less responsible authorities have a more comprehensive set of tools, including land, capital, and company expropriation.[38]

The beginning of foreign expansions can also be stimulated by public institutions or private organisations of origin, which provides specialised services specifically for this purpose[39]. Here too, we refer to "active internationalisation policies", which can be implemented by national, regional, and local bodies.

[35] Steger, *Corporate Diplomacy*, 48.
[36] Olsen, 'Political Stakeholder Theory'. p. 71.
[37] Caroli, *Gestione delle imprese internazionali*. p. 69.
[38] Olsen, 'Political Stakeholder Theory'. p. 72.
[39] Caroli, *Gestione delle imprese internazionali*, p. 52.

2. *International institutional stakeholders.* The growing relevance and number of multilevel ruling bodies are the product of "upward-outsourcing" of competences or "devolutions" that with the "downward-outsourcing" trend characterise the present global landscape as a classic example of boundary erosion[40]. Despite theoretical debates about definitions of international organisations, regimes, and institutions[41], they can be considered all together under the definitions of "international institutional stakeholders", as decision-taking bodies with the power to establish behavioural rules, constrain activities and shape expectations. The World Trade Organization (WTO) is a case in point, while the Europe Union (EU) represents the most elaborate model. As noticed by Menet (2016), following research conducted by the International Monetary Fund (IMF), it becomes clear that globalisation and regionalisation forces have inexorably modified the global economic landscape[42], shaping corporate internationalisation. The critical point here is that member states of these organisations transfer responsibilities to specific bodies, developed to deal and coordinate binding rules in certain areas. As a result, international treaties with legal and standard implications may become constraining for the member states themselves as well as for citizens and corporations. Therefore, it would not surprise if some of the state's tools influencing internationalisation process may end-up being managed by an international organisation (often on a regional level). Thus, these international organisations are endowed with the power to enact either "passive or active" policies for international operations, setting barriers to or incentives for foreign investments, and shaping business environments through trade rules and property rights protection. Complementarily, regional institutional stakeholders can also play a promoting role for local companies moving abroad, supporting internationalisation with incentives, funds for cohesion policy, international links across or within regions, common markets, and specific institutions[43]. The EU has a highly-developed strategy to endorse internationalisation, especially for European SMEs, with informative and economic support schemes.[44] Consequently, as shown by Arregle and others[45], the internationalisation process can be influenced not only by governmental bodies but also by regional institutional environments.

[40] Steger, *Corporate Diplomacy*, p. 49.
[41] Rittberger et al., *International Organization*. p. 4.
[42] Menet, 'The Importance of Strategic Management in International Business: Expansion of the PESTEL Method', 267.
[43] Wach et al., 'Conceptualizing Europeanization: Theoretical Approaches and Research Designs (Chapter 1).'
[44] 'Support for SME Internationalisation beyond the EU'.
[45] Arregle et al., 'Do Regions Matter?'

3. *Civil society*. Social stakeholders appear to be the most various, numerous and divergent class of stakeholders. Civil society includes a broader and vibrant range of organised and unorganised groups, as new actors blur the boundaries between sectors and experiment with new organisational forms, both online and off[46]. Specifically, social stakeholders include both formal (e.g. NGOs, associations, and foundations) and informal organisations/groups (e.g. activist networks)[47] as well as all individuals (e.g. customers) that operate distinctively from institutions and business entities. The relevance of civil society results from the fact that organisations are intrinsically constructed by individuals, shaped by their personal concerns. However, these individuals can merge and cooperate when they suppose that common interests are in danger. With the increase in the number of NGOs and civil organisations, individuals are gaining an increasing power to challenge governments and companies. For a company aiming to move abroad, it is fundamental to target its main stakeholders of civil society and prevent any complaints or opposition. Ergo, companies want to obtain legitimacy to be present and operate in the local business environment. Rana and Sørensen (2018)[48] show how the power of civil society grows when there is an institutional void. Lacking legal or ethical normative allow individuals to claim their interest as legitimate actors, carrying a "control function".

However, civil society is not only a supervisor of corporations' activities but can also be a driver and (directly or indirectly) a facilitator. Civil society is an unlimited source of information for companies, and much of the initial analysis for outward expansion aims to gather and detailed data from the community. Strategic relations with the central players within civil society enable companies to remain up-to-date on emerging trends and get social legitimacy to adapt internationalisation strategies to local contexts better.

4. *Media, new media, and social media.* Considering business environments in a more holistic stakeholder analysis approach[49], media, new media, and social media must be included. Media play a relevant role in influencing civil society and, at times politics. The power of media has only increased since Cohen (1963) observes that «the press may not be successful much of the time in telling people what to think, but it is stunningly successful in telling its readers what to think about[50]», the so-called "agenda-setting theory". Therefore, media have two main effects on the internationalisation process. Firstly, as a stakeholder

[46] Anheier et al., 'Organizational Forms of Global Civil Society'.
[47] Rana and Elo, 'Transnational Diaspora and Civil Society Actors Driving MNE Internationalisation'.
[48] Rana and Sørensen, 'Levels of Legitimacy Development in Internationalization'.
[49] Sedereviciute and Valentini, 'Towards a More Holistic Stakeholder Analysis Approach. Mapping Known and Undiscovered Stakeholders from Social Media'.
[50] Cohen, *The Press and Foreign Policy.*

influencing public opinion, media can sustain or ruin corporate credibility in the host and home country, by increasing the coverage of specific issues related to the firm, even if this happens in remote parts of the world. Secondly, (digital) media can become a strategic tool to accelerate the internationalisation of start-ups[51], allowing digital networking and inspiring trustworthiness.

5. *Inter-firm stakeholders*. Other business entities, operating in the same environment, are fundamental stakeholders in the internationalisation process. Seen initially only as competitors and the primary source of rivalries, firms already present in the host environment can turn out to be the best allies for a company. Similarly, firms located in the country of origin can collaborate in creating a "system" to support each other's foreign expansion. Although local business environments and foreign business environments are distinct by features, they remain comparable with the potential impact they can have on the internationalisation process. Therefore, positive outcomes of networking relations can improve the competitive position by granting access to valuable information by sharing relevant knowledge. Inter-firm cooperation is crucial when dealing with the need to: overcome country's political restrictions[52]; internationalise new and complex technology, which requires large-scale integration[53]; expand presence and reducing the drawback of physical, institutional and cultural distances[54]; maximise the investment's profit with a combination of firm-specific, industry-specific and alliance-specific advantages[55].

Thus, as Caroli (2016) observes, «the firm's ability to take part in international research projects increasingly becomes an important discrimination to gain a competitive advantage»[56]. In other words, scholars have demonstrated the positive role of business alliances in the internationalisation processes, in particular in foreign expansion, both family business[57] and SMEs[58].

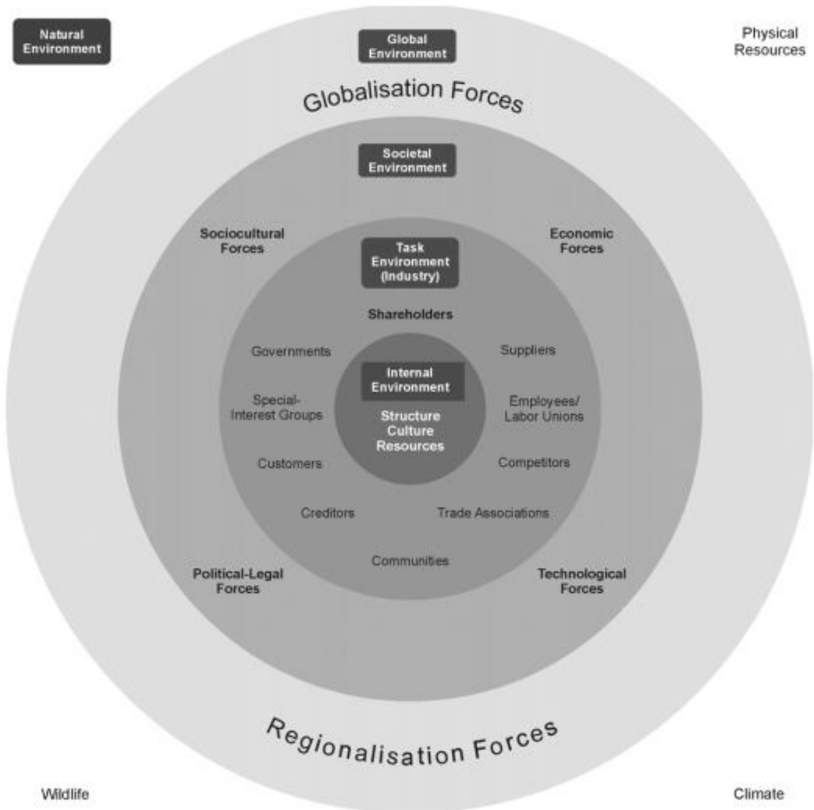
Although studies have shown that external environments represent a crucial element in companies' development and profitability[59], the plurality, volatility, and diversity of stakeholders' interests make companies more vulnerable to economic, social and political risks when undertaking operations beyond their national borders. To cope with the

[51] Maltby, 'Using Social Media to Accelerate the Internationalization of Startups from Inception'.
[52] Dicken, *Global Shift the Internationalization of Economic Activity*.
[53] Mowery, *International Collaborative Ventures in U.S. Manufacturing*.
[54] Chang, 'International Expansion Strategy of Japanese Firms'.
[55] Dunning, *Multinational Enterprises and the Global Economy*.
[56] Caroli, *Gestione delle imprese internazionali*, 55.
[57] Gallo et al., 'Internationalization Via Strategic Alliances in Family Businesses'.
[58] Lee et al., 'SME Survival'.
[59] Kotha and Nair, 'Strategy and Environment as Determinants of Performance'.

unpredictability and lack of valuable information, many strategic managerial tools and techniques have been used by firms, such as SWOT analysis, cost-benefit analysis, analysis of target customers' complaints, analysis of target customers' opinions and attitudes, Porter's five forces, level of service analysis, market segmentation, market share analysis, customer profitability analysis, benchmarking, analysis of customer defection and many others.

More broad and inclusive methodologies have been proposed with the PESTEL analytic tools and its expansion in the REGLO method. Following the assumption of the PESTEL analysis, external uncertainty may arise from six environmental areas, Political, Economic, Sociocultural, Technological, Ecological and Legal. Later, Manet (2016) proposes the REGLO analysis as an improved variant of the PESTEL, adding to the model the globalisation and regionalisation forces which operate in the external environment and whose impact on international companies is considered even more prominent than those of the forces described by Pestel[60] (see Table 1.1),

Table 1.1. The REGLO analytic model[61]



[60] Menet, 'The Importance of Strategic Management in International Business: Expansion of the PESTEL Method'. p. 267.
[61] Menet.

While these are valuable technique, they address only specific tasks related to a restricted group of stakeholders. What is missing is a fully integrated approach to internationalisation, gathering valuable and recent information from external environments, being processed within the companies, and supporting the adaptations of up-to-date strategies.

There are rational reasons to seek a more elaborate approach based on external corporate-stakeholder relations as a process (opposite to a stage), able to provide a steady flow of precious data directly from the source of origin or closer to stakeholders themselves. The solution can no longer be found within the corporation alone, but instead one has to look into the set of relations between the business context and the MNC, i.e. in the firm's external environment which connects the company to outside stakeholders.

1.2. The external network and its role in the internationalisation process

The importance of corporate networks in foreign business expansion has been highlighted in the Network View (NV) approach to internationalisation, mainly by Johanson J. and Vahlne J. (1977; 1990; 2003; 2009; 2017; 2020), professors at the Uppsala University, Sweden, belonging to the so-called Nordic School.

According to the NV approach, any company is embedded, to a greater or lesser degree, in networking business environments: «firms form relationships, and those relationships become networks, and thus, in the end, the business macro-environment consists of networks of the relationships between firms»[62]. Johanson and Vahlne (2003) consider relationships primarily as created among firms, institutions, and customers[63]. Nevertheless, the network-based approach's validity and principles should be extended to all external stakeholders, particularly across geographical, political, and cultural boundaries. Thus, firms appear «as a part of an unbounded business network»[64]. Enterprise networks are an essential element for internationalisation success in globally competitive businesses, notably for SMEs, driving Corporate Sustainability and business performance[65].

The network-based approach describes internationalisation «as a multilateral network development process»[66] that occurs by expanding pre-existing firms' relations and creating new ones. Knowledge development and increasing commitment[67] are the products of the

[62] Vahlne and Johanson, 'The Uppsala Model', 4.
[63] Johanson and Vahlne, 'Business Relationship Learning and Commitment in the Internationalization Process', 92.
[64] Johanson and Vahlne, 92.
[65] Bojnec and Tomšič, 'Corporate Sustainability and Enterprise Performance'.
[66] Johanson and Vahlne, 'The Uppsala Internationalization Process Model Revisited', 1415.
[67] Vahlne and Johanson, 'The Uppsala Model', 5.

gradual establishment of relations between the firm and stakeholders in the new environment. The new networks formed, in turn, might enlarge the accumulation and use of specific knowledge[68], reduce uncertainty-risks, influence institutionally the "rule of the game"[69], affect the allocation and integration of essential resources[70], and support corporate legitimacy and brand authenticity[71]. Moreover, network relationships play a central role not only in foreign market selection but also in entry strategies and the context of ongoing business operations[72].

Similarly, Zanfei (2000) depicts the foreign expansion process as the consequence of a 'double network' model[73]. An MNC's *internal network* is the set of all interconnections between the various internal units that form the company and through which they share, generate, and use knowledge (this network is not an object of study of the present paper, even though it will be briefly considered in par. 2.4). While the *external network* is conceptualised as the set of all relationships that corporate units develop with other firms, institutions and stakeholders located outside the companies' boundary. The internal network assists the internal organisation and production of good or services. Complementary the external one supports external corporate relations, allowing the firm to obtain resource and knowledge from its surrounding environments. The information gathered from outside stakeholders through the external network would then been processed and shared within the internal network. Therefore, a critical aspect of foreign expansion processes concerns the gathering, development, integration, and internal transfer of knowledge.

Considering local contexts more as sources of opportunities and context-specific competencies, and less as constraints on multinational enterprises' actions[74], internationalisation processes should collect the indispensable knowledge to carry any further business operations in the host country. Especially in internationalisation's entry steps, networks have proven to provide essential information about business conditions and market dynamics[75]. Furthermore, in any case, even once the early stages are over, multinational companies (MNCs) relying only and entirely on internal resources become less capable of

[68] Johanson and Vahlne, 'Business Relationship Learning and Commitment in the Internationalization Process'.
[69] North, 'Institutions'.
[70] Provan, Fish, and Sydow, 'Interorganizational Networks at the Network Level'.
[71] Morrish and Earl, 'Networks, Institutional Environment and Firm Internationalization'.
[72] Johanson and Vahlne, 'The Uppsala Internationalization Process Model Revisited', 1413.
[73] Zanfei, 'Transnational Firms and the Changing Organisation of Innovative Activities'.
[74] Zanfei, 521.
[75] Tan and Mahoney, 'Examining the Penrose Effect in an International Business Context'; Chetty and Blankenburg Holm, 'Internationalisation of Small to Medium-Sized Manufacturing Firms: A Network Approach'.

handling intensifying global competition and increasing product complexity, and hence, become less able to survive market selection[76].

Networking allows companies to undertake experiential learning from their interactions with multiple stakeholders. During the process, bijective relations among partners enable the firm and stakeholders to gradually learn about each other's needs, resources, strategies, and business contexts[77]. This web of interconnections makes it possible for a firm to get, to some extent, indirect information about members of the network without holding direct relations with them, enabling a «knowledge creation process that extends far beyond its own horizon»[78].

Johanson and Vahlne (2020) differentiate four types of knowledge, essential in internationalisation processes, through which firms gain and learn to manage networking activities: business knowledge, institutional market knowledge, internationalisation knowledge and relationship knowledge[79]. Institutional market and business knowledge are context-specific, while internationalisation knowledge concerns the firm's resources and ability to undertake foreign expansions. However, these three types of knowledge are dependent on the firm's ability to establish relationships, considered a *conditio sine qua non* to acquire any knowledge at all. Finally, the relationship-specific knowledge can therefore be considered the central pillar of internationalisation processes. To some extent, access and elaboration of critical knowledge determine the business success at a whole, representing a pre-condition and a necessary requirement to internationalise.

Business network learning refers to the relation-establishment strategies, i.e. coordination of their activities, further stabilisation and strengthening of interconnections, transfer and use of knowledge from one relation to another and building and connecting new business networks[80].

Networking is not limited to obtaining knowledge and taking root in the host countries. It also enables firms to overcome the lack of resources, including financial, technological, context-specific, not-codified knowledge and human resources[81]. The network view model has been related to the Resource-Based View (RBV) and the International Entrepreneurial (IE) view of the internationalisation process[82]. Resources and business opportunities emerge as a consequence of firm-stakeholder interactions. Thus, a network's essential function is the

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[76] Dunning, *Alliance Capitalism and Global Business*.
[77] Johanson and Vahlne, 'Business Relationship Learning and Commitment in the Internationalization Process', 1416.
[78] Johanson and Vahlne, 'The Uppsala Internationalization Process Model Revisited', 1413.
[79] Vahlne and Johanson, 'The Uppsala Model', 5.
[80] Johanson and Vahlne, 'Business Relationship Learning and Commitment in the Internationalization Process'.
[81] Johanson and Vahlne, 'The Uppsala Internationalization Process Model Revisited', 1413.
[82] Johanson and Vahlne, "The Uppsala Internationalization Process Model Revisited," 1415-1419.

flow or distribution of knowledge, depicting relations as “pipes” or “bridges” through which information and resources flow among members of a network and facilitate business intelligence exchanges and opportunity recognition[83].

Establishing and managing outward relationships develops through a mutual effort by all stakeholders involved, requiring that all partners become committed to the interactions[84]. According to the NV view, commitment is first related to establishing relations and potential and existing partners. Subsequentially, based on the available information, the company decides what and how to further commit in the foreign market and to business operations within the market. The amount of commitment is, of course, uncertain. As shown by Coviello (2006)[85], MNC’s networks evolve during the early phases of internationalisation. So adjustments in network strategies and commitment are required. Increment in the relationship commitment may produce a “loop effect” leading to «new insights and opportunities, triggering learning processes, possibly developing new relationships and the abandonment of others, and subsequent changes in commitments»[86].

The establishment of relationships is also affected by an intangible factor, such as trust. Definitions of trust are wide-ranging and thus beyond the scope of this study. However, in brief, we can agree that a sense of trust implies an expectation of agreement compliance by the partner, ergo, a significant ability to predict each other’s behaviour. Trust is essential in creating relationships and should remain permanent to let the relation evolve, creating and exploiting opportunities. As Madhok (2006) notices, trust persuades partners to share information, support joint expectation, induce reciprocity, coordinate actions[87], and is the ground to set up formal and informal networks. In the firm’s open relations with a group of stakeholders, instead of a single entity, trust instils credibility in the audience and can generate a wider-acknowledgement of corporate legitimacy. However, trust is also a costly and time-consuming element of the networking process, which requires a considerable amount of commitment[88]. Two parties of a long-time relationship can also get tied to each other and exercise some degree of mutual dependence and power, particularly when a high amount of trust and commitment is involved.

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[83] Li et al., ‘Diplomatic and Corporate Networks’, 661.
[84] Johanson and Vahlne, ‘Business Relationship Learning and Commitment in the Internationalization Process’, 93.
[85] Coviello, ‘The Network Dynamics of International New Ventures’.
[86] Vahlne and Johanson, ‘The Uppsala Model’, 7.
[87] Madhok, ‘Revisiting Multinational Firms’ Tolerance for Joint Ventures’.
[88] Madhok, ‘How Much Does Ownership Really Matter?’

Since relationships are crucial to acquire essential elements necessary for any successful internationalisation process (such as knowledge, resource, legitimation, market information), this model emphasises that networks' insidership is necessary for successful foreign expansion. A firm attempting to enter a new market, where it has no contacts, will suffer the "liability of foreignness"[89]: the inability to access resources or information essential to operate in this specific country, via relationships. Outsidership makes it impossible to develop an international business. The insidership-outsidership dichotomy is also connected to the liability of foreignness. Becoming an insider in a foreign market network further allows overcoming cultural and physical distances. The liability of foreignness complicates the relations with the new country's stakeholders and the process of insidership considerably. A firm may overcome the liability of outsidership and foreignness simultaneously, as elements of the same process, engaging in a set of close business relationship with key local stakeholders.

As Li *et al.* (2018) notice, networks can arise through connections at the organisational-level or via personal relations, involving top executive managers, CEOs or political representatives[90]. Moreover, personal relationships tend to be transitive, with the two parties involved more likely to become friends and smoothing the mutual exchange of information among them. Besides, personal ties can access business and social elite networks, clusters of relations, whose exclusivity can contribute to a firm's legitimacy and social status. Nevertheless, studies have suggested a qualitative difference between organisational-level and personal-level ties. Sun *et al.* (2015) argue that personal embeddedness emphasises the exchange of particularistic favours between parties, while organisational embeddedness concerns the alignment of strategic goals[91]. Relations at the organisational level are also considered more stable for organisations than personal connections because they are less affected by managerial turnover[92].

Significantly, it is via networks that companies overcome internationalisation market and cultural barriers. Relationships allow companies to learn and acquire knowledge; reduce physical and cultural distances; cover lack of resources; build trust and legitimacy. Moreover, the network-based approach to internationalisation creates a "multiplying effect" on the international diversification process. Firm learning on relationships and through networks acquire valuable knowledge that enables them to enter the new country market, in which they

[89] Johanson and Vahlne, 'The Uppsala Internationalization Process Model Revisited', 1415.
[90] Li et al., 'Diplomatic and Corporate Networks', 661.
[91] Sun et al., 'Political Tie Heterogeneity and the Impact of Adverse Shocks on Firm Value', 1040.
[92] Li et al., 'Diplomatic and Corporate Networks', 666.

can develop a new valuable relationship that can become a platform for entering other country markets[93].

The NV approach presents several advantages for analysing internationalisation processes since it does not refer to any particular type of firm or internationalisation method. Studies based on the business network model have already demonstrated NV model's appropriateness for understanding the expansion abroad of different types of firms, such as small software firms[94], manufacturing SMEs[95], clinical research centres[96] and wine industries[97]. Furthermore, this specific approach allows looking into various stages and aspects of the internationalisation process, such as expansion strategies[98], FDI locations[99], new market entry stages[100], internationalisation of firms from developing countries[101], rapid internationalisation[102] and small born-global internationalisation.[103]

Although the NV approach is not exhaustive for understanding all the internationalisation process's features, the model underlines and proves the central role of external networks in foreign expansions. It is a privileged way to access knowledge, resources, business opportunities and create a firm's legitimacy.

1.3. The sustainability claim in the international business environment

The global market is increasingly competitive beyond the traditional business realm, putting firms under unprecedented pressure, not only to succeed temporarily, but to support their success into the future. Increasing interests in social, environmental, and economic impacts of international business have generated a tremendous demand upon firms to play a positive role and contribute more to sustainable development[104]. The expectations of business

[93] Johanson and Vahlne, 'Business Relationship Learning and Commitment in the Internationalization Process', 98.
[94] Coviello and Munro, 'Network Relationships and the Internationalisation Process of Small Software Firms'.
[95] Chetty and Blankenburg Holm, 'Internationalisation of Small to Medium-Sized Manufacturing Firms: A Network Approach'.
[96] Johanson and Vahlne, 'Business Relationship Learning and Commitment in the Internationalization Process', 84–88.
[97] Morrish and Earl, 'Networks, Institutional Environment and Firm Internationalization'.
[98] Welch and Welch, 'The Internationalization Process and Networks'.
[99] Chen and Chen, 'Network Linkages and Location Choice in Foreign Direct Investment'.
[100] Ellis, 'Social Ties and Foreign Market Entry'.
[101] Elango and Pattnaik, 'Building Capabilities for International Operations through Networks'.
[102] Loane and Bell, 'Rapid Internationalisation among Entrepreneurial Firms in Australia, Canada, Ireland and New Zealand'.
[103] Freeman, Edwards, and Schroder, 'How Smaller Born-Global Firms Use Networks and Alliances to Overcome Constraints to Rapid Internationalization'.
[104] Kolk and van Tulder, 'International Business, Corporate Social Responsibility and Sustainable Development', 119.

actors are growing due to the «blurring of boundaries»[105], referring to the overlap in the spheres of competence between private, institutional, and public actors. Thus, public opinion expectations regarding institutions and firms' ability to invert the trends ruining sustainability and contribute to resolving a wide range of social and environmental issues are growing. Corporations are increasingly expected to contribute to the "sustainability revolution" [106] in the business sector in which they operate. Consequently, responsible corporate behaviour attracts growing attention from scholars in international business and management, and corporations themselves are increasingly interested in assessing their sustainable impacts[107] to face the previously mentioned new social pressures. Instead of being considered as problem-makers, they strive to become potentially drives of the solutions.

Sustainability is universally acknowledged «as meeting our needs today without compromising future generations' ability to meet theirs»[108], referring to the preservation of social, environmental, and economic resources. Recently, Benn *et al*. (2014) have included human sustainability as the fourth pillar of sustainability, associated with the human capital of anyone directly or indirectly involved in the corporate operations or part of any broader stakeholder group[109].

Corporate sustainability (CS) refers to the firm's activities and behaviour, voluntary by definition, which demonstrate the inclusion of sustainability concerns in business operations and interactions with stakeholders[110]. The concept related to the firm's contribution to sustainability capital protection entails expanding the corporate financial bottom line, beyond the narrow- and short-term economic focus[111], into an integrated sum report. Thus, external stakeholders' social and environmental expectations are encompassed on corporate performance[112]. Developing CS strategies to do "well by doing good", acting as a responsible organisation is increasingly becoming a must, rather than a choice, to sustain business and become or remain a leader in the future market[113]. The company, therefore, strives for financial success, also accepting the responsibility for its actions and its impact on diverse groups of

[105] Kolk, 'The Social Responsibility of International Business', 24.
[106] Edwards, *The Sustainability Revolution*.
[107] Kourula, Pisani, and Kolk, 'Corporate Sustainability and Inclusive Development', 14.
[108] World Commission for Environment and Development (WCED), 'Our Common Future'; Hahn and Figge, 'Beyond the Bounded Instrumentality in Current Corporate Sustainability Research'.
[109] Benn, Edwards, and Williams, *Organizational Change for Corporate Sustainability*.
[110] van Marrewijk and Werre, 'Multiple Levels of Corporate Sustainability', 107.
[111] Haffar and Searcy, 'Classification of Trade-Offs Encountered in the Practice of Corporate Sustainability'.
[112] Albertini, 'Does Environmental Management Improve Financial Performance?'
[113] Busse, 'Doing Well by Doing Good?'; Chernev and Blair, 'Doing Well by Doing Good'.

stakeholders[114]. Business sustainability achievements assume corporate social responsibility (CSR) by the firms, as a fundamental prerequisite for sustainable business[115].

Despite several studies addressing the CSR thematic, there is still a widespread lack in consensus on the definition of corporate social responsibility[116] and on its relations with CS[117]. For example, Bansal and Song (2016) have considered CSR as "a normative stance on business morality", dealing with the legal requirements and differentiated from sustainability, which encompasses a systemic view beyond the mere concept of compliance[118]. Contrarily, Ebner and Baumgarten (2007) highlight the two concepts' similarity[119], while Marrewijk and Were (2010) go as far as considering CS and CSR as equivalents[120].

The present work refers to CS as a broad umbrella term comprising CSR activities, since the debate on distinct terminology is less relevant, and CSR concept entails problems when considered in international business analysis within different contexts, legal rules, and norms[121]. From an operating point of view, we agree with Kolk, that the best to approach social responsibility claims is to consider the practices in which it emerges and the outcomes MNCs are facing. Thus, responsibility of multinational companies for sustainability should be analysed «form the perspective of the issues, whether regulated or not, and pressures, from whatever origin and regardless of specific label or concept»[122].

International business organisations operating across national borders have been considered as being particularly relevant for global sustainability challenges[123]. At the same time, firms face an expanding social pressure to undertake ethical and sustainable activities, during the diversification of their business operations and geographical area[124]. Successfully adapting and managing various social, political, and economic pressures in foreign countries[125], multinational enterprises hold the dual ability to create social and economic wealth by investing in foreign markets and transferring capital and knowledge, as well as

[114] Sulphey and Alkahtani, 'Organizational Ambidexterity as a Prelude to Corporate Sustainability.', 335.
[115] Raffaella Montera, 'L'internazionalizzazione sostenibile delle imprese multinazionali'.
[116] Dahlsrud, 'How Corporate Social Responsibility Is Defined'.
[117] Kolk, 'The Social Responsibility of International Business', 24.
[118] Bansal and Song, 'Similar But Not the Same: Differentiating Corporate Sustainability from Corporate Responsibility'.
[119] Ebner and Baumgartner, 'Sustainable Development in Companies'.
[120] van Marrewijk and Werre, 'Multiple Levels of Corporate Sustainability', 107; Hall, Daneke, and Lenox, 'Sustainable Development and Entrepreneurship'.
[121] Kolk, 'The Social Responsibility of International Business', 24.
[122] Kolk, 24.
[123] Kourula, Pisani, and Kolk, 'Corporate Sustainability and Inclusive Development', 15.
[124] Raffaella Montera, 'L'internazionalizzazione sostenibile delle imprese multinazionali', 58.
[125] Dunning, 'The Eclectic (OLI) Paradigm of International Production'.

influencing the host environments negatively[126] with predatory internationalisation strategies, aimed at exploiting local resources.

Sustainability is not at all a passive force or activity within internationalisation processes. Social and institutional expectations have increased the pressure on internationalising firms to account for social, environmental, ethical and economic issues, connected with their market entry. Not responding to these pressures can potentially open the way to problems when establishing operations[127]. Sustainability claims complicate the decision-making process and strategic plan for expansion abroad. They impose the necessity to balance strategic choices regarding the host country selection, entry methods, relations between subsidiaries, all with consideration to social, ethical, legal, environmental and CSR aspects. Thereby, in addition to the more traditional concern for shareholders value creation and profit growth, stakeholder engagement and concerns can play a pivotal role in internationalisation strategies.

The "sustainability revolution" has shaken the organisational internationalisation tactics, causing firm and market-level transformations. Networking activities again become essential for the success of the foreign investment. CS studies have evidenced the innovative role a sustainable approach can play for MNCs in learning about local stakeholder issues and fostering successful internationalisation[128]. Partnerships with civil society and institutional and corporate sectors are increasingly popular ways to internationalise while better managing multi-stakeholder pressures. Depending on sector and location, widespread sustainability concern, often coordinated through NGOs, may even force companies to gain a "social licence to operate", as an entry requirement for internationalisation beyond legal criteria.

The scope of sustainability, and consequently, CS, has been expanding broadly, making it virtually impossible to find a fixed and universally agreed-upon definition. Environmental, economic, and social pillars are fundamental to understand the value and impact of sustainability, but they should be adapted to specific contexts. Expectations about social issues differ widely in intensity, substance, and durability both between countries and over time[129], continually evolving in the absence of widespread international regulation and consensus on social, economic, and environmental concerns. Thus, the sustainability concept emerges subject to adaptation in different contexts and social forces. Different standards and methods, sometimes even incompatible with each other, can be implemented to foster sustainable development. The adaptation of sustainability principles poses the question of stakeholders'

[126] Raffaella Montera, 'L'internazionalizzazione sostenibile delle imprese multinazionali', 52.
[127] Chakrabarty and Wang, 'The Long-Term Sustenance of Sustainability Practices in MNCs'.
[128] Kourula, Pisani, and Kolk, 'Corporate Sustainability and Inclusive Development', 24.
[129] Kolk, 'The Social Responsibility of International Business', 25.

role in establishing sustainable norms and standards. Industries, consumers, governments, NGOs, and green lobbies are currently involved in the sustainability debate, promoting different visions of the problem and respective solutions[130].

The flexibility of the sustainability concept poses a challenge for multinationals, turning CS either into a problem or an opportunity during the internationalisation process. As Donaldson points out, sustainability claims might leave a so-called "moral free space", a grey void where «there are no tight prescriptions for company's behaviour» and «managers must chart their courses»[131]. On the one hand, firms can suffer unpredictable social claims and pay additional CS adaptation costs related to changing or different meanings in social expectations. While, on the other, playing in "the grey area", MNCs can try to manipulate sustainability definitions and lobby for the adaptation of a concept to their advantages, for instance in line with a company's products, services, and operations and able to sustain their profits.

Finally, as Caroli (2016) notices, multinational companies may positively influence sustainable development globally by acting as the "standard-bearer" of action, supporting specific social or environmental issues, generally strongly connected with the company's core business[132].

1.4. The impact of Corporate Sustainability on the internationalisation process

Various studies have recently highlighted a positive association between the internationalisation process and organisational changes made to improve Corporate Sustainability (CS). Firms are increasingly pressured by governments, business partners, and customers to adopt responsible corporate behaviour in social, economic, and environmental issues when pursuing foreign expansions. As mentioned by Kolk (2016), MNCs «can choose to deal with the various sustainability range of issues in a reactive, or pro-active/pre-emptive manner, and address them in their strategies, governance structures and/or organisational processes, one way or the other, which in the end may affect firm survival and performance on the various dimensions»[133]. A positive correlation between internationalisation operations and firm adaptation to comply with sustainability expectations, coming from international and

[130] Rensvik, 'Who Sets the Environmental Standards for Tomorrow's Industry'.
[131] Donaldson, 'Values in Tension: Ethics Away from Home', 409.
[132] Caroli, *Gestione delle imprese internazionali*, 227.
[133] Kolk, 'The Social Responsibility of International Business', 24.

domestic pressures, has been proven for a sample of Chinese manufacturers in four different industrial sectors[134].

Analysing how and why to compete through sustainability, Parida and Wincent (2019) notice that emerging demand for CS approaches leads to firm-level and network-level changes[135]. The organisational transformation, also affecting the internationalisation process, potentially fosters competitive advantages and reduces risks. Sustainability claims impact international expansion operations in a business model, capabilities requirement and stakeholder relations. However, how and to what extent companies are forced to adapt to social and political sustainability requests is context-specific and depends on the new market's sensibility and the potential links with the other countries of company activities. Pressures for sustainable international operations arise both from new hosting contexts and domestic and international business environments. In the internationalisation process, firms have the advantage to seek and analyse sustainability requirements and the effects on their business operations before entering the market. However, during the entry phases implementation, they start receiving valuable feedback from local and international stakeholders on how the process is working out. After collecting and analysing this feedback, executives may need to reformulate and adjust what they are offering to customers, how activities and processes are performed to deliver the promised value, modifying the business model, and stakeholder engagement strategies. For example, firms can either enter a new market after establishing a strong NGO partnership; or establish it during the first internationalisation phase. Based on these choices, different legitimacy levels will be developed[136], based on their needs, industry type, and internationalisation strategies.

Environmental, social and economic trends call for changes and continuous adaptations of firm organisation to gain sustainability benefits and satisfy local and international stakeholder expectations. Companies need to move towards an innovative business model, which enables them to create, keep or regenerate environmental, social and economic competitive advantages[137]. Sustainability strategic advantages' development requires specific capabilities and proactive stakeholder dialogue, aiming to innovate managerial activities with new up-to-date practices. The managerial approach should seek to benefit from integrating local sustainability expectations during the internationalisation process, specifically in

[134] Zhu, Sarkis, and Lai, 'Internationalization and Environmentally-Related Organizational Learning among Chinese Manufacturers'.
[135] Parida and Wincent, 'Why and How to Compete through Sustainability'.
[136] Rana and Sørensen, 'Levels of Legitimacy Development in Internationalization'.
[137] Schaltegger, Hansen, and Lüdeke-Freund, 'Business Models for Sustainability'.

contexts where they shape the business landscape[138]. At the same time, the business model needs to collect stakeholders' information and capture value by exploiting new business opportunities and the assimilation of external inputs.

Business model innovation for a sustainable internationalisation requires specific resources to meet (changing) stakeholder expectations. Firms need to acquire and continuously improve a complex bundle of advanced skills, such as dynamic capabilities[139], to manage the changing context, experienced inter-firm relations, advanced technology and product innovation. Sustainability and stakeholder management capability are prerequisites to empower a 'greener' business[140]; and organisational ambidexterity[141], to simultaneously explore and exploit new opportunities and enable successful adaptation in new markets.

Sustainability is a systemic concept affecting the whole community. During the internationalisation process, the firm-level adaptation cannot be unbounded from the external environment. Stakeholder relations are beneficial to firms in feedback gathering and resources purchasing. They also become crucial for sustainable benefits at network-level. As a consequence of society's growing polycentric structure, sustainability can be achieved only with a higher degree of stakeholder engagement. Since a company cannot independently create, deliver, and capture sustainable values, it should embrace network tactics to ensure sustainable value co-creation and business environment orchestration with local and international partners. Co-creation is defined as the «enactment of interactional creation across interactive system environments [afforded by interactive platforms] entailing agenting engagements and structuring organisations»[142]. Engaging in sustainability creation through co-creation with partners ensures the maximisation and joint exploitation of sustainability benefits[143].

Moreover, co-creation produces "value-in-interactional creation"[144] providing partners with additional advantages, emerging from data innovation and sharing throughout the cooperation. With growing trust and the alignment of interest, co-creation gradually takes the shape of "open innovation", «customer and provider roles are challenged when jointly working on selecting and integrating resources into solutions within operations[145]». Promoting

138 Parida and Wincent, 'Why and How to Compete through Sustainability', 8.
139 Chakrabarty and Wang, 'The Long-Term Sustenance of Sustainability Practices in MNCs'.
140 Hofmann, Theyel, and Wood, 'Identifying Firm Capabilities as Drivers of Environmental Management and Sustainability Practices – Evidence from Small and Medium-Sized Manufacturers'.
141 Sulphey and Alkahtani, 'Organizational Ambidexterity as a Prelude to Corporate Sustainability.'
142 Ramaswamy and Ozcan, 'What Is Co-Creation?', 203.
143 Parida and Wincent, 'Why and How to Compete through Sustainability', 11.
144 Ramaswamy and Ozcan, "What Is Co-Creation?" 202.
145 Parida and Wincent, 'Why and How to Compete through Sustainability', 11.

heterarchical networking, the co-creation approach toward sustainability projects fosters cohesive and collaborative customer-producer, company-institutions, and interfirm relations, overturning traditional transaction-based interactions, with all actors' contribution fundamentally to achieve sustainable outcomes. In a sustainable internationalisation process, co-creation encourages partnerships, alliances, and joint ventures among business entities and governments and NGOs. Wadin *et al.* (2017) notice that in collaborative processes concerning sustainable business model a strong correlation between sustainability level of SMEs and large firms' interest to cooperate with them can be found[146], turning a high degree of sustainability into an advantage for SMEs to internationalise via strategic alliances.

If on the one hand, a high level of sustainability has a leverage effect on small firms' attractiveness and negotiation power for international strategic alliances; on the other hand, various studies have shown how network partnerships and alliances positively influence sustainable practices during foreign business expansions[147]. Thus, CS seems to be positively associated with enterprise and stakeholder networks in the internationalisation process.

While all fundamental stakeholders should be involved in reaching sustainable outcomes, forming a business ecosystem[148], this does not mean that all of them are equally important. Within the network system, stronger or weaker actors will form focal nodes contributing differently to the interactions. The firm's ability to become the ecosystem's orchestrator, leader of the activities among others, and create a shared vision of what and how to implement sustainable values, represents a pivotal capability in the sustainable internationalisation process. As "primus inter pares", through orchestration, firms can enforce "rules of the game", ensuring that other actors play by the rules[149] and moulding sustainability concept to their advantage. Hence, they can also promote institutional stability in the business ecosystem[150], identifying themselves as the leading representative of the sustainable project and subsequent achievements. In internationalisation processes, acting as the orchestrator represents a significant challenge to promote or destroy the firm's legitimacy and reputation. Firms must know and manage stakeholder relations during international expansion in the ecosystem, as mentioned above, and inter-organisational networks since they are essential for developing competitive advantages[151] and competing in sustainability.

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[146] Wadin, Ahlgren, and Bengtsson, 'Joint Business Model Innovation for Sustainable Transformation of Industries – A Large Multinational Utility in Alliance with a Small Solar Energy Company'.
[147] Bojnec and Tomšič, 'Corporate Sustainability and Enterprise Performance'.
[148] Moore, 'Predators and Prey', 76.
[149] Parida and Wincent, 'Why and How to Compete through Sustainability', 13.
[150] Thomas and Autio, 'Emergent Equifinality', 9.
[151] Parida and Wincent, 'Why and How to Compete through Sustainability', 13.

Sustainability influences both the firm- and network-level, which of course is a challenge to business internationalisation, materialising social pressures and stakeholders' expectations. Therefore, international expansions require significant investments in relationship-building activities and actors' engagement. A continuous commitment in time and resources to understand stakeholders' concerns, needs and interests, how to adapt to them by innovating the business model, how to deal with them in the ecosystem while providing integrated sustainability solutions, all with a final profit return, is necessary. Consequently, from a pragmatic point of view, it is worth noticing that sustainable approaches and deep stakeholder relations in internationalisation processes are essential to provide information and connections, which empower firms to enter a new market. This also allows the company to employing the correct business model, adapting operations endlessly, gather relevant resources supporting different internationalisation stages, establish strategic alliances and finally become the leader of sustainable projects and the ecosystem orchestrator abroad.

1.5. The added value of Corporate Sustainability in business internationalisations

The concept of sustainability offers a potentially useful framework for understanding, explaining and managing stakeholder pressure during the internationalisation process. A positive correlation between the internationalisation process and organisational changes for Corporate Sustainability (CS) has been highlighted in various studies[152]. A CS approach to internationalisation should not only be the response to stakeholder expectations, but perhaps a thoughtful corporate strategy to better achieve and sustain business success in the new market.

More outstanding commitment to CSR creates strategic assets across countries[153]. Several studies have empirically demonstrated that a responsible, sustainable approach contributes to improved corporate efficiency and maximises profitability by reducing tensions with stakeholders[154]. Relationships with social stakeholders could help subsidiaries leverage strategic resources enabling them to enter the foreign market, expand investments and gain competitive advantages[155]. Collaboration with civil society may foster MNCs' obtainment of valuable benefits in upstream and downstream value-chain management (such as sourcing

[152] Zhu, Sarkis, and Lai, 'Internationalization and Environmentally-Related Organizational Learning among Chinese Manufacturers'.
[153] Zyglidopoulos, Williamson, and Symeou, 'The Corporate Social Performance of Developing Country Multinationals'.
[154] Ntim and Soobaroyen, 'Corporate Governance and Performance in Socially Responsible Corporations'; McWilliams and Siegel, 'Corporate Social Responsibility'.
[155] Rana and Elo, 'Transnational Diaspora and Civil Society Actors Driving MNE Internationalisation'.

local raw materials, distributing products)[156], and it turns out to reducing socio-political tensions and transactional costs[157]. Hence, it was found that better relations with stakeholders led to long-term shareholder value growth[158], making CSR an indispensable management tool[159] central in the internationalisation process.

Corporate reputation and reputation risk have been considered an increasingly relevant threat for internationalising firms, potentially causing a loss in corporate value[160]. Considering stakeholder behaviour[161] through a CS approach, internationalising firms can reduce reputational damages, affecting corporate financial performance. Implement CS promotes a firm's knowledge of stakeholder interests and decreases the risks of complaints and their escalation into more vigorous protests. Moreover, thanks to established relations, firms can implement mutual information flows with key social and institutional actors, monitoring and preventing conflicts. The cooperation effect reduces subsidiary transaction costs in international marketing, decreases tensions with socio-political actors[162] and prevents social and institutional protests concerning environmental, social, and economic issues.

In the internationalisation process, subsidiaries apply legitimacy and reputation strategies to overcome the liabilities of foreignness and being outsiders. The CS behaviour to stakeholders' relations generates a high degree of legitimacy. Legitimacy usually refers to behavioural consequences and judgments of appropriateness, desirability, and acceptance of the multinational enterprise by its environment[163]. During all stages of internationalisation, corporates and subsidiaries, depending on the level of 'relevance' of the interlocutor, engage through legitimation process with legitimating actors, whose judgements provide the construction of the subsidiary image, endorsement, and socio-economic output[164]. Legitimating stakeholders are institutional and civil society actors, whose trust subsidiaries need to earn. However, while the firm can get socio-political legitimacy respecting local legal regulations, the corporate engagement in the relations with civil society stakeholders is more complex and uncertain based on the degree of an institutional void[165]. Therefore, reputation

[156] Rana and Sørensen, 'Levels of Legitimacy Development in Internationalization', 8.
[157] Vachani, Doh, and Teegen, 'NGOs' Influence on MNEs' Social Development Strategies in Varying Institutional Contexts'.
[158] Choi and Wang, 'Stakeholder Relations and the Persistence of Corporate Financial Performance'.
[159] Dahlsrud, 'How Corporate Social Responsibility Is Defined'.
[160] Hond et al., 'Playing on Two Chessboards'; Neville, Bell, and Mengüç, 'Corporate Reputation, Stakeholders and the Social Performance-financial Performance Relationship'.
[161] Gatzert, 'The Impact of Corporate Reputation and Reputation Damaging Events on Financial Performance'.
[162] Vachani, Doh, and Teegen, 'NGOs' Influence on MNEs' Social Development Strategies in Varying Institutional Contexts'.
[163] Kostova and Zaheer, 'Organizational Legitimacy Under Conditions of Complexity'.
[164] Bitektine, 'Toward a Theory of Social Judgments of Organizations'.
[165] Rana and Sørensen, 'Levels of Legitimacy Development in Internationalization', 6.

and legitimacy seem to be the product of Corporate Political Activity (CPA) and CSR initiatives[166], but increasing legitimacy requires going beyond these basic standards and expectations[167]. In their study on four-levels of legitimacy – “acceptance”, “image”, “endorsement” and “synergy” –, Rana and Sørensen (2018) show that subsidiaries can develop a high degree of legitimacy only through strong cooperation with social stakeholders when «legitimating actor(s) tend to be directly engaged in MNEs [multinational enterprises] and confer positive judgement, while strategic endeavours simultaneously facilitate operational efficiency»[168]. A relevant role is played by the co-creation process by which MNCs develop a widespread legitimacy among civil society actors and economic value creation, concurrently promoting the social value creation for which local stakeholder strives[169]. Based on regular interactions and the achievement of mutual interests, sustainability is a strategic tool to strengthen legitimacy, the firm’s reputation and stakeholder relations. Gathering valuable stakeholder information and frequently monitoring the legitimating actor’s interests is a fundamental tool for the subsidiaries to legitimise their business and maintain it continuously. A high degree of legitimacy and recognition requires serious subsidiary commitment[170]. AS Sethi (1979) notices, MNCs might even be forced to place CS over financial performances in a quest for legitimacy[171], mainly when they are under pressure from stakeholders. It becomes crucial to embody in the strategy of the company a gradual stakeholder engagement through sustainable approaches to foster legitimacy recognition and reduce reputational risks.

Empirically analysing the international diversification of numerous MNCs, Rana and Sørensen (2018) illustrate how the CS approach to civil society stakeholder develops different subsidiary’s legitimacy levels in the various steps of the internationalisation process (i.e. pre-entry, entry, and post-entry phases)[172].

Firstly, in the *pre-entry phase*, firms need to gain the regulative and socio-political legitimacy essential to enter the new market and be accepted by legal-political stakeholders. Subsidiaries mainly seek to collaborate with major legitimising actors, to gain institutional “right to exist”[173], in observance of legal and CSR standard requirements. During preparatory

[166] Hond et al., ‘Playing on Two Chessboards’.
[167] Rana and Sørensen, ‘Levels of Legitimacy Development in Internationalization’, 23.
[168] Rana and Sørensen, 24.
[169] Rana and Sørensen, 9; Zimmermann et al., ‘Creating Societal Benefits and Corporate Profits’.
[170] Rana and Sørensen, ‘Levels of Legitimacy Development in Internationalization’, 26.
[171] Sethi, ‘A Conceptual Framework for Environmental Analysis of Social Issues and Evaluation of Business Response Patterns’.
[172] Rana and Sørensen, ‘Levels of Legitimacy Development in Internationalization’.
[173] Maurer, *Readings in Organization Theory*.

stages, CS activities are placed after the firm's needs for institutional acceptance. Nevertheless, the subsidiary's collaboration with social stakeholders often promotes greater returns[174], scouting any possible point of clash and contact with civil society to avoid further scepticism and social tensions to its market entrance[175]. CS may help firms developing alliances with credible and locally legitimised social partners, such as NGOs and think thanks, which may turn supporting subsidiary acceptance in a "legitimacy-conveying mechanism"[176]. In a firm case study, concrete sustainable commitment to the local community has enabled a subsidiary to develop the highest legitimisation level, i.e. synergy, even in the pre-entry phases[177].

Secondly, in the *entry phase*, MNCs aim to earn not only socio-political acceptance but also formal and informal endorsement. During subsidiary operations' establishment, collaborations with civil society could promote complementary resources and information procurement from institutional and social stakeholders in order to maximise entry strategies and overcome liabilities of foreignness and outsidership. In this stage, MNCs may employ CS strategies to seek for institutional and social linkage with high legitimate actors in order to develop subsidiary legitimacy from "acceptance" to "image", "endorsement" and "synergy"[178]. Managing stakeholder expectations allows subsidiaries to avoid civil society protests and tensions, which would reduce operational legitimacy during the entry stages. Analysing the internationalisation process of Asia Energy Corp. mining company, Rana and Sørensen (2018) notice that, despite obtaining governmental licenses and certification from the Ministry of Environment, the subsidiary was forced to halt due to social tensions «began before its entry and continued to escalate after it began operations»[179]. CS strategies acquire the double functions of reducing social-political risks and promoting resources gathering from local networks.

Lastly, in the *post-entry phase*, MNCs focus on business development, market position protection and operational rationalisation. Here, the subsidiary's relations with the external networks, established in the earlier stages, grow into increasing intensity and centrality, as an essential flow of information supports business strategies[180] and significance. The affiliated company become increasingly embedded in local networks, perhaps definitively overcoming

[174] Rana and Sørensen, 'Levels of Legitimacy Development in Internationalization', 15.
[175] Rana and Sørensen, 6.
[176] Nell, Puck, and Heidenreich, 'Strictly Limited Choice or Agency?'
[177] Rana and Elo, 'Transnational Diaspora and Civil Society Actors Driving MNE Internationalisation'; Rana and Sørensen, 'Levels of Legitimacy Development in Internationalization', 19.
[178] Rana and Sørensen, 'Levels of Legitimacy Development in Internationalization', 7.
[179] Rana and Sørensen, 17.
[180] Caroli, *Gestione delle imprese internazionali*, 54.

liabilities of foreignness and outsidership. In this stage, the subsidiary tends to consider competitors, socio-political actors, and media that are scrutinising its behaviour[181]. Therefore, to strengthen and maintain legitimacy, subsidiary firms may significantly increase CS involvement with increasing adherence to international CSR standards and more civil society engagement[182]. Thus, proactive CS strategies and collaborate initiatives towards local networks have a pivotal impact on subsidiary's legitimacy and business success.

Established a stable legitimacy level, the subsidiary can also develop a sustainability "first-mover advantage", implementing an innovative CS strategy during its internationalisation process. The existence of the grey void in sustainability might allow firms to capitalise on the Donaldson (2001) "moral free space"[183], supporting environmental, social, and economic development conceptualisation in line with its core business. As an active participant, the company gets an opportunity to shape the host country's regulatory framework rather than merely reacting to it[184]. Promoting specific sustainability standards, companies aim to pressure society and institutions to embrace new standards, which turn out to improve the firm's market share, enhance the social licence to operate and the firm's CSR recognition, and finally reduce the level of competition. In this sense, encouraging high sustainability standards and legal requirements works as a market barrier and reduces competition by firms that have not yet, or cannot, satisfy these new obligations. To that end, MNCs can establish and finance a dedicated body, often a foundation[185], or may enter and becomes leaders in already existing organisations, such as trade forums and associations. They can coordinate a network of public and private entities, involved in the same sector, acting as the respective ecosystem's orchestrator. Having entered the new market with a sustainable approach is a pre-condition to instil trust in the local environment. Caroli (2016) notices, referring to a global perspective, that this strategy could promote considerable visibility of firm's initiatives, improving the reputation of the company among public opinion and institutions, and support the collection of valuable knowledge and experience on related sustainability issues[186]. To better foster its purpose, firms can also create profitable affiliations and partnership with local and international NGOs, combining information and knowledge, to enjoy the reputation halo effect, created by the cooperation with a non-profit entity.

[181] Rana and Sørensen, 'Levels of Legitimacy Development in Internationalization', 7.
[182] Zheng, Luo, and Maksimov, 'Achieving Legitimacy through Corporate Social Responsibility'.
[183] Donaldson, 'Values in Tension: Ethics Away from Home'.
[184] Berns et al., 'Sustainability and Competitive Advantage', 22.
[185] Caroli, *Gestione delle imprese internazionali*, 227.
[186] Caroli, 230.

Nevertheless, to achieve a "first-mover advantage" during the internationalisation process, firms necessitate a high commitment to networks and develop sustainability and innovation capabilities. The company must produce and deliver pioneering solutions to social, environmental, and economic problems. Advocating an innovative vision of sustainability during the internationalisation process, firms get a competitive advantage regarding local firms and potential future international competitors.

MNCs sustainable and responsible conduct can foster the firm's obtainment of a Social License to Operate (SLO) as a result of the behaviour and values conformity between the company and its stakeholders. The concept of a SLO is generally considered as described by The Ethical Funds Company (2009):

«.. outside of the government or legally-granted right to operate a business. A company can only gain a Social License to Operate through the broad acceptance of its activities by society or the local community. Without this approval, a business may not be able to carry on its activities without incurring serious delays and costs»[187].

Social licence to operate refers to the «demands on and expectations for a business enterprise that emerge from neighbourhoods, environmental groups, community members, and other elements of the surrounding civil society»[188]. Gunningham *et al.* (2004) notice that internationalising firms need to go "beyond compliance", increasingly improving CS practices which not only respect legal norms but also satisfy stakeholders expectations, concerning environmental and social issues[189]. In this way, the SLO appears complementary and contrasted to statutory licences, often exceeding the regulatory bar. SLO arises as a consequence of boundary erosion: civil society stakeholders become increasingly interested in playing a relevant role even in business and institutional spheres when they perceive their interest at risks. Institutional voids, primarily concerning environmental and social issues, become the playground of potential conflicts and meeting point between firms and civil society[190], appointing sustainability principles as "rules of the game".

SLO cannot be conceived as a formal agreement between communities and business entities; contrarily, it can be viewed as the gouge measuring the state of the relationship between a proponent and the community in which the firm operates. Therefore, like Franks

[187] Wilburn and Wilburn, 'Achieving Social License to Operate Using Stakeholder Theory', 4.
[188] Gunningham, Kagan, and Thornton, 'Social License and Environmental Protection', 308.
[189] Gunningham, Kagan, and Thornton, 308.
[190] Symeou, Zyglidopoulos, and Williamson, 'Internationalization as a Driver of the Corporate Social Performance of Extractive Industry Firms'.

and Cohen (2012) suggest that SLO establishment occurs through a process of continual negotiation «as an intangible and unwritten, tacit, social contract with society, or a social group, which enables an extraction or processing operation to enter a community, start, and continue operations»[191]. An organisation is regarded as 'legitimate' and granted a SLO when its operations and the organisational values and processes of its business meet sustainable stakeholder expectations and satisfy societal norms[192]

Social licence to operate is an industry-based concept based on a risk-management perspective[193], and strongly require a context-specific adaptation to be implemented in the internationalisation process. SLO is powerfully valuable to foster long-term business success in a foreign operation, particularly in sectors with highly visible business activities, long time horizons, high exposure to global markets or a wide range of stakeholder's keen to influence practice[194]. The perceived business advantages of a social licence include enhanced corporate reputation, ongoing access to resources, reduced regulation tensions, secure market operations, strengthened stakeholder relationships and positive effects on employees[195].

Boutilier and Thomson (2011) present a SLO model based on four incremental levels of social license (i.e., withdrawal, acceptance, approval and psychological identification), and three normative components of the SLO (i.e., legitimacy, credibility and trust)[196]. They suggest that moving from one to the other SLO's levels is a process of building and balancing capital in the relationships between the company and the stakeholder network. Stakeholder engagement and relationships with key social actors are shown as the path throughout which firms understand local stakeholders' interest and may develop a valuable alliance with relevant local groups. Prno and Slocombe (2012) add that to achieve a meaningful SLO firm may develop a specific social capital in its network structure based on: «structural (e.g., the degree to which a company is connected into a community network), relational (e.g., the degree to which reciprocity, shared identity, and trust exist between a company and community), and cognitive (e.g., the degree to which mutual understanding and agreement between the parties in a relationship exists) sources»[197]. Secondly, social licence to operate'

[191] Franks and Cohen, 'Social Licence in Design', 1231.
[192] Gunningham, Kagan, and Thornton, 'Social License and Environmental Protection'; Thomson and Boutilier, 'The Social Licence to Operate'; Raufflet, 'De l'acceptabilité Sociale Au Développement Local Résilient'.
[193] Thomson and Boutilier, 'The Social Licence to Operate'.
[194] Rana and Sørensen, 'Levels of Legitimacy Development in Internationalization'; Dare, Schirmer, and Vanclay, 'Community Engagement and Social Licence to Operate'; Torkelli et al., 'Sustainability and Corporate Social Responsability in Internationally Operating SMEs: Implications for Performace'.
[195] Joyce and Thomson, 'Earning a Social Licence to Operate'; Gunningham, Kagan, and Thornton, 'Social License and Environmental Protection'.
[196] Boutilier and Thomson, 'Modelling and Measuring the Social License to Operate: Fruits of a Dialogue between Theory and Practice'.
[197] Prno and Scott Slocombe, 'Exploring the Origins of "Social License to Operate" in the Mining Sector', 347.

concept is not conceived as “all community single licence”. Contrarily, holding a SLO should be considered as «a continuum of multiple licences achieved across various groups within society»[198]. This multiplicity of social licences needed reflect the multiple levels within societies[199]. Besides, Symeou *et al.* (2018) consider SLOs as consisting in two dimensions: «environmental performance (EP) and social performance (SP)»[200], which have been expanded to embrace also ethical and moral obligations as a core of the SLO and stakeholder management strategies. Lastly, the social licence to operate is set up through multi-stakeholder relationships. The business sectors where the SLO has emerged are unquestionably colourful, complex, unpredictable and volatile involving «multiple state, market and civil society actors and institutions operating in wide-ranging configurations[201]». Therefore, SLOs should be achieved in relations with all the most influential stakeholder or social groups, without disregard of secondary stakeholders, which otherwise can suddenly turn up as a source of threat. Specifically, even though a the SLO can be addressed to society by different groups and levels, (e.g. communities, regions, and the general public) the local indigenous community often play a key role in influencing the investment process thanks to their proximity to the project, sensibility to effects, ability to affect outcomes[202].

Despite several positive advantages, it is worth to notice that a high level of sustainable approach during internationalisation can be sharply costly, rising the expenses for specific, direct, and indirect sustainable investments. Therefore, deciding how and what level of CS to develop, is context-specific and depends on the exact market, legal requirements, industry, competitors’ conducts, stakeholder pressures and the corporate strategic plan. For example, Torkelli et al. (2017) empirical study highlights how «CSR, rather than sustainability-related practices are positively linked to the increased international performance of SMEs»[203], since «the internationalisation efforts of SMEs tend to be restricted by their lack of resource». Additionally, the scholars notice that «large firms may be more likely to possess the human and financial resources to more fully fulfil their international and global [sustainable] strategies»[204]. Similarly, Kang (2013) notices, studying the international diversification of 1,000 U.S. largest MNCs, that the level of internationalisation is positively related to the

[198] Dare, Schirmer, and Vanclay, ‘Community Engagement and Social Licence to Operate’, 189.
[199] Dare, Schirmer, and Vanclay, 188.
[200] Symeou, Zyglidopoulos, and Williamson, ‘Internationalization as a Driver of the Corporate Social Performance of Extractive Industry Firms’, 27.
[201] Prno and Scott Slocombe, ‘Exploring the Origins of “Social License to Operate” in the Mining Sector’, 354.
[202] Prno, ‘An Analysis of Factors Leading to the Establishment of a Social Licence to Operate in the Mining Industry’, 577.
[203] Torkelli et al., ‘Sustainability and Corporate Social Responsability in Internationally Operating SMEs: Implications for Performace’, 370.
[204] Torkelli et al., 368.

firm's corporate social performance, creating a direct and indirect CS value[205]. These latter findings suggest that a sustainable approach can have a constructive value in the internationalisation process. However, still Kang (2013) notices that a «short-term profit focus on diversified firms may discourage investment in social issues». Therefore, despite the difficulty in outlining a definitive connection between corporate performance and CS, since too many variables would need to be considered, we can overall agree that a sustainable approach to internationalisation processes is beneficial for the company helping to:

1) improve civil society stakeholder engagement enhancing co-creation collaboration to mutual knowledge and information sharing;
2) contribute to preventing social and institutional risks concerning environmental, social and economic issues;
3) foster subsidiary institutional and social legitimacy, and recognition as a positive business actor;
4) may endorse "first-mover advantage" achievement and ecosystem orchestrator;
5) support the attainment of the 'social license to operate'.

1.6. The 'social licence to operate' in the extractive industry

The internationalisation process of extractive industry companies (EICs) is a significant case to analyse how the CS approach must go beyond legal compliance to manage external stakeholders' expectations and obtain a "social licence to operate" (SLO). Studies have been carried out, illustrating complementary assessments of SLO in the extractive sector. Nelsen and Scoble (2006)'s research focuses on this industry and analyse how mining firms can obtain a SLO[206], whereas Thomson and Boutilier (2011) base their assessment of SLO on the community standpoint analysing associated social expectations and experiences[207]. Prno and Scott Slocombe (2012) explore the origin of SLO for EICs taking governance and sustainability perspectives[208], while Symeou *et al.* (2018) analyse the relations between SLO and mining projects' internationalisation process[209].

[205] Kang, 'The Relationship between Corporate Diversification and Corporate Social Performance'.
[206] Nelsen and Scoble, 'Social Licence to Operate Mines: Issues of Situational Analysis and Process',.
[207] Thomson and Boutilier, 'The Social Licence to Operate'.
[208] Prno and Scott Slocombe, 'Exploring the Origins of "Social License to Operate" in the Mining Sector'.
[209] Symeou, Zyglidopoulos, and Williamson, 'Internationalization as a Driver of the Corporate Social Performance of Extractive Industry Firms'.

SLO has become a valuable strategy for EICs to handle local and international stakeholders' expectations. Global mining companies are considered the first to have used the SLO model to safeguard profits initially made with their CSR strategy[210]. Moreover, gaining an incremental SLO has been considered a prerequisite to establish a mining business abroad and sustain a business in the long term, avoiding potentially costly conflict and exposure to business risks[211]. In mining sectors, a SLO exists when EICs obtain and maintain broad, long-lasting approval and acceptance by society to conduct its activities[212].

EICs' stakeholders around the world have become increasingly suspicious of traditional approaches to mineral exploitation, which at their worst have been associated with disastrous environmental impacts, social and cultural damages, and local economic instability[213]. Moving abroad and seeking mineral deposits and market share growth, mining firms are more frequently expected to implement CS, addressing the major social and environmental disruptions their extractive operations can cause[214]. Corporate sustaianble initiatives and performances have thus become essential drivers in the internationalisation process for extractive industry firms[215]. Where mining investments have not satisfied civil society and local communities' interests, shutdowns and slow-ups have frequently followed: «protests and blockades, non-issuance or retraction of government permits, media and shareholder campaigns, and government lobbying have proven the power of civil society's actors across the globe»[216]. Stakeholders worldwide now require that EICs align themselves more closely with sustainable development principles, aimed at community engagement in decision making[217]. Stakeholders thereby demand a more significant share of the benefits created with local mining operations and the insurance that extractive exploitation is conducted safely and responsibly[218].

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[210] Wilburn and Wilburn, 'Achieving Social License to Operate Using Stakeholder Theory', 4.
[211] Prno, 'An Analysis of Factors Leading to the Establishment of a Social Licence to Operate in the Mining Industry'.
[212] Joyce and Thomson, 'Earning a Social Licence to Operate'; Boutilier and Thomson, 'Modelling and Measuring the Social License to Operate: Fruits of a Dialogue between Theory and Practice'; Prno and Scott Slocombe, 'Exploring the Origins of "Social License to Operate" in the Mining Sector'.
[213] Prno and Scott Slocombe, 'Exploring the Origins of "Social License to Operate" in the Mining Sector', 346.
[214] Slack, 'Mission Impossible?'; Warnaars, 'Why Be Poor When We Can Be Rich?'
[215] Kang, 'The Relationship between Corporate Diversification and Corporate Social Performance'; Symeou, Zyglidopoulos, and Williamson, 'Internationalization as a Driver of the Corporate Social Performance of Extractive Industry Firms'; Zyglidopoulos, Williamson, and Symeou, 'The Corporate Social Performance of Developing Country Multinationals'.
[216] Prno, 'An Analysis of Factors Leading to the Establishment of a Social Licence to Operate in the Mining Industry', 577.
[217] Prno and Scott Slocombe, 'Exploring the Origins of "Social License to Operate" in the Mining Sector', 346.
[218] Prno, 'An Analysis of Factors Leading to the Establishment of a Social Licence to Operate in the Mining Industry', 557.

The growing power to grant (or withhold) a SLO has thus enabled some local communities to become strongly influential governance players in mineral operations[219], forcing EICs to take stakeholders' social and environmental concerns into specific consideration. Several prestigious reports (such as from Deloitte (2011)[220], Ernest and Young (2018)[221], Joyce and Thomson (2000)[222]) have even asserted that securing a SLO is one of the most significant challenges extractive companies have been facing during the last decade. The boundary erosion between politics and the social sphere, the liabilities of foreignness and being an outsider, the volatile and fragmented business environment make it highly probable that the local community might consider foreign EICs' investments as a predatory business without any concerns for indigenous interests. As illustrated by Saguier and Peinado (2016)'s analysis, during Canadian mining company's internationalisation in Argentina, despite home and host governments' strong alignment and support to the Canadian EIF's foreign operations, civil society turned out to be a vital source of social resistance capable of mobilising a regulatory agenda limiting Canadian EIF's activities[223]. In this case, full legal compliance with state regulations has become insufficient to both satisfy local stakeholder expectation[224] and protect the extractive industry from the risk of social protest and environmental accidents[225]. Since mining stakeholders represent a broad and robust range of interests across covering geographic and political scales and based on the multiplicity of actors involved, the SLO should be achieved as 'continuum of multiple social licences to operate' to better reflect the reality of social expectations in practice.

Analysing the extractive sector, it has been highlighted how SLO obtainment can eventually protect EICs' investments beyond their local operations, in relations both with local and international stakeholders' concerns. Environmental accidents in mining operations can result in a withdrawal of the SLO at new and foreign sites[226], creating a global damage effect which denies SLO achievement also in other places. As an example, Gifford *et al.* (2010) point out that US Newmont Mining's efforts to get a SLO to establish a new site in Peru for its gold mining operation was stopped by farmers' and communities' protests concerning the

[219] Prno and Scott Slocombe, 'Exploring the Origins of "Social License to Operate" in the Mining Sector', 347.
[220] Deloitte, 'Tracking the Trends 2011 - The Top 10 Issues Mining Companies Will Face in the Coming Year'.
[221] Ernst and Young, 'Top 10 Business Riks Facing Mining and Metals in 2019 - 2020'.
[222] Joyce and Thomson, 'Earning a Social Licence to Operate'.
[223] Saguier and Peinado, 'Canadian Mining Investments in Argentina and the Construction of a Mining–Development Nexus'.
[224] Prno and Scott Slocombe, 'Exploring the Origins of "Social License to Operate" in the Mining Sector', 346.
[225] Symeou, Zyglidopoulos, and Williamson, 'Internationalization as a Driver of the Corporate Social Performance of Extractive Industry Firms', 29.
[226] Symeou, Zyglidopoulos, and Williamson, 29.

firm's past environmental failures[227]. Not confined to local borders, negative publicity was picked up by international media and strongly affected the public opinion for sustainable practices, and local stakeholder engagement lacks, triggering the scrutiny of Newmont's other operations around the world and a failure to acquire a SLO in new sites worldwide[228]. Therefore, the SLO seems to have a global domino effect, positively or negatively affecting the firm's internationalisation process. Symeou *et al.* (2018) notice that a wrecked environmental and social reputation of a company or the SLO's "withdrawal" may negatively affect the corporate ability to gain new SLOs when establishing new international operations; conversely, enhanced SLOs in pre-existing operations foster credibility and trust, strongly supporting new the acquirement of SLOs worldwide[229]. High-level SLOs also represent a positive moral capital, which can act as insurance against losses or relational wealth when firms need to resolve sustainability issues[230], creating an "indemnity protection" during internationalisation phases.

Additionally, Prno (2013)'s comparative case analysis investigates the internationalisation processes of four EICs around the world: Red Dog Mine in Alaska, Minto Min in Canada, Tambogrande Mine in Peru, and Ok Tedi Mine in Papua New Guinea[231]. Based on this research, we can learn five crucial lessons about obtaining a SLO:

1) any SLO initiatives should be context-specific, since «context plays a key role in shaping SLO outcome»[232];
2) SLO is «foremost a relationship-building (and maintaining) process[233]»;
3) sustainability principles are dominant community concerns in relation with SLO;
4) provision of local benefits and encouragement of public participation are crucial for SLO obtention;
5) the high complexity and context-specificity require a high degree of firm's adaptability.

[227] Gifford, Kestler, and Anand, 'Building Local Legitimacy into Corporate Social Responsibility'.
[228] Symeou, Zyglidopoulos, and Williamson, 'Internationalization as a Driver of the Corporate Social Performance of Extractive Industry Firms', 29; Gifford, Kestler, and Anand, 'Building Local Legitimacy into Corporate Social Responsibility'.
[229] Symeou, Zyglidopoulos, and Williamson, 'Internationalization as a Driver of the Corporate Social Performance of Extractive Industry Firms', 29.
[230] Symeou, Zyglidopoulos, and Williamson, 29.
[231] Prno, 'An Analysis of Factors Leading to the Establishment of a Social Licence to Operate in the Mining Industry'.
[232] Prno, 584.
[233] Prno, 585.

Drawing on the example of the extractive sector helps us understand the benefits of SLO achievement and the associated implications for the internationalisation process, in one of the industries with most damaging human and environmental expectations[234], where EICs have faced and are facing a growing reputational crisis due to civil society's environmental and social concerns[235].

1.7. The need for a corporate-stakeholder approach

In the present growingly globalised world, companies are increasingly exposed to geopolitical and non-commercial risks[236]. Thus, the internationalisation process requires entering local and international environments with a systematic and holistic approach and understanding the host countries' attitudes and external stakeholders' expectations to obtain valuable knowledge and better adapt the subsidiary strategy[237]. From the network perspective, MNC's relationships are the core of the internationalisation process, shaping corporate commitment and providing the necessary knowledge and resources for foreign expansions[238]. Moreover, during internationalisation, the firm faces a greater range of stakeholder demands, as various countries give different priorities to different issues[239]. Social and institutional stakeholders' concerns on social, environmental and economic issues put considerable pressure on firms to embrace sustainable context-specific strategies and play a positive role in the host country[240].

When the internationalisation process is under way, growing stakeholders' expectations increasingly pose sustainability behaviour as a pre-requisite for firms, or at least sustainable approaches have demonstrated to be a valuable attitude to handle external claims and obtain long-term competitive advantages[241]. Sustainability demands lead to organisational and networking changes within any multinational, as well as they require subsidiaries to engage in constructive multi-stakeholder relations, and more specifically to persuade and influence the various actors in their business environments. To maximise competitive advantages and successfully engage external stakeholders, companies need to acquire competences and

[234] Stewart, 'Mining Is Bad for Health', 1155.
[235] Dashwood, 'CSR Norms and Organizational Learning in the Mining Sector'.
[236] Kesteleyn, Riordan, and Ruël, 'Introduction'.
[237] Zanfei, 'Transnational Firms and the Changing Organisation of Innovative Activities'.
[238] Johanson and Vahlne, 'Business Relationship Learning and Commitment in the Internationalization Process'.
[239] Becker and Henderson, 'Effects of Air Quality Regulations on Polluting Industries'.
[240] Kolk and van Tulder, 'International Business, Corporate Social Responsibility and Sustainable Development'.
[241] Wilburn and Wilburn, 'Achieving Social License to Operate Using Stakeholder Theory', 4.

organisational knowledge in "corporate diplomacy"[242], defined as: «an attempt to manage systematically and professionally the business environment in such a way as to ensure that 'business is done smoothly', basically with an unquestioned 'license to operate' and an interaction that leads to mutual adaptation between corporations and society»[243]. This new strategy would support firms to build connections between their core business and the complex socio-political environments[244], at local and international levels.

[242] Steger, *Corporate Diplomacy*; Henisz, *Corporate Diplomacy*.
[243] Steger, *Corporate Diplomacy*, 6–7.
[244] Alammar and Pauleen, 'Business Diplomacy Management'.

PART II

Corporate Diplomacy

Wherever multinationals decide to internationalise, operating abroad exposes firms to a broad range of geopolitical, socio-political and non-commercial threats, as well as unexpected business opportunities. Multinationals need to identify geopolitical trends and risks, detecting and managing colourful sets of external stakeholders to protect their bottom line, sustain foreign investment projects, advocate companies' interests to survive in the international arena, and make a profit.

A Corporate Diplomacy (CD) strategy is thus proposed to help companies deal with international and local stakeholders simultaneously in an integrated framework to establish robust, long-term and profitable relationships, fostering a company's ability to shape the context to its advantage and gather valuable knowledge, resources and information from the external environments to support its internationalisation process.

Firstly, an initial literature review on CD's concept and explanations are presented. Looking for an operative definition of CD, various scholars' studies are considered, also including those who refer to business diplomacy. Following, theoretical equivalences and difference among CD and related terms are shown, aiming to incorporate in the research those valuable studies concerning CD issues even if using a different conceptual label. The literature reviewed shows that academics and managers do recognise the value and the relevance of CD in today's complex business environment.

Secondly, CD is related to the internationalisation process and explained as a strategic management strategy. Then, through the lens of the network view theory, CD is considered to emphasise its potentiality in handling multi-actor relationships. Thus a CD framework is given, focusing on the structural organisation requirements needed for CD implementation and the execution of CD in the internationalisation process.

Thirdly, through a CD perspective, different external corporate stakeholder clusters related to the internationalisation process are analysed. The due diligence assessments focus on the geopolitical context, governmental stakeholders (home-state, host-country, supranational institutions), and main civil society actors (such as local community, NGOs, media). Different kinds of company-stakeholder relations are outlined, summarising different actors involved and how CD helps foster those connections, securing resources, knowledge, and competitive advantage.

Lastly, six main hurdles in developing CD are presented. Highlighting the specific main barriers to the implementation of CD and showing the difficulty of establish strategy well-functioning, both at the corporate and subsidiary's level, might prove to be useful to incentive companies to develop their own and specific CD strategy.

2.1. Definition of Corporate Diplomacy

Although companies carry out activities involving a "diplomatic" behaviour in their relationships with external stakeholders, the literature on Corporate Diplomacy (CD) is far from being established[245]. Similarly, there is no consensus on the definition of CD, and scholars often express the same concept just using different labels[246].

According to Amann *et al.* (2007), CD is «an attempt to manage systematically and professionally the business environment in such way as to ensure that business is done smoothly, basically with an unquestioned license to operate and an interaction that leads to mutual adaptation between corporations and society in a sense of co-evolution»[247]. Watkins (2007) considers CD as «the role senior executives play in advancing the corporate interest by negotiating and creating alliances with key external players including governments, analysts, the media and non-governmental organisations (NGOs)»[248]. However, some other authors separately refer to the same concept, or corresponding notion, by using a different terminological label. For example, Saner and Yiu (2005) define "business diplomacy management" as an activity that «pertains to the management of interfaces between the global company and its multiple non-business counterparts»[249]; while London (1999) refers to "business diplomacy" as «a way of working with people effectively to get things done»[250].

Aiming at defining CD, we adapt the conceptual framework proposed by Ingenhoff and Marschlich (2019)[251] to collect various scholars' explanations of CD by four different perspectives. From a "management perspective", CD is suggested as a «global software for

[245] Asquer, 'What Is Corporate Diplomacy?', 5; Ingenhoff and Marschlich, 'Corporate Diplomacy and Political CSR', 348.
[246] Ruël, Wolters, and Loohuis, 'Business Diplomacy in Multinational Corporations (MNCs): An Exploratory Study', 2.
[247] Amann et al., 'Managing External Pressures through Corporate Diplomacy', 34.
[248] Watkins, 'The Rise of Corporate Diplomacy (Finally!)'.
[249] Saner and Yiu, 'Swiss Executives as Business Diplomats in the New Europe', 302.
[250] London, 'Principled Leadership and Business Diplomacy', 171.
[251] Ingenhoff and Marschlich, 'Corporate Diplomacy and Political CSR', 354.

change management»[252] for multinational enterprises, designed to get business done, improve favourable business conditions, particularly corporate legitimacy, and deal with the different expectations of the stakeholders embedded in the firm's business environments[253]. In contrast, another research stream refers to CD from a "socio-political perspective" as the set of the MNCs' activities that go beyond a self-interested business approach, aimed at tackling social and political issues and governance gaps in the company's foreign countries. This conceptualisation emphasises CD's relations with lobbying activities, policy and social agenda setting and the firm's power to influence the political decision-making process[254]. Additionally, other scholars view CD primarily in a "relation-building perspective" as multinationals' efforts to establish, maintain and strengthen relations with their key stakeholders, within their respective host countries, through mutual recognition, dialogue, and negotiation on different concerns[255]. Lastly, CD has been considered from a "national public diplomacy perspective" as «the role of private-sector corporations as non-state actors in public diplomacy»[256], contributing to the national interests of the host state in which the company is located, intentionally or unintentionally, through information exchange and the influence of foreign stakeholders[257].

Ingenhoff and Marschlich's (2019) classification[258] allows us to discuss the definition problem, also including studies on business diplomacy and related concepts in our analysis. Corporate and business diplomacy have often been examined together in theoretical studies[259] and, despite different labels, the two concepts have even been considered equivalents of each other[260]. Table 2.1 summarises several definitions of CD and related terms, which are offered by the current literature. Comparing multiple definitions from different authors, collected by the four perspectives mentioned above, might facilitate understanding the meaning, nature and essential features of CD.

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[252] Bolewski, "Diplomacy 'in Business' and the Business of Humanist Diplomacy," 90.
[253] Amann et al., 'Managing External Pressures through Corporate Diplomacy'; Bolewski, 'Corporate Diplomacy as Symbiotic Transnational Governance'; Henisz, *Corporate Diplomacy*; Steger, *Corporate Diplomacy*; Westermann-Behaylo, Rehbein, and Fort, 'Enhancing the Concept of Corporate Diplomacy'.
[254] Mogensen, 'From Public Relations to Corporate Public Diplomacy'; Ordeix-Rigo and Duarte, 'From Public Diplomacy to Corporate Diplomacy'; Weber and Larsson-Olaison, 'Corporate Social Responsibility Accounting for Arising Issues'; Westermann-Behaylo, Rehbein, and Fort, 'Enhancing the Concept of Corporate Diplomacy'.
[255] Halevy, Jun, and Chou, 'Intergroup Conflict Is Our Business'; Murphy and Smolarski, 'Religion and CSR'; White, Vanc, and Coman, 'Corporate Social Responsibility in Transitional Countries'.
[256] White, 'Exploring the Role of Private-Sector Corporations in Public Diplomacy', 306.
[257] White and Kolesnicov, 'Nation Branding in a Transitional Democracy'; White, 'Exploring the Role of Private-Sector Corporations in Public Diplomacy'; White, 'Brands and National Image'; Ordeix-Rigo and Duarte, 'From Public Diplomacy to Corporate Diplomacy'.
[258] Ingenhoff and Marschlich, 'Corporate Diplomacy and Political CSR', 354.
[259] Alammar and Pauleen, 'Business Diplomacy Management', 35.
[260] Ruël, Wolters, and Loohuis, 'Business Diplomacy in Multinational Corporations (MNCs): An Exploratory Study', 2.

Table 2.1. Definitions of Corporate Diplomacy

Author/s	Definitions
Management prospective	
Steger (2003), Amann *et al.* (2007)	Corporate diplomacy is an attempt to manage systematically and professionally the business environment in such a way as to ensure that "business is done smoothly", basically with an unquestioned 'license to operate' and an interaction that leads to mutual adaptation between corporations and society[261].
Bolewski (2017)	Corporate diplomacy can be described as a business approach and management practice of influence. Its main goal is to strategically manage the stakeholders' universe of the corporation, in order to ensure a favourable international business environment, by increasing the level of transparency, aiming for a long-term bond of complicity, with a positive-sum nature, amongst other social purposes[262].
Søndergaard (2014)	Corporate business diplomacy is associated with the prime challenges in international business organisations of simultaneous global integration, local and professional differentiation, and worldwide learning and knowledge sharing[263].
Muldoon (2005)	[Business diplomacy entails] successfully managing complex interactions with governments, multilateral institutions, and global social movements[264].
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

[261] Steger, *Corporate Diplomacy*, 6–7; Amann et al., 'Managing External Pressures through Corporate Diplomacy', 34.
[262] Bolewski, 'Corporate Diplomacy as Symbiotic Transnational Governance', 4.
[263] Søndergaard, '"Corporate Business Diplomacy"', 357.
[264] Muldoon, "The Diplomacy of Business," 355.

	and minimising political risks; and using multiple international forums and media channels to safeguard corporate image[265].
London (1999)	Business diplomacy is a way of working with people effectively to get things done[266].

Socio-political perspective

Mogensen (2017)	CD is a relevant concept for activities which transnational corporations engage in, when they perceive an opportunity or a problem in a host country and try to develop a sustainable solution in collaboration with relevant stakeholders at all levels[267].
Ordeix-Rigo and Duarte (2009)	CD is viewed as the capability that some major transnational corporations develop to draft and implement their own programs, independent from the government's initiative, to pursue similar diplomatic aims[268].

Relation-building perspective

Watkins (2007)	CD is the role senior executives play in advancing the corporate interest by negotiating and creating alliances with key external players including governments, analysts, the media and non-governmental organisations (NGOs)[269].
White *et al.* (2011)	CD refers to corporate international public relations efforts to help create favourable conditions for business and to build relationships with those who can influence domestic policies of the country in which the company operates[270].
Saner and Yiu (2014)	Business Diplomacy pertains to the management of interfaces between a MNE [Multinational Enterprise] and its external non-business

[265] Saner, Yiu, and Søndergaard, 'Business Diplomacy Management', 85.
[266] London, "Principled Leadership and Business Diplomacy," 171.
[267] Mogensen, 'From Public Relations to Corporate Public Diplomacy', 608.
[268] Ordeix-Rigo and Duarte, 'From Public Diplomacy to Corporate Diplomacy', 555.
[269] Watkins, 'The Rise of Corporate Diplomacy (Finally!)'.
[270] White, Vanc, and Coman, 'Corporate Social Responsibility in Transitional Countries', 282.

	counterparts (NGOs, CSOs, international organisations (IOs), national and local governments) that have an impact on the MNE's reputational capital and its ability to shape and influence its operational environment[271].
Alammar and Pauleen (2016)	Business diplomacy is the practice of establishing and maintaining positive relationships with internal and external business and non-business stakeholders, including employees, businesses, governments and civil society actors, to create and maintain legitimacy and a social licence to operate, create alliances, and shape and influence the environment[272].

National public diplomacy perspective

White (2015)	CD, defined as the role of private-sector corporations as non-state actors in public diplomacy [..] used to promote the national interest of a country by informing and influencing foreign audiences[273].
White and Kolesnicov (2015)	CD is a corporation participating in the process to build relationships with foreign entities that enhance the image of the corporation's home country as well as its ideals, institutions and culture. [Corporate diplomacy considered as national branding][274].
Small (2014)	[Business diplomacy is] when a company's commercial interests align with a home or supportive government's national interests in order to overcome the actions of a host government that have harmed, or will harm, the company's business in that host country[275].
Bolewski (2018) and Bolewski (2019)	Corporate diplomacy is viewed as the diplomatic activities of the transnational corporation to practice and influence foreign policy. [In specific contexts of institutional void], CD conducted by transnational companies (mostly in concert with the government) can produce an intermediate influence on foreign perceptions of companies and their

[271] Saner and Yiu, 'Business Diplomacy Competence', 317.
[272] Alammar and Pauleen, 'Business Diplomacy Management', 22.
[273] White, 'Exploring the Role of Private-Sector Corporations in Public Diplomacy', 306–7.
[274] White and Kolesnicov, 'Nation Branding in a Transitional Democracy', 327.
[275] Small, 'Business Diplomacy in Practice', 377.

> home country, supported by cultural diplomacy and branding as subjects of public diplomacy[276].

These definitions make clear that there is all but a common and clear consensus when it comes to conceptualising CD and its related terms. Moreover, the same author may employ a different definition depending on a specific study's research topic, and the meaning demarcations between one and the other perspective appear to be extremely blurred.

Nevertheless, the commonalities linking these definitions are that CD is employed to handle successfully multiple stakeholder relations, and influence and shape business environments, the company is embedded in. The primary aim of establishing a CD system is to advance corporate interests, safeguard and enhance the firm's business. To accomplish this purpose, the company acts to avoid socio-political risks, obtain a good reputation (and where possible a social licence to operate), seize new opportunities, and mitigate and anticipate potential external threats from the business environment. A central aspect in CD is played through stakeholder relations and network management, to engage in dynamic and proactive relationships' different issues, directly or indirectly related with the firm's activities and creating valuable connections with primary actors in the business environment (such as states, NGOs, governments, business entities).

The labels mentioned above may be somewhat unclear, too broad or to narrow. Therefore, at this point, it seems appropriate to use only CD as an umbrella term, also incorporating business diplomacy and related labels, since the fine-grained nature of the terminological distinction[277] is less relevant for the present thesis. Furthermore, the term CD embodies the fact that the concept is primarily and mainly linked to corporate activities, interests and relationships. Contrarily, business diplomacy and other terms may appear unclear, leaving room for speculations on who the actors and beneficiaries of business diplomacy actions are, the state or the firm[278].

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[276] Bolewski, 'Diplomacy "in Business" and the Business of Humanist Diplomacy', 95; Bolewski, 'Corporate Diplomacy as Global Management', 108.
[277] Alammar and Pauleen, 'Business Diplomacy Management', 13; Saner and Yiu, 'Business Diplomacy Competence', 317.
[278] White and Kolesnicov, 'Nation Branding in a Transitional Democracy'.

Here, to employ a clear working definition, Corporate Diplomacy is described as:

«the art of systematically handling relationships among networks with various and different sets of external stakeholders, to protect and enhance the corporate business, by promoting corporate interests in the numerous business environments where the company operates, with a proactive and co-creational mind-set».

The suggested operational definition mainly considers CD from a management perspective; however, the socio-political and relation-building perspectives are included as essential features and strategic tools of CD. In comparison, the national public diplomacy perspective appears as a context-specific borderline case of CD, too extreme and context-specific to be included in the definition. Considering a multinational concerned to «promote the national interest»[279], to enhance «national identity outside the borders»[280] or even «to participate in some form of whole-of-society governance»[281] significantly deviates from the focus of CD activities, which has its core not in doing political activities but in sustaining profit making[282].

CD is rooted in various areas of theoretical management literature[283]. Amann *et al.* (2007) provide the most relevant legitimacy and stakeholder theory[284], while Søndergaard (2014) considers CD as an interdisciplinary phenomenon, and thereby adds the theoretical contribution also of organizational, international, transaction cost and resource-based perspective and agency theories [285]. Later, Alammar (2018) presents a theory of Multi-stakeholder Managing and Influencing (MSMI) related to CD: a multi-dimensional theory resulting from the elaboration and integration of previous theoretical interpretations of CD, made by adopting in the research the "Straussian grounded theory method"[286].

«Through "managing", business diplomats actively establish and maintain relations, communicate, and engage with different stakeholders while considering

[279] White, 'Exploring the Role of Private-Sector Corporations in Public Diplomacy', 306–7.
[280] White and Kolesnicov, "Nation Branding in a Transitional Democracy," 327.
[281] Bolewski, 'Diplomacy "in Business" and the Business of Humanist Diplomacy', 94.
[282] Suren and Ruël, 'International Business Diplomacy: A Strategy for Increasing MNC's Performance?', 3.
[283] Ordeix-Rigo and Duarte, "From Public Diplomacy to Corporate Diplomacy"; Amann et al., "Managing External Pressures through Corporate Diplomacy"; Alammar, "Business Diplomacy in Practice: A Grounded Theory Study in Management among Professional Diplomats"; London, "Principled Leadership and Business Diplomacy,"; Søndergaard, '"Corporate Business Diplomacy"'.
[284] Amann et al., 'Managing External Pressures through Corporate Diplomacy', 34.
[285] Søndergaard, '"Corporate Business Diplomacy"'.
[286] Alammar, 'Business Diplomacy in Practice: A Grounded Theory Study in Management among Professional Diplomats', 110.

the perspectives of others. Through "influencing", business diplomats acquire the appropriate knowledge that mediates various interactions and positively build their power and authority to shape the operating environment around them»[287].

MSMI theory involves four sub-core elements, which are: interaction and engagement, core knowledge competencies, multi-perspective consideration, and power-authority building[288].

The first sub-core category, i.e. "interaction and engagement", represents the CD dimension of communication, relationship management, and external stakeholders' engagement[289]. This category emerges during the early phases of CD, preceded by business environment's screening and is characterised by the ability to create, engage, interact and maintain a good relationship with various actors in a different context. Additionally, Yiu and Saner (2005; 2014), consider establishing collaborative relationships to defend corporate interests and legitimising the role of corporate diplomats[290].

Secondly, the "core knowledge competencies" category refers to external and internal CD knowledge acquired and developed through external relationships and networking activities.

In Alammar (2018)'s analysis, internal knowledge refers to the level of information and competencies that a multinational embodies to reach its interest and goals through CD[291], while external knowledge is considered the business diplomats' expertise on local and international current affairs, history, politics and international relations.

Contrarily, here we disagree with Alammar (2018)'s findings, considering the suggested distinction insufficient. We suggest that internal knowledge should be the sum of the competencies and expertise owned within the company, among CD offices and managers. External knowledge, on the other hand, refers to all information, expertise, and resources that are not held by the company but can be gathered throughout interactions with the firm's external actors. Kurbalija (2002) sees CD as the 'knowledge profession', which requires diplomats' comprehensive expertise for carrying out negotiation, communication, and representation activities successfully[292]. Similarly, Søndergaard (2014) maintains that CD is

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[287] Alammar, 107.
[288] Alammar, 106.
[289] Alammar, 111–12.
[290] Saner and Yiu, 'Swiss Executives as Business Diplomats in the New Europe'; Saner and Yiu, 'Business Diplomacy Competence'.
[291] Alammar, 'Business Diplomacy in Practice: A Grounded Theory Study in Management among Professional Diplomats', 123.
[292] Kurbalija, 'Knowledge Management in Diplomacy'.

related to worldwide learning and knowledge sharing[293], vital for business success when engaging in diplomacy. Saner and Yiu (2000, 2014) explicitly call for a corporate organisational structure to strengthen internal and external knowledge of CD, best done by establishing a CD department directly linked to the CEO's office[294].

As a third MSMI's sub-category, multi-perspective considerations refer to CD to the extent that management regularly scans the external environment to understand people's motives and needs and to consider multiple perspectives. Business environments are volatile, fragmented and unpredictable[295]. Therefore, to prevent unexpected crises and exploit business opportunities, environmental, socio-political and economic dimensions and trends should be regularly analysed at the local, regional and national level.

Lastly, the power-authority building dimension describes to what extent an organisation (or an individual) can build and sustain power and authority through identifying mutual interests, creating legitimacy and forming alliances with other actors[296]. Multinationals aim to create legitimacy, obtain a social licence to operate, form alliances, and acquire a key position in stakeholder networks and ecosystems thanks to the identification and satisfaction of mutual interests between the company and key external actors. Promoting a «coalition of the willing», including NGOs and governments, leads to substantial power and influence for MNCs, and can contribute to achieving their business objectives[297]. Legitimacy in the context of business diplomacy means that a company is considered credible and accepted by the community where it is operating[298]. Thus, the obtainment of a social licence to operate is one of CD's primary purposes and an optimal strategy to secure foreign investment from potential social conflicts (for example see Para. 1.6).

2.2. Corporate Diplomacy in the internationalisation process

Corporate Diplomacy (CD) is tightly related to the internationalisation process, where «the focus is on foreign business environments»[299]. Small (2014) sees internationalisation as a factor contributing to the emerging need for CD, stating that «where companies from different countries are engaging in commercial activities in multiple jurisdictions, more and

[293] Søndergaard, '"Corporate Business Diplomacy"', 357.
[294] Saner, Yiu, and Søndergaard, 'Business Diplomacy Management'; Saner and Yiu, 'Business Diplomacy Competence'.
[295] Steger, *Corporate Diplomacy*.
[296] Alammar, 'Business Diplomacy in Practice: A Grounded Theory Study in Management among Professional Diplomats', 144.
[297] Riordan, 'Business Diplomacy: Shaping the Firm's Geopolitical Risk Environment', 4.
[298] Ruël, Wolters, and Loohuis, 'Business Diplomacy in Multinational Corporations (MNCs): An Exploratory Study'.
[299] Ruël, Wolters, and Loohuis, 2.

more companies are likely to turn to» CD which «helps resolve disputes in the host countries where they chose to operate»[300]. Besides, Søndergaard (2014) suggests CD as the « [corporate] ability to function effectively and simultaneously in a wide range of market conditions and to interact with external stakeholders such as governments, supranational institutions and global social movements»[301]. The evolving business landscape, where firms operate during internationalisation, is characterised by multiple jurisdictions and stakeholders, with a high degree of unpredictability, meaning that MNCs have no choice but to turn to diplomatic behaviour/means to help deal and resolve potential risks arising in diverse business environments[302]. Hence, CD should be considered as «a core competency for global companies»[303] and «a strategy for a volatile, fragmented business environment»[304], which enables multinationals to reduce international complexity[305], and integrate all the external variables affecting the business into the firm's strategies, consequently enhancing subsidiary performance and embeddedness in the foreign market[306].

During the internationalisation process, CD presents a double function. On the one hand, CD is a risk-managing «diplomatic mindfulness»[307], empowering corporations to shape geopolitical and business environments, preventing threats, influencing politics and international relations, and strengthening economic security. On the other hand, CD refers to proactive strategic management of business environment stakeholders, working as «a two-way flow of interaction»[308], to gather resources and knowledge through network relations and stakeholder engagement, and to bolster firm's reputation, exploring common ground and enterprise opportunities, and seeking possible alliances with key partners.

Furthermore, as shown by Monteiro and Meneses' empirical study (2015), CD strategies and activities during internationalisation processes, (i.e. the relationship engagement in multiple-dimensions with multiple actors), positively contribute to overcoming specific internationalisation burdens, such as reducing the cost of doing business abroad, cushioning negative and suspicious attitudes by local actors, and surmounting the liabilities of foreignness and outsidership[309]. Similarly, Ruël and Suren (2014), develop a model, tested in cooperation with five large MNCs, showing that CD has a direct and positive effect on business

300 Small, 'Business Diplomacy in Practice', 378.
301 Søndergaard, '"Corporate Business Diplomacy"', 357.
302 Small, 'Business Diplomacy in Practice'.
303 Saner, Yiu, and Søndergaard, 'Business Diplomacy Management'.
304 Steger, *Corporate Diplomacy*.
305 Suren and Ruël, 'International Business Diplomacy: A Strategy for Increasing MNC's Performance?', 2.
306 Monteiro and Meneses, 'The Relevance of Business Diplomacy in Internationalisation Processes', 41.
307 Bolewski, 'Diplomacy "in Business" and the Business of Humanist Diplomacy', 91.
308 Saner and Yiu, 'Business Diplomacy Competence', 321.
309 Monteiro and Meneses, 'The Relevance of Business Diplomacy in Internationalisation Processes'.

performance. The scholars point out that CD increases «soft or non-financial indicators», such as knowledge sharing, reputation, company image; benefits which may evolve in «hard financial gains» if CD is enhanced by the firm across long-term projects[310].

Moreover, CD can be considered a strategic management tool. Being an externally oriented philosophy of corporate management, which links strategic thinking and analysis to organisational action, strategic management appears an essential method for coping with external changes. CD entails strategic planning, focusing on and forecasting future environmental trends so that business projects can thrive. It also involves a strategic management process and actively plots a new managerial mind-set, considering how the company may affect the business environment and vice-versa. At a closer look, CD meets all requirements, proposed by Freeman and McVea (2005), to be considered as (corporate) stakeholder approach to strategic management, i.e. to be a single strategic framework, aiming for a firm's survival, dealing and identifying stakeholders and their interests, to ensure long-term relations, while including perspective, descriptive approach, and integrated approach to strategic decision-making[311].

A general strategy of CD must be adaptable to different and volatile business environments. Indeed, as Steger (2003) states «the strategy for corporate diplomacy is highly contextual, industry and company-specific»[312]. Nevertheless, considering CD similar to strategic management theory allows seeking a general CD strategy based on the Deming cycle[313]. Also known as the Shewhart circle, the Deming cycle describes a multi-interaction circular management model for strategy implementation and control. In its most modern conceptualisation, it takes the name of OPDCA, the acronym of the five phases which the process is composed of: "Observe" the context conditions, "Plan" the strategy, "Do" the strategy, "Check" the outcome results, "Act" (also known as "Adjust"[314]) to adapt the strategy with the new feedback[315].

Moving from the OPDCA model, table 2.2. suggests a multiple-interactions and circular model for CD strategy in six steps, based on the elaboration of the research and empirical tests given by Henisz (2017)[316].

[310] Suren and Ruël, 'International Business Diplomacy: A Strategy for Increasing MNC's Performance?', 10.
[311] Freeman and McVea, 'A Stakeholder Approach to Strategic Management', 189.
[312] Steger, *Corporate Diplomacy*, 7.
[313] Deming, *Out of the Crisis*, 88.
[314] Pietrzak and Paliszkiewicz, 'Framework of Strategic Learning: The PDCA Cycle.', 153.
[315] Knop and Mielczarek, 'The Improvement on the Basis of PDCA and SDCA Cycles'.
[316] Henisz, *Corporate Diplomacy*.

Tab 2.2. The six-step circular approach the Corporate Diplomacy strategy

1. *Due diligence*: observe and analyse geopolitical and stakeholder contexts to identify different actors, interests at stake, and the power degree of key actors (in the resource they control and their influential ability).
2. *Integration*: integration of geopolitical risk and stakeholder information in long-term corporate strategies. New local and international context information and stakeholders profiling should become pillars of the broader firm's expertise and plans, seeking business opportunities.
3. *Personal*: multinationals engage stakeholders in personal basis relationships, using a network approach to foster subsidiary trust and legitimacy and obtain the social licence to operate. Effective management of information and influential networks as well as the creation of stakeholder coalitions are essential elements to enable the firm to forecast future scenarios[317], specifically during the internationalisation process.
4. *Learning*: internally adapting CD by receiving stakeholder feedback to reduce risks, grasp unforeseen opportunities and maximise the entry strategy's effectiveness. Optimisation of CD's internal network to share knowledge and design "next practice" for the stakeholders and international environmental management.
5. *Openness*: set-up proactive and reactive strategic communication and stakeholder management activities to strengthen the company's position and reputation in the business environment, reinforcing the social licence to operate.
6. *Mindset*: adjust and re-shape the CD strategy based on external feedback, improving organisational structure, departments and outward documentations. Multinational companies should frequently rethink their CD mind-set and develop innovative training to educate diplomatic executives with updated knowledge and interpersonal skills[318].

The proposed "six-step circular approach" aims to apply strategic management theory to CD, combined with the OPDCA circle. In the suggested model, "Due diligence" matches with the "Observe" step, and "Integration" is related to the "Plan" phase. Both are analytic moments taking place within the company. The "Personal" step is the first outward action of

[317] Riordan, 'Business Diplomacy: Shaping the Firm's Geopolitical Risk Environment', 6.
[318] Riordan, 6.

CD strategy implementation; it is associated with the "Do" phase. "Learning" is an additional stage within the company. It symbolises the pro-active corporate behaviour that questions the strategy during its execution to anticipate objections and not just react to them. The "Openness" step has the double function of enacting and testing the "learning"-related adjustments (which are not structural but only communicative) while gathering as much feedback and knowledge as possible from the stakeholders, sustaining a culture of openness. "Learning" and "openness" together compose the "check" step of the OPDCA approach, aimed at gathering stakeholder feedback, test it in the external context, and elaborate complex intelligence to adjust the strategy. The halfway testing phase estimates the value of the stakeholder information and how they could react to various changes, reducing the risk of overturning the entire CD strategy without having considered its effect on the external environments. The last step called "Mind-set" matches with "Act/Adjust" and involves a deep and comprehensive re-design of the corporate strategy within the firm, adapting and correcting the internal structure and external actions.

Corporate networks play an essential role in identifying and establishing international investment opportunities worldwide (see Para. 1.2). Network view theory considers relationships as the essential element of business[319], able to distribute information flows, create "pipeline networks" among actors, and thus help companies to scout opportunities, risks and valuable alliances during the internationalisation process[320]. Especially in internationalisation's entry market phases, networks have proven to provide crucial information about business conditions and market dynamics[321]and satisfy the resource, knowledge and legitimacy requirements for multinational foreign expansions[322]. Indeed, MNCs' central challenge is to understand the host country's behaviour, grasp local actors' expectations to boost the effectiveness of the external networks, while integrating up-to-date insights of local business environment trends.

However, as Patrick *et al.* (1999) notice, managing a multitude of business and non-business stakeholders in business networks at international and local levels requires diplomatic skills[323] and a considerable firm commitment of time, resources and human capital[324]. To this end, CD can act as a strategic management approach for mastering external

[319] Johanson and Vahlne, 'The Uppsala Internationalization Process Model Revisited'.
[320] Johanson and Vahlne; Meyer and Skak, 'Networks, Serendipity and SME Entry into Eastern Europe'; Li et al., 'Diplomatic and Corporate Networks'.
[321] Tan and Mahoney, 'Examining the Penrose Effect in an International Business Context'.
[322] Johanson and Vahlne, 'Business Relationship Learning and Commitment in the Internationalization Process'.
[323] Petrick et al., 'Global Leadership Skills and Reputational Capital'.
[324] Johanson and Vahlne, 'The Uppsala Internationalization Process Model Revisited'.

relations and reducing the liabilities of foreignness throughout the optimisation of networking cost and utilising diplomatic relationship capabilities while promoting the company's interests in foreign business environments. Being a multi-stakeholder engagement approach, CD is concerned with creating and managing relationships, providing the company with a platform to maximise business networking advantages, deal with states, international institutions, NGOs, business partners, and civil society[325]. Hocking (2006), who refers to this approach as "Multistakeholder Diplomacy", identifies a role and function overlap between diplomatic and networking approaches, aiming to create legitimacy, form alliances, and acquire the right knowledge[326]. Hence, CD seems to be a practical strategic multi-stakeholder management approach, complementary to the network view model.

Concerning the network approach, CD enhances multinationals abilities to maximise relationship management influencing "referral points"[327], i.e. critical nodes within the business environments and among different kind of social communities (such as, social, politic, local, groups). In other words, MNCs should aim at controlling the centre of the connection between different areas of the broad networks, such as those which link either different network levels, i.e. macro international-level, institutional regional-level, country-level, micro-organisational level, individual-level networks, or different areas of the same network level, as focal points within civil society. Controlling central network nodes enables s company to monitor, influence and prevent information flows between different network areas or the same relationship cluster. Any of these network spaces refers to a business environment area, a group of similar external stakeholders, which is context-specific. A networking referral point can consist of a single entity or a group of actors. In the latter case, a cluster of stakeholders is both a network itself and a referral point within a broader network. Referral points are characterised by sharing information between the broader network and a specific group of actors having some issues in common; this specific group or entity, in turn can, have a sub-network to refer to.

As an example, we may consider a specific group of media as a network referral point, such as economic newspapers or a local/international entity, like a trade association, international institution, or research centre. Thus, economic media become focal point among country-level areas, such as mediating economic news among local institutions, citizens and business actors. Similarly, an international institution such as for example the "Hydrogen Council" connects mainly governmental and large business actors sharing the same interests

[325] Hocking, 'Multistakeholder Diplomacy: Forms, Functions, and Frustrations'.
[326] Hocking.
[327] Li et al., 'Diplomatic and Corporate Networks'.

in the hydrogen economy, energy and industry. Controlling, monitoring and shaping a network's node provides information, influence and legitimate power to the multinational, as well as a considerable competitive advantage.

Elaborating the Castells' Network theory of power (2011), we may identify four forms of networking powers related to business environments, that MNCs can obtain thanks to corporate diplomatic activities:

1) *The power of insidership*: the power to gather premium information restricted to the members of the focal point (as a single entity or a cluster of actors).
2) *The internal orchestrator power*: the power to obtain a "premium position" within the node may enable to act as an orchestrator with the power of influencing the node's activities, information flows and decisions made by its members (such as newspapers' editors, executives of different companies, governmental actors, NGO's members).
3) *The external influence power*: as a node member, influencing node's decisions and activity, the company can exert a power over other external actors present in the connected network areas. For example, shaping the agenda setting of a pivotal international agency, a company may affect governmental decisions.
4) *Network-making power*: the power to establish specific networks and partnerships among various stakeholders according to interests and purpose.

Since the «power in the network society is exercised through networks», CD contributes to practices to exploit the networking advantage of the company. These activities can be essential in the pre-internationalisation phases and during the foreign expansion, particularly for investment which requires strong support from local institutions and civil society. For larger multinationals, networks and referral points need to include international and national actors, and the ability to link different markets. The application of CD in network management enables firms to form "coalitions of the willing", nodes based on commonalities to secure their commercial objectives, and include «international institutions, national and sub-national governments, NGOs and other firms, serve as power and influence multipliers» [328]. Analysing overseas investment by Chinese multinationals, Li *et al.* (2018) empirically prove the validity of the cohesion between the network view theory and CD practice, considering home government and diplomatic services as a critical node of the broad networks in which the

[328] Riordan, 'Business Diplomacy: Shaping the Firm's Geopolitical Risk Environment', 4.

Chinese multinationals operate. Complementary, Riordan (2014) states that multinationals suffering from geopolitical, legitimacy or stakeholder relationship issues can be rescued by CD strategies considerably depending «on key networks of influence/information, and interest-based coalitions, which pressure key actors to change their behaviour»[329].

The interdisciplinary nature of CD, combined with political science and specifically international relations, economics and finally social psychology[330], best empowers multinationals to handle networking activities. Indeed, CD businesspeople or managers are appropriate actors to deal with networking strategy since they are typically involved in representation, negotiation, communication, and internationalisation activities[331], advancing corporate interests through relationships and creating alliances with key external players including governments, analysts, the media and non-governmental organisations[332]. More importantly, corporation diplomats scan the environment and identify potential agreement and conflict areas with the stakeholders before implementing a foreign project[333], allowing the company to intervene in specific referral points, to create a stable and long-term approach, and anticipate and manage potential social and geopolitical risks[334].

Analysing how CD is performed by and rooted in various multinationals, Ruël *et al.* (2013) notice that despite MNCs being aware of CD's role and potential, and capable of well defining the concept, not one of the companies they studied applied a clear and organisation-wide diplomatic policy[335]. In some MNCs general diplomatic guideline existed; nevertheless, none of them had a dedicated CD department[336]. Corporate diplomatic activities were largely decentralised to subsidiaries and carried out by other "related" offices, such as Public Affairs, Corporate Communication, Public Relations, Government Relations and Government Affairs departments[337]. To better comply with multiple stakeholders' expectations, international conflict demand and to exploit latent business opportunities a «global software adjustment»[338]

[329] Riordan, 5.
[330] Søndergaard, '"Corporate Business Diplomacy"', 356.
[331] Alammar, 'Business Diplomacy in Practice: A Grounded Theory Study in Management among Professional Diplomats', 83.
[332] Watkins, 'The Rise of Corporate Diplomacy (Finally!)'.
[333] Saner, Yiu, and Søndergaard, "Business Diplomacy Management," 14.
[334] Riordan, 'Business Diplomacy: Shaping the Firm's Geopolitical Risk Environment', 5.
[335] Ruël, Wolters, and Loohuis, 'Business Diplomacy in Multinational Corporations (MNCs): An Exploratory Study'.
[336] Ruël, Wolters, and Loohuis, 12.
[337] Ruël, Wolters, and Loohuis, 12.
[338] Cino and Fontana, *Corporate diplomacy. Perché le imprese non possono più restare politicamente neutrali*, 5.

within MNC global management and foreign operations is required, which should ideally be integrated into the company's organisational culture and structure[339].

Amann *et al.* (2007) and Steger (2003) posit a conceptual framework of CD combining organisational attitude and external pressure[340]. The proposed framework helps to understand the structural transformation multinationals would be required to undergo and the potential external pressures emerging from different stakeholders. The framework has been empirically tested in various complementary case studies, with both qualitative and quantitative methodologies[341].

Moving from the aforementioned framework, a similar CD's model is now proposed, hinged on stakeholder pressure and management structure, but adapted to the internationalisation process. What may change compared to the Amann *et al.* (2007) and Steger (2003) is the necessity to identify specific roles and procedures for the corporate and subsidiary's offices in their organisational attitude, and to point out the peculiarities of external pressures faced during foreign expansion operations.

CD lacks recommendations about appropriate entry strategies, such as foreign direct investments, joint ventures, and licensing. However, based on a literature review, four main features are required for a "diplomatic style business plan": long-term horizon, low degree of risk, adaptability in the progress, easily explainable[342]. Clearly, since CD entails costs in time and resources, a long-lasting project would easier repay the expenses, allowing the wide variety of diplomatic deployments to enter the scheme and produce financial gains[343]. Similarly, hazardous investments should be avoided since the relations and negotiations with stakeholders may postpone profits. Analysing the Monsanto GMO case, Steger (2003) states that «the pressure to generate a high cash flow widened the gap between the well-intended corporate declarations on Sustainable Development and the reality of operations management»[344], exacerbating the firm's relations with social stakeholders and narrowing the solution prospects. Moreover, the foreign investment plan should leave room for negotiations and adaptability. CD interactions with business environments might bring unexpected stakeholders' claims as well as undetected business opportunities to light, whose integration into projects could prevent risks. A certain degree of flexibility is required for «comprehensive

[339] Bolewski, 'Diplomacy "in Business" and the Business of Humanist Diplomacy', 92.
[340] Steger, *Corporate Diplomacy*, 89; Amann et al., 'Managing External Pressures through Corporate Diplomacy', 37.
[341] Amann et al., 'Managing External Pressures through Corporate Diplomacy', 38.
[342] Steger, *Corporate Diplomacy*.
[343] Suren and Ruël, 'International Business Diplomacy: A Strategy for Increasing MNC's Performance?'
[344] Steger, *Corporate Diplomacy*, 82.

problem-solving»[345] adaptation, or what Haynal (2014) defines as «the management of the risk posed by, and the maximisation of opportunities latent in, power beyond an entity's direct control»[346]. Lastly, the firm must be clearly understandable in its venture purpose and operations. The investment should be comprehensible and in line with the ethics of not only local stakeholders but also of international actors, which may complain about controversial corporate decisions[347]. Moreover, several scholars emphasise the need for a high degree of transparency in multinational operations to face civil society pressures[348] and foster resource sharing and access to new opportunities, mainly in cooperation with NGOs[349]. It should be noticed that corporate "morals and language" is interpreted differently among various stakeholders[350]. To prevent tensions, MNCs (often widespread in regional, country and subdivision subsidiaries with their one interests) need to speak distinctly, with one voice[351]. It is best if they support their foreign projects with detailed *outward documentation*, i.e. guideline, statements and reports, to prove the nature, purpose and steps of the planned investment. To this end, a key influential element is the company's declarations stated in its vision, mission and value statements which can favour an internal diplomatic mind-set and become a touchstone for external judgements[352]. Supporting documents should beforehand prove that the company takes local concerns into consideration and acts in compliance with local customs, regulations and internationally recognised standards, such as those enacted by the World Trade Organization (WTO), International Labour Organization (ILO) and World Intellectual Property Organization (WIPO)[353]. The adoption of non-binding international standards is considered by Saner and Yiu (2014) to play a positive role during the internationalisation of a business. Thus, the authors advise MNCs to embrace the OECD Guidelines, as a «mechanism of good conduct, which is an overarching multi-stakeholder agreement including governments, MNEs, labour unions and civil society organisations»[354], to safeguard corporate operations, inspiring confidence and removing scepticism in firm's international stakeholders.

[345] Bolewski, 'Diplomacy "in Business" and the Business of Humanist Diplomacy', 91.
[346] Haynal, 'Corporate Statecraft and Its Diplomacy', 410.
[347] Steger, *Corporate Diplomacy*.
[348] Bolewski, "Corporate Diplomacy as Symbiotic Transnational Governance," 4; Saner, Yiu, and Søndergaard, "Business Diplomacy Management," 81.
[349] Marano and Tashman, "MNE/NGO Partnerships and the Legitimacy of the Firm"; Waddell, "Complementary Resources."
[350] Steger, *Corporate Diplomacy*, 83.
[351] Steger, 179–80.
[352] Henisz, *Corporate Diplomacy*, 142.
[353] Saner, Yiu, and Søndergaard, 'Business Diplomacy Management', 81.
[354] Saner and Yiu, 'Business Diplomacy Competence', 325–236.

Given the need to deal with expanded and changing stakeholder expectations, it is not enough to propose a "diplomatic style" investment project for internationalising companies. However, it is essential to link together core business strategies and the demanding environment in which they operate[355]. CD requires a new way of thinking within corporations[356]. In fact, to improve the gains from internal business environments, MNCs should develop their own form of diplomacy[357], as an integrated function inside the organisation[358] with a tight connection between the company and its subsidiaries. A corporate strategic management structure should be dedicated to handle and maximise the interfaces between international corporations and their external stakeholder networks, multiple businesses (as clients, investors, firms, suppliers) and non-business counterparts (such as governments, media, NGOs)[359]. Due to the complexity and multiplicity of the relations, MNCs cannot rely on external advisors only, nor can they outsource CD management. Instead, multinationals need to seriously build up their own diplomatic competences and structures within the company[360]and establish diplomatic channels and deployment of officials ahead of the actual foreign expansion.

Thus, CD supposes a re-orientation of mind-set[361], a system-wide transformation of the multinational's business practice and organisation, cultivating a long-term attitude and integrating the principles of diplomacy into the corporate strategy for internationalisation[362]. Bolewski (2019) states that the diplomatic mindfulness should modify the managerial style and guiding principles, promoting the outward active listening and identification of key stakeholder, developing a strategy for stakeholder engagement, fostering local and international partnerships and co-creational alliance and establishing a corporate communication based on company's value, which is acceptable to all stakeholders[363]. The goal is to be involved as early as possible in relationship networks and acquire a prime position in the network to maintain and nurture good relations[364]. It would allow firms to anticipate evolving stakeholders' pressures, maximise cross-sector information, gathered by different groups of stakeholders, and elaborate business intelligence to produce "best and next

[355] Monteiro and Meneses, 'The Relevance of Business Diplomacy in Internationalisation Processes', 23.
[356] Bolewski, 'Corporate Diplomacy as Symbiotic Transnational Governance', 5.
[357] Saner, Yiu, and Søndergaard, "Business Diplomacy Management," 83.
[358] Monteiro and Meneses, 'The Relevance of Business Diplomacy in Internationalisation Processes', 23.
[359] Saner and Yiu, 'Swiss Executives as Business Diplomats in the New Europe'.
[360] Saner, Yiu, and Søndergaard, 'Business Diplomacy Management', 83.
[361] Cino and Fontana, *Corporate diplomacy. Perché le imprese non possono più restare politicamente neutrali*, 24.
[362] Bolewski, 'Corporate Diplomacy as Symbiotic Transnational Governance', 5.
[363] Bolewski, 'Diplomacy "in Business" and the Business of Humanist Diplomacy', 92.
[364] Suren and Ruël, 'International Business Diplomacy: A Strategy for Increasing MNC's Performance?', 10.

managerial practices”. Prahalad et Ramaswamy (2004) notice that the creation of business and managerial next practices emerges primarily through co-creational experiences, dialogue and interactions between the firm and its external actors[365]. Hence, a coordinated CD structure is necessary to synthesise new MNCs’ strategies.

At subsidiary level, it is considered beneficial to establish a central unit for CD[366], with the task to guide and coordinate all kinds of external local activities from above, such as public relations, governmental affairs and external communications. For larger subsidiaries, the CD department could be the orchestrator of sub-related offices, even in sub-affiliates. Homogenising all CD activities at the subsidiary level, under one office direction, guarantees local consistency and coherence in external communication, elaborates complementary information from diverse stakeholders, and ensures that soft factor firm performance leads to long-term financial gains[367]. However, dimension, nature, an internal organisation of a subsidiary’s CD structure is too firm and industry-specific and subject to the specific type of foreign investment, to provide an all-encompassing definition here. What should be pointed out is the need for an integrated and well-established *internal network* at subsidiary level, handling interfaces and responsibilities of and with each individual stakeholder. Saner *et al.* (2000) suggest that diplomatic expertise at the firm level has to be a strategic core competence, considered as «the sum of learning across individual skill sets and individual, organisational units»[368]. Thus, no core competence can entirely belong to a single individual or small team[369].

Similarly, at headquarters and regional level, in order to turn CD into a core competence, global companies should establish a CD management function consisting of a CD head office, expanded to embrace or direct all diplomatic functions and sub-related offices, i.e. relations with external stakeholders, including, and placed under the direct supervision of the CEO, to facilitate the gatekeeping function of the CD head unit[370]. The HQ department's main function is to gather, elaborate and share CD expertise with subsidiaries as well as develop next-practices throughout the company supported by global managers, linking the new office in the different affiliates and closely cooperating in the sensitive fields of operations[371]. In other words, the HQ Corporate Diplomacy department is the optimiser of the internal network of

365 Prahalad and Ramaswamy, ‘Co-Creation Experiences’.
366 Suren and Ruël, ‘International Business Diplomacy: A Strategy for Increasing MNC’s Performance?’, 10.
367 Suren and Ruël, 10.
368 Hamel and Prahalad, ‘Competing for the Future.’
369 Saner, Yiu, and Søndergaard, ‘Business Diplomacy Management’, 90.
370 Saner, Yiu, and Søndergaard, “Business Diplomacy Management,” 90.
371 Saner, Yiu, and Søndergaard, 90.

the diplomatic knowledge in a two-way stream: collecting info by various affiliate firms and providing them with up-to-date guidelines.

Saner *et al.* (2000) recommend that the HQ office should be in charge also of formalising links related to strategic planning functions of the corporate, developing a CD intelligence and information system containing the information of corporate-specific main stakeholders, stakeholder groups, and potential areas of conflicts; a mandate to strengthen the overall organisation of CD capacities and relations; a specific CD training program for corporate diplomats[372]. At the same time, the Head Corporate Diplomacy unit may scan the international environment, interact with transnational stakeholders and engage in diplomatic missions at global level, together with international organisations, transnational NGOs, executive politicians, or in situations in which a company's high executive, or even the CEO herself, is required to represent not just a subsidiary firm but the entire company. The recent case of Facebook CEO, Mark Zuckerberg, meeting with the EU digital and industry chiefs to discuss antitrust and regulatory frameworks for the internet is a good case in point[373].

Furthermore, the central unit ensures that the company meets all kinds of varying stakeholders worldwide with a unique message[374], which should be general but adaptable to the specific context of any subsidiary, as well as explainable by the company's general missions, statements and guidelines. As it was noticed by Michael Jensen (2010), from the Harvard Business School: «Without the clarity of mission provided by a single-valued objective function, companies embracing stakeholder theory will experience managerial confusion, conflict, inefficiency, and perhaps even competitive failure»[375]. On that, Ruël *et al.* (2013), refer to CD "policy clarity" to analyse the degree to which a multinational has a clear and organisational CD policy, producing formal or informal guidelines on how to establish and sustain external relations[376], and transfer these guidelines to subsidiaries. This CD internal documentation is conceptually different from the outward one. While the latter are directed towards external stakeholders, the former remain "secret" within the company, coordinate CD offices and initiatives, and highlight strategic CD objectives and alliances that the company wants to achieve.

Despite the growing trend toward downsizing and outsourcing, Suren *et al.* (2000) point out that CD management should be an integral part of the core function of global companies,

[372] Saner, Yiu, and Søndergaard, 90.
[373] Chee, 'Zuckerberg to Meet EU Commissioners Ahead of Antitrust Proposals'.
[374] Suren and Ruël, 'International Business Diplomacy: A Strategy for Increasing MNC's Performance?', 10.
[375] Jensen, 'Value Maximization, Stakeholder Theory, and the Corporate Objective Function', 34.
[376] Ruël, Wolters, and Loohuis, 'Business Diplomacy in Multinational Corporations (MNCs): An Exploratory Study', 5.

since it creates a «feedback loop from the external environment and non-business actors» toward both the company and the stakeholders, thus guaranteeing high value-added contributions to the companies' international business operations[377]. Hence, CD should not be segmented or handled separately depending on specific stakeholders, but instead integrated to allow for coordination and feedback to the core of its strategy and senior management[378].

Complementary to the organisational transformation, CD entails a makeover also in human capital. New challenges in the internationalisation process require new capabilities. Thus, global managers should become competent in CD to successfully represent the broader interests of a global company or the specific purpose of local foreign investments to external stakeholders[379]. CD expertise should therefore be a company-wide responsibility shared by executive management and the respective heads of business units[380]. For Watkins (2007), the essence of CD is in the role of senior executives, who engage «in advancing the corporate interest by negotiating and creating alliances with key external players including governments, analysts, the media and non-governmental organisations (NGOs)»[381]. Corporate ambassadors are also necessary to represent, explain and discuss an MNC's actions vis-à-vis shareholders and external stakeholders, and to mediate potential or ongoing conflicts, may they be of economic, social, environmental or political nature[382]. Thus, corporate diplomats scan the environment and identify potential conflict areas and business opportunities with the stakeholders before implementing a project[383]. Global companies would fare well by developing diplomatic expertise from within and helping their global managers acquire competences in playing the role of a corporate diplomatic manager, which is a task that should be executed or directed by the CD head office since training and the ability to master diplomatic skills is complex.

Lou (2001) suggests and tests the relevance of four building pillars in improving MNC's cooperative relations: resource commitment, political accommodation, credibility and personal relations[384]. The study additionally stresses the importance of having own and well-trained corporate diplomats, since personal relations and network capabilities are essential. It should be noticed that despite a lack of literature on CD managerial organisation, several studies are focusing on necessary and dynamic diplomatic capability and training techniques

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[377] Saner, Yiu, and Søndergaard, "Business Diplomacy Management," 88.
[378] Henisz, 'The Dynamic Capability of Corporate Diplomacy'.
[379] Saner, Yiu, and Søndergaard, 'Business Diplomacy Management', 90.
[380] Saner, Yiu, and Søndergaard, 90.
[381] Watkins, "The Rise of Corporate Diplomacy (Finally!)," paragraph 2.
[382] Saner and Yiu, 'Business Diplomacy Competence', 326.
[383] Saner, Yiu, and Søndergaard, "Business Diplomacy Management," 86.
[384] Luo, 'Toward a Cooperative View of MNC-Host Government Relations'.

to form corporate diplomats[385]. Cooper *et al.* (2008) notice that «diplomatic skills are a type of knowledge possessed by a particular set of professionals and handed down by a long apprenticeship»[386].

Even though we do not analyse all competencies and skills necessary to be a good corporate diplomat, it is worth noticing that human resources and CD managers play a crucial role during the internationalisation process. Henisz (2016) asserts that CD managers must understand and appreciate the history of their functional areas and local traditions and beliefs[387]. Moreover, to better-exploiting network synergies and relationships integration, corporate diplomats should master context-specific diplomatic ability[388], such as in-depth knowledge of local customs, cross-cultural negotiation[389], and indigenous protocol; written or unwritten formality and behavioural norms, which if disrespected might lead substantial negative impacts on the success of foreign operations[390].

Bearing in mind the second dimension of the proposed CD framework, i.e. external pressure, we can assure that the nature, power and complexity of stakeholder environments and their expectations are strongly dependent on the context of operations, as well as on company- and industry-specific characteristics.

2.3. Geopolitical and stakeholder due diligence in the internationalisation process

2.3.1. Geopolitical and governmental stakeholder due diligence

The process of internationalisation opens multinationals up to geopolitical and other context-related risks which demand a company to acquire diplomatic skills to do business abroad in a potentially unstable, fragmented and unpredictable international environment[391]. At a closer look, the existing geopolitical and environmental risks are all but new. Already, the merchants traveling along the ancient Silk Road, between Venice and Peking, in the Middle Ages, had to be equipped with diplomatic, political and multicultural capabilities to

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[385] Henisz, "The Dynamic Capability of Corporate Diplomacy"; London, "Principled Leadership and Business Diplomacy"; Mirvis, Hurley, and MacArthur, "Transforming Executives into Corporate Diplomats"; Saner, Yiu, and Søndergaard, "Business Diplomacy Management."
[386] Cooper, Hocking, and Maley, 'Introduction', 1.
[387] Henisz, 'The Dynamic Capability of Corporate Diplomacy'.
[388] Zhu, Nel, and Bhat, 'A Cross Cultural Study of Communication Strategies for Building Business Relationships'; Zhu, Sarkis, and Lai, 'Internationalization and Environmentally-Related Organizational Learning among Chinese Manufacturers'.
[389] Zhur and Zhu, 'Communication Barriers to Negotiation: Encountering Chinese in Cross-Cultural Business Meetings'.
[390] Sgrelli, *Il galateo istituzionale. Quando la forma è sostanza. Il comportamento formale nelle istituzioni e nelle aziende.*
[391] Riordan, 'Business Diplomacy: Shaping the Firm's Geopolitical Risk Environment'.

succeed in their trade and negotiate safe entry and business fees among colourful political powers. Later, the British and Dutch East Indian Company needed to develop diplomatic expertise to deal with sovereign actors[392] and to foster and secure their business in a tricky geopolitical environment, establishing a hybrid form of a business and governmental entity, in cooperative and conflictual relations with their home countries.

In the 21st century, the range and severity of geopolitical and socio-economic risks faced by multinationals increases in number and intensity, becoming a significant threat to foreign business expansion. Companies moving abroad cannot assume, in any region of the world, that the strategic status quo of the host country, and related geographical region, present in the initial internationalisation phase, will remain stable during the entire lifespan of the investment. As a result of globalisation, erosion of boundaries, volatility, and fragmented business and international socio-political landscapes[393] contribute to increasing a climate of destabilisation. Multinationals in different countries need to deal with multiple jurisdictions and societies, engage in complex negotiations, can be exposed the socio-political and economic crises, and face increasing geopolitical risks and general equilibrium changes[394]. Moreover, the decline of US power and the geopolitical shifts from a hegemonic to an increasingly multipolar international order make geopolitical crisis less predictable. With no clear “world policeman”, the ability to have a balance of power and unbreakable promises of foreign policy assistance to sustain the stability of the world order significantly decreases, complicating geopolitical environments and foreign investment planning for multinational companies[395].

Geopolitical threats to MNC’s internationalisation processes can take many forms, depending on the specific situations and produced by geopolitical, political, economic, social and financial instabilities, at all levels. Global companies are facing geopolitical risks and international challenges since they have reached a level of economic and social power and impact similar to that of governments[396]. In the period the foreign investment is under way, companies are exposed to cope with cultural clashes, conflicts, and disputes in host countries, when the local government is unable or unwilling to solve these issues promptly and adequately[397]. Geopolitical or regional issues such as piracy, terrorism, financial instability,

[392] Kesteleyn, Riordan, and Ruël, ‘Introduction’, 303.
[393] Steger, *Corporate Diplomacy*.
[394] Alammar, ‘Business Diplomacy in Practice: A Grounded Theory Study in Management among Professional Diplomats’, 19.
[395] Chipman, ‘Why Your Company Needs a Foreign Policy’, 38–39.
[396] Søndergaard, ‘“Corporate Business Diplomacy”’.
[397] Alammar, ‘Business Diplomacy in Practice: A Grounded Theory Study in Management among Professional Diplomats’.

organised crime, international trade disagreements are some of the business threats that historically were handled by states while today are mostly dealt with by business actors[398]. Even in the traditional sphere of international state relations, the multipolar system lacks success in solving geopolitical problems, leaving companies to manage direct physical and economic threats of civil war, ethnical conflict and interstate wars. Examples are events such as they occurred in Ukraine after the 2014 Crimean crisis[399], in the Mediterranean countries affected by the Arab Spring (2010-2012)[400]or in Chile, Iran, Central America, Poland[401]. As a consequence of growing unpredictability in the international arena, multinationals' financial performance and foreign investments` become vulnerable to geopolitical risks[402]. Moreover, foreign operations' also impact the multinational' reputation at home, accentuating the difficulty of dealing with geopolitical challenges.

To give some data concerning geopolitical risks of doing business abroad, in 2013 piracy threats cost around US$ 3.2 billion to the shipping companies, additional to the high human cost and the risks of crew kidnapping. Another example concerns the French industrial and multinational Lafarge operation in Syria. Between 2012 and 2014 the company engaged in questionable behaviour collaborating with the Islamic State terrorist group, also known as ISIS, paying at least €13 million of hush money[403] to secure continuous operations of one of their cement plants seized by the terrorists, a €608 million investment, inaugurated just in 2010[404]. As a result, Lafarge (now part of LafargeHolcim) is charged for crimes against humanity, financing of a terrorist enterprise, deliberate endangerment of people's lives and forced labour, by French courts[405].

As noticed by Kesteleyn *et al.* (2014) «as the international environment moves from a unipolar towards a multipolar system, firms will have to balance their actions in between competing rule sets and value systems. Existing international law may no longer provide reliable protection. Nor can firms always [an entirely] rely on their national governments or embassies»[406]. Old-style managerial and lobbying tools only partially provide a solution to the

398 Alammar, 19; Kesteleyn, Riordan, and Ruël, 'Introduction', 305.
399 Diez, Schiller, and Zvirgzde, 'Doing Business in Ukraine – Multinational Companies in the Trap of Regional Institutions?'; Chipman, 'Why Your Company Needs a Foreign Policy'.
400 Sidki Darendeli and Hill, 'Uncovering the Complex Relationships between Political Risk and MNE Firm Legitimacy'.
401 Yaprak and Sheldon, 'Political Risk Management in Multinational Firms'.
402 Riordan, 'Business Diplomacy: Shaping the Firm's Geopolitical Risk Environment', 1.
403 [EECHR] European Center for Consitutional and Human Right, 'Case Report_ Lafarge in Syria: Accusations of Complicity in War Crimes and Crimes against Humanity'.
404 LafargeHolcim, 'LafargeHolcim Responds to Syria Review'.
405 'Lafarge Lawsuit (Re Complicity in Crimes against Humanity in Syria) - Business & Human Rights Resource Centre'.
406 Kesteleyn, Riordan, and Ruël, 'Introduction', 305.

problem and can even become counterproductive[407]. In this new reality, multinationals need to adopt and develop their political risk management policies, integrated into the broad CD strategy, to analyse business and geopolitical landscapes and identify potential threats before starting the internationalisation process. The most successful companies will be those who adopt CD principles to generate expertise in international affairs and relations, which are central to their operations[408]. Arguing for the adoption of the art of diplomacy in daily corporate activities, Chipman (2016), director of the International Institute for Strategic Studies, wrote in the Harvard Business Review that «the reality in the 21st century is that companies cannot escape politics, nor can they consistently pretend to be politically neutral. The answer is to embrace the need to engage politically and diplomatically»[409].

In order to overcome changing geopolitical risks global corporations are required to obtain diplomatic capabilities and functions. Besides, many large global corporations face state-type challenges and have reached a similar level of importance regarding their economic and social impact[410]. Thus, MNCs are required to act independently and as a state-like organisation to overcome potential threats and establish diplomatic relations with multiple stakeholders to obtain legitimacy and influence[411]. More importantly, businesspeople should assume the roles and tasks of corporate diplomats and ambassadors promoting and defending their interests and defending their organisation[412], demonstrating competencies in the world of bilateral and multilateral diplomacy and international relations[413].

Chipman (2016), the director-general of the International Institute for Strategic Studies (IISS), writes[414] that to overcome geopolitical volatility, shocks, and vulnerabilities multinationals need to:

a) assess geopolitical risks through careful "geopolitical due diligence" (such as threats to security, an increase in economic sanctions, possible changes in the political system or state interventions, actions of local criminality against corporate interest, terrorist surges)

[407] Riordan, 'Business Diplomacy: Shaping the Firm's Geopolitical Risk Environment', 1.
[408] Chipman, 'Why Your Company Needs a Foreign Policy', 38.
[409] Chipman, 40.
[410] Søndergaard, '"Corporate Business Diplomacy"', 357.
[411] Alammar, 'Business Diplomacy in Practice: A Grounded Theory Study in Management among Professional Diplomats'.
[412] Alammar, 19.
[413] Saner and Yiu, 'Business Diplomacy Competence'.
[414] Chipman, 'Why Your Company Needs a Foreign Policy'.

b) empower "corporate diplomatic capabilities" to operate internationally and ensure a company's success in all foreign countries it operates in (engaging in methods and procedures of diplomacy).

CD is a successful strategy to deal with geopolitical risks and satisfying Chipman's clues. CD managers have the adequate power and grasp to organise internal analyst teams and conduct geopolitical due diligence, i.e. geopolitical risk audits. Geopolitical, political and socio-economic trend assessment should be done at country levels but including also regional, interstate and international spheres[415]. Overcoming the liabilities of foreignness and outsidership, CD supports an effective geopolitical due diligence and provides a managerial mind-set open to understanding indigenous and transnational risks, assessed both under a broad geopolitical overlay. Thanks to a developed internal network, CD ensures that sophisticated geopolitical assessments are executed in the planning or entry phases of a foreign expansion and done so regularly. Moreover, the CD department in the headquarters, ideally positioned close to the CEO office, ensures that geopolitical due diligence results are submitted to high management levels, considering capital expenditures and strategic planning, integrated into a holistic foreign investment project and management strategy[416].

Secondly, CD provides strategic and tactical tools to anticipate and face international threats to companies, recognising that there has been or might be a shift in the balance of power and the involvement of multiple stakeholders[417]. Emphasising the need for geopolitical risk management, CD extends outside of organisations to non-business stakeholders and operates across geographical areas, where businesses are the sole actors rather than governments[418]. CD improves the firm's ability to understand potential geopolitical risks affecting its foreign investments, since it reduces physical and cultural distances, i.e. the liability of foreignness, improves the comprehension of indigenous trends, and enables the multinational to get inside of critical networks, i.e. overcome the liability of outsidership and enhance relationships with key actors. CD supports foreign corporate activities, improving the corporation and subsidiary's networks, with significant favourable implications for up-to-date information gathering. Exploiting the potential of CD in networking strategies, multinationals can create strong strategic alliances, work with different stakeholders, stabilise

[415] Riordan, 'Business Diplomacy: Shaping the Firm's Geopolitical Risk Environment'.
[416] Chipman, 'Why Your Company Needs a Foreign Policy', 40; Riordan, 'Business Diplomacy: Shaping the Firm's Geopolitical Risk Environment', 2.
[417] Alammar, 'Business Diplomacy in Practice: A Grounded Theory Study in Management among Professional Diplomats', 19.
[418] Kesteleyn, Riordan, and Ruël, 'Introduction'.

the status quo, and soften socio-political risks. Undeniably, a CD approach sustains MNC's close cooperation with key local and international players rich in valuable knowledge, such as think-tank, institutions, governmental ministries, which could provide geopolitical insights and mitigate uncertainty. As noticed by Riordan (2014), one of the primary functions of CD is to focus «on the strategic use of coalitions of state and non-state actors to shape the firm's geopolitical risk environment», creating stakeholder groups to pressure reluctant peers or marginalise "problematic actors", pursuing a common geopolitical interest[419].

In addition to the previous positive aspects, a managerial corporate diplomacy software is well suited to develop emergency plans for coping with geopolitical and other national crises[420]. Kesteleyn *et al. (2014),* point out that contingency planning extends beyond political work to consular-like activities, such as the evacuation of staff from crises, ransom negotiations, and even to activities similar to military action (e.g. the deployment of private contractors to protect sensible plans in critical area, or the cultivation of local security and information intelligence about piracy and terrorism)[421]. The multidisciplinary nature of CD helps the strategic analysis and planning of geopolitical scenario's, by identifying the latent risk-factors and actors, taking the exponential growth of non-state actors, the power of stakeholder group (which even hold military and social territorial control in a particular region of the world), the existence of dangerous stakeholder networks, implications of new ICT and social media, and dangers of asymmetric tactics into closer account[422].

Bolewski (2018) suggests applying CD strategies even in the borderline case of governmental gaps, with the multinational aiming to fill up this institutional void and play a socio-political role in the host country. He suggests that MNCs with a partnered practice of CD, in close coordination with the home government «could even be legitimised, in case of disruptive or dysfunctional traditional governance, to participate in some form of whole-of-society governance in accordance with an ethic of care, due diligence for geopolitics and geoeconomics, and an engagement strategy of "connect, share and lead" »[423].

In sum, geopolitical volatility, in which MNCs are embedded when internationalising abroad, may be mitigated, reducing related risks, as long as the company takes on a CD approach, which is based on geopolitical assessments, holistic and integrated strategies, and

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419 Riordan, "Business Diplomacy: Shaping the Firm's Geopolitical Risk Environment," 1-2.
420 Riordan, 4.
421 Kesteleyn, Riordan, and Ruël, 'Introduction', 305.
422 Riordan, 'Business Diplomacy: Shaping the Firm's Geopolitical Risk Environment', 4.
423 Bolewski, "Diplomacy 'in Business' and the Business of Humanist Diplomacy," 93.

adapts CD activities to the specific context to navigate challenges across the foreign investment timeline.

2.3.2. MNC's relations with local and supranational stakeholders

The due diligence about external stakeholders in a foreign investment should start taking into consideration the geopolitical context, states and international institutions. Despite the profound geopolitical changes brought by globalisation, which modified the conduct and context for states, partially by reducing their influence, states still remain the major actors in the international arena with great power over internationalisation operations[424]. On the other side, international institutions are the primary international artefacts of the ongoing globalisation, having "accumulated" power and responsibilities, which in turn were lost by states[425]. Li *et al.* (2018) notice that governments, diplomatic service and supranational institutions are a critical node, ''governmental referral point'', between firms and potential partners in foreign locations[426]. The authors suggest that «company's stronger ties to governmental stakeholder can better access and leverage intergovernmental diplomatic connections, thus potentially benefitting from enhanced access to information, reduced political risks, and increased legitimacy»[427].

In this institutional stakeholder group, three types of entities should be considered: home state, host state and supranational governmental organisations (regional or international). All of these institutional stakeholders are driven by their own personal, distinct and volatile interests, and it can be challenging to identify these. Nevertheless, as demonstrated by Egea *et al.* (2020), when establishing developed CD, MNCs acquire necessary instruments and expertise to coexist and positively deal with the other actors' diplomacy, e.g., state, public and economic/commercial diplomacy[428]. As a common rule, multinationals must develop their own diplomacy not to end up being manipulated or try to manipulate another actor's economic and foreign policy[429].

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[424] Steger, *Corporate Diplomacy*, 48.
[425] Coglianese, 'Globalization and the Design of International Institutions'.
[426] Li et al., 'Diplomatic and Corporate Networks'.
[427] Li et al., 659.
[428] Egea, Parra-Meroño, and Wandosell, 'Corporate Diplomacy Strategy and Instruments; With a Discussion about "Corporate Diplomacy and Cyclical Dynamics of Open Innovation"'.
[429] Chipman, 'Why Your Company Needs a Foreign Policy', 42.

MNC-Home government relations

While it is natural to place the most attention on the state and market of foreign expansion, the internationalising company might at least probe geopolitical and commercial advantages given by its home institutions. Thus, strategically planning a corporate outward venture always starts from considering the domestic national state and what it can offer to the company in terms of economic and information resources or strategic alliances with national players.

Suren and Ruël (2014) define "Home-Country government diplomacy" as a sub-category of CD, aiming to purse corporate business purposes through a compromise between home-country and multinational interests[430]. This type of diplomatic relations ascribes a pivotal role to governments since they have the power to shape national economic and business contexts. During the internationalisation process, MNC relations with the home country concern the negotiations between CD and commercial/economic diplomacy[431].

Generally, economic or commercial diplomacy is understood as a particular branch of state's diplomacy that aim to obtain economic advantages for countries[432]. Governments and intergovernmental institutions may endorse outward internationalisation to support the pursuit of economic gains for the country, promoting the foreign investment of domestic companies[433], thereby facilitating job creation, technology and research development, economic growth[434], and increasing tax revenues[435]. Thus, the objective of commercial diplomacy is to promote exports, support outward foreign investments and stimulate international economic ties among multinationals. Commercial diplomacy is then conducted within governmental and state-firm frameworks, supporting domestic business promotion and investments established between a home and a host country[436]. Throughout direct and indirect assistance, host country's governmental institutions may support MNCs in their operations in different countries, helping to reduce risks of entering new markets[437].

Therefore, multinationals may direct part of their diplomacy interacting with home-institutions to gain governmental support to the firm internationalisation. To this end, state institutions are in charge to organise bilateral, regional or multilateral exhibition, collect commercial and socio-political intelligence of foreign countries, supporting national

[430] Suren and Ruël, 'International Business Diplomacy: A Strategy for Increasing MNC's Performance?', 3.
[431] Here, economic and commercial diplomacy is used interchangeably according with Naray (2008) and Saner and Yiu (2014). However, other scholars call for concept distinction, like Monteiro and Meneses (2015).
[432] Asquer, 'What Is Corporate Diplomacy?', 6.
[433] Alammar and Pauleen, 'Business Diplomacy Management'.
[434] Naray, 'Commercial Diplomacy: A Conceptual Overview'.
[435] Asquer, 'What Is Corporate Diplomacy?', 6.
[436] Naray, 'Commercial Diplomats in the Context of International Business'.
[437] Naray, 'Commercial Diplomacy: A Conceptual Overview'.

companies at interstate negotiation, opening up networking interactions and creating national business coalitions[438]. Thus, the power of home-nation can foster MNC's internationalisation, but it is deeply dependent on the quality of already established bilateral relations, between the home and the host state. As an example of successful home-country diplomacy management, in 2016 the Italian Trevi SpA landed a contract to repair the Mosul dam in Iraq, just a few months after Italian Prime Minister, Matteo Renzi, announced that Italy would deploy 450 troops to defend the dam against ISIL[439]. Some states establish a long-term economic diplomacy plans to support national firm internationalisation, such as the UK's "prosperity agenda", which calls for a robust foreign embassy role, or the "Italian System", which identifies some national institutes (SIMEST, SACE, ICE and CDP) as a leading player to pursue commercial diplomacy goals collaborating with Italian companies[440].

All that said, in a growingly complex international arena, multinationals cannot rely only on their national governmental institutions and embassies. Indeed, Riordan notices that (2014): «the nationality of companies has become more fluid, thus making it difficult for them to determine which government or embassy to turn to for help», while «governments have to balance a number of interests and priorities. These may not coincide with those of the firm in question»[441]. The common point between corporate and commercial diplomacy is made by a shared purpose among the firm and the home country, which can change or disappear over time. Then, multinationals may decide to internationalise in a country, where national embassies are not present, carry little weight, or even do not have commercial and economic competences. Moreover, depending on home-host countries' relations, national reputation may already constitute or over time become a part of the problem[442], creating disadvantages for companies too aligned with their national state's foreign policy[443].

CD constitutes a pivotal element to deal with home-country government and policy, seeking for internationalisation advantages and support. However, sometimes, national institutions may lack of efficacy in specific foreign market. Thus, CD should be seen also as powerful strategy for large multinationals to develop their own international character and diplomatic policy[444], partially reduce possible negative national connotation due to the home-

[438] Naray, 'Commercial Diplomats in the Context of International Business'; Naray, 'Commercial Diplomacy: A Conceptual Overview'.
[439] AGI - Agenzia Giornalistica Italia, 'Italian Firm Trevi Lands Contract to Repair Mosul Dam in Iraq'.
[440] Priori, 'The Mutations of Economic Diplomacy in Post Modern Times: A Comparative Analysis between the British and Italian System'.
[441] Riordan, 'Business Diplomacy: Shaping the Firm's Geopolitical Risk Environment'.
[442] Kesteleyn, Riordan, and Ruël, 'Introduction', 305–6.
[443] Chipman, 'Why Your Company Needs a Foreign Policy', 42.
[444] Chipman, 42.

country parent alignment[445]. For smaller MNCs CD approaches help to create a valuable network to gather and buy diplomatic expertise and foreign market intelligence, in the form of consultancies or external advisors, maximising the utility while reducing the dependence on home-country institutions for commercial diplomacy.

MNC-Host government relations

The nature and evolution of corporate relations with the host government have been deeply covered in business literature during the past decade[446], considered a crucial step and network component in multinationals' internationalisation processes[447]. New countries are seen as a potential source of knowledge, resources, and business opportunities by multinationals, which seeks to obtain profits through internationalisation and should develop dynamic and two-tiered relationships with the host government[448]. These relations may turn into a growing interdependence between MNCs and governments[449], which requires a CD approach to be professionally managed.

Host governments have their own commercial diplomacy. Considering the specific internationalisation process of a foreign firm, the host government may regulate, manipulate and influence local business environments, increasing risks and uncertainty for a foreign company aiming to enter the market of the respective host country[450]. New legal regulation could be established to screen entries of MNCs and accordingly to limit their operations[451]. Contrarily, the government can foster a policy to attract foreign investments, interested in boosting the local economy and commercial conditions, emanating regulations and subsidiary norms to improve the business conditions and favour the establishment of foreign firms.

In this regard, both MNCs and host-governments hold a bargaining power that increases the likelihood of a well-working cooperation. On one hand, Ramamurti (2001) conceptualises MNC's sources of bargaining power as «technology, product differentiation, ability to bring in capital, exports, product diversity, worldwide size/ scale, the potential to play countries against each other»[452]. On the other hand, host countries have the control of «granting access

[445] Chipman, 42.
[446] Luo, 'Toward a Cooperative View of MNC-Host Government Relations'; Malyshkov, 'Some Aspects of the Effective Relations between Government and Business'; Ramamurti, 'The Obsolescing "Bargaining Model"?'
[447] Zain and Ng, 'The Impacts of Network Relationships on SMEs' Internationalization Process'.
[448] Ramamurti, 'The Obsolescing "Bargaining Model"?'
[449] Luo, 'Toward a Cooperative View of MNC-Host Government Relations'.
[450] Luo.
[451] Ramamurti, 'The Obsolescing "Bargaining Model"?'
[452] Ramamurti, 26.

to the home market, to natural resources, to local labour or other resources, to incentives, potential to play MNCs against each other»[453].

Moreover, both actors are driven by different long-standing interests. The firm intends to make a profit, while the state (generally) aims at securing and improving national economic conditions. Analysing state interest concepts through the lens of the Jean-Jacques Rousseau's concept of "social contract", we may assume that the first state purpose is to guarantee national and citizens' security, the meaning of which changes depending on the nation-states. In general terms, globalisation and social progress have made the security concept, which governments are demanded by citizens to guarantee broader protection, and now also gradually including health, wealth, environmental, social and economic issues.

In order to establish a profitable relationship with the local government, and its institutions, internationalising firms need to seek shared interests and common points among their own CD and host-government's commercial diplomacy. A rallying point may be found negotiating on firms' and states' bargaining powers, with a corporate behaviour compliant to state interests. Generally, MNC-host government relations are handled by classical Corporate Political Activities (CPAs), such as lobbying, public relations and governmental affairs[454]. Suren and Ruël (2014) consider CPAs as two-fold activities: «On one hand, there are direct activities that are usually carried out by so-called internal political action committees (PACs) which financially contribute to political campaigns; on the other hand are indirect activities including lobbying, which aim at influencing political decisions. These activities show that companies aim at combining tactics in order to alter government policies to their own advantage»[455]. However, with the growing complexity of business and international environments brought by globalisation, CPAs have lost part of their influential power, requiring an adaptation to anticipate political challenges, broaden and deepen analyses of groups affected by new-emanate policies, speed up action to obey the rules, and finally reconfigure CPAs' structures and processes in a more worldwide integrated approach[456].

CD satisfies the requirement for a new MNC-host government relationship approach, promoting a holistic strategy to foster company interests and pursuit an agreement with the host country during the internationalisation process. Specifically, CD enhances firms to move ahead and be involved as early as possible in host-government relations, trying to create long-term oriented connections and expand into indigenous political networks. The success of a

[453] Ramamurti, 26.
[454] Villa et al., 'To Engage or Not to Engage with Host Governments'; Luo, 'Toward a Cooperative View of MNC-Host Government Relations'.
[455] Suren and Ruël, 'International Business Diplomacy: A Strategy for Increasing MNC's Performance?', 5.
[456] Villa et al., 'To Engage or Not to Engage with Host Governments'.

foreign investment requires strong cooperative interaction with host-state institutions and ministries, not only to influence the legislative process and standard creation but also to engage in knowledge sharing and obtain reputational advantages[457]. CD prompts the development of MNC-governmental cooperation based on confidence and responsibility in the relation[458]. These relationships are often very country-specific, making it hard to identify, who is the responsible actor to deal with. Multinationals, depending on their resources and context specificities, may decide to delegate CPAs to various corporate groups or to a local subsidiary unit, integrated within the broader CD strategy. Contrarily, another ploy is to centralise corporate diplomatic activities toward the host government at the headquarter-level, under the supervision of the CEO. Sometimes, specifically for a smaller internationalising corporation, CPAs can be outsourced to consulting and advisory firms, local or international, which have better expertise in the local polity than the company itself. Nevertheless, even in the case of subcontracting CPAs, the design of and control over the CD remain within the company’s borders, as it is a non-delegable strategy.

Well-designed corporate diplomatic activities can contribute in various aspects to strongly improving an MNC’s financial performance[459]. If governments are willing to cooperate, MNCs can engage in establishing transparent rules, developing favourable tax laws, removing business restrictions, enhancing firm placement, which is crucial for networks. For instance, cooperating with local ministries, companies can gain experience in top-down political knowledge transfers, which reduces uncertainty and increases the ability to survive within the foreign environment[460], ensuring co-participation in the policy-making process. Additionally, cooperating tightly with governmental departments, companies can receive an “institutional licence to operate” early-on, which fosters firm recognition within the national business ecosystem, complementary to the “social licence to operate”.

Corporate relations with international and regional governmental institutions

The international institutional framework that structures the interplay of private and public interests developed since the Bretton Woods agreement, to become today’s modern international institutions, i.e. the International Monetary Fund, the World Bank, and the World Trade Organization. The international economic order arose after the end of World War II, relied on national institutions to restrain business behaviour to comply with the rules of the

[457] Suren and Ruël, ‘International Business Diplomacy: A Strategy for Increasing MNC’s Performance?’, 8.
[458] Malyshkov, ‘Some Aspects of the Effective Relations between Government and Business’.
[459] Luo, ‘Toward a Cooperative View of MNC-Host Government Relations’.
[460] Schuler, Rehbein, and Cramer, ‘Pursuing Strategic Advantage Through Political Means’.

international system. Alongside international governmental organisations, regional supranational institutions have been established as a consequence of globalisation. National states decided to form strategic interstate alliances to cope with trans-boundary problems, which could not be handled by one country alone[461], delegating a growing degree of power and authority to institutions, thus making them the actual decision-takers and makers in the specific and often narrow sector, even with the power to enact binding law among the member states. The Europe Union is probably the most advanced and extended case of this "upward-delegation" model.

MNCs should focus more on international institutions, laws, and global decision-making venues, specifically on those directly affecting foreign business and investments[462]. Today, it is no longer sufficient to know the normative and legal requirements of a global company's headquarter country and those where the firm wants to internationalise. Multilateral and intergovernmental organisations are increasingly defining industry standards, at the international or regional level, enacting mandatory regulatory frameworks for global companies[463]. For instance, a company's price dumping strategy might be illegal according to the rules of the World Trade Organization (WTO)[464]. On the other side, a regional interstate organisation may establish industry and commercial subsidies for companies operating or aiming to internationalise within supranational institutional borders, concerning different industrial aspect. As an example, the European Union launched Horizon 2020, a nearly €80 million financial instrument to support innovation and research among companies operating in the EU, to improve European industrial competitiveness[465]. Thus, continuously positive relations with supranational institutions may gain access to valuable information, resources, and knowledge; enhance a company's co-participation in law-making and standard-setting process, securing a precious competitive advantage; and promote a company's legitimacy and recognitions vis-à-vis states and civil society.

Analysing corporate lobbying at the EU level, Taminiau and Wilts (2006) find that developing appropriate International Corporate Political Activities (CPAs) is crucial for a firm, wanting to impose its interests on communitarian decision-making processes[466]. Due to the multilevel legislative framework, the numerous committees and regulatory agencies, and the heterogeneity of institutional interests, the effectiveness of international lobbying

[461] Steger, *Corporate Diplomacy*, 49.
[462] Muldoon, 'The Diplomacy of Business', 344.
[463] Saner, Yiu, and Søndergaard, 'Business Diplomacy Management', 85.
[464] 'WTO | Anti-Dumping - Gateway'.
[465] EU, 'What Is Horizon 2020?'
[466] Taminiau and Wilts, 'Corporate Lobbying in Europe, Managing Knowledge and Information Strategies'.

strategies strongly depends on the quality of corporate knowledge, information and network strategies. International CPA strategies can be based on providing information, expertise or financial support (for institutions and political campaign) to public servants, as well as in creating a simultaneously integrated advocacy strategy at firm and country levels to put bottom-up pressure on international institutions.

Saner et al. (2000) point out that CD can perform well in supranational institutional relations since it need to acquire and develop adequate in-house expertise in international politics, dynamics, law and institutional organisation. Thus the company's diplomats should understand «roles and functioning (legal and political) of intergovernmental organisations such as the UN family institutions, the European Union, and the various other trading blocs (ASEAN, NAFTA, EEA), and understand their impact on international business»[467]. This also involves understanding how to influence decision-making processes in supranational organisations[468], recognise potential points of entry into the legislative process, and coordinate various CPAs at the international level[469]. For this purpose, managers working at the CD headquarter unit should have profound expertise in international law and principles of treaty-making (soft and hard law); legislation elaborated by international organisations (particularly as they affect international business); humanitarian law and human rights; international arbitration, mediation and judicial settlements[470].

In sum, CD is the appropriate strategic tool to influence and gain benefits from supranational institutions, thanks to its usage of specific international politics expertise, extensive internal and external information networks, a holistic approach, diplomatic and negotiation managerial skills, and the integration of multilevel network approaches.

Corporate Diplomacy deployments to deal with governmental stakeholders.

When planning and executing the internationalisation process, MNCs must identify key governmental and institutional stakeholders operating in the business environments, i.e. home and host states and relevant international governmental institutions. Using a CD approach, multinationals take into account actors' nature, structure, power, policies and interests. Knowing their nature will help to understand who they are and what their roles among the business networks is, while the structure is fundamental to plan how to enact influential activities and at what level of their decision-making/taking process. The institutional

[467] Saner, Yiu, and Søndergaard, 'Business Diplomacy Management'.
[468] Saner, Yiu, and Søndergaard, 88.
[469] Taminiau and Wilts, 'Corporate Lobbying in Europe, Managing Knowledge and Information Strategies'.
[470] Saner, Yiu, and Søndergaard, 'Business Diplomacy Management', 88.

stakeholder policies and interests highlight their result-driven strategic plan, and more importantly their intrinsic institutional interests. After having profiled stakeholders extensively, CD seeks a common point between the firm's strategy and the international institution's policies, evaluating all strategies and tools to influence actors' behaviour and conciliate the strategies to develop a "win-win" solution which improves the advantage for the firms and the institutional stakeholder.

As shown by Holtbrüggea, Bergb, and Puck (2007) analysis, who analyse data from the 19 largest German MNCs in their home country and in their subsidiaries in China, France, India, Russia, and the US, noticed that the influence of political stakeholders increases with the size of the MNC[471]. In the same study, they also demonstrate that the relevance of political stakeholders and the intensity of political activities depend on several country- and firm-specific conditions; and that the intensity of political activities is directly correlated with the influence of political stakeholders[472].

CD can use classic lobbying activities and influential modern tools but differs from them, by being a holistic strategy which actively engages institutional stakeholders in long-term relations, using networking tactics, systematically focusing and integrating different stakeholder levels, and operating co-ordinately at home country, host country and supranational levels. As a multidimensional strategy, CD reduces the risks of backfiring a strategy on one level with a strategy on another, while enhancing transversal and cohesive MNCs. CD applied to governmental stakeholder management aims not only one at the firm's new market entry but most importantly focuses on gaining a stable "institutional licence to operate" and on placing subsidiaries in a central point of business networks to secure business success and competitive advantages along the entire internationalisation process.

Unlike Public Affairs, CD understands that firms operate in a four-dimensional holistic space across time, geographical extension and a broad set of stakeholders[473]. Therefore, public affairs (as well as public relations, governmental relations, lobbying to institutional or non-institutional stakeholders) and CSR are activities that can become powerful instruments at the service of the CD strategy, but only if included and integrated into a long-term holistic perspective[474]. Kesteleyn *et al.* (2014) and Riordan (2014) specify that the weakness of public affairs, and other abovementioned company activities, is to be "unidimensional", without taking into consideration the overall context in which multinationals operate. For example,

[471] Holtbrügge, Berg, and Puck, 'To Bribe or to Convince?'
[472] Holtbrügge, Berg, and Puck.
[473] Riordan, 'Business Diplomacy: Shaping the Firm's Geopolitical Risk Environment', 4.
[474] Kesteleyn, Riordan, and Ruël, 'Introduction', 304.

successful lobbying activities to advocate a foreign investment in an Asian country may backfire on a company's business operation in another market, with a certain probability to result in a total negative outcome[475]. Differently, CSR (defined in ph. 1.3) seems to be separated from general risk or stakeholder management, dealing with normative legal requirements[476], and striving to produce a concrete resource expansion useful to overcome internationalisation problems, i.e. local stakeholder's goodwill, or any kind of information, network and business opportunities[477]. Macnamara (2012) writes that, unlike corporate political activities (such as public relations, lobbying, governmental affairs), CD would require corporations to engage in ongoing dialogue with the public guided by specific principles and with mechanisms in place to balance power, amortise conflict, facilitate the negotiation, and maintain relationships even in the face of outright disagreement[478]. Thus, taking on an integrated perspective, CD appears to be the orchestrator of coordination, using all corporate political activities (such as political communication, governmental relations, public affairs, lobbying activities, institutional affairs) and stakeholder relations in a multi-dimensional and holistic framework as diplomatic tools. The following table 2.3 suggests some of the main features which differentiate CD from corporate political activities.

Table 2.3. Differences between Corporate Diplomacy and corporate political activities

	Corporate Diplomacy	**Corporate political activities**
Term	Long-term	Short/medium-term
Area of interest	Wide and general	Legal or specific related
Interlocutor	Corporate external stakeholders	Legislators or decision-maker
Interlocutor level	High ranked personnel	Middle administrative servant
Main purpose	Manage relations and networks	Resolve specific tasks
Dimension	Holistic, multi-level and international	Unidimensional and context-specific
Theoretical focus	Policy and society	Polity
Subcontracting	Cannot be outsourced	Can be outsourced
Information flown	Two-fold flown	One-way toward institutions
Representation	The company and specific subsidiary	Company-specific normative interest

475 Riordan, 'Business Diplomacy: Shaping the Firm's Geopolitical Risk Environment', 4; Kesteleyn, Riordan, and Ruël, 'Introduction', 304.
476 Bansal and Song, 'Similar But Not the Same: Differentiating Corporate Sustainability from Corporate Responsibility'.
477 Kesteleyn, Riordan, and Ruël, 'Introduction', 304.
478 Macnamara, 'Corporate and Organisational Diplomacy', 321.

Political requirement	Operating also in dysfunctional governance	Democracy and functioning institutions needed

2.3.3. **Due diligence of the civil society's stakeholders**

Due to growing globalization, business has been critically affected by the "disintermediation" of the state[479] and by the emergence of a new (local and global) civil society[480], increasingly present in the political, social and economic spheres, traditionally battlefields only of the relations between politics and corporations. The constant pressure from social actors draws out a critical feature in modern states: its reduced ability to provide certainty in regulation and constancy in long-term policy[481]. Thus, corporations have to deal independently with the media, pressure groups, global social movements, and special interest groups[482].

Moreover, during the internationalisation process, the civil society's activism has resulted in multinationals being increasingly challenged by social conflict and disputes in the host countries, where perhaps firms operate in weak institutional settings with strong government roles and relevant cultural differences[483]. This implicates that companies need to be able to cope with complex interactions with multiple stakeholders, during every expansion phase in the host countries, protecting their financial performance and reputation. MNCs can no longer act in a reactive and distant manner but should develop stable and proactive strategies to anticipate latent protest and avoid new risk coming from stakeholders in civil society[484]. Dealing with this new reality through a CD approach would enable multinationals to coordinate actions in local and global civil society arenas, creating and maintaining corporate legitimacy and a good reputation[485]. To successfully understand and handle local society, firms must develop elaborate and efficient due diligence of the social stakeholders and their interests[486]. A central role will be played by the firm's ability to establish relations with key influential stakeholders and control referral points in the networks within civil society. The

[479] Haynal, 'Corporate Statecraft and Its Diplomacy', 397.
[480] Etzioni, 'The Capabilities and Limits of the Global Civil Society'; Onyx and Edwards, 'Community Networks and the Nature of Emergence in Civil Society'; Anheier et al., 'Organizational Forms of Global Civil Society'.
[481] Haynal, 'Corporate Statecraft and Its Diplomacy', 397.
[482] Alammar, 'Business Diplomacy in Practice: A Grounded Theory Study in Management among Professional Diplomats', 19.
[483] Ruël and Wolters, 'Business Diplomacy'.
[484] Haynal, 'Corporate Statecraft and Its Diplomacy'.
[485] Alammar, 'Business Diplomacy in Practice: A Grounded Theory Study in Management among Professional Diplomats'.
[486] Alammar.

prize of MNC's relations with the civil society is not only the management of social threats and the obtainment of a social licence to operate but also new win-win relations with key actors by which they can develop complementary resources and open up new business opportunities. It should be noticed that also the regulatory and governmental authorities themselves are responsible to public opinion since it determines political stability and their re-election[487]. Thus, a conflictual relationship with social stakeholders may have negative effects in the long term, also for the institutional licence to operate, forcing government institutions to take a step back by revoking the already given authorization.

MNC-local community stakeholders

The relations between business and society have become increasingly central in foreign expansion planning. On one hand, this is the product of boundary erosion which improved the power and the interests of social stakeholders for business and political topics[488]. Thus, civil society is being transformed by experience, technology, and education. Social stakeholders have progressively become more vocal and critical of how business is being conducted, and their demands can have a great influence on the company's reputation and success[489]. On the other hand, Porter and Kramer (2002) state that companies today are increasingly dependent on local partnerships to find necessary resources and complete their investments. Business and competitive advantages are increasingly considered the result of the integration of all stakeholders and the local community within the bottom line of the company's operations.

Moving abroad, a company faces a lack of legitimacy, knowledge and access: legitimacy and credibility toward institutions and society, while knowledge in dealing with stakeholders and communities, often with different cultural and moral backgrounds, and different access to opportunities and networks[490]. Moreover, a company's response to social actors' challenges and expectations is no longer feasible with traditional defensive and reactive functions such as public relations[491]. MNCs need new proactive tools to cope with and manage pressures from multiple stakeholders and special interest groups. This requires MNCs to establish multi-stakeholder diplomacy in which actors engage in an active effort to manage conflicting issues and to create networks[492], seeking common points, identifying partnerships and opportunities,

[487] Steger, *Corporate Diplomacy*, 87.
[488] Kesteleyn, Riordan, and Ruël, 'Introduction'.
[489] Ruël and Wolters, 'Business Diplomacy'.
[490] Hocking, 'Multistakeholder Diplomacy: Forms, Functions, and Frustrations'.
[491] Haynal, 'Corporate Statecraft and Its Diplomacy'.
[492] Hocking, 'Multistakeholder Diplomacy: Forms, Functions, and Frustrations'.

and mitigating any potential risks[493]. Thus, as Goddard (2005) notices, MNCs try to get embedded as soon as possible in the local community environment, where they set up long-term and stable relationships to obtain valuable resources and promote corporate reputation to gain a durable social licence to operate[494]. Therefore, CD appears as the best suitable method to deal with local stakeholders in an integrated approach, combining the dialogue with government and institutions. It is also important to remember that every local community is embedded in a regional and international environment and is connected with other networks. Particularly due to new communication technologies, a problem related to local communication or stakeholder engagement can affect the company at the global level and in other markets of operation. CD helps to mitigate the lack of coordination, providing a holistic approach based on a constant dialogue between the headquarter, domestic and host countries and subsidiary branches, to orchestrate and design the best strategies in compliance with the corporate's global policy.

Despite a widespread recognition in literature and practice of the benefits that the firm may get by engaging in local community relationships, there is a lack of theory on how to deal with social stakeholders[495]. In part, it has been stated that a community group approach can be made through sponsoring and donation activities made by Foundation Management Boards[496]. At the same time, a complementary approach aims to engage local stakeholders in topic-related dialogues and seminars directly involving them in the project palling. This engaging attitude creates interdependency and mutual trust between multinationals and local actors, allowing the firm to directly access the precious "indigenous knowledge". An open and inclusive management methodology toward local community, facilitating indigenous knowledge generation, sharing and use, may prevent unknown risks, generate a feeling of community belonging, and support the adaptation of products, services and processes to the specific context, generating benefits for all involved players[497].

For this purpose, Knobel and Ruël (2017) propose four types of dialogue methods to engage local actors, based on the stakeholder dialogue literature: one-to-one dialogue, working groups, roundtables and conferences[498].

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[493] Saner and Yiu, 'Business Diplomacy Competence'.
[494] Goddard, 'Corporate Citizenship and Community Relations'.
[495] Ruël and Suren, 'Introduction to the Volume'; Suren and Ruël, 'International Business Diplomacy: A Strategy for Increasing MNC's Performance?'
[496] Suren and Ruël, 'International Business Diplomacy: A Strategy for Increasing MNC's Performance?', 9.
[497] Kaniki and Mphahlele, 'Indigenous Knowledge for the Benefit of All'.
[498] Knobel and Ruël, 'How Do MNCs Conduct Business Diplomacy?'

Nevertheless, due to the difficulty to map all stakeholders of the civil society, multinationals need to look for some key referral points within the social networks to be used to well-spread and deliver the company's message among local audience. At the same time, the company can apply a scanning methodology to detect key stakeholders of primarily sensitive topics.

MNC-NGO relations

Non-Governmental Organizations (NGOs) have been defined by Teegen *et al.* (2004) as «private, not-for-profit organizations that aim to serve particular social interests by focusing […] on social, political, and economic goals, including equity, education, health, environmental protection, and human rights»[499]. Here, the NGOs label is also used to include non-governmental interest groups made up of social stakeholders; no distinction is made between indigenous and international NGOs, since both can strongly affect the internationalisation process and thus should both be considered. Moreover, a good relationship with international NGOs can lead the way for cooperation with one of its affiliates placed in a foreign market, supporting the multinational embedding process in a local context, and vice-versa. Saner and Yiu (2005) deem international, host and home countries' NGOs as the most important external stakeholders[500] that MNCs face nowadays during internationalisation. What makes NGOs so relevant and strong are their quantities, suffice it to say that in the US the approximate number of NGOs is estimated at 1.5 million[501], and their coverage spans around virtually all possible topics. As noticed by Steger (2003), there are 70 NGOs just dealing with "sustainable tea growing"[502]. Finally, very important is their ability to engage numerous people around a single thematic. NGOs are all but passive actors within business environments. Thus, a proactive engagement can reduce the possibility that non-profit organizations become antagonists to the firm's internationalising project.

Since civil society groups have a distinct role compared with corporations in society, firms can develop relationships and partnership with NGOs to co-create advantages that would be impossible to produce alone[503]. In a complementary-resource strategy, multinationals may combine their resources and strengths in an intersectoral "win-win" alliance with civil

499 Teegen, Doh, and Vachani, 'The Importance of Nongovernmental Organizations (NGOs) in Global Governance and Value Creation', 466.
500 Saner and Yiu, 'Swiss Executives as Business Diplomats in the New Europe'.
501 US State Department, 'Non-Governmental Organizations (NGOs) in the United States'.
502 Steger, *Corporate Diplomacy*, 58.
503 Waddell, 'Complementary Resources'.

organizations to offset their weaknesses and achieve eight main benefits[504]. From a corporate perspective, Waddell (2000) shows that efficient relations with NGOs can enable multinationals to[505]:

1) reduce and manage risks associated with specific projects or general operations in the market of internationalisation, connecting business and community goals and enforcing popular support to the corporate activities;
2) reduce costs and increase productivity, negotiating with community actors and supporting transparent process;
3) develop new products, connecting MNC to indigenous knowledge and advocating for regulatory and standard-setting on the company advantage;
4) open new markets to the MNC, extending the company's trust and legitimacy and providing connections with local networks:
5) improve human resource management, in a directly-controlled subsidiary, as well as, in subcontractors, by monitoring standards and training programs;
6) improve value-chain particularly aggregating and coaching poor-skilled communities;
7) secure the new market from other competitors by developing different kinds of entry market barriers against potential competitors, building distinctive image and supporting standard-setting to the MNC's interest;
8) innovate and create new business opportunities, thinking outside the traditional business box based on deep context-specific knowledge.

Indeed, also Ruël and Suren notice that thanks to valuable NGOs intelligence, MNCs can reduce costs, design new products on the basis of underlying customer needs, employees can be trained on cultural topics and last but not least entry challenges and barriers can be built for others through establishing strong social and institutional networks[506].

Internationalising companies are interested in getting NGOs expertise, which covers not only economic and institutional areas but also more deeply indigenous social levels[507]. Being often horizontally and vertically embedded in the local and international context, and well connected in global networks, non-profit organizations may even obtain specific knowledge

[504] Waddell, 194.
[505] Waddell, 'Complementary Resources'.
[506] Suren and Ruël, 'International Business Diplomacy: A Strategy for Increasing MNC's Performance?'
[507] Suren and Ruël, 4.

of foreign-markets, non-market stakeholders, submarkets, local values and sensitivities. Furthermore, NGOs can play a premium role to promote multinational legitimacy, thanks to their prestige within society, when the firm partially associates and shares the same values with them. Thanks to moral alignment with relevant NGOs, the corporate image can be strengthened, considerably increasing the chances for the firm to survive in the new market[508]. For example, according to Perez-Alemand and Sandilands (2008), the rise of NGO-MNCs partnerships is driven by the multinational's interest to obtain «[sustainability] standards, certification, eco-labelling, social reporting, and Fair-trade products»[509]. Due to this co-creation potential, social and non-profit groups are pivotal partners for multinationals going abroad to enhance, promote, and secure the firm's social licence to operate. Win-win rational partnerships with NGOs provide multinational tools, such as information trickling and early warning networks, to reduce risks and better cope with civil and institutional stakeholder conflicts[510].

MNC-NGO relations generally work as two-fold information ways even though they can assume different shapes. For example, Suren and Ruël (2014) analysing multinational's relations with non-profit organizations, notice that companies establish relations with NGOs as a mutual base for discussing sensible issues, such as environmental protection, and these ties are often based on sponsoring relations and donations rather than on truly co-collaborative partnerships[511]. CD, on the contrary, should be considered essential to establish co-creational alliances with local and international NGOs, identified by sensitive topics and geographical areas covered. Moreover, non-profit organizations are one of the main referral points in the social environment, also working as potential connectors to political and industrial environments. For a local or state government, it will become difficult to shut down a foreign investment if it is consistently supported and considered beneficial by the local community. At the same time, NGOs can be used as "pipe" to indirectly carry advocacy and lobbying activities towards society and politics.

In large multinationals, there is usually a central unit to guide activities with NGOs, since the relations may cover a broad-spectrum from innovation to environmental topics and must be communicated within the whole organization. Another option, made by some MNCs, is to allocate relations with social organizations by subject[512]. In the CD approach, it is of secondary

[508] Suren and Ruël, 'International Business Diplomacy: A Strategy for Increasing MNC's Performance?'
[509] Perez-Aleman and Sandilands, 'Building Value at the Top and the Bottom of the Global Supply Chain', 24.
[510] Steger, *Corporate Diplomacy*, 223–246; Waddell, "Complementary Resources."
[511] Suren and Ruël, 'International Business Diplomacy: A Strategy for Increasing MNC's Performance?', 7.
[512] Suren and Ruël, 7.

importance, who locally deals with NGOs, such as CSR or PR unit, as long as the information and strategies are shared among the company's internal network with the CD department. CD entails the homogenisation and coordination at global level, or regional and then global, of any single corporate external strategy launched locally. Similarly, depending on the type and amount of foreign investment, the department involved in NGO-relations may be placed at the subsidiary, country, regional or holding level. In this way, CD can integrate various social stakeholder clusters, at different levels, such as NGOs at local, national and international level, maximising the benefits and the information gathering. Throughout the NGO's networks, MNCs can develop diplomatic activities to indirectly advocate firm's sensible issues to policy-makers, society and institutions. Thus, multinational can aim to the legally enforcement of a specific requirement or standard that the firm has already, and due to the implementation cost would represent a market barrier against potential competitors.

However, in intersectoral partnerships between NGOs and firms, the harmonization of different roles and purposes can be complex and difficult because the two actors have such different interests, cultures and even ways of perceiving the world[513]. CD must then start by identifying the main interests of the NGOs and potential common points between the company and the NGO's policy, before establishing relations. Despite the publicly declared mission, any NGO is also driven by the need of making money, necessary to foster advocacy, sponsoring and influential campaign activities to support the organization's "purpose". For instance, paying a membership subscription is not enough to get a valuable benefit but can be the starting point to open an information flow and detect future cooperation ways. Additionally, involving the company in developing a joint white paper is a valuable tactic to produce and legitimate reports, maybe linked to the multinational's investment or project. This would give more authority to the publication, fostering the company's influence on decision-makers. At the same time, the NGO increase its visibility as a valuable intermediator between the public and private sectors, playing a facilitator role while supporting the development of a "common good" in line with its no-profit mission.

MNC relations with information channels

During the internationalisation process, the MNC may face the need to promote its own message, mission and vision to the external audience, or to defend the company's interests from public accusations. Traditional media, newspapers, and also think tanks and business associations play a considerable role in acting as an echo chamber among civil society and

[513] Steger, *Corporate Diplomacy*.

institutions able to generate coverage and comments. As noticed by Henisz (2014) «the source, verb and target can be coded for each stakeholder event with the verb classified on a conflict-cooperation scale»[514]. They represent key referral points between governments social and business networks, within national, international contexts.

Steger (2003) refers to media as «one of the most powerful, yet least trusted and least accountable, institutions in the world"[515]. Less trust because media are not required to tell the truth or the entire truth but being a private entity, they serve their own interest. This, in turn, has led to a loss in their accountability. Nevertheless, media conserve a high degree of influential power since they indirectly work as influencers of the civil society and institutional "agenda-setting". Hence, media define which topic should receive attention, how the problem should be depicted and, to some extent, also perceived by the public opinion, endorsing a qualitative assessment[516]. Contrarily, think-tanks hold high credibility, especially among institutional actors, are often related to a limited topic ranges, composed by specialized professionals and have even been officially recognised by state's ministries. During the internationalisation process, the media and think-tanks represent a central node among social networks and to link the company to the society. Media may widely contribute to satisfying a key element of stakeholder engagement which is not « "who" you engage first but "how" you reach the people you wish to engage first»[517], potentially reducing time, costs and effort for the company.

Media are able to broadcast repeatedly the same message, in different way and forms, to a wide audience. Indeed, broadcasting coverage can be easily cross-country, producing far-reaching outcomes. In the present «goldfish bowl transparency»[518], events occurring at the remotest corner of the world may be suddenly spread around the world. Media *per se* is a worldwide and highly interconnected network of information and influence. Nonetheless, from the perspective of an internationalising company, media are a "neutral loudhailer", neither negative nor positive. In fact, the media's ability to stimulate dialogue and audience's interest in a certain issue can become a major threat for the company or its best ally. The outcome depends on the effectiveness of CD strategies towards media and the managers' ability to create preventive and proactive relations with key media and journalists. News can be instrumentalised to support the public promotion of the corporate interest, particularly

[514] Henisz, 'The Dynamic Capability of Corporate Diplomacy', 31.
[515] Steger, *Corporate Diplomacy*, 68.
[516] Steger, 69.
[517] Henisz, *Corporate Diplomacy*, 41.
[518] Steger, *Corporate Diplomacy*, 70.

regarding those aspects that are easy to be depicted as acceptable storytelling for the public opinion.

Think-tanks, on the contrary, are often issue-specific, for instance in geopolitics, economy or energy. An internationalising company should understand which think-tank is more closely related to the project-issues and better linked to the relative policy-makers, based on context and investment-specific features. In fact, think-tanks can serve the firm, to access specific and highly professional networks, support specialized information gathering, contribute to advocacy activities toward governmental institutions and co-create white papers, informative reports, or private business intelligence on local and global issues[519]. Thanks to their established credibility among civil servants and institutions, think tanks regularly organise prestigious workshops in governmental contexts, promoting thriving dialogue and debate on specific topics, to set issues on the public agenda and affect the legislative process. Moreover, the partnership with a think tank guarantees access to the "club", participating in meetings and seminars where a company can establish business relationships and scout for opportunities. Consequently, MNCs collaborating with think-tanks can obtain institutional legitimacy and gather valuable connections and information within government and business networks.

Similarly, at the international level, Muldoon (2005) argues that through business associations such as the World Business Council for Sustainable Development, or participation at global forums, like the World Economic Forum, multinationals «are able to affect the outcomes of issues on the international agenda by inserting themselves at critical points in policy processes, to pre-empt national and international legislation and regulation through the adoption of self-regulation and standards-setting, and to deepen already close relationships with national governments and regional and global institutions»[520].

CD thus is essential to take part in multiple international fora, meetings and media channels in order to safeguard and promote corporate image and interest. Transversal institutional and business networks are particularly significant sources of intelligence and resource to sustain entry market phases when the reputation and connections at the local level are under development. Sponsoring research and intersectoral summits, in direct or indirect coordination with local or international "information players", enables a multinational to set its interest in political debate and agenda, in a favourable light, while also influencing public opinion[521]. As noticed by Saner *et al.* (2000), CD managers should «know how to defend the

[519] Muldoon, 'The Diplomacy of Business', 352.
[520] Muldoon, 346.
[521] Steger, *Corporate Diplomacy*, 184–85.

interests of their multinational company be this in private and official discussions, or in negotiations with foreign opinion leaders and government officials. They need to effectively manage interactions with the media or other communication channels such as newspapers and conferences»[522]. Mastering public speaking and media skills (keynote speeches, TV interviews, press conferences) is a prerequisite for managers to enact diplomatic information tactics to support strategic planning regarding stakeholder engagement. Henceforth, CD appears also as a communication management framework. Corporate communication (which is not a subject of the present study) is one of the central tools to enact a successful CD strategy in foreign expansions. Moreover, tight connections with media can also create awareness and reactive systems, enabling the company to detect threats early on and prompt responses to new challenges. Indeed, good relations can reduce the firm's response time that Kesteleyn (2014) esteems normally on an average of 21 hours, while in contrast, crises can spread to international media within an hour[523].

Considering information channels a relevant network node, CD should seek possible common interests and entry points with different broadcasting services to establish powerful relations. Journalists, of generalist or specialized media, are often interested in publishing CEOs' and high executives' interviews or in writing articles about innovative business projects, which in turn would increase the status of the magazine. Just to give an idea of the scale of the media's ability to catch the audience, it has been demonstrated that a CEO interview in the financial broadcast CNBC is able to generate a significant positive abnormal return of 1.65 per cent in a company's stock price on the day of publishing[524]. Not surprisingly, after all, the chief executive is the main corporate ambassador, which ensues in the appearance of the so-called "celebrity CEO"[525], representing the company outward with strong media and social media presence.

Stakeholder mapping and prioritising tools

When analysing various stakeholder types and groups, a company needs to take into consideration all actors who have a stake in the outcome of the projects, and those who can directly or indirectly influence the success or failure of the investment. A useful classification framework has been proposed by Henisz (2017). It combines the power of stakeholder power with its salience. The power of a stakeholder reflects the extent to which it can control essential

[522] Saner, Yiu, and Søndergaard, 'Business Diplomacy Management', 16.
[523] Kesteleyn, Riordan, and Ruël, 'Introduction', 304.
[524] Kim and Meschke, 'CEO Interviews on CNBC'.
[525] Lovelace et al., 'The Shackles of CEO Celebrity'.

tangible or intangible resources and information channels and subsequently influence public and institutional opinions affecting the outcome of an investment[526]. Power is also linked to the stakeholder's ability to provide or damage institutional or social licences to operate. On the other hand, salience refers to the stakeholder's level of concern regarding the project. In other words, it measures how much stakeholders care about MNC's local investment. On the base of this analytical framework, companies can generate a classification matrix, (see Table 2.4), prioritising which stakeholders should be engaged given their respective "effective power" (the outcome of power × salience).

Table 2.4. Stakeholder classification matrix of "effective power"
elaboration based on Henisz (2017)

Power	High	Keep satisfied	Keep directly involved
	Low	Minimum effort	Keep informed
		Low	High
		Salience	

The results of such an analysis are both useful for prioritising stakeholders and choosing an approach on how to interact with them. In this case, the most relevant stakeholder (with the highest effective power) would be placed in the top right quadrant; multinationals must not only address the concerns of these prioritised actors but also need to include them in the project planning and implementation phase concretely. Typically, this group includes local communities, NGOs and social organisations directly affected by the investment, which want to be included in the investment project and can exercise significant pressure on the company. Stakeholders in the upper left quadrant (high power and low salience) should be reassured and kept satisfied in the course of the implementation phase of the project. Often, government and regulatory authorities are placed in this cluster. Companies may devote resources or technologies to comply with these actors' wishes, which traditionally in developing countries ask for infrastructure or service compensation (such as for example the construction of a school). The stakeholders in the bottom right (low power and high salience) should be informed regularly to appease their concerns. Often, they can themselves serve as information

[526] Henisz, *Corporate Diplomacy*, 22.

nodes, such as media, NGOs, newspapers, even though they are not directly involved in the investment. Lastly, actors in the lower left quadrant (low power and low salience) do not require much attention. Nevertheless, it should be noticed that all stakeholders must be considered at some point because if neglected, they may be incentivised to get more active and involved (increasing their salience) or to create an influential alliance (improving their power).

Similarly, scholars have proposed other approaches, integrating additional stakeholder features into the analysis. For example, d'Herbemont and César (1998) offer a framework, which includes the stakeholders' disposition, or attitude, toward the company. The critical question here is whether the actor aims to contribute to the company's achievement of the social licence to operate or if it is an antagonist to the foreign expansion of the company[527]. However, this structure does not take into consideration the effective power of the stakeholders. To close this gap, Murray-Webster and Simon (2006) propose a three-dimensional framework consisting of power, interest (i.e. salience) and attitude[528]. "Attitude" measures the extent to which the stakeholders aim to either block or support the company's projects, contributing to the (non-)obtainment of the social licence to operate.

Nevertheless, most stakeholder mapping tools fail to take the nature of stakeholders' concerns into consideration. In the previous models, the label "interest" aims to examine how much the actor cares or does not care about the project, and not why or what it is the concern on. To have a more comprehensive understanding of the local business environment, companies must focus on a conceptual framework that allows to analyse and standardise the nature and features of stakeholders' concerns, independently of the specific context and area of business operation (see Part III).

2.4. Specific main barriers to the implementation of Corporate Diplomacy

This thesis proposes Corporate Diplomacy (CD) as a strategy enabling a company to anticipate and overcome risks and seek for opportunities, when dealing with stakeholders in new and foreign business environments. During the internationalisation process, CD provides a valuable and holistic framework to interact, engage and co-create values in relations with different sets of external stakeholders.

[527] D'Herbemont and César, *Managing Sensitive Projects*.
[528] Murray-Webster and Simon, 'Making Sense of Stakeholder Mapping'.

However, there are hurdles to the implementation of CD and situations in which it can either be misused or even poses additional risks to the respective global company and its subsidiaries. Implementation barriers can create corporate internal or external obstacles. The impediments of CD are incredibly apparent during foreign expansions, when the subsidiary's CD department is still in its development phase and local contexts are blurrily outlined.

In the following, six main barriers to the implementation of CD in foreign expansions are explained:

1. *Company and managerial attitude***.**

The mind-set and values of top management may be concerned only with short-term financial and market results since the quantitative performance criteria are often seen as a "mantra" priority by shareholders. Contrarily, CD requires a long-term perspective and must be considered as an intangible asset, producing non-financial as well as financial benefits, and therefore leading toward competitive advantages similarly to R&D and innovation[529]. Therefore, the importance of CD should be understood by shareholders and executives and spread top-down and vertically to the smallest and furthest subsidiaries. Corporate culture and organisational structure may be rigid to change. It may become particularly problematic to convince those regional business units, which marked economic success and have a high degree of autonomy, to adapt CD in further internationalisation operations. Thus, CD should be implemented by identifying internal change-resistors, communicating the benefits of the new approach to them, while eventually also instrumentalising an internal "power-promoter", who optimally can be the CEO[530].

2. *Corporate Diplomacy requires a comprehensive and consistent strategy.*

CD is successful only when implemented as an integrated, holistic and wide-ranging approach[531]. CD must be codified, shared and tested within the multinationals. The internal network should be connected, sustain knowledge and share "best practices" among different business units. Only a well-established structure, linked to the CEO office, can ensure the internationalising units to "speak with one voice and act as a single body", implying global corporate uniformity in communication and actions. This is essential during the foreign expansion, when the CD department at corporate level must provide clear guidelines, goals

[529] Egea, Parra-Meroño, and Wandosell, 'Corporate Diplomacy Strategy and Instruments; With a Discussion about "Corporate Diplomacy and Cyclical Dynamics of Open Innovation"'.
[530] Steger, *Corporate Diplomacy*, 176.
[531] Steger, *Corporate Diplomacy*; Henisz, *Corporate Diplomacy*.

and action plans to local managers to ensure a successful entry into the new market. Since a company cannot take multiple positions on crucial social and political issues, to overcome public scepticism, and reap non-market benefits, consistency and long-term commitment are essential elements[532]. Multinationals need to have conformity in their strategic principles and actions, to not lost credibility and legitimacy globally and in different markets.

3. *Autonomy vs control of decentralised business units.*

To fully exploit the advantages deriving from local competitive and knowledge-rich contexts, CD offices, placed at subsidiary level, must reach high levels of external embeddedness[533]. Thus, the CD department at local level must be endowed with a high degree of autonomy to develop indigenous networks and collaborations. At the same time, an affiliate's autonomy is severely constrained by a system of international interdependence in terms of knowledge, resources and decisions. The interdependence of the local unit with its internal network works as a powerful centripetal force, while the need for autonomy and integration in external networks produces a centrifugal effect[534]. To harmonise both trends a considerable effort and the coordination trough procedures and mechanism of control are necessary, to avoid that local company diplomats carry out their activities in an unethical and compromising way. This risk can even get more prominent in case of cross-cultural diversities between the company and local context, and between the headquarter and subsidiary managers.

4. *Standardisation vs adaptability dilemma.*

The requirement to have robust internal and external documentation creates the need to design a standard CD methodology, supported by a set of tools and instruments repeatable in different places and at different points in time. Contrarily, the multinational may perform diplomatic activities during the internationalisation well in one market and not in another, without being able to compare the two cases and understand what went wrong. As noticed by Steger (2003), «the case-by-case approach definitely lacks any forward-looking element so that, normally, companies are taken by surprise when something emerges – and react too late, therefore being forced mostly to make defensive moves»[535]. Consequently, CD should not be considered as a "spot project-planning" activity, but it must become an intrinsic part of the

532 Bach and Allen, 'What Every CEO Needs to Know About Nonmarket Strategy'.
533 Caroli, *Gestione delle imprese internazionali*, 198.
534 Zanfei, 'Transnational Firms and the Changing Organisation of Innovative Activities', 517.
535 Steger, *Corporate Diplomacy*, 178.

corporate culture, standardised to be globally implemented as a "business as usual". At the same time, CD needs to survive and thrive in different context across the latitude, and this requires a certain degree of adaptability.

5. *The "first-mover disadvantage".*

Implementing a new strategy requires a certain degree of risk-tolerance by executive managers, particularly when it comes to investments in intangible assets, such as CD, which are difficult to quantify in terms of returns. The initial lack of knowledge, tools and processes make the company vulnerable to hazard-risk[536], also connected to the apprehension that CD can be costly, time-consuming and without immediate results[537]. Specifically, during the internationalisation entry steps, multinationals may find it complex to identify corporate diplomats aligned with the company's mission and values and skilled enough to understand local cultures and relational dynamics. For this purpose, MNCs often decide to hire former State diplomats and officials, who previously operated in the specific country or area[538], and already developed diplomatic and negotiation expertise.

6. *Unethical diplomatic conduct, bribery perception*.

Issues such as corruption, bribery, violence, misuse of diplomatic efforts or human rights violations pose a challenge to CD[539]. Examples of unethical behaviour include the company's use of political activities considered as illegitimate[540], or when a multinational company negotiates "security" for its business operations by buying peace from terrorist actors[541]. In a qualitative study, various MNCs state that the risk of having their own diplomatic activities perceived as corrupt by society is a constant threat in foreign operations. Thus, multinationals «need to be careful about being as transparent as possible and to employ a functioning compliance system to prevent abuse»[542]. Local corruption does not create value in the long-term, since as soon as they get unveiled publicly, the company image is harshly damaged, locally and worldwide. Corporate diplomatic activities at the subsidiary level should therefore be strictly controlled by the headquarter and carried out in a transparent and open way.

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536 Alammar and Pauleen, 'Business Diplomacy Management', 20; Steger, *Corporate Diplomacy*, 176.
537 Small, 'Business Diplomacy in Practice', 384.
538 Saner and Yiu, 'Swiss Executives as Business Diplomats in the New Europe'.
539 Ruël, *Diplomacy Means Business*; Saner and Yiu, 'Business Diplomacy Competence'; Small, 'Business Diplomacy in Practice'; Alammar and Pauleen, 'Business Diplomacy Management'.
540 Bucheli and Salvaj, 'Reputation and Political Legitimacy'.
541 Belhoste and Nivet, 'The Organization of Short-Sightedness'; LafargeHolcim, 'LafargeHolcim Responds to Syria Review'.
542 Suren and Ruël, 'International Business Diplomacy: A Strategy for Increasing MNC's Performance?', 9.

PART III

Corporate Sustainability
as a complementary asset to Corporate Diplomacy

The complex, dense and colourful nature of civil society and institutional stakeholders, their interests, attitudes, strategies and actions make it impossible to map each and every stakeholder by groups[543]. An accurate due diligence assessment must therefore assume a margin of error and the probability of involuntary omitting key external actors or groups. Moreover, stakeholders' pressure and features during the internationalisation process are extremely different depending on sector, industry, type of venture and context of operations[544]. At the same time, pressures over the company may arise at transversal and multinational levels. It can happen that one single person, even when located in another country than that of the expansion target, exercise a considerable influence in a specific topic up to the point of deeply impacting the company's internationalisation operations. For instance, the activism of Pope Francesco in sustainable, environmental and economic themes[545] makes it necessary to include and consider Him as a stakeholder in any foreign expansion, since His messages about sustainability have a global echo among the Catholics.

Hence, multinationals need to look for possible support to their Corporate Diplomacy (CD), helping to analyse stakeholders and their expectations from a different and complementary perspective, maybe also by providing support to increment CD's consistency.

There are various reasons to believe that these gaps can be filled up by adopting sustainability principles, which in turn will produce additional benefits. Furthermore, Bolewski (2019) suggests that a conceptual and behavioural corporate reluctance to establish

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[543] Steger, *Corporate Diplomacy*, 114.
[544] Steger, *Corporate Diplomacy*.
[545] 'Pope Invites Countdown Participants on a Journey toward Climate Change - Vatican News'; 'Laudato Si' (24 May 2015) | Francis'.

CD practices is rooted in a wide non-knowledge of CD (which we attempted to deal with in the Part II) as well as a lack of understanding of the value of sustainability practices[546]. Often multinationals focus only on commercial and financial performance, neglecting the relevance of social and political concerns for sustainability.

MNC's relations with governmental and community actors should be based on a cooperative process, enabling to deliver sustainable solutions to joint problems. Some of the main geopolitical and social threats, faced by a multinational business, require partnered crisis management and shared sustainable response[547].

As a matter of fact, CD should not be misunderstood as an upgrade of corporate lobbying and communication activities. Contrarily, it is about establishing long-term company embeddedness in local environments through stable and productive relations with stakeholders to seek legitimacy, obtain the social/institutional licence to operate and resolve local problems with co-creational and win-win solutions, genuinely interested in stakeholders and their needs. In other words, if CD is mainly a stakeholder-oriented strategy to create long-lasting relationships, Corporate Sustainability (CS) is the issues-oriented complementary approach to analyse the content and problems of these interactions. Thus, CD and CS seem to be two sides of the same coin. Mogensen (2017) goes beyond classical CD definitions, considering it as «a relevant concept for activities which transnational corporations engage in, when they perceive an opportunity or a problem in a host country and try to develop a sustainable solution in collaboration with relevant stakeholders at all levels, including civil society»[548].

This Part III aims to outline the complementarity relations between CD and CS and how sustainability principles and tools can be instrumentalised by corporate diplomats to boost their activities during the internationalisation process. First, we analyse the materiality matrix as an example of a valuable sustainability instrument, supporting corporate diplomats to understand matters and battlefields of possible clashes or cooperation with external stakeholder.

[546] Bolewski, 'Diplomatic Engagement with Transnational Corporations', 43.
[547] Bolewski, 'Corporate Diplomacy as Global Management'.
[548] Mogensen, 'From Public Relations to Corporate Public Diplomacy', 606.

3.1. Corporate Sustainability's contribution to corporate diplomatic activities

The contextual business environment is inhabited by state and non-state actors, who are moved by their interests and significantly impact both the market and the company's possibility to succeed in the new country[549]. In a typical internationalisation operation, it is not sufficient to collect and map stakeholders by their type, i.e. institutional, social, informational, or by their power, i.e. the ability to influence other opinions and to act as referral points among networks[550]. This would only work when companies know all actors of the business environment and their powers individually, which is nearly impossible[551]. To better develop a comprehensive view of local stakeholder landscapes, multinationals need to include the nature and legitimacy of stakeholder's claims in their analysis, next to the "effective-power matrix". This requires the multinational to analyse and deal with a multitude of environmental and social issues, which may be company-specific[552], combining the higher economic viability criteria with public expectations in order to secure a long-term social and institutional licence to operate.

Moreover, the power and attitude of a stakeholder often evolve over time[553]. For example, an influential group can attract political support or mobilise an international alliance. Similarly, an NGO can change tactic from cooperation to conflict in the course of a debate, which might evolve into a bidding war motivated by the organisation's goal to get more benefits. Well-knowing hypothetical areas of tension or cooperation, and the margin of negotiation both for the company and stakeholders, enables MNCs to avoid detrimental frictions and better manage interactions with institutional and civil players. It is also a valuable approach to map stakeholder expectations by their nature and legitimacy throughout the lens of sustainability, focusing on economic, social and environmental dimensions.

The materiality analysis to map possible stakeholder battlefields

Sustainability is not just a corporate behavioural approach useful for CD, but also provides robust and strategic instruments to support the relations with stakeholders and the internationalisation process. An example of a practical sustainability tool for this purpose is the materiality analysis. Materiality analysis is a multi-purpose instrument proposed by the Global Reporting Initiative (GRI) to select sustainability issues from the dual perspective of

[549] Steger, *Corporate Diplomacy*, 101.
[550] Henisz, *Corporate Diplomacy*, 22.
[551] Steger, *Corporate Diplomacy*, 118–19.
[552] Muldoon, 'The Diplomacy of Business'.
[553] Steger, *Corporate Diplomacy*, 118–19.

companies and stakeholders, involving both parties to co-identify present and emerging social, economic and environmental risks and opportunities[554]. The materiality matrix proposes a broad set of categories and aspects (see Table 3.1) to ensures that companies include all topics of high interest to the stakeholders and of most significant performance impact to the company[555].

Table 3.1. Example of categories considered by the GRI materiality analysis[556]

Categories	**Economic**		**Environmental**	
Aspects	▪ Economic performance ▪ Market Presence ▪ Indirect Economic Impacts ▪ Procurement Practices		▪ Biodiversity ▪ Emissions ▪ Compliance ▪ Environmental Grievance Mechanism	
Category	**Social**			
Sub-categories	**Labour Practice and Decent work**	**Human Rights**	**Society**	**Product Responsibility**
Aspects	▪ Employment ▪ Labour/management relations ▪ Occupational health and safety ▪ Training and education ▪ Diversity and equal opportunity	▪ Non-discrimination ▪ Freedom of association and collective bargaining ▪ Child labour ▪ Indigenous rights ▪ Human rights grievance mechanisms	▪ Local communities ▪ Anti-corruption ▪ Anti-competitive behaviour ▪ Compliance ▪ Grievance mechanism for impacts on society	▪ Customer health and safety ▪ Product and service labelling ▪ Marketing communications ▪ Customer privacy ▪ Compliance

More specifically, the materiality matrix would determine which topics are sufficiently important to be considered, pondering stakeholders' needs and the company's impact in the local context, i.e. the positive or negative social, environmental and economic consequences of its operations. Not all material topics are of equal importance, and their respective emphasis within a report is expected to reflect their relative priority[557]. Materiality analysis is therefore fundamental to CD to consider sensible and relevant concerns of local stakeholders, specifically related to the nature and activities of the multinationals.

Furthermore, identified topics are analysed on the basis of their internal and external relevance. Issues are prioritised internally from the company's perspective through

[554] Calabrese et al., 'Materiality analysis in sustainability reporting'.
[555] Herremans, Nazari, and Mahmoudian, 'Stakeholder Relationships, Engagement, and Sustainability Reporting', 430.
[556] 'G4 Sustainability Reporting Guidelines', 4.
[557] 'GRI 101: Foundation'.

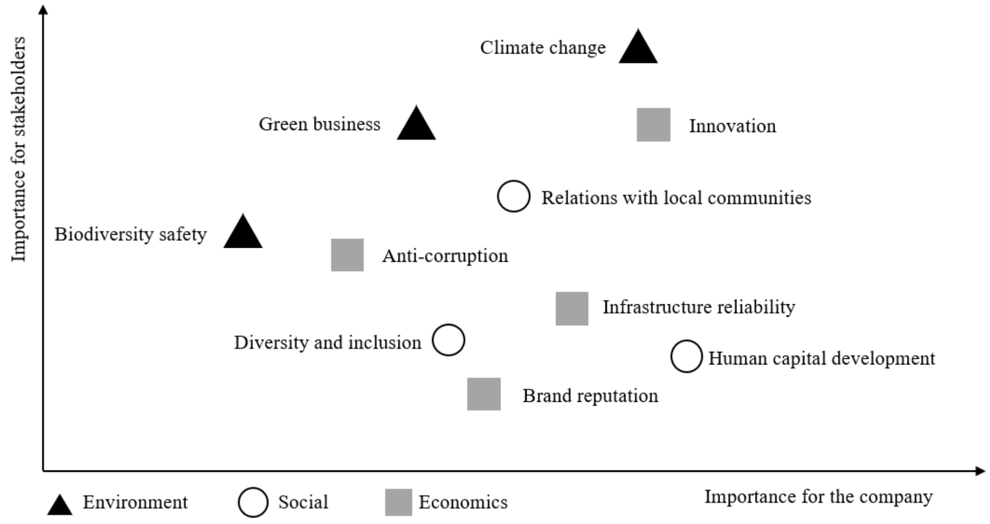
preliminary analysis and management interviews. While, to define the most critical issues from an external point of view companies can carry out several types of research engaging stakeholders, such as survey, workshops, benchmark analysis, sustainability macro-trend assessment or sector trends analysis. The joint analysis of the internal and external relevance leads to the identification of the priority and materiality areas.

The result of such an analysis provides MNCs with a map of potential "battlefields and cooperation fields" with external stakeholders, prioritising institutional and social expectations, highlighting shared or conflict points between company and stakeholder, and enabling company diplomats to better engage with local and international actors with activities, communication and riveting propositions, well suited for the audience.

Specifically, firms operating in sensitive industries (such as energy, extractive, construction, transportation) can no longer ignore the relevance of sustainability issues in CD[558], since their business activities directly affect populations, which might turn in social upheavals. Hence, corporate managerial solutions, engaging local communities and institutions, should mitigate and find solutions to negative externalities[559]. In relationships and negotiations, knowing the counterpart and its interests in advance reduces the company's risks of conflict and enhances the creation of shared values, contributing to the next step from stakeholder engagement to co-creation activities. Moreover, the content of materiality matrixes following GRI (an example in table 3.2) is regularly updated to include the most valuable information about critical and sustainability-related issues[560], reducing the risk to neglect some highly relevant thematises for the stakeholders.

[558] Ruël, Wolters, and Loohuis, 'Business Diplomacy in Multinational Corporations (MNCs): An Exploratory Study', 22.
[559] Saner, Yiu, and Søndergaard, 'Business Diplomacy Management'.
[560] 'G4 Sustainability Reporting Guidelines', 3.

Table 3.2. Materiality matrix example, following GRI 101 Foundation guideline[561]



In foreign expansions, materiality matrices contribute to corporate diplomatic activities by decreasing the company's information asymmetry and the physical distance concerning context-specific issues. Previous materiality analysis conducted by the multinational at different levels (global, national and local) may provide a perspective on classical sensible stakeholders' concerns, specific to the company activities. Additionally, the company's sustainability department, perhaps in cooperation with the CD office, can carry out customised materiality analyses related to the new market and the specific investment, allowing deep insights in the complex world of stakeholders and their expectations.

The materiality matrix is thus a source of complementary and valuable information about the nature and features of stakeholders' expectations. Combining stakeholder mapping tools and materiality analysis would assist CD activities with practical and detailed information. The former graphs prioritise stakeholders, for instance, based on effective power and salience; while, the latter matrix provides issues, highlighting potential areas of clash or cooperation between stakeholders and the multinational. Furthermore, companies can carry out complex assessments mixing various stakeholder and corporate data to support local company diplomats in their interactions, depending on the context-specific business characteristics and social actors.

Looking for a more practical illustration, Moodley *et al.* (2008) propose a matrix for ethical and sustainable relationships with various stakeholder groups, in a project concerning

[561] 'GRI 101: Foundation'.

the construction industry[562]. The stakeholder issues are based on global sustainability frameworks (including the above-mentioned OECD, GRI and UN Global compact guidelines), which provide the content of the interactions, ranked by the importance of the stakeholder, their cross-cultural influence, and the stakeholder's attitudes to support or oppose the company's projects[563]. This example demonstrates the necessity to consider stakeholder relations on the basis of the nature of their respective claims, and also that sustainability and global sustainable guidance are a key element to ponder and organise external actors' expectations, creating a useful and repeatable framework to guide the activities of corporate diplomats.

Sustainable accountability: a "good-will" business card for corporate diplomats

In order to successfully deal with growing pressure from governments and civil society on sustainability issues, multinationals can gradually commit themselves to sign codes, charters and guidelines of "good conduct", developed by international and well-recognised organisations. Through achieving sustainability certifications companies improve their capabilities to enter foreign markets and current internationalisation projects in a "positive light" toward local communities and stakeholders.

On the other hand, external stakeholders can partially predict the company's behaviour based on its historical commitment to sustainability, and consequently reduce suspicious and antagonist stakeholder attitudes. Sustainability thus increasingly becomes a "good-will" business card, demanded by external stakeholders, and presenting the foreign company's expansions in a positive light.

Leading multi-industry international organisations aiming to foster CS are the Global Reporting Initiative (GRI), the Organization for Economic Cooperation and Development (OECD) and the United Nations (UN) Global Compact. These organisations provide sustainability guidelines, frameworks and recommendations to promote the company's achievement of proven sustainable conduct based on publicly agreed criteria.

Briefly:

- The OECD (www.oecd.org) provides a set of standards for corporate behaviour in its *Guidelines for Multinational Enterprises (2000),* which have been adopted or partially implemented in most European and Western developed countries.

[562] Moodley, Smith, and Preece, 'Stakeholder Matrix for Ethical Relationships in the Construction Industry'.
[563] Moodley, Smith, and Preece.

- The GRI (www.globalreporting.org) defines itself as a «multi-stakeholder initiative to develop, promote and disseminate a generally accepted framework for voluntary reporting of the economic, environmental and social performance of any organisation». Thus, it provides a global standard for sustainability reporting, rigorous and verifiable.
- The UN Global Compact (www.unglobalcompact.org) aims to foster sustainable growth through a ten-point corporate commitment to human rights, environmental and labour standards.

Synergies between the OECD Guidelines for Multinational Enterprises, the GRI Sustainability Reporting Guidelines [564]and conceptual linkages with the Global Compacts principles[565] are present, allowing companies to easily integrate the recommendations into their reports.

As Steger (2003) notices, OECD guidelines alongside with those of Global Compact are often used as reference points in the conflict argumentation between NGOs and multinationals concerning sustainability issues[566]. Hence, in the internationalisation process, a previous MNC's commitment to global sustainability principles and requirements would support corporate diplomats, reducing institutional and social tensions and improving their credibility[567]. As previously noticed (see Para. 1.6), the adoption of CS practices in foreign expansions also acts as proactive rent-seeking in the pursuit of competitive advantages[568], such as fostering corporate legitimacy or reputation[569], improving the knowledge of local stakeholders' issues[570], improving subsidiaries' external embeddedness. Additionally, Vekasi (2017) argues that sustainable practices can even assist a company to face geopolitical risks, like nationalist tensions and interstate conflicts. Multinational adherence to sustainability principles acts as a facilitator the internationalisation's entry phases and sustains CD attempts to reduce liabilities of outsidership and foreignness, as well as to position the multinational in key referral points among local networks.

It is not surprising that between 2008 and 2020 the percentage of the world's 250 largest companies that adopted sustainability reports rose from 79% to 96%, and in 2020, 80% of

[564] Global Reporting Initiative (GRI), 'Synergies between the OECD Guidelines for Multinational Enterprises (MNEs) and the GRI 2002 Sustainability Reporting Guidelines'.
[565] 'G4 Sustainability Reporting Guidelines', 20–23.
[566] Steger, *Corporate Diplomacy*, 199.
[567] Vekasi, 'Transforming Geopolitical Risk', 98.
[568] Esty and Winston, *Green to Gold*.
[569] Rana and Sørensen, 'Levels of Legitimacy Development in Internationalization'.
[570] Kourula, Pisani, and Kolk, 'Corporate Sustainability and Inclusive Development', 24.

5,200 companies interviewed by KPMG (2020) in 52 countries regularly reported on sustainability principles. Among them, the most significant part of the companies adopted GRI's sustainable standards, used by around two-thirds of the bigger 100 companies and by three-quarters of the 250 largest companies[571]. Hence, a proven and globally recognised accountability in sustainability becomes a competitively discriminating factor of company behaviour, potentially able to support local activities of corporate diplomats.

Sustainability requires tangible compliance with internationally recognised standards and procedures. This can enhance true transparency in business practices and activities, especially where significant information asymmetries to the disadvantage of external stakeholders are present [572]. Despite corporate reluctance to open up their business to prying eyes, what might seem to be a weakness actually represents a great potentiality in sustainability reporting. Most of the companies are, in fact, willing to publish their sustainability reports and materiality analysis, since the purpose is not to "manipulate" local stakeholders but, on the contrary, to find common points of interest with them and develop co-creational activities.

Compliance and transparency enable MNCs to better inform markets and society on corporate stakeholders' sustainability matters, improving the credibility and trustfulness of the organisation towards external stakeholders[573]. Companies might question a legitimate will of confidentiality, which can affect the necessity of openness. However, sustainability reports do not require public access to business secrets. Civil society is not interested in the market or product strategies of the company, but only on its impact and (mainly negative) externalities in the local business environment, concerning social, environmental and economic topics[574].

Moreover, since a company cannot take contradictory positions on key social and political issues at the local and international level, the adherence to sustainability principles would also bind the activities of subsidiaries and local company diplomats. Limiting CD practices and decisions in compliance with sustainability values improves global corporate consistency and long-term credibility, overcoming any public and institutional scepticism. In the internationalisation process, sponsoring multinational entry in the local market, also on the base of sustainability reports and projects, helps civil and institutional stakeholders to clarify the company's purpose and investment, enhancing interactions and networking operations in the first-entry phases. At the same time, through standardised sustainable reports and analysis,

[571] 'The Time Has Come: The KPMG Survey of Sustainability Reporting 2020'.
[572] Caroli, *Gestione delle imprese internazionali*, 238.
[573] 'G4 Sustainability Reporting Guidelines', 3.
[574] Steger, *Corporate Diplomacy*, 181.

the parent company assumes tight control over local operations, reducing the risks that the subsidiary would behave in a dangerous and unethical way[575].

3.2. The synergies between Corporate Sustainability and Corporate Diplomacy

The relations between Corporate Diplomacy (CD) and Corporate Sustainability (CS) are also strengthened by the interoperability and complementarity of the related business managers. CS teams are often located in the headquarter, at regional and country-level, aiming to facilitate continuous business improvement, contributing to the development of new practices, risk management, stakeholder landscape analysis and international compliance. In the internationalisation process, the collaboration between sustainability teams and CD departments is crucial to provide valuable information, define a stakeholder engagement strategy and margin of negotiation, which corporate diplomats would put in place locally. At the same time, to implement sustainability commitments and comply with complex international guidelines, companies need to engage external counterparts constructively, a task which appears well suited for corporate diplomats. Thus, Saner and Yiu (2014; 2017) demonstrate that corporate diplomats can play a fundamental role in the global corporate implementation of OECD's guidelines[576] and the Global 2030 Development Agenda[577], having the necessary state of mind to nurture a new business culture, to support co-creational activities and to negotiate at international and local levels.

Moreover, CD and CS departments should cooperate (also with other offices involved) during the entire internationalisation phases. On the one hand, they should regularly publish social impact assessment reports of the project, and on the other, deal with the various stakeholders to mitigate negative externalities and, if necessary, find solutions for them[578]. To make it simple: departments in charge of sustainability should carry out most of the back-office research and analysis, providing essential information to support the activities of corporate diplomats.

CD refers to interaction and engagement through relationship management and communication. CS is essential in defining the content for CD actions. To understand the purpose and limits of an MNC's corporate diplomats, one can start by reading the company's website and sustainability reports, which probably cover most corporate messages, especially

[575] Caroli, *Gestione delle imprese internazionali*, 239.
[576] Saner and Yiu, 'Business Diplomacy Competence'.
[577] Yiu and Saner, 'Business Diplomacy in Implementing the Global 2030 Development Agenda'.
[578] Vanclay et al., 'Social Impact Assessment: Guidance for Assessing and Managing the Social Impacts of Projects', 6.

in environmental and social domains[579]. The ingredients and indicators for the credibility of a company's communication strategy become clear analysing the commitment of an MNC's top management toward sustainability, the company's global and local strategic vision (including mission, strategy, purpose, values), the existing partnerships with social organisations, and the company's historical records of sustainable projects and performance. CS guidelines are generally transmitted in a top-down flow, where the corporate defines the frameworks and supports specific projects[580]. Corporate diplomats are thus crucial in the adaptation of those general and global procedures and initiatives at local levels, supported by teams in charge of sustainability matters.

In a classical interaction of a corporate diplomat with external stakeholders, apart from general information about the investment project, the debate covers common points of interests and negotiation of discordance, which is a matter of sustainability. Alammar (2018) states that CD communication is the «way to eliminate any speculation or rumours about the business or its products and services that could affect its reputation or interests. It is also a way to define and highlight how the business is contributing to society and its stance and responses to various issues, such as environmental concerns»[581]. Henisz (2016) suggests that a successful CD communication strategy would use multiple communication and information channels, identified by the key referral points among networks, and should demonstrate the business's ability to understand and transmit company interests and align them with stakeholder concerns[582].

For instance, corporate diplomats might decide to interact with local or international authorities and civil society organisations in order to reinforce the market position of the company and enact business standards, which secure their market share and enhance competitivity in the foreign expansion (see Para. 2.3.3). Those initiatives should be rooted in robust and rational communication grounds to convince various interlocutors and avoid anti-trust or external stakeholder criticism. To this end, more and more often, multinationals argue the need for a new product, service or managerial standards on the basis of win-win motivations and to promote sustainable development in the industry. As Steger (2003) notices, cooperation for new regulatory norms «does not make much sense if it is limited to a niche, leaving unsustainable industry standards untouched»[583]. Contrarily, using sustainability

[579] Steger, *Corporate Diplomacy*, 216.
[580] Caroli, *Gestione delle imprese internazionali*, 251.
[581] Alammar, 'Business Diplomacy in Practice: A Grounded Theory Study in Management among Professional Diplomats', 117.
[582] Henisz, 'The Dynamic Capability of Corporate Diplomacy'.
[583] Steger, *Corporate Diplomacy*.

argumentations, MNCs can enact their real purpose «to shift the prevailing industry practice to a new level»[584], securing and fostering their company business.

In the internationalisation practice, this might take place with the exclusion or weakening of "non-sustainable" competitors, lining up the demand side, and creating visible and easily recognisable industry differentiation via a "sustainable certification logo". As an example case, in 1996, Unilever forged an alliance with the World Wildlife Fund for Nature (WWF) to promote a worldwide standard for "sustainable fishing", establishing the Marine Steward Council (MSC), creating a globally recognised logo, differentiating "sustainably-caught fish" from those of competitor[585]. Later, Del Regno (2014) analyses the characteristics of entry operations in the German fish market and notices that the MSC label was the most important and recognised certification in the market, making it a necessity for new foreign companies[586].

The emphasis on the sustainability in CD contents should not distract from the fact that diplomatic communication is a "two-way street", which requires listening and knowledge to overcome problems and analyse incoming information. To maximise the outcome of external relationships, corporate diplomats should intensively cooperate with departments in charge of sustainability looking for practical solutions and global policies. CD should not be an "empty loudhailer" of the company's interests, but the declaration should be supported by proven historical company concerns for sustainability and projects which make the MNC message and negotiations more credible and consistent in the eyes of the stakeholders. CS, like CD, is one of the main areas, where nowadays the coordination between the corporate and subsidiaries is most relevant[587].

In the internationalisation process, subsidiary and corporate diplomats, as the MNC's frontman in the local activities, represent the pivot connection of the company's internal and external networks, through which the MNC spreads certain principles and models of behaviour, while collecting valuable information to develop best and next practices and policies. Similarly, corporate diplomats connect and negotiate on behalf of the corporate at the international level with national and supranational governmental institutions and social organisations to promote the company's vision of sustainability, participate in international projects and foster the adaptation of standards favourable to the MNC's business.

A recent example of that is the creation of "stakeholder capitalism metrics" in the context of the World Economic Forum (2020), to report multinationals' sustainable value creation

[584] Steger, *Corporate Diplomacy*.
[585] Steger, 235–41.
[586] Del Regno, 'An Internationalisation Research Project into the German Market for the Portuguese Canned Seafood Company COFACO.'
[587] Caroli, *Gestione delle imprese internazionali*, 252.

through the creation of a common set of metrics and disclosures of non-financial factors for their investors and other stakeholders[588]. This project has been supported by the 120 largest companies of the world, which interacted and negotiated with States, regulatory agencies, and international civil organisations. This negotiation work was mainly carried out by their CEOs and corporate diplomats, accurately supported by other company departments.

Corporate Diplomacy and sustainability to foster corporate performance

A central problem among CD and CS is that they are mainly an intangible asset, challenging to be measure with traditional quantitative assessments and CAPEX analyses. Nevertheless, considering CS and CD together would facilitate the recognition of how positively they contribute to the company's financial performance and to quantitatively identify tools to measure their impact on the business.

Increasing company relationships with local stakeholders to mitigate and resolve sustainability concerns would considerably reduce project costs and time. For instance, a Goldman Sachs study (2009) on the largest capital investment around the world found that the completion time of new project doubled between 1998 and 2008. Sustainability and stakeholder issues were considered the cause of 70% of project delay, compared to 63% due to commercial and 21% technical problems. Similarly, a report from Accenture (2012) notices that in the extractive industry, half of the total delays in project implementation were connected to stakeholder protests, rising the investment budget by more than 25%.

In an empirical study, Franks *et al.* (2014) demonstrate how stakeholder discontent due to perceived environmental and social risks has translated into conflict, raising several categories of cost for businesses[589]. Analysing the extractive industry Davis and Franks (2011) find that the biggest cost item affecting the implementation of new projects was by far «staff time spent on risk and conflict management»[590], influencing more than 80% of the investment considered. Hence, stakeholders do not need to force the shut-down of the project to have a financial impact on the company. Tensions with governmental institutions and social protests already require additional resources and human capital to be handled by the company.

In a 2016 paper, Henisz assesses the cost and benefits of CD and sustainability activities with a traditional discounted cash flow (DCF) analysis, that would allow for incorporating the net present value of forwarding strategy into investment evaluation[591]. These findings are

[588] World Economic Forum (WEF), 'Measuring Stakeholder Capitalism Towards Common Metrics and Consistent Reporting of Sustainable Value Creation'.
[589] Franks et al., 'Conflict Translates Environmental and Social Risk into Business Costs'.
[590] Davis and Franks, 'The Costs of Conflict with Local Communities in the Extractive Industry', 8.
[591] Henisz, 'The Costs and Benefits of Calculating the Net Present Value of Corporate Diplomacy'.

supported by a previous empirical analysis, testing DCF results in the gold-mining industries[592]. The inclusion of proxy measures for higher costs or lower revenues in the DCF analysis reveals that the financial performance of the project can suffer a reduction, which ranges from a peak of 99% for firms unable to deal with stakeholder tension, to a bottom of 13% for companies with the highest levels of stakeholder cooperation[593]. The study's findings demonstrate that financial investors and analysts consider stakeholder actions and potential social tensions toward company activities directly in their stock evaluations, because they concretely impact on economic feasibility and financial support of new projects. Similarly, a higher level of social licences (i.e. combining CD and CS strategies) over the bare minimum would enhance multinationals control over stakeholder tensions and protests concerning sustainability issues. Being a leading company in sustainability might improve corporate financial performance up to 4-6% per annum and reduce stock's volatility by 4% compared to the overall market[594].

Not surprisingly, even the financial sector, traditionally seen as the "necessary evil"[595], is gradually moving toward more discrimination of "un-sustainable" companies, with the creation of new responsible hedge funds and stocks indexes limited to "sustainable companies", such as the Dow Jones Sustainability Group Index (DJSGI), Domini Social Index 400, Ethical Sustainability Index, and Ethical Index e FTSE4GOOD. Studies indicate that there is a difference in the performance between sustainable portfolios and traditional conventional indices[596]. Hence, the need to establish valuable relationships with local stakeholders, and to enhance co-creational and sustainable actions with them, go beyond a single foreign investment, potentially affecting the entire company and its public and financial reputation.

Transnational corporations interested in a stabilised environment and in adding value to their foreign operations should integrate both CD and CS attituded in their decision-making process. In the internationalisation process, multinationals must enhance new forms of social partnerships and co-creation, crucial strategies for social sustainability and the success of a company's internationalisation processes. But these need to be designed and implemented without jeopardising or disregarding equally legitimate MNCs expectations for return and stakeholder concerns for sustainable investments. This is the operational space within which

592 Henisz, Dorobantu, and Nartey, 'Spinning Gold'.
593 Henisz, Dorobantu, and Nartey.
594 Henisz, 'The Costs and Benefits of Calculating the Net Present Value of Corporate Diplomacy', 85.
595 Sim, 'Necessary Evil'.
596 Alshehhi, Nobanee, and Khare, 'The Impact of Sustainability Practices on Corporate Financial Performance'.

corporate diplomats can play an essential strategic role in establishing a collaborative relationship with the communities where the MNCs' operations are being conducted[597]. Ensuring a delicate balance between profits, social engagement and local wealth creation, would require a deep change from being a corporate "raider" to becoming a corporate "resident"[598]. Fostering the obtainment of a social licence to operate would be the results of diplomatic activities and sustainability analysis.

CD supports a company's internationalisation process, fostering subsidiaries' local embeddedness, the establishment of relationships and the achievement of competitive advantages. Simultaneously, CS plays a central role in the diplomatic strategy and in activities improving co-creational and win-win solutions to social, economic and environmental problems. Diplomatic corporate activities without a sustainability approach risk to remain an "empty loudhailer", i.e. a strategy without content, far from correctly assessing the nature of stakeholder expectations.

CS can broaden a manger's mind within the context of social and institutional claims, in a standardised and globally well-recognised framework, which allows coordination between the corporate and its subsidiary and company consistency.

Diplomatic engagement with multinationals is vital to proof a company's innovative and lasting character. It reflects the never-ending improvement of diplomacy based on changing economic, social, environmental conditions of international life, due to its sociological dimension. Sustainability will enhance the practices and mind-sets of integrated and proactive diplomatic activities, which adapt to changing requirements and shifting sustainability paradigms over time.

3.3. Sustainability as enabler to overcome Corporate Diplomacy's barriers

The implementation of Corporate Diplomacy (CD) during the internationalisation process is challenged by six critical elements, which make it more demanding to implement a successful and homogeneous strategy (see Para. 2.3.4). However, CS can act as an enabler to overcome some CD's implementation hurdles, achieving additional benefits and reduce risks. Throughout their implementation, CS and CD will cover the same path, facing a series of common obstacles and pursuing the same goal: foster and sustain corporate business in the long-term, despite new threats in the business environment. In the following, some aspects of how CS can play an alleviating role and support the implementation of CD are provided.

[597] Saner and Yiu, 'Business Diplomacy Competence'.
[598] Yiu and Saner, 'Business Diplomacy in Implementing the Global 2030 Development Agenda', 34.

First of all, nowadays, large companies operating internationally can hardly afford to not be involved in social, economic and environmental protection programs. The host countries and also the general global public expect a gradual and concrete commitment to sustainability. The implementation of CS requires a shift in corporate values, behaviour and purpose that directly involves the top management. CD follows the same path and a top-down policy transmission, to which sustainability can be a forerunner. Furthermore, even if sustainability principles are powerful and can shake the mind-sets and values of executive management, designing new policies is difficult as executing them. To take this step, CS calls for a stakeholder engagement framework within the company, clearly encouraging the quest for a CD strategy in order to improve sustainable business concretely.

Secondly, CS not only entails a necessary corporate diplomatic framework but also gives consistency to it. CS establishes a well-working internal network within an MNC, connecting and sharing information among the various business units, particularly the ones also linked to the company's external networks, a tightly knitting relation networks useful to build and implement a CD strategy. Additionally, CS may also give consistency to these internal interactions, defining strategic purposes, providing global and concrete guidelines to drive subsidiaries' activities[599]. In the internationalisation process, sustainability guidelines give actions uniformity, supporting all diplomatic activities in a globally comprehensive approach.

Thirdly, the MNC's sustainability approach tends to be based on "universally" recognised principles, underwritten and certified by international organisations. This also ensures the convergence between objectives and policies implemented by the multinational in different contexts[600]. Hence, trough the commitment to international sustainability principles and guidelines (such as GRI and OECD), multinationals also resolve the standardisation problem of CD, giving limits and content of operativity to diplomatic managers. Nevertheless, sustainability leaves considerable room for policy adaptation, recognising specific differences in the way sustainability must be interpreted and implemented in different contexts[601].

Reeves *et al.* (2012) even consider sustainability as the corporate's ability to adapt to change in three different spheres of operation — ecological, social, and economical. Therefore, the adaptation of sustainability in CD practices gives consistency to global diplomatic actions and mitigates the "standardisation – adaptability dilemma" in CD implementation.

599 Caroli, *Gestione delle imprese internazionali*, 251.
600 Caroli, 250–51.
601 Caroli, 250.

Moreover, driving and guiding CD on the basis of sustainability principles and globally recognised values would enhance the corporate's supervision and control over subsidiaries' diplomatic activities. As noticed by Ordeix-Rigo and Duarte (2009), the risk CD might entail «positive or negative, ethical or unethical, fair or unfair dimension»[602] is always present. Thus, setting the area of diplomatic activities in compliance with the company's sustainability vision would reduce the risk of unethical conduct. Diplomatic activities considered illegitimate or perceived as such by local or international social stakeholders, even if totally legal when compared to the local norms, might considerably damage the internationalisation investment, as well as the global reputation of the corporate and its activities in other markets.

Corporate Diplomacy to foster a sustainable internationalisation

Considering CD and CS, it is appropriate to report the statement made in 2018 by Robert W. Grupp, former president of the International Public Relations Association (IPRA):

> *«I believe that corporate diplomacy means at least two things. It means a company embeds the value of collaboration deeply into its operations and practices, and it means the company extends the reach of its relationships to include groups, cultures, organisations, even governments, which don't necessarily involve the company or client directly, but which ultimately affect the sustainability of the business»*[603].

CD and CS represent complementary and interrelated approaches to strengthen MNCs' ability to shape and influence its operational environment, specifically in foreign investments, to secure and protect its business, as well as to foster cooperative partnerships with civil and institutional actors able to turn in entrepreneurial opportunities. In order to be an effective and consistent strategy, CD cannot be separated from CS. As also noticed by various scholars, CS would give content[604] to corporate diplomatic actions; while CD represents the complementary catalyst to implement and benefit from international-recognised sustainability principles professionally[605].

As any corporate strategy, CD and CS would require considerable economic and human commitment from multinationals. Therefore, as suggested by Prof. Taraborrelli[606], the MNC's

[602] Ordeix-Rigo and Duarte, 'From Public Diplomacy to Corporate Diplomacy', 557.
[603] Grupp, 'Bob Grupp'.
[604] Steger, *Corporate Diplomacy*; Henisz, 'The Dynamic Capability of Corporate Diplomacy'.
[605] Yiu and Saner, 'Business Diplomacy in Implementing the Global 2030 Development Agenda'; Saner and Yiu, 'Business Diplomacy Competence'; Saner, Yiu, and Søndergaard, 'Business Diplomacy Management'.
[606] Prof. Angelo Mario Taraborrelli, supervisor of the present thesis.

ability to globally foster sustainability and diplomatic activities without negatively impacting on financial performances would highlight the talent and cohesion of the board members, corporate diplomats and sustainability managers. CD requires appointing skilled managers and regularly training them to maximise networking relations, develop negotiation and listening capabilities in the interactions with stakeholders, and establish a fluid corporate internal network to elaborate and share CD-specific practices.

CD represent the perfect stakeholder management strategy for a sustainable internationalisation. Sustainable as ensuring foreign investments from potential threats by co-creational activities with external stakeholders. Sustainability also as compliance with the principles of economic, environment and social sustainability. When the musician plays the piano, “sustain” is called the pedal which longer sustains the music. Similarly, corporate diplomats must employ sustainability as the best ability to enduring corporate activities, managing the firm’s interactions with external environments.

3.4. Corporate Diplomacy and Corporate Sustainability in a multinational company’s management: the Enel case study

Several scholars have investigated Corporate Diplomacy (CD) in collaboration, interviewing corporate public affairs executives[607], CEOs, corporate diplomats and external relations managers of multinationals operating in various sectors[608].

To understands the relations between CD and sustainability during the internationalisation process, this paper employs a diverse approach. The research seeks to conceptualise and investigate, on a company case study, the role of CD in enduring a multinational’s sustainable internationalisation; sustainable in term of time and principles. CD activities are analysed from a “sustainability perspective” interviewing and discussing with the Head of Sustainability Planning and Performance Management at Enel, and analysing company’s public documentation (primarily Corporate and Subsidiaries Sustainability Report, Sustainability Plan, websites and press release).

The decision to focus on Enel SpA (hereinafter Enel) and its Chilean expansion process in Latin America is due to the fact that the company represents a significant example as a leading company in themes of sustainability commitment (in its industry), financial performance, and daily dealing with a vast number and type of stakeholders.

[607] Suren and Ruël, ‘International Business Diplomacy: A Strategy for Increasing MNC’s Performance?’
[608] Saner and Yiu, ‘Swiss Executives as Business Diplomats in the New Europe’; Henisz, *Corporate Diplomacy*; Steger, *Corporate Diplomacy*.

Indeed, Enel is a multinational company operating in the electricity and gas generation, transmission and distribution in 32 countries across 5 continents, with more than 64 million customers. At the same time, Enel recently scored the prime positions in sustainability performance indexes[609] and a record market capitalisation[610]. Similarly, the Chilean subsidiary has also achieved analogous successful performances. Thus, understanding the Enel's diplomatic strategy and the implementation of sustainability activities might improve the comprehension of the role of integrating CD and CS in the corporate business model to foster sustainable internationalisation.

Furthermore, the energy and electricity industries are particularly relevant when it comes to the relation between CD and sustainability. In recent decades, growing concerns about climate change have increasingly put multinationals operating in these sectors under global examination and pressure by stakeholders due to the externalities created by electricity generation with fossil resources. Thus, the energy industry has been strongly criticised for high levels of dioxin and greenhouse gas (GHG) emissions, considered the main causes of climate change, threatening the quality of life of not only the people living close to production sites, but all of humanity. Global warming, extreme weather events, ranging from droughts to violent storms and inundations, jeopardising food production in various parts of the world, the contamination of fresh-water reserves and air pollution have become recurrent themes and reasons of civil protest against the establishment of new or the operation of old electricity generation plants around the world.

At the national and international level, stakeholders' demands for more eco-friendly power generation have added up to pressure on politics to improve stricter sustainability standards, alongside traditional social expectations, such as those concerning human rights, fair working conditions, protection of local economies and defence of cultural heritage.

In the energy sectors, stakeholder pressure is characterised by a high degree of connections among social networks; at the same time the global common concern for sustainability thematises facilitates the creation of significant cross-country stakeholder associations and protests, making it relevant for energy multinationals to consider local and international social actors.

At the same time, new international regulations and organisations have addressed climate change and pollution by the energy industry with new sustainability norms and principles that are gradually becoming socially required and legally binding at the global level. Indeed, even

609 'Historic Milestone for Enel Taking Top Spot in 2020 Dow Jones Sustainability World Index'.
610 'Enel: Nuovo Record Di Capitalizzazione Di Mercato a Oltre 90 Miliardi - Borsa Italiana'.

in the global renewable energy sector, social acceptance has been considered one of the most powerful barriers to implementing new projects[611].

The internationalisation process in the electricity sector has some main peculiar features, which might be listed as follows:

1. The electric industry is a single commodity market. It entails that refocusing and differentiation business strategy is hinged on the production process more than on the product itself. This increases the weight of the externalities spawned in the energy production and distribution, and so the importance of renewable and digital technologies potentiality to promote a "better product", as the product "made in a better way";
2. The electric sector is often considered a national strategic asset and may take the form of a natural monopoly. Thus, energy industry activities, their industrial development and operation plans are strongly regulated and monitored by politics. Therefore, the host country's government (and at times the domestic government too) represents a prime stakeholder to be involved in any internationalisation projects, having the power to concede or revoke the institutional licence to operate;
3. Local communities and social stakeholders are relevant players, directly affected by the quality of energy supply (availability, stability and flexibility) as well as by the impact of the production process (i.e. in the amount and danger of industrial externalities). Hence, civil actors and organisations should be involved in the internationalisation planning to avoid tensions and ensure trust toward the multinationals, fostering the obtainment of the social licence to operate;
4. Supranational institutions and international organisations dealing with sustainable energy development are gaining influence and represent key actors in the global arena, affecting investments and business dynamics;
5. Production and distribution of electricity require high upfront and long-lasting investments and long-term strategic planning prohibits any possibility of short-term predatory internationalisation ventures;
6. The capacity to enhance and implement sustainable power generation through advanced technology solutions and sustainable company ecosystems, through social stakeholder engagement, is becoming a crucial aspect in the

[611] Wüstenhagen, Wolsink, and Bürer, 'Social Acceptance of Renewable Energy Innovation'.

internationalisation of electricity companies. Thus, sustainability may represent a relevant differentiation element of the company compared to competitors when entering international tenders or concluding cross-border merger and acquisitions (M&A);

7. The energy sector is dominated by the so-called “energy trilemma”, which requires companies to establish distribution and generation investments providing reliable, equitable and sustainable energy.

Corporate diplomacy and sustainability in Enel SpA

Enel is the holding of a multinational utility company active in the electricity and gas industry, covering power generation, transmission and distribution. Through various subsidiaries, Enel is present in 32 countries across 5 continents. In January 2021, Enel reached a new record in market capitalisation, with a stock market value of €90 billion, which confirms the company’s position as the second top utility globally. In a company note, Enel celebrates this new stock value as the result «of the sustainable and integrated business model, adopted since 2015, which has enabled the Group to seize the opportunities related to the energy transition»[612]. A clear message of the efficiency of the corporate strategy centred on innovation and renewable energy development and a proof of its resilience, which helps it to overcome the global financial and business tensions caused by the Covid-19 crisis.

Enel shareholding is composed by institutional and individual investors (76.4% with BlackRock Inc. (≃ 5%) as primary investor), and by the Italian Ministry of Economy and Finance (23.6%). Despite being the first individual investor by share, the Italian Ministry of Economy and Finance does not, and legally cannot[613], exercise exclusive guidance and coordination activities of the Board of Directors.

There has been a steady increase in the number of Socially Responsible Investing (SRI) funds among the shareholder, reaching 182 SRI funds in 2019 (+45% over 2015), controlling 10.8% of total share capital[614]. On the one hand, the shareholder composition would affect the corporate strategy, improving the “internal demand” for sustainable investments. On the other hand, the considerable presence of SRI funds confirms the recognition of Enel by financial institutions as a sustainable business actor.

The success of Enel’s sustainable performance has also been recognised by various rating agencies, which placed the Company in premium positions in the most relevant sustainable

[612] ‘Enel: Nuovo Record Di Capitalizzazione Di Mercato a Oltre 90 Miliardi - Borsa Italiana’.
[613] Italian Law n. 102/2009
[614] ‘Enel SpA Sustainability Report 2019’.

stock market indexes (concerning the utility sector). In 2020, the company scored the first place in the Dow Jones Sustainability Index World[615], was confirmed in the FTSE4Good Index and entered the MSCI ESG Leaders Indexes for the first time[616]. Several partnerships make proof of Enel's "alliance" with sustainable finance: Enel is a member of the Corporate Forum on Sustainable Finance and other leading boards, including the Green Bond Principles and a co-chair at the CFO Taskforce SDGs of UN Global Compact.

It is appropriate to point out that Enel's current corporate governance, diplomacy and sustainability structures result from a profound organisational and managerial "revolution", which began in 2014 with the appointment of Francesco Starace as CEO of Enel. The new CEO, supported by a new Board of Directors, intervened in redefining the corporate strategies and objectives by placing the global organisational renovation at the core of the new project, a growing commitment to sustainability, and a progressive internationalisation and restructuring of the Group's subsidiaries.

At the corporate governance level, the new direction undertaken by Enel resulted in the adoption, in 2014, of a matrix organisational model composed by Business Lines/ Geographies (Country and Regions), flanked by the Global Service Functions and Holding Functions that provide the relevant support for the business[617].

The main strategies and targets pursued by the Group's subsidiaries are linked to the corporate strategy, industrial objectives and long-term planning. They are regularly submitted to the Control and Risks Committee, the Corporate Governance Committee, the Sustainability Committee and, finally, the Board of Directors. The corporate internal network is organised "vertically" by geographical collocation, from the headquarter to the peripheral business units, and "horizontally" by industrial sectors in different operative units. The structure thus concerns three types of business units:

- *The Holding Functions* (Administration, Finance and Control, Human Resources and Organization, Communication, Legal and Corporate Affairs, Audit, European Union Affairs, and Innovation and Sustainability) are in charge of guidance and coordination, responsible for managing global governance processes and provide necessary guidance to the other business units.

[615] 'Historic Milestone for Enel Taking Top Spot in 2020 Dow Jones Sustainability World Index'.
[616] 'Enel Inclusa per La Prima Volta Negli Indici MSCI ESG Leaders'.
[617] Enel SpA, 'Enel's Organizational Model'.

- *Regions and Countries* (Italy, Iberia, South America, Europe and North Africa, North and Central America, Sub-Saharan Africa and Asia) are assigned to establish and manage company relations with institutions and local regulatory authorities within the country of operations, as well as supporting Divisions in the interactions with local communities and daily business activities.
- *Divisions* (Global Thermoelectric Generation and Global Trading, Global Infrastructure and Networks, Global Renewable Energy, Global e-Solutions) are entrusted with the task to manage and develop their specific assets worldwide. This organisation provides a valuable platform for sharing specific technical knowledge among similar business entities and identifying best practices in relation to the advanced technologies available within the Group.

The Group's matrix organisation fosters the corporate ability to maximise and connect internal expertise to support the internationalisation process during its various phases. Regions and Countries are the main operating entities active in CD to promote the Group in foreign expansions, acting as a "tank" of local/regional-specific knowledge and crossroad of networking relationships with national and regional actors. Complementarily, Divisions support the international expansion in overcoming unexpected technical and project-specific problems concerning the new investment. For example, the horizontal integration of technology and innovation expertise could enable the new subsidiary to find operational solutions in line with local stakeholder expectations, nurturing the local business entity's co-creation potential based on the experience developed by the Group as a whole.

In the international corporate organisation, Enel replicates the holding's organisational framework at the local level. The subsidiaries are structurally standardised to provide greater consistency and uniformity to the Group's global activities, similar to public reports and documents. The only two departments that have a locally operating feature are those in relations with the market (i.e. consumers and local suppliers) and dealing with the institutional affairs because both customers and governments are specific to each market the company operates in.

The managerial and structural reorganisation marked the beginning of the new course of Enel, resulting not only in the new logo unveiled in 2016 (symbolising a clear break with the past) but, above all, in the Group's new strategy and business model centred on innovation, sustainability, openness and stakeholder engagement[618]. There are two main pillars of this

[618] 'Enel SpA Sustainability Report 2015'.

innovative business model: the so-called "Open Power" and the "Creating Shared Value" (CSV) model.

Open Power represents the Group's positioning and the conceptual business direction that Enel decided to undertake. The new approach promotes open collaborations with external stakeholders and the global improvement of energy security and services. In the words of the CEO, Open Power means «collaborating with customers, partners and other stakeholders, creating a win-win environment that secures and protects investments»[619]. "Open power" also represents the corporate's solution to the energy trilemma: producing reliable, sustainable and competitive energy, in cooperation with stakeholders, to satisfy globally rising demand. A purpose supported by the 2015 Sustainable Supply Chain Project which aims «to increasingly integrate environmental, social and governance issues into the strategy, by creating shared value» at the global and local level[620].

Complementary, the CSV model, adopted in 2015, «involves forging a responsible relationship with the local communities and areas which host power plants and other activities, offering credibility in dealings with governments and authorities of the countries, where Enel operates and, finally, creating a stable, ongoing and consolidated relationship with the various stakeholders, based on trust and respect for shared values»[621].

The CSV model embodies the Group's values and principles of stakeholder engagement and co-creational relationships and concretely integrates them into corporate governance. Enel notices that it is the «intrinsic nature of the electricity business»[622] and its long-lasting investment, to require proactive and forward-looking stakeholder engagement. Hence, the CSV model means «promoting constant and constructive dialogue to learn about the needs and priorities of the local populations and combine them with the needs of the business»[623].

Over time, the "Open power" positioning and the CSV model become the pillar of Enel global business model, which enables the company to adjust its strategies to the changing global and local landscape, seeking for new business opportunities. Indeed, in 2019, Enel presents an improved positioning purpose, «Open Power for a brighter future. We empower sustainable progress»[624], in which the corporate commitment to sustainability and to contribute to a better future is outlined. Furthermore, to emphasise the corporate vision's central focus on individuals and communities, Enel states the four corporate values «trust, responsibility,

[619] 'LA NUOVA ENEL, UN BRAND OPEN POWER'.
[620] 'Enel SpA Sustainability Report 2015', 114.
[621] 'Enel SpA Sustainability Report 2015', 60.
[622] 'Enel SpA Sustainability Report 2015', 60.
[623] 'Enel SpA Sustainability Report 2015', 60.
[624] 'Enel SpA Sustainability Report 2015', 60.

proactivity and innovation»[625] as the compass to guide the multinational business and its «transparent» relations with all stakeholders, fostering inclusive and co-creational progress.

Scanning Enel statements and reports, the complete and explicit integration of CD and CS in the Group's business model and strategy appears obvious. Public documents provide a "window" into the company's strategic purpose and culture. For Enel, sustainability and diplomatic activities are more than just a way to achieve a social licence to operate, but they represent an evolved model of doing "business as usual".

Combining CS and CD, Enel seeks to gain the company's acceptance in the local context and develop co-creation and sharing of values activities with local actors. The "traditional sustainability approach" used to be based on the *do ut des* (one-off) measures: economic compensation or the construction of useful infrastructures for the local population (such as schools or hospitals) in exchange for the social acceptance and permission to operate and exploit local resources. On the contrary, the evolved sustainable concept adopted by Enel foresees the company's interactions with international and local stakeholders, not restricted to satisfying local requests (i.e. the demand for electricity) but seeks to assess the needs of the local community together with the population, in respect of the company's principles. The market and community demands are weighted, considering the company's objectives and principles. Enel purpose is to implement co-creational solutions to satisfy the community needs and create medium and long-term value for both the community and the company. Hence, the vision of Enel pursues a pragmatic vision of sustainability (opposed to idealistic ones), which leads not only to using local resources but also to promote economic and business progress in the local context, which in turn would increase future business opportunities also for the company. As a matter of fact, sustainability and CD issues are recognised as complementary components, embodied within the Group's strategic vision and integrated into every business plan and investment project.

Enel's set of tools to foster corporate diplomacy and sustainability

Sustainability is not only seen as a way of defining a corporate approach to relationships and environmental issues by Enel, but it also provides a system of robust instruments to manage stakeholders, environmental and transitional variables, and support CD and stakeholder engagement initiatives. Staring from the sustainability approach, Enel has developed a set of tools to enable efficient stakeholder engagement, scenario analysis and value sharing, fostering co-creation and co-participation achievements with local and

[625] 'Enel SpA Sustainability Report 2015', 60.

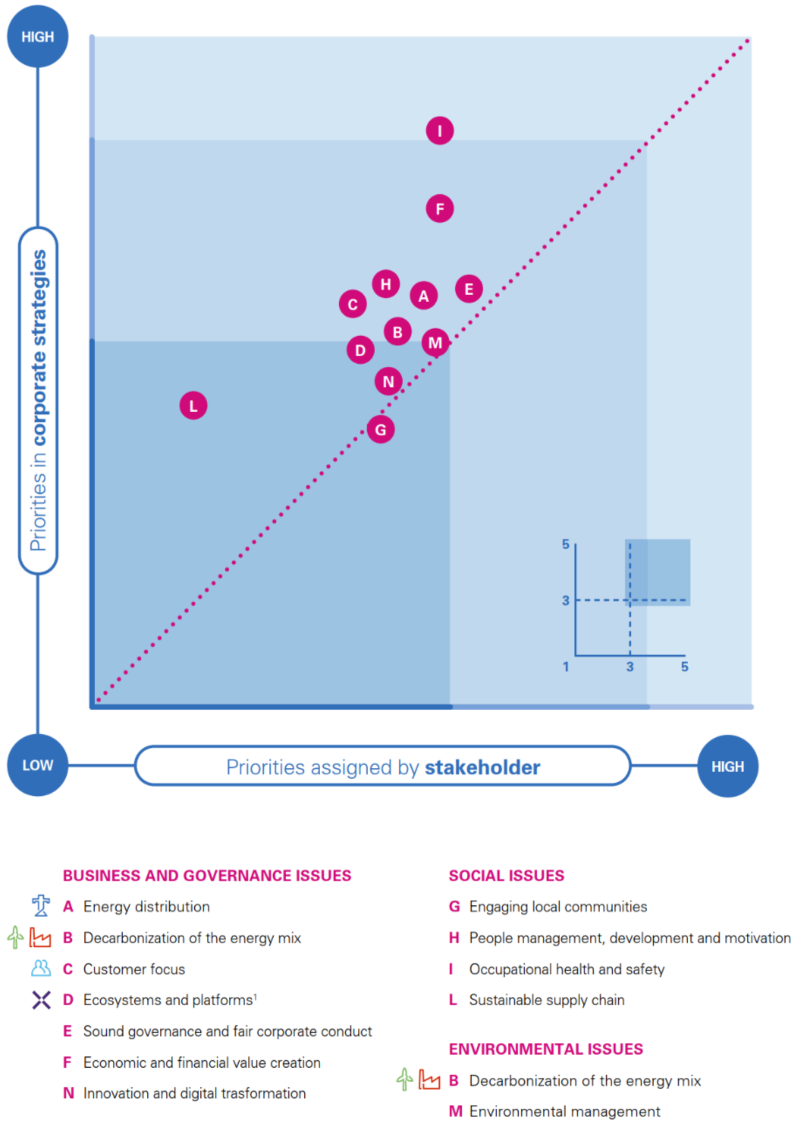
international actors. In other words, what traditionally multinationals based on the company's "empathy" as the ability to understand stakeholders and interact with them, Enel now redefined by evolving its approach to external environments to factual contexts and stakeholder analysis instruments.

The combination of various analytic elements is a fundamental step in context-analysis, to detect potential risks and opportunities in advance, as well as points of contact between the corporate and external actors' expectations. Among the various tools that Enel entail to conduct stakeholder mapping and analysis, we may list the most important ones, such as competitive contextual and regional due diligence, stakeholder mapping, materiality analysis, long-term vision of the industry, the CSV model and business location analysis. In all the instruments adopted by the Group, «the priority is given to the most material phenomena». Enel positively combines different tools, related to the CS or CD sphere, to maximise their intersectoral and multidimensional contribution. At the same time, the instruments proposed by the Company are standardised and internationally valued, based on globally-recognised guidelines (such as UNCG SDGs, GRI, OECD), which represent a robust, standardised and repeatable methodology to be employed across all of the industrial phases and business units, easily adaptable to the different contexts the multinational is operating in.

Following the so-called "management approach" promoted by the GRI 103 guideline[626], Enel developed a complex materiality analysis (table 3.3) to identify, assess, and classify stakeholders' concerns, weighting the outcome against the Group's industrial development plans and strategies. Based on the outcome of the analysis, the industrial plan's objectives and strategy are identified and adjusted. Integrating the environmental, political and social dynamics the materiality matrix provides a detailed level of context-specific information, to effectively adjust corporate strategies. Therefore, the materiality analysis also empowers Enel's relationships with the municipality and community stakeholders. For example, during the internationalisation process, materiality matrices are used with regards to the specific investment to understand local expectations, and the Company's values and objectives, fostering the comprehension of the socio-environmental impact, which would result from the foreign operations (such as the construction, or acquisition a new asset).

[626] 'GRI 103: Managemen Approach'.

Table 3.3. The Enel's Materiality Matrix 2019[627]

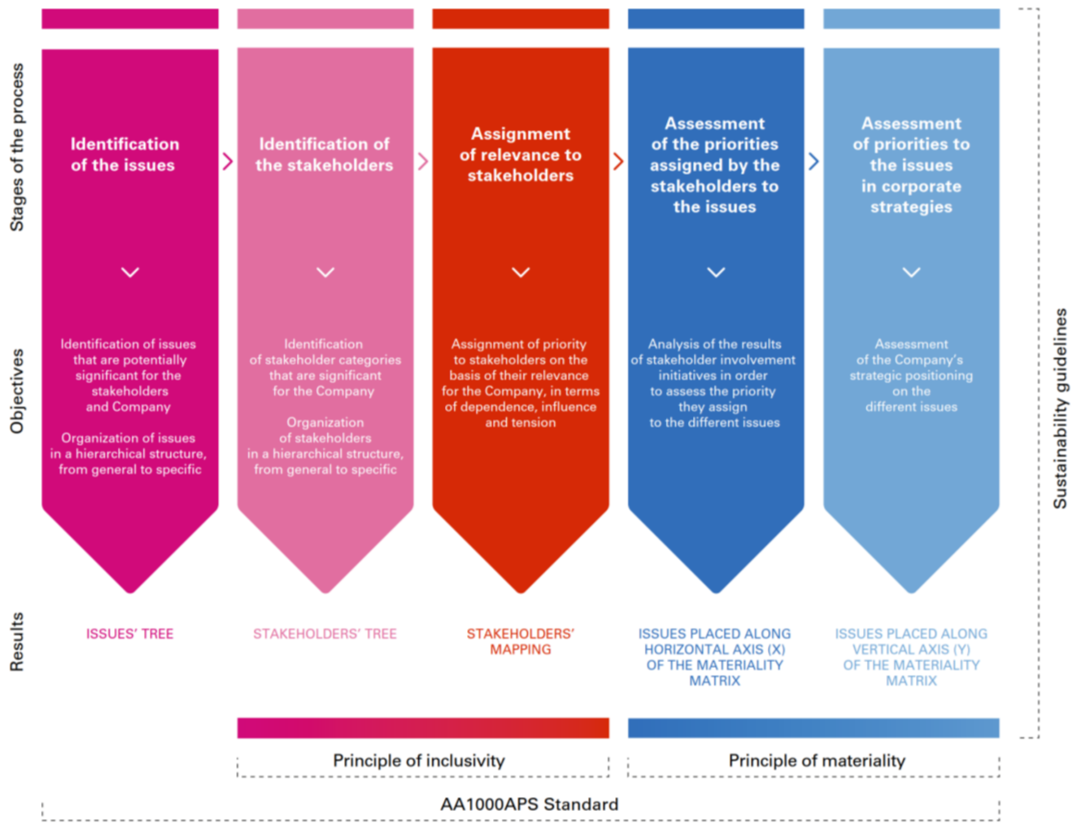


Specifically, by analysing the specificities of Enel's matrix model, in their sustainability report's methodological note[628], it can be seen that materiality analysis is regularly conducted at country/subsidiary level, within the Business Line/Company Function, and concerning individual assets (potential or already operating under the Group control), always in collaboration with the Holding's Sustainability Planning and Performance Management units. This department provides guidelines and methodological support to ensure homogeneity and concreteness of the analyses carried out by local people through stakeholder engagement, in different parts of the world. The materiality analysis process (table 3.4) involves five phases,

[627] 'Enel SpA Sustainability Report 2019', 17.
[628] 'Enel SpA Sustainability Report 2019', 236.

including external stakeholder interaction and internal data elaboration, thus requiring the coordination of CS and CD activities among the various department.

Table 3.4. The Enel's materiality analysis process[629]



The materiality analysis process is aligned with the AA1000APS[630] standards and conducted with a complementary dual-approach: "bottom-up" and "top-down". Enel subsidiaries conduct materiality analyses considering the country context independently. The matrix is then examined, also with regards to the Group's priorities and strategies, to understand the impact of the corporate strategies in different contexts.

For instance, a country with a considerable and increasing demand for electricity might represent an ideal internationalisation market for the Group. However, since 2014, Enel is committed to satisfying the need for electricity only by building sustainable plants or improving the productivity of already existing plants, using advanced and efficient technologies. Thus, the business opportunity is only realised when local expectations and the Group's strategy match. At this point, CD becomes essential in order to understand together

[629] 'Enel SpA Sustainability Report 2019', 238.
[630] 'AA1000 Accountability Principles Standard 2008'.

with the stakeholders, which investment should be undertaken and to explain to institutional actors and communities, why Enel does not solely want to satisfy the stakeholder's primary demand (i.e. the need for energy) but wants to fill their needs in line with the Group's prerogatives (i.e. increment in renewable investment).

Similarly, CD activities can be jeopardised or undermined by relational or communication hurdles. In this case, the country/investment materiality matrix would provide a complete and integrated vision of the different local interests correlated with the Group's objectives, eventually highlighting some stakeholder concerns, which the previous assessments did not detect, or which might have changed over time. Hence, throughout the new engagement and communication initiatives, the company tries to find a new common point with stakeholders, "having unveiled the cards of the play". Indeed, sometimes, stakeholder-corporate scepticism and tensions are simply the results of a lack of communication and knowledge of both sides and CD can help overcome this risk.

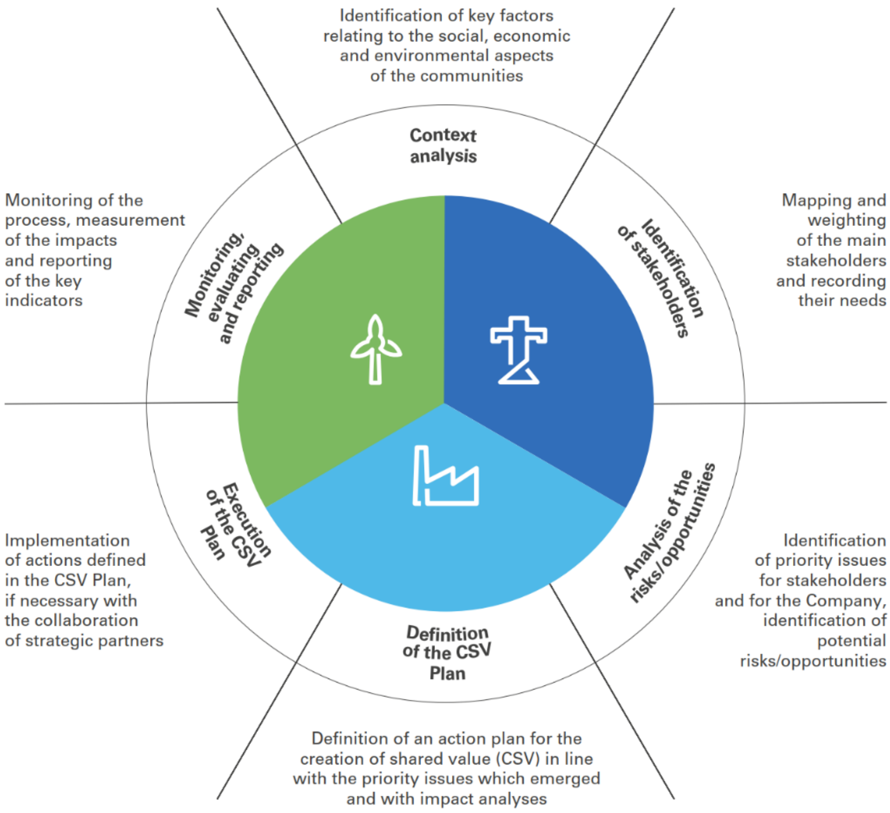
Complementary to the materiality matrix and other tools, the CSV model (see Table 3.5) is adopted since 2015, with the aim to integrate socio-environmental factors into business processes along the entire value chain[631]. Later, the model has been developed and defined throughout internal guidelines, such as the "CSV Process Definition and Management" (Policy n.211/2016) and the "Project Portfolio Management System" (Policy n. 1768). These policies respectively define the encompassing role of sustainability in any corporate decision-making process and the operative instruction to assess the calculation of beneficiaries and evaluate the socio-environmental impact of the project.

The CSV model has been widely applied[632] by the Group across the entire business value chain, with particular reference to business development, construction or renovation of energy production and distribution plants. Analysing the CSV model, a similarity with the Deming cycle is easily distinguishable. The phases of CSV replicate the stages of the multiple-interactions and circular process: "observe", "plan", "do", check", "act" (see Para. 2.2). Indeed, the Enel CSV model proposes a similar six-step circular process, in which complementary phases aim to identify the features of the external context, analyse them in light with the corporate potentiality and strategy, and then create an action plan, which includes the results of the preliminary analysis and seeks strategic co-creational partnerships with local communities. To conclude, the CSV plan is executed, and its outcomes are thus

[631] 'Enel SpA Sustainability Report 2019', 110.
[632] Only in 2019, the CSV model has been applied by the group in a total of 1,375 assessment across all the value chain phases and geographic locations where the company is operating. (Sustainability Report 2019, 110)

monitored, evaluated and reported, starting again form the beginning of the CSV cycle process.

Table 3.5. The Enel's Creating Shared Value model[633]



Enel considers the CSV model a relevant instrument to organise and promote stakeholder engagement, by increasing local communities' awareness, organising workshops and inclusive conferences with various stakeholders within the geographical areas the multinational operates in[634]. The CSV model enables Enel to structure a proficient dialogue with local institutional and civil actors regarding the investment-related issues and covering topics connected with climate change, renewable energy, and the promotion of socio-economic benefits for the community by co-creational activities.

To sum up, since the restructuring of the Company in 2014, Enel has positively transformed a methodology born purely out of compliance requirements, i.e. identifying stakeholders and their priorities in the sustainability report, into a set of strategic managerial tools, directly integrated into the decision-making process. These CS-CD

633 'Enel SpA Sustainability Report 2019', 109.
634 'Enel SpA Sustainability Report 2019', 44.

combining instruments, standardised and adaptable, are implemented across the Company entire value chain, from the corporate to the smallest business units, as a compass to globally guide business management toward any local context, stakeholder relationships and environmental understanding during investment planning and implementation. The new corporate governance strengthens the Group's external relations and fosters CD, also supported by robust sustainability methodologies and content. The new matrix organisation, thus, ensures the dissemination of best relational and diplomatic practices among all of Enel's subsidiaries through the internal network, in compliance with internal and international conduct guidelines, providing a certain degree of local management autonomy to better adapt the Group's vision in various contexts.

The Enel SpA corporate diplomacy activities

In 2019, Enel was directly involved in around «800 partnerships with organisations, companies, and institutions operating on the local and international level that promote the development of the territory through innovative and tailored interventions»[635]. Intersectoral collaborations are essential to leveraging to support the more than 1,800 projects in which Enel is involved, concretely contributing to the social and economic development and growth of communities and territories through dialogue with stakeholders.

At the international level, Enel is firmly committed to contributing to sustainability and innovative business practices, collaborating and taking part in the most important international organisations, governmental institutions and associations.

The Holding Functions, particularly Legal and Corporate Affairs, European Affairs and Communications are in charge of the institutional and stakeholder relationships at the international and supranational level, interacting with political and non-governmental organisations, coordinating the subsidiaries' local relationships. Indeed, the daily interaction with local governmental institutions, organisations and civil stakeholders are held by the Countries' departments. Only in rare situations, corporate executives interact with high civil servants of foreign countries to discuss specific contextual issues and projects. The department of International Institutional Affairs, dealing with public officials and international associations (e.g. International Energy Agency, Clean Energy Ministerial), is put in direct contact with the CEO Office to ensure regular information flows.

[635] 'Enel SpA Sustainability Report 2019', 27.

The Group is particularly active in leading associations for sustainability promotion, both at the national and international level, contributing to setting long-term goals and commitments to foster a sustainable way of doing business, share valuable experience with other participants and co-develop solutions to climate change and current socio-economic challenges. Within sustainable associations in which Enel is present, there may be listed the United Nations Global Compact (UNGC), the CSR Europe, the Global Reporting Initiative (GRI), and the Global Investors for Sustainable Development (GISD) Alliance.

To promote valuable collaborations and strengthen the Group's external network, the CEO himself and various corporate executives act as "power-promoters" and corporate diplomats, sitting in prestigious positions in the major international organisations. For example, Enel's CEO has been appointed (2018-2021) member of the UNGC Board for a second term and has also covered the co-presidency of the Energy Utilities and Energy Technology Communities of the World Economic Forum in 2016. Similarly, the Group's Head of Sustainability Planning & Performance Management is a member of the Global Sustainability Standard Board (GSSB), an independent organisation with the exclusive competence to develop new GRI standards and guidelines.

These achievements demonstrate the corporate's ability to create valuable relationships, integrating the company in prestigious international referral points, as well as Enel's commitment to sustainability. Indeed, Enel considers sustainability the pivotal element upon which hinges its diplomatic strategy and relationships. Enel's sustainability strategy provides reliable support and trustworthy content to support diplomatic interactions, fostering corporate credibility and recognition in the international arena.

Under the CEO Office's supervision, institutional relations with the home country (Italy) are managed by the International Institutional Affair Department. Enel's peculiarity is the presence within the company of a diplomatic advisor, i.e. the Senior of International Institutional Affairs Officer, who is a state diplomat, temporarily assigned to the company in agreement with the Italian Ministry of Foreign Affairs. This "hybrid business figure" directly reports to the CEO and is in charge of coordinating foreign institutional affairs, global advocacy campaigns, and providing geopolitical due diligence and supporting the international corporate business with his diplomatic background.

Hiring a state diplomat can foster the corporate's ability to acquire valuable and dynamic diplomatic capabilities and expertise, as well as to create a multi-background group of experts to deal with geopolitics and international issues. Nevertheless, it should be noticed that the integration of ambassadors and state diplomats in the company might raise problems due to the different managerial and operative models of state bureaucracy and business governance organisation.

In the internationalisation process, the adaptation of sustainability values modified Enel's approach to doing business. Traditionally, companies considered sustainability, referring to the CSR normative nature, as a legally binding limit to resource exploitation[636] in foreign countries, attributing a rather negative connotation to the word. Contrarily, the sustainability concept adopted by Enel emphasises the positive aspects of sustainability. It does not require legislative regulation since the company integrated the principles in its business strategies as a privileged way to engage stakeholders and produce a competitive advantage for the communities and the Company itself. This represents a profound paradigm shift from the "business by law" approach, anchored in the CSR legislation, to a "business as usual" approach, conceptually integrated into the corporate business model. Since the energy and electricity market are often under strict governmental regulation, Enel considers the commitments and historical achievements of sustainability as a "trump card" for successful foreign expansions and participation in international projects. Sustainability may represent a differentiation element opposed to "un-sustainable" competitors, demonstrating the Company's proven interest to foster co-creational and sustainable investments in the internationalisation process.

Enel's foreign expansion in a new market usually starts within the M&A holding departments that conduct an explorative business and context analyses in collaboration with the department in charge of sustainability matters, which supports environmental and social assessments. Subsequently, as the process progresses, the corporate department in charge of sustainability matters provides support both to M&A and to the International Institutional Affairs, fostering the comprehension of local social dynamics, the adaptation and efficiency of the stakeholder engagement. In Enel, the sustainability department entertains a close relationship with both the M&A and Institutional Affairs departments from the early stages of the internationalisation project study onwards. Indeed, the due diligence, which represents the first internationalisation step, already considers and includes sustainability elements in their analysis. The sustainability concept has a concrete bearing in Enel's strategies as a practical approach to comprehend contextual, socio-economic and political dynamics, to reduce uncertainty and potential risks.

Once the preliminary analysis phases have been completed, the first corporate representative sent to the site is an executive member of the holding's Institutional Affairs

[636] In the Italian legislative system, the D.Lgs. 231/2001, the so-called CSR law represents a similar regulation.

department. Depending on the country and investment contexts, the central corporate departments in charge of the internationalisation process (International Institutional Affairs, Sustainability and M&A) can involve managers from the Country or the Regional units, connected with the new internationalising county. Perhaps thanks to their proximity, the subsidiary's manager can enrich the corporate understanding of the targeted market and environment with valuable information and cross-border networking relations. Hence, by collaborating with subsidiaries closer to the internationalising environment, the Company seeks to reduce the shortfalls of foreignness and outsidership, integrating local knowledge and experience into their internationalisation assessment. CS and CD assessment instruments (such as materiality analysis, CSV model) are thus considered complementary frameworks to support business, performance and market analyses.

However, the role and relevance of different departments in the internationalisation process are considerably dependent on the type of investment. For instance, if Enel is looking to build a new wind farm in a rural area, the sustainability department, maybe local (if there was already an Enel's subsidiary in the country) or well connected with the local networks, will become a pivotal connection point with social stakeholders, also significantly collaborating with the Institutional Affairs department in dealing with government stakeholders.

A milestone in Enel internationalisation operations is the gradual increase of the Sustainability and Institutional Affairs departments' activities. In compliance with the corporate strategy and business model, CD and CS are placed in a continuous dialogue to gather precious information from external environments and develop co-creational value with local stakeholders, which the Group considered as the privileged way to foster competitive advantage. Henceforth, the concept of corporate diplomacy, besides the non-use of the specific term by the company, is mainstreamed in the daily management decision, across the Group's value chain and during the internationalisation process, to foster sustainable business implementation.

Enel regards corporate diplomacy not only as a strategic tool to avoid risks, but also to seize all opportunities without leaving anyone behind. A clear, defined and long-term strategic approach integrates into the corporate vision, where openness towards the outside world passes through the creation of innovative and cross-sector partnerships. To this end, Enel has developed new tools and ways of stakeholders' engagement in order to guarantee a lasting relationship and a solid corporate positioning in an increasingly complex scenario. In this way, the Group aims to catch ahead those weak signals that will be the driving trends of the future.

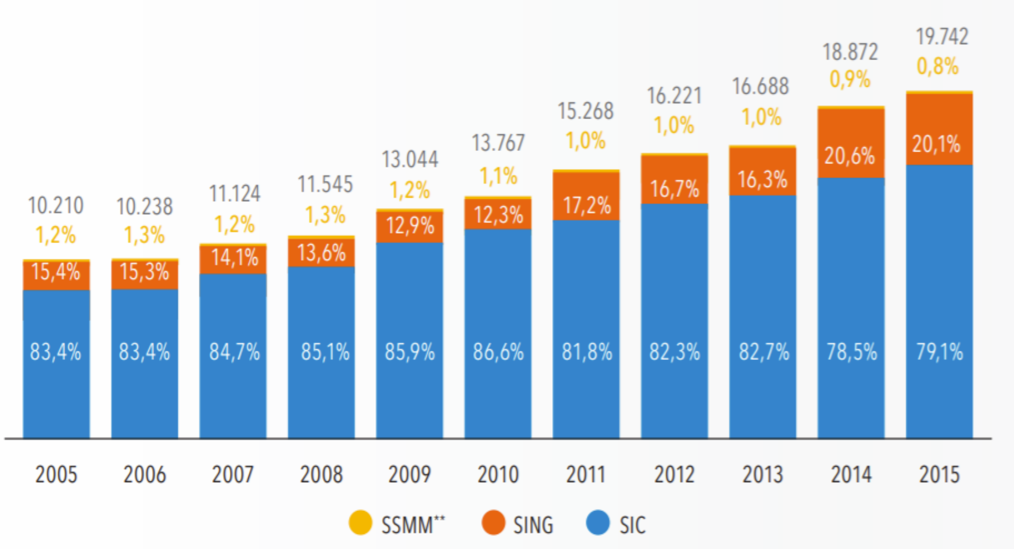
3.5. Corporate diplomacy and Corporate Sustainability in the internationalisation process: a lesson from Enel Chile S.A.

The Chilean energy context

The energy industry in Chile has been at a crossroads for a long time. On the one hand, the country urgently needs to develop new electricity plants to satisfy rising demand and improve energy access. The Comisión Nacional de Energía (i.e. National Energy Committee) esteems that the electric power capacity almost doubled between 2005 and 2015 with an average annual increase of 6.8% during the period[637] (see Table 3.6). The escalating demand for electricity deeply transformed the national energy mix, increasing fossil fuel use to produce electricity. On the other hand, the country firmly encourages the adoption of non-conventional renewable energies (NCRE)[638] since 2014, to mitigate high national dependency on fossil fuel imports, as well as severe climate disasters that have been affecting Chile in previous years, considered a result of global warming[639]. Similarly, at the social level, there has been an increase in resistance movements against the use of fossil fuels and unsustainable energy production, highlighting the social dimensions of electricity production and the challenges of meeting national energy needs while including social and local community expectations in the equation. Thus, the Chilean energy market sought to attract new business players to improve power generation and distribution in the country in a reliable and sustainable way, also via the introduction of new and up-to-date technologies.

[637] Comisiónal Nacional de Energía (CNE), 'Anuario Estadístico de Energía 2005 - 2015', 27.
[638] Base on the Chilean Law (n. 20257 of 2008) non-conventional renewable energy (NCRE) are considered in base of the production source and the sustainable impact of the plants. Indeed, the law refer NCRE as those generation plants using renewable sources (such as, hydroelectric, biomass, geothermal, solar, marine energy) which are small in the size to not highly impact on social, environmental and historical domains. The regimentation of Chilean energy matrix represents one of the most advanced normative case in the matter of sustainability
[639] CR2, 'La Megasequía 2010-2015: Una Lección Para El Futuro'.

Table 3.6. Net electricity generation capacity in Chile between 2005 and 2015 in MW



Source: Comisiónal Nacional de Energía (2015)[640]

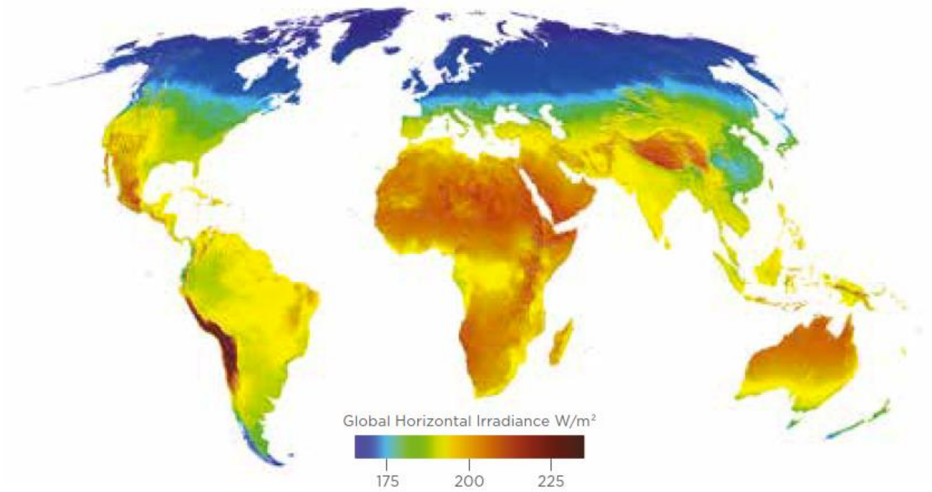
Gradually, the increasing social, political and intellectual attention to renewable energy, as well as new international government agreements on the effects of climate change, have positioned sustainability as a central axis of public policies. Moreover, the country's favourable geographic position strongly encouraged the implementation of solar and wind energy production technologies (see Table 3.7). Thus, starting in 2014, the Chilean government enacted strong energy policies and regulations to encourage private local and foreign companies to invest in long-term NCRE projects, in order to decarbonise the national energy mix and exploit the country's renewable energy potential[641].

The recent constant and exponential increase of renewable in the electricity mix, has made Chile a prime example of positive political promotion and cooperation with the energy industry to foster renewable sources' development; a long-lasting path defined by the former Energy Minister Máximo Pacheco Matte as a true «energy revolution»[642].

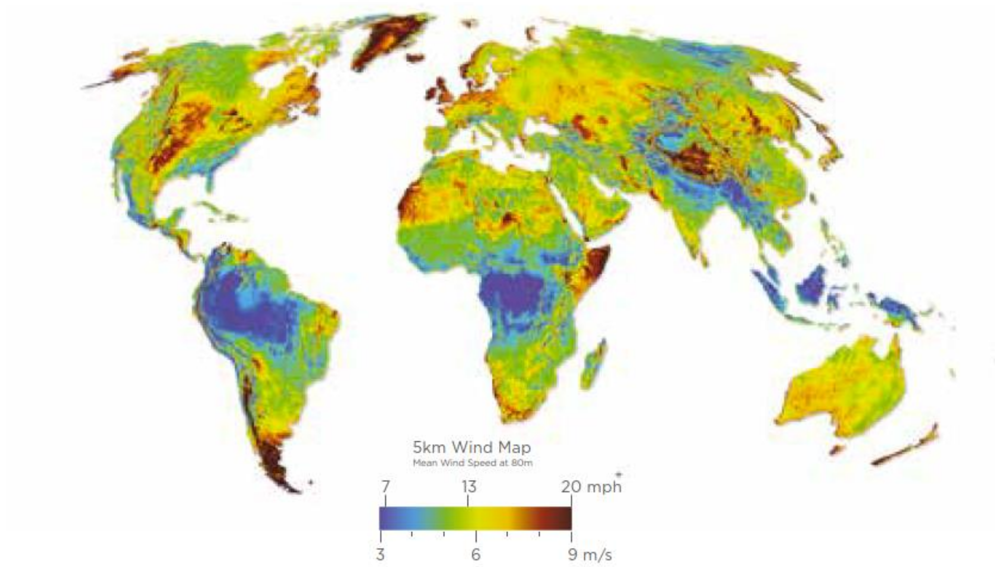
[640] Comisiónal Nacional de Energía (CNE), 'Anuario Estadístico de Energía 2005 - 2015'.
[641] Ministerio de Energia de Chile, 'Agenda de Energía: Un Desafío País, Progreso Para Todos'; Ministerio de Energía de Chile, 'Hoja de Ruta 2050: Hacia Una Energía Sustentable e Inclusiva Para Chile'.
[642] Pacheco, *Revolución energética en Chile*.

Table 3.7. The Chilean solar and wind potential

Chile and the global solar potential



Chile and the global wind potential



Source: IRENA[643]

Enel internationalisation process in the Chilean market

The market entry process of Enel in Chile covered a long-term period and occurred as a result of the acquisition of the Spanish company Endesa, to finally evolve with an increase in the foreign market commitment during further internationalisation phases.

Since 2005, several companies, including Enel, tried to pull off a partial or total takeover bid (OPA), to gain the control of Endesa and its global subsidiaries.

In 2007, Enel successfully completed the Endesa buyout in a joint tender offer with Acciona controlling the majority of the stake. At the time, Endesa's Chilean subsidiaries

[643] IRENA, 'A New World'.

Enersis S.A. (including Enersis Chile, Endesa Chile and Chilectra) operated 38% of the national electricity production and a considerable share of the local electricity transmission and distribution.

Two years later, in 2009, Enel also purchased the remaining shares of Endesa, expanding its total ownership to over 92% of shares, while the remaining 7.94% free float remained quoted in the New York stock exchange.

Thus, through a complex architecture, Enel gained majority control of Enersis S.A (a regional subsidiary of Endesa), a company which in turn owns secondary subsidiaries operating in the power generation, transmission and distribution in five South American countries: Argentina, Brazil, Chile, Colombia and Peru.

In 2016, following the Enel restructuring of local activities in South America[644], the former Enel's subsidiaries in Chile (i.e. Enersis Chile, Endesa Chile and Chilectra) were rebranded respectively as Enel Chile S.A., Enel Generación Chile, Enel Distribución Chile. They were reorganised with the purpose of incorporating and developing the various local business entities in the Group's matrix organisational model. From now on, we refer to the Enel's subsidiaries operating in Chile collectively as Enel Chile S.A. (EC), also including the last established Divisions: Enel Green Power Chile, operating in the renewable energy sector, and Enel X Chile, in charge of developing innovative products and advanced digital solutions.

Part of the subsidiary's restructuring plan had the objective to make the company more flexible and dynamic to positively tackle the country's energy transformations, investing and improving electricity production capacity with renewable sources. Indeed, EC combined their innovative course, designed at the global level by the Group's CEO, Francesco Starace, with the pioneering green energy policies enacted by the Chilean Energy Minister Pacheco, to foster renewable energy activities in the market. The alignment of interests between the corporate strategy and the Chilean national energy agenda opened up business opportunities for EC to invest in new renewable energy projects.

Considering Enel M&A only in relation to Endesa's Chilean subsidiaries (Enersis Chile, Endesa Chile and Chilectra), we might identify four phases of the internationalisation process[645]:

1. *The pre-internationalisation phase:* The first phase starts in 2005 with the beginning of Enel's scouting activities aimed to evaluate the Endesa takeover's

[644] Enel Chile S.A., 'Enersis, Endesa Chile and Chilectra Begin Analysis of Corporate Reorganisation'.
[645] Since the M&A process of internationalisation extends by nature over a long-time period, it is impossible to scientifically define the moments of beginning or transition from one phase to another. Here, are taken as relevant for the research purpose those turning point moments that have produced a significant change in the internationalization process.

feasibility. In this phase, CD activities are detecting potential partner and competitors (i.e. Acciona, Gas Natural and E.ON), planning reactive actions and coordinating joint tender offers. The department in charge of these diplomatic activities was placed at the corporate level, under the CEO's strict supervision and in a regular dialogue with the M&A office. Due to the financial nature of the internationalisation, the Sustainability department played mainly a supporting role in this phase, providing recommendations about the methodology for market and environmental analysis;

2. *The market entry:* The second phase happened gradually as a result of various financial operations, between 2007 and 2009. By concluding the total takeover of Endesa, Enel also gained the ownership of Enersis Chilean subsidiaries (i.e. Enersis Chile, Endesa Chile and Chilectra);
3. *The settlement and development:* 2016 marks the starting point of the third phase. It involves (externally) the gradual EC settlement and development in the local market and environment; and (internally) the subsidiary's organisational rearrangement, in line with corporate structural governance reorganisations. The adaptation of the corporate standards, guidelines, reporting model and governance structure indicates a crucial turning point in the subsidiary's settlement and development process. Following the Corporate's model, EC undertook a rebranding and reorganisation process (with the adoption of a standardised Sustainability Report[646]), gradually joining the Company's strategy and internal network;
4. *The rationalisation:* The last phase requires accomplished maturity; the subsidiary should have become able to "navigate alone" in local and regional environments. Hence, the subsidiary must be integrated, homogenised, and become a contributing unit within the Corporate's internal network. Similarly, the subsidiary presents an extended local, cross-border and intersectoral external networks. This phase shows a completed integration of CD and CS into the strategy and the decision-making process of the subsidiary[647].

The following part focuses mainly on the analysis of CD and CS activities implemented by EC's Chilean subsidiary throughout the second and third phases of the M&A process.

[646] Even though 2016 Enel Chile Sustainability Report was structured according to the corporate model, it was still drafted in Spanish.
[647] 'Enel Chile 2019-2021 Strategic Plan'.

Indeed, the pre-internationalisation phases show only a limited degree of interactions between the CD and CS departments and occur primarily at the corporate level. Regarding the last phase (i.e. the rationalisation), it can only partially be analysed since there has not been enough historical distance and public availability of documents to allow a fitful analysis of the matter.

Enel Chile's governance

Similarly to the analysis of the Group's relationships with stakeholders at the subsidiaries level, EC's Sustainability Report provides a valuable document to understand the subsidiary's vision and the attitude towards social and governmental actors. The first available Sustainability Report of EC refers to 2016. The document is drafted in Spanish, demonstrating the still limited inclusion and standardisation in the Group's internal network of the Chilean subsidiaries. Nevertheless, 2016 represents the turning point in EC's subsidiary organisations, the year when the rebranding and restructuring operations (at Corporate and Chilean subsidiary level) are finalised.

In the opening message, EC's President and CEO, respectively Herman Chadwick Piñera and Nicola Cotugno, presented the subsidiary's strategic vision aligned with the Group, promoting the Open Power business model (see Table 3.8) also at the local level. Relationships with customers and stakeholders are considered the «new form» to boost the local market end a priority for EC[648]. Moreover, EC declares its commitment to adopt «the concept of shared value» to create value both for the community surrounding the operations and the company itself.

Table 3.8. Open power in the words of Enel Chile[649]

What is Open Power?

- A response to the paradigm shift in the energy world.
- The articulation of the long-term strategy to drive the business into the future.
- A guide to guide commercial and industrial projects.
- A mindset.

Let us consider the two executive positions most likely to interact with external stakeholders. The 2016 organisational restructuring confirmed Mr Urzúa Frei at the Head of

[648] 'Enel Chile Sustainability Report 2016', 10–11.
[649] 'Enel Chile Sustainability Report 2016', 15. (Translated by the Spanish version)

the Institutional Relations department. His expertise and previous experience in the Empresa Nacional del Petróleo, (in English: National Petroleum Company) and in the Enersis Chile (the acquired company) represents a guarantee of a high professional standard and continuity in EC's relations with the government. Complementary, Ms Pellegrini was appointed Head of Sustainability Management office, having gained extensive experience as Sustainability manager in the Regional Latin America unit. The sustainability department's task was to locally design and implement the new strategy of the Group, concerning sustainability, CSV and Open Power. What was the EC's sustainability vision at that time might be deduced from Ms Pellegrini words: «An area has its history, a balance prior to our arrival. We must take into account how our actions, our plants and our projects are inserted in this balance without disrupting it»[650].

Enel Chile's stakeholder engagement during the internationalisation phases

The Group's organisational structure requires that local stakeholder relationships should be managed locally to enhance the subsidiary's embeddedness in the local environment and create specific experiences within the business unit.

Three elements substantially shape the stakeholder and CD activities' management during internationalisation. Firstly, Enel had an already established presence in South America, composed of smaller business activities and partnerships, enabling the Group to gather useful information about the market and environment. Moreover, Enel could rely on cross-national networks, including established connections in South America and Spain, which fostered relationships with Chilean actors and partially mitigated the shortfalls of foreignness and outsidership. Lastly, since the internationalisation took place through an acquisition, the Group faced the opportunities and risks of managing an already established company's reputation and set of relationships.

Furthermore, during the pre-internationalisation phases, contextual analysis, due diligence and matrix analysis concerning the Chilean market had been conducted by Enel's South America Regional units, which was already established, collaborating with the Corporate departments. Then, once the company takeover was concluded, a gradual power devolution toward EC took place, to establish and nurture relationships with various local and national stakeholders, associations and institutions, seeking to develop co-creational interactions and partnerships. In this stage, EC aimed to play an active role within various key referral points in national and cross-border networks to foster the subsidiary's local

[650] Enel SpA, 'Women Who Make the Sun Shine'.

embeddedness and the local achievement of long-term corporate purposes. CS and CD were considered pivotal elements in developing the subsidiaries' business, as pinned in EC's Sustainability Report: «Enel Chile places its stakeholders at the centre of its Sustainability policy. Understanding their expectations and maintaining a process of continuous and open dialogue with them is at the heart of the company's strategy»[651].

Corporate diplomacy and sustainability methodologies and tools

During its internationalisation process, EC has employed and developed a set of integrated models to assess, design, understand and monitor the local socio-economic and environmental landscape. EC's methodology foresees the application of tools for the stakeholders, environmental and socio-political diagnosis, regularly employed at the national and local level. Over time, models evolved to include a revised and continuous mapping of stakeholders and their priorities. EC aims to have a continuously updated vision of the territory's demand and seeks consensual and co-creational solutions, building a long-term relationship between the company and stakeholders. Analysing the transformation of the stakeholder mapping and engagement instruments gives us valuable insights into the evolution of the role of CD and CS during the internationalisation process.

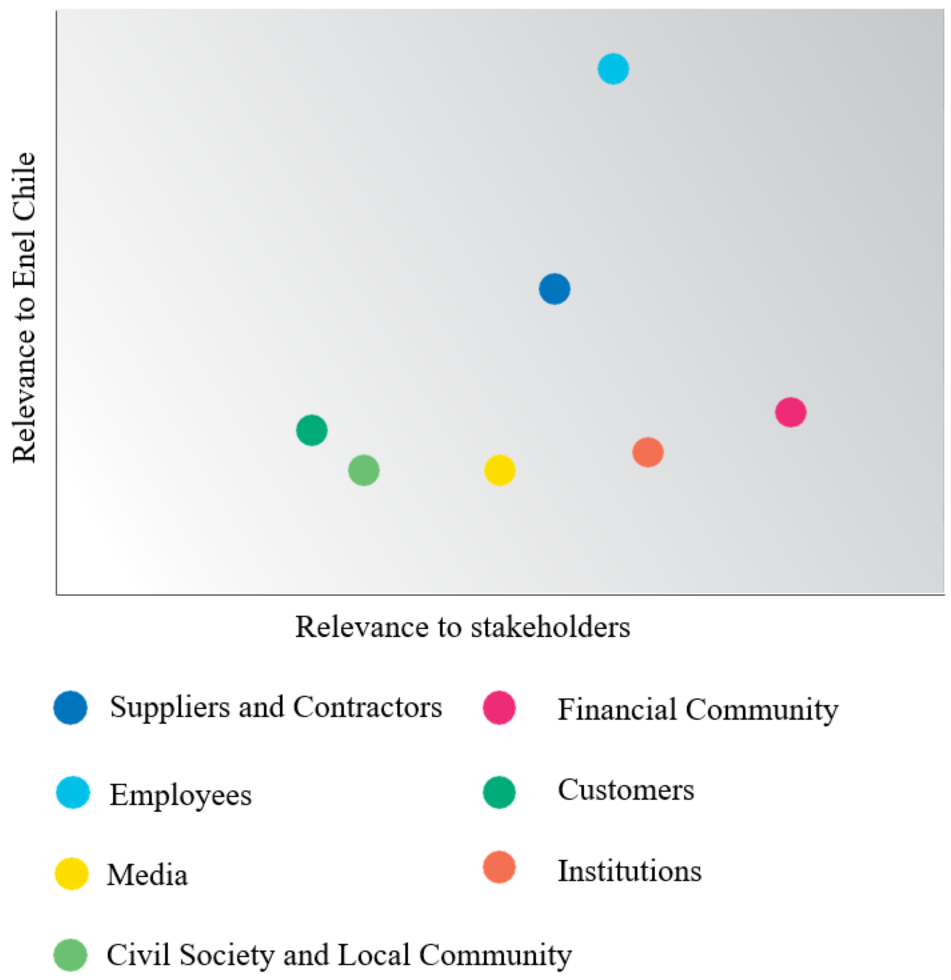
Throughout the second and third internationalisation phases, EC empirically classified local actors according to their relevance and categories, to better understand the Chilean stakeholder landscape. Categories differentiated stakeholders as belonging to the following groups: Financial Community, Institution, Civil Society and Local Community, Suppliers and Contractors, Employees, Customers and Media. Stakeholder relevance is determined according to three criteria: influence, dependence and tension[652]:

- *Influence*: the extent to which a stakeholder can have an impact on the organisation's strategic or operational decision-making;
- *Dependence*: Level to which stakeholders directly or indirectly depend on the organisation's activities, products or services and their performance;
- *Tension*: Degree of immediate attention by the organisation to broader economic, social or environmental problems.

[651] 'Enel Chile Sustainability Report 2016', 30.
[652] 'Enel Chile Sustainability Report 2016', 30.

Hence, EC composed the national (and when necessary local) Stakeholder Matrix (Table 3.9) by elaborating the previous data.

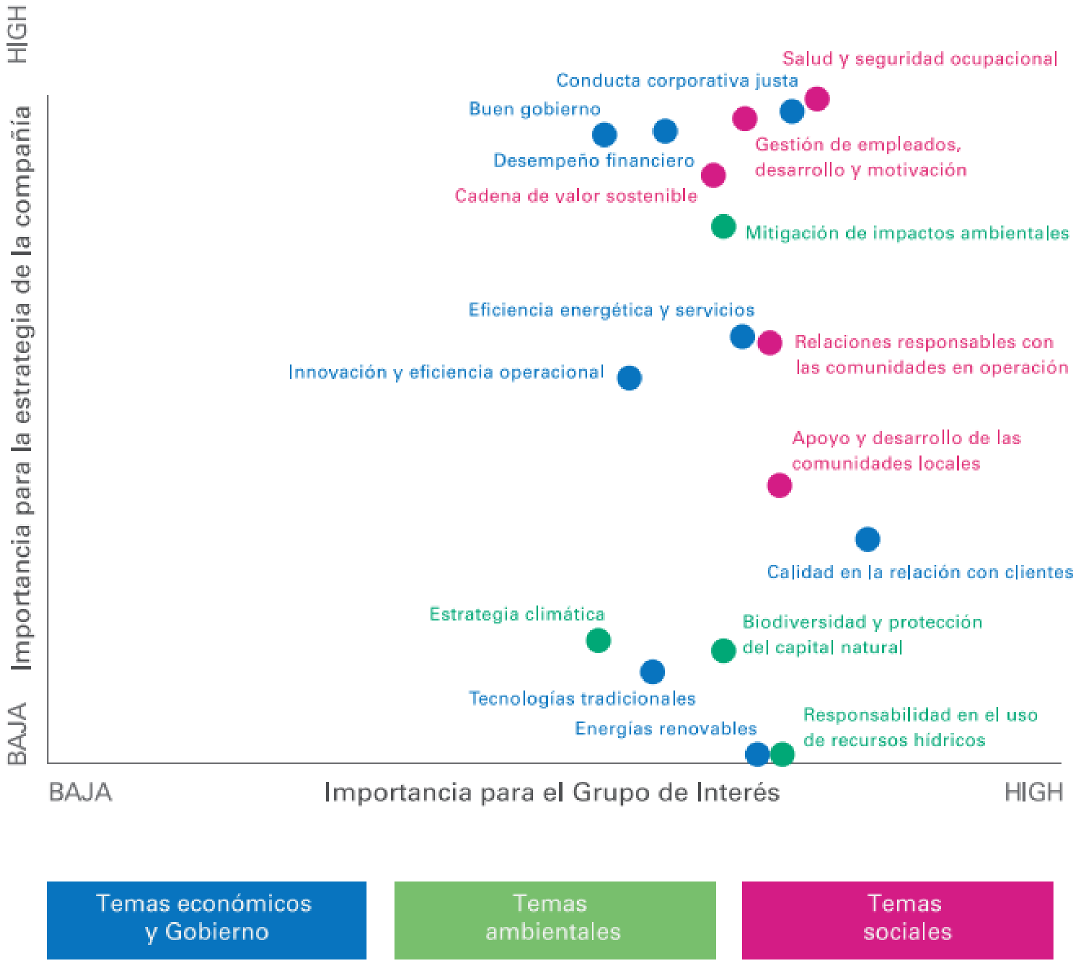
Table 3.9. Enel Chile's Stakeholder Matrix (2016)[653]



To improve stakeholder understanding, EC systematically improves its stakeholder analysis, through a continuous global process of identifying and evaluating the most relevant stakeholder expectations. Stakeholders' concerns are then organised into three main categories: Economic and Governance, Environment and Social. The combination of the analysis of the stakeholder issues weighted by the company's strategy and purpose composes the EC's Materiality Matrix (table 3.10).

[653] 'Enel Chile Sustainability Report 2016', 31. (Translated by the Spanish version)

Table 3.10. Enel Chile's Materiality Matrix (2016)[654]



The results of this process allow the company to align its strategic priorities with those of its stakeholders. This way, adjustments can be made regarding the most important issues, and action plans can be generated in the context of the company's Sustainability Plan. The materiality matrix enables to analyse the relevance of each issue, develop an adequate stakeholder management activity[655], and organise materiality topics according to their priority. The EC's 2016 Sustainability Report considered "responsible relations with the communities", "local community relationships, disaster, emergency planning and response", and "support and development of local communities" only as a medium priority for the company. This was a relevant miscalculation which probably contributes to neglect and underestimate the social objections and protest concerning the HidroAysèn Project (see Table 3.11).

[654] 'Enel Chile Sustainability Report 2016', 35.
[655] 'Enel Chile Sustainability Report 2016', 35.

Enel Chile's international stakeholder engagement

Despite the prevalence and role of Enel in maintaining and managing relationships with international stakeholders, EC has nurtured and established various relationships with cross-country organisations to interact with international and regional stakeholders. For instance, EC decided to maintain its individual participation at the UN Global Compact through Enel Distribución Chile. The membership was signed in 2005 and inherited by the former Chilectra company. Besides, in 2016, EC was an active member of the following international, national, regional trade and business associations:

- Italian Chamber of Commerce;
- Chilean-Argentine Chamber of Commerce;
- Chilean-Brazilian Chamber of Commerce;
- Chilean-Italian Chamber of Commerce;
- Action Companies;
- Global Compact Network;
- Instituto Chileno de Administración Racional de Empresas (ICARE)[656];
- Chile Transparente;
- UC Innovation Centre.

International relationships are established and strengthened by EC's Institutional Relations Management office on an ongoing basis, coordinating with the subsidiary's CEO, Regional and corporate divisions, and handled in compliance with Enel guidelines of conduct[657]. Membership in and partnerships with bilateral and cross-country institutions empower EC to improve its embeddedness and credibility at the local and regional level, especially during the internationalisation process. Cross-border connection also helps the Group to collect valuable information about the regional-context and industry-specific, seeking for co-creational business opportunities and proactively detecting social, environmental and political cross-border risks.

[656] In English: Chilean Institute of Rational Business Administration (https://www.icare.cl/)

[657] Following the internal corporate criteria of the Compliance program, the Code of Ethics and the Criminal Risk Prevention Model, as well national related legislation (Chilean Law n. 20,730) to provide complete and transparent information for institutions to stand on solid ground when making their decisions. 'Enel Chile Sustainability Report 2019', 205.

Enel Chile's institutional relations

At the national level, in 2019, EC, through its subsidiaries counted around 28 partnerships with local universities, trade and business associations, related to the industry, regulatory and consultation processes, energy policy and decarbonisation[658]. Such a variety of subjects might also be founded in the nature of the 18 alliances EC has with local entities, covering, for example, poverty, education, sustainability and environmental protection[659].

To enhance credibility and reduce stakeholder's scepticism, EC's associations with civil organisations are registered and respect related Chilean law (n. 20,730). They are also internally monitored and regulated by the Corporate, following specific criteria such as the Compliance program, the Code of Ethics and the Criminal Risk Prevention Model. EC is also committed to avoiding any financing of political parties, representatives or candidates, in any way, including conference sponsoring[660].

EC provides complete and transparent information about relationships with associations and organisations to improve trust and reduce latent scepticism. For this reason, EC published the overall total of payments to the local associations, specifying which were the three entities which benefited the most from EC (or their subsidiaries) financing. In 2019, the total financial contributions of EC rose to $843,566,874.

Enel Chile's individual stakeholder engagement

Despite the necessity to bring civil stakeholders on board and dialogue with them, with the aim to not neglect any stakeholder, EC decided to engage and involve, since the second phase of the internationalisation process, some local key actors (referral points among the local networks). EC wants to better understand local expectations, seek points of common interest between the company and civil society, and evaluate investments and co-creational solutions that satisfy both business and social concerns.

Local influential actors among society can help the company to map and involve local stakeholders inclusively. Knowledge of indigenous culture and customs, as well as sensitivity to their traditions and environment, are crucial elements in understanding roles and power hierarchies among local stakeholders. Only a local actor has the right lens to understand local dynamics. By contrast, it is a utopia to think that the international company would be able to map all local stakeholders analytically. A local actor is needed for the company to enter the various networks and understand the environment's dynamics with a considered view.

[658] 'Enel Chile Sustainability Report 2019', 206.
[659] Enel Chile S.A., 'Asociaciones, Fundaciones y Alianzas'.
[660] Enel Chile S.A., 'Nuestros Principios y Políticas'.

Among others, EC established a relationship with the Chilean writer Isabel Allende, considered an important individual stakeholder with heavy influence on business dynamics. Similarly, in 2010, Luis Infanti de la Mora, Bishop of Aysén was invited to take part in the EC Shareholders[661]. The invite aimed to promote an inclusive dialogue about EC's projects in Patagonia. Msgr. Luis Infanti speaks for the Patagonian communities, which were opposed to the realisation of various large dams for the generation of hydropower electricity, the Aysén Hydroelectric Project (see Table 3.11).

The two stakeholders identified and involved by EC, represent essential and distinct referral points in Chilean local networks: Isabel Allende might be seen as a junction point among and within institutional and intellectual Chilean networks; while Msgr. Luis Infanti represents a source of inspiration and a point of reference among Aysèn and catholic communities.

Table 3.11. The EC's Aysén Hydroelectric Project case study

The Aysén Hydroelectric Project (in short HidroAysèn) proposed the construction of the country's largest power facility in Chilean Patagonia to generate around 2.750 MW and concretely contribute to reducing the national electric demand-supply gap. The hydroelectric generation project was supported by the HidroAysèn private company, of which Enel has inherited 51% of shares as a result of the Endesa M&A[662].

Although in the view of many industry experts and consultants, HidroAysén was a reasonable and necessary project, the environmental implications and some social protests created a deadlock. In the beginning, EC was able to engage in the decision-process and debate with the leading associations and institutions and relevant individual stakeholders, who play a key role in promoting and representing community interests, such as inviting Msgr. Luis Infanti as a public spokesperson on community behalf at the 2010 EC's shareholder meeting. Nevertheless, in 2014, the new socialist elected President Michelle Bachelet decided to block the HidroAysèn, even though the project satisfied the NCRE legal requirements. With growing environmentalist protests, the new socio-political scenario set HidroAysèn at the centre of the public and political debate. Ms Bachelet took the side

[661] 'Chilean Bishop at Enel's Shareholders' Meeting No to Enel Dams in Patagonia. Water Returns Public | Ethical Bank', 'Un Vescovo per l'Enel'.

[662] HidroAysén was previously set as a private company in 2006 by the Spanish company Endesa (51%) and the Chilean company Colbún (49%).

against the project, stating during its political campaign that « [I am] not in favour of HidroAysèn and [I] do not think it is viable».

Nevertheless, considering the HidroAysèn project, it is also reasonable to identify a critical point in Enel Group's/Chile's CD activities, implemented toward community and institutional stakeholders during the second and third phases of internationalisation process in Chile. At that time, the company did not conduct diplomatic activities inclusively enough to understand and monitor the extent of the socio-political aversion to the project. Probably, EC considered the initial government support sufficiently, as well as the compliance with Chilean law on renewable energy sources[663]. Nevertheless, the project faced a growing opposition (already latent at the time of the Endesa M&A[664]), which turned into growing public oppositions in the following years, nationwide mass demonstrations, and cross-country social protests[665], also supported by major and international NGOs (such as Greenpeace)[666].

HidroAysèn project is a case in point to illustrate that environmental sustainability is certainly an essential element for enduring long-term business investment, but it is not sufficient. Focusing only on environmental issues might lead to the "sustainability paradox"[667]: sustainability requires a complete commitment in social, economic and environmental domains. Moreover, especially during the third phases of the internationalisation (i.e. settlement and development), a corporate diplomacy strategy (guided by sustainability principles) would have been necessary to maintain fruitful social and institutional relationships, enabling to reduce the politicisation of the project. The case also shows communication mismanagement: "the public misread EC's intentions, media misrepresented EC's arguments, politicians jumped on the bandwagon", making it harder for the company to find a common interest point with all actors.

Nevertheless, where other companies would have seen a failure, EC seeks an opportunity. The company deeply reorganised its diplomatic procedures to integrate stakeholder expectations promptly and utterly in future project planning. Moreover, the preventive suspension of the dam project reduced the risks of further economic and human

663 Chilean Law (n. 20257 of 2008) on non-conventional renewable energy (NCRE) y
664 Broitman and Kreimer, 'Knowledge Production, Mobilization and Standardization in Chile's HidroAysén Case', 212–13.
665 For instance, social protests against the HidroAysèn project also involved the Italian public opinion. In 2010, in Italy was lunched the "Patagonia without dams" campaign http://patagoniasenzadighe.org, which aims to collect and continue the awareness-raising activities and protests in defence of the environment
666 Mostrador, 'Greenpeace protesta contra HidroAysén con un lienzo gigante en la sede de la empresa'.
667 Gunilla, Olsson, and Gooch, 'The Sustainability Paradox and the Conflicts on the Use of Natural Resources'.

capital costs, in an investment which probably would have face social troubles also in the operational phase. Moreover, EC was able not to ruin its relationships with the new Chilean government, to jointly seek for new alternative sustainable solutions, contributing to satisfying the increasing national demand for electricity with new projects aligned with social expectations.

Main sources: Broitman and Kreimer (2017)[668], Maite and Tironi (2019)[669], Uribe *et al.* (2017)[670]

Enel Chile's relationships with local communities

Alongside institutional partnerships, EC strengthens its commitment toward local communities. For this end, during the settlement phase of internationalisation (2016), EC enacted the Sustainability Policy as a managerial and strategical guideline for the company's responsible growth, having as only fundamental pillar the establishment of responsible relations with the community. The policy aims to pursue the positioning of the Corporate's strategic concept of Open Power and achieve the generation of shared value in the societies in which EC operates[671]. EC also defined criteria and principles for fair relations, where stakeholders are involved in the project's design, ensuring information symmetry in the interactions and dialogue and guaranteeing independence in decision-making[672].

Interacting with local communities, EC intended to actively develop long-term relationships of trust with the stakeholders present in the territory and implement an ongoing and consistent relationship strategy to minimise and mitigate the risks related to its activities in that particular territory.

This way, during 2016, the company consolidated a territorial structure, organising work teams to promote company initiatives towards local communities efficiently. Through its sustainability management, EC implemented various social development projects and initiatives in the different territories where it operates, involving community engagement and relationships throughout two Foundations and a framework for responsible action based on the promotion of education.

As a result of the acquisition, EC "inherited" two foundations by Enersis Chilean, the Pehuén[673] and San Ignacio de Huinay[674]. The Pehuén Foundation has been established to

[668] Broitman and Kreimer, 'Knowledge Production, Mobilization and Standardization in Chile's HidroAysén Case'.
[669] Hernando-Arrese and Tironi, 'Worlding Hydropower'.
[670] Uribe et al., 'Hidroaysén Case'.
[671] 'Enel Chile Sustainability Report 2016', 48.
[672] 'Enel Chile Sustainability Report 2016', 48.
[673] Pehuén Foundation, https://www.fundacionpehuen.cl/
[674] San Ignacio del Huinay Foundation, http://www.huinay.cl/site/sp/

promote the living conditions of Pehuenche communities in terms of education, health, housing and economic income. The San Ignacio del Huinay Foundation is a non-profit foundation established in 2001 by Endesa Chile in collaboration with the Catholic University of Valparaíso. During the second internationalisation phase, EC invested significantly in the San Ignacio del Huinay Foundation to boost the company's recognition among local and institutional stakeholders. The new strategy seeks to transform the Foundation into a national and global leader in scientific research on Patagonian ecosystems, being a reference for studies of climate change, biodiversity and promoter of education, as well as to contribute to the design of conservation strategies for sustainable development in Chile and the region.

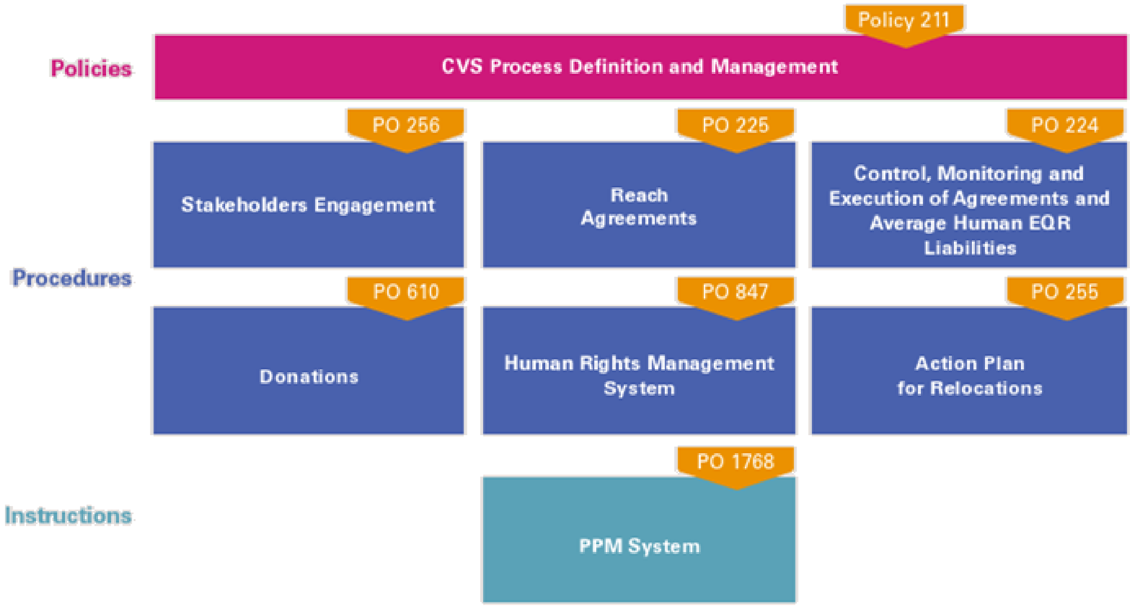
Complementary, EC developed various educational initiatives benefitting vulnerable groups, such as women, children and the elderly. Under the Energy for Education, Enel Chair and the Teaching Internship program, the company aims to promote the education of elementary students providing equipment and infrastructure for high school students and teachers, offering technical-professional specialising courses[675]. During the settlement phase of the internationalisation process, the company partially redirects its support toward educational programs, implementing activities related to high-school and university technical education in the energy and electric sectors.

As the subsidiary becomes more deeply embedded in the local environment, EC's commitment to communities has been developing with new tools and policies, such as the Sustainability and Community Relations Policy, and the Policy 211. The Policy 211, also called "CSV Process definition and management" (see Table X), represents a linear multi-step process to guide, execute, monitor, and evaluate shared value plans in terms of assets and territories. The model ponders several tools to evaluate social, economic, and environmental needs to define projects that will create value for both the Company and local communities, mitigating the socio-environmental impacts any project may cause.

CSV Process definition and management is the conceptual and managerial proof of EC being strongly committed to including stakeholder expectations throughout a complete and trustful engagement in the company's planning activities, to avoid that episodes such as the HidroAysèn project happen again (see Table 3.12).

[675] 'Enel Chile Sustainability Report 2016', 56.

Table 3.12 X. Enel Chile's "CSV Process definition and management" model[676]



Corporate Diplomacy evaluation in the Enel's internationalisation in Chile

The previous analysis illustrated how Enel applied and incentivised the Chilean subsidiary (i.e. Enel Chile S.A.) to implement corporate diplomacy in combination with sustainability, during the internationalisation process, in order to manage stakeholder relations and foster a long-term sustainable business profitably.

The HidroAysèn example revealed that sustainability is a necessary but insufficient condition for maintaining successful relations with different stakeholders at the social and institutional level. The company has progressively developed and optimised successful innovative tools, integrating corporate diplomacy, sustainability, and stakeholder theory to overcome this issue. Nevertheless, every managerial decision is rooted in a core question, which should be answered: "does it pay off?".

Because of the confidentiality of the information, the calculation of the costs and benefits trade-off of implementing CD and stakeholder engagement activities cannot be made mathematically. Moreover, it would be complex to quantitatively measure those activities' investments and results since they are intersectoral and carried out differently and by various departments.

Even though CD and sustainability should be considered an investment able to generate non-financial and financial returns (see Para. 2.2). Nevertheless, one can consider the value

[676] 'Enel Chile Sustainability Report 2019', 119.

of CD by looking at the sustainability of the company business, as well as at its recognition in the local environments.

On the one hand, sustainable financial, value creation, economic performances, and risk avoidance can be considered valuable reference points for monitoring and better understanding the viability, success or unsuccessful, of the EC's CD and CS activities implementation. These gauges are indeed the results of all activities carried out by the company, and thus they prove the outcome of the CD and CS activities to a certain degree. As a matter of fact, if the company score good performances across the internationalisation phases, it proves that the management has well conducted the necessary activities to embed in and related the firm to local networks, business ecosystems and stakeholder relations, as well as the firm has obtained a certain level of social and institutional licences to operate in that market.

First of all, considering various independence sustainable performance indexes, give an insight into the goodness of the company's long-term economic, social and environmental asset management plans. Moreover, sustainability indices and rankings are instruments to measure any given company's responsibility regarding environmental, social and governance (ESG) criteria. In 2020, EC scored first place in the three categories of the Dow Jones Sustainability Index in which it is eligible to take part: Emerging Markets, MILA Pacific Alliance, and Chile[677]. Additionally, the company is included and score a top rate in all the leading international sustainability indexes: such as FTSE4 GOOD, Vigeo-Eiris, MSCI ESG Indexes, Sustainalytics, ISS ESG[678]. Among these indexes, EC frequently gets a maximum score in social management, supply chain, innovation, transparency in relations with institutions, distribution network reliability, water risk management, human rights, and stakeholder engagement, showcasing its integration business strategy.

Secondly, an efficient CD strategy should ensure economic value creation, particularly relevant is the amount of value which directly and indirectly produce in the territories, communities, market. In 2019, EC generated value equivalent to Ch$ 2.8 billion, 13% more than the amount generated in 2018. Economic value has been distributed among the company's different business lines and stakeholders (see Table 3.13). Among these, relevant payments were made to suppliers, financial capital (dividends to shareholders and financial expenses), and tax payment. A not less important items concern the cost of employment and

[677] Enel Chile S.A., 'Enel Chile Tops Dow Jones Sustainability Index in Three Categories'.
[678] 'Enel Chile Sustainability Report 2019', 258.

the contribution to social activities and foundations, making a direct and positive impact on the local economy and communities.

Table 3.13. Enel Chile's Economic Value Creation[679]

		2017		2018		2019	
		Ch$ Million	%	Ch$ Million	%	Ch$ Million	%
Direct Economic Value Generated (EVG)	Revenue	2,655,185	100%	2,483,697	100%	2,800,393	100%
	Operating	2,522,978	95%	2,457,161	99%	2,770,834	99%
	Non-operating	132,207	5%	26,535	1%	29,559	1%
Economic Value Distributed (EVD)	Operating costs	1,827,799	69%	1,688,763	68%	2,146,180	77%
	Employee wages and benefits	107,115		106,419		11,994	
	payments to providers of capital	314,314	12%	353,577	14%	401,377	14%
	Financial expenses	53,511	2%	122,184	5%	164,898	6%
	Dividend payments	260,803	10%	231,393	9%	236,479	8%
	payments to Government	143,342	5%	153,483	6%	61,228	2%
Economic Value Retained (EVR)	EVR = EVG - EVD	262,615	10%	181,455	7%	79,615	3%

**Differences between these values and the ones reported in previous years are due to a reclassification of Enel Chile's Financial Statements.

As a third aspect, CD strategy should ensure a long-lasting and increasing economic return to the company. The economic result cannot be considered secondary or a corollary of the entrepreneurial action, as a particular ideological vision of sustainability assert, since it is the financial return itself that gives the possibility of implementing CD and CS strategies and financing them. Hence, economic performance is the starting and ending points of CD and CS strategies. In this respect, EC shows a gradually and concrete increase in the primary economic aspects, which has been partially interrupted in 2020[680]. As further proof of the company's financial strength, in January 2021, Moody's upgrades EC's long-term rating to "Baa1", with a stable outlook[681]. Similarly, Fitch confirmed the long-term "A-" of the Issuer Default Rating (IDR) to the company with an outlook "stable"[682]. The "A-" was assigned to the company for the first time in the previous year.

Last by not least, we can consider the risk avoidance. This is probably the most difficult "CD performance index" to assess, but also the most relevant. Successful CD activities, driven by sustainability principles, can consent to prevent or better manage social, political,

679 'Enel Chile Sustainability Report 2019', 256.
680 Enel S.p.A, 'Financials'; 'Enel Chile Annual Report 2019'. However, it should be noted that 2020 was characterised by the global Covid-19 pandemic, an unforeseen factor which affected the Enel Chile S.A. performance.
681 'Enel Chile S.A. | Reports | Moody's'.
682 'Enel Chile S.A. Credit Ratings: Fitch Ratings'.

economic and environmental threats, enhancing the company's business and credibility. This requires concrete embeddedness and comprehension of the local dynamics. Indeed, since 2016, implementing that Enel has adopted and passed on to its subsidiaries the new vision of "evolved sustainability", conceptualised in the Open Power and CSV model, which has incentivised in Chile the development of shared projects that meet the interests of the local community and the company. Browsing through the company's documentation, many related examples stand out, in which the company has successfully prevented possible tensions with stakeholders through their active engagement and co-creational projects.

An example is the collaboration with local communities conducted by EC in the Maule region. In this region, the company operates with six hydroelectric plants, with an installed power generation capacity of around 879MW. Following the CSV model and sustainability principles of the Corporate, EC has cooperated with local farmers and the Universidad de Talca promoting the Water Management Project. The cooperative and co-creational partnership seeks to create tools and skills that can optimise water use and hence reduce the impact of the water deficit, improving irrigation systems for agricultural activities and water conservation for hydroelectric generation, engaging institutional and civil society stakeholders. The project won the "2018 Water Category" prize in the National Environmental Award, of Fundación Recyclapolis, and received a 2nd place in the National Generation Association contest "Good practices for a more sustainable future in electricity" in 2019[683]. A quantum leap from the past.

On the other hand, a powerful clue to understanding the CD activity's effectiveness is to analyse the company brand reputation in the local environment. Starting by comparing the HidroAysèn case study and the present situation, across the time, the company did a great job in understanding the local institution and social expectations, cooperating with the stakeholder and seeking for a contact point between their interests. Potential leverage of this strategy has been the sustainability principles' employment and integration in the internal decision process, analysis, and outward interactions. Thanks to this, EC received several acknowledgements awarded by various independent, local and international organisations, including the Generación Empresarial – Diario Financiero Award for the company integrity and ethical standards and the Best Practices for a Sustainable Electric Future Contest[684].

683 'Enel Chile Sustainability Report 2019', 148–49.
684 'Enel Chile Sustainability Report 2019', 260.

The value of Corporate Diplomacy in Enel internationalisation process of Enel

The dense and colourful nature of civil society stakeholders, their interests, attitudes, strategies and actions have increased the complexity for companies to establish and maintain efficient relationships with the various actors of the business environment. Hence multinationals have looked for possible approaches and frameworks to guide and contribute to CD during the internationalisation process.

Sustainability has demonstrated a great ability to support company's diplomatic actions, providing efficient principles and instruments that, combined with traditional diplomatic tools, enhance the MNC's capability to engage with social, institutional and politician stakeholders to identify common interest and create co-creational alliances.

Examining the internationalisation process of Enel in Chile provides a concrete overview of how a company might implement and improve the CD and CS methodology to establish or promote long-term sustainable business during a foreign expansion. Even though corporate diplomacy is not conceptualised into Enel's documents, its characteristics can be detected across all the decision-making processes and the Company's value chain. Thanks to the precious contribution of the Head of Sustainability Planning and Performance Management at Enel, this research analysed CD through the "lens of sustainability" with professional insight from the company perspective.

During the phase of the settlement and development of the internationalisation, EC has demonstrated an outstanding ability to implement and adapt Corporate CD guideline and tools to the Chilean market, by employing a sustainable approach. The CSV model and Open Power policy have successfully guided the activities of EC and its interactions with local stakeholders, turning initial mistakes into learning opportunities. Hence, CD demonstrated its capacity to be an adaptable, standardised and replicable strategy, to foster sustainable internationalisation.

To overcome unprecedented circumstances, MNCs need new, uncharted and always urgent solutions. The internationalisation process of Enel in Chile demonstrates how important it is to develop "next practices" and share them through the corporate internal network, involving the experience developed by all Group's units across various latitudes. Through the internal network interactions, Enel has developed and shared its stakeholder engagement models, such as the CSV model, enabling EC to improve its engagement strategy at the local level.

Traditional "best practices" soon become obsolete and are of little use in a rapidly changing world. To be successful, companies need to develop "next practices", unprecedented and proactive procedures. CD's "next practice" requires continuous interaction with the external networks and massive doses of creativity. Behavioural and relational innovations are the result of the experience, gained interacting with external and different stakeholders.

EC's history suggests that alongside the "Open Power" model, the company might also develop a complementary concept: the "Open Diplomacy". A CD vision hinged on the values of openness, inclusivity, trust, proactivity, responsibility and value sharing. It could be seen as paradoxical, but even diplomacy, that traditionally seen as secrets and hidden state relations, now evolves in international corporate management to include the sustainability principles and open up MNCs toward external stakeholder, to foster collaborative interactions, gather valuable information, enrich company activities and create shared value. Especially for companies operating abroad or internationalising, developing a comprehensive and openness diplomatic strategy toward stakeholders has become necessary to better approach geopolitical, environmental and socio-political risks.

Conclusion

In the modern globalised world, multinationals are increasingly required to adopt an open, resilient and dynamic approach to external environments, analysing geopolitical dynamics to anticipate forthcoming trends, and engaging external stakeholders to create co-creational partnership and shared value. A proactive, inclusive, and sustainable approach to stakeholders is essential, especially during an expansion abroad, to overcome traditional problems and generate non-financial and financial competitive advantages. Therefore, this thesis has positively answered to the following research question:

«Can Corporate Diplomacy foster sustainable internationalisation? ».

Using a theoretical approach, this research first proved the value of networking relationships and sustainability in the internationalisation process, as fundamental aspects for any multinational aiming to expand and sustain its business abroad in the long-term. Companies are primarily and mainly interpersonal and social actors. Thus, they cannot overlook their relationships with the external stakeholders in the business environment. Testing the hypothesis in a mining industry case study proved that sustainability and network relations are fundamental factors in the internationalisation process, contributing to the company's embeddedness in the local society, and generating competitive advantages globally.

The thesis further shows that Corporate Diplomacy (CD) provides an innovative, dynamic and inclusive mind-set and methodology for multinationals to promote companies' interests and globally create business opportunities.

CD's activities should be supported by a consistent and robust strategy which enable multinationals to understand trends within the geopolitical arena, handle external relationships with governmental actors, and fruitfully engage external stakeholders. Thus, CD comes as an essential approach to link between corporate internal and external networks, allowing information, resources, and knowledge sharing, and opening up company to new opportunities of business.

Moreover, the thesis suggests that the advantages of CD can evolve and reach outstanding achievements only if they are executed at the corporate level, under the CEO's supervision. Diplomatic activities require guidelines and rules of conduct shared and implemented through all the value chain. During the internationalisation process, companies must seek to develop cross-country relationships as early as possible, to boost their network activities, gather precious information, knowledge and resources about the target market. Positioning the company in networks' referral points at local, national and international levels is recognized to be a winning tactic to control information flows and enhance company's credibility and recognition.

The analysis shows that CD can be combined with the Corporate Sustainability (CS) approach, and that employing them together would boost sustainable corporate internationalisations. Multinationals can only fully achieve CD's advantages if they have a clear, sustainable and transparent behaviour in the target market, which mitigates the barriers to the CD implementation. CD offers the strategic framework to organise and conduct external relationships, while CS provides the content and principles for the actions, ensuring global consistency and sustainability in the corporate business.

An in-depth analysis of Enel Spa's internationalisation process in Chile, illustrates how CD activities supported the establishment of co-creational activities in the new market generating benefits both for the company and the local stakeholders. Enel has achieved a remarkable performance, legitimacy and recognition in the Chilean market thanks to various activities aimed at engaging external stakeholders in the company's industrial plan. The case proves the importance to engage and meet stakeholders' expectations in the business model, but, more relevant, the need to seek for common points between the company strategy and stakeholders' interests. Furthermore, the case study showed that sustainability is a relevant prerequisite in foreign expansion but is not sufficient alone, as companies need to directly implement an open and direct dialogue with communities and stakeholder to foster their business and avoid socio-political risks.

The main contribution of this research is a conceptual and multidisciplinary insight. Nowadays companies, especially in their internationalisation process, cannot ignore geopolitics and environmental and socio-politic domains in which their operations are embedded. In this respect, CD represents a dynamic corporate core competence that provides an open mind-set, an innovative framework and actions' guidelines to better navigate in external business environments, preparing to lay anchor in new markets in a sustainable way.

CS pragmatically demonstrates that by embracing sustainability principles, a company would secure foreign operations and generate profit in the long term. Therefore, the joint implementation of CS and CD is not a choice anymore, but a prerequisite to succeed.

In the modern business environment, winning companies must not necessarily be the biggest ones, but those able to anticipate the challenges of reality and adapt to it. Traditional "best practices" may soon become obsolete and are of little use in a rapidly changing world. "New practice" creation is an essential corporate capacity to be nurtured, and even more so in the future, to improve business success and sustain internationalisation processes. CD has proven to be productive in developing and enacting "next practices", thanks to continuous interaction with external stakeholders and providing an important dose of creativity. Behavioural and relational innovations result from the experience gathered by interacting with external and different stakeholders at global level. CD's internal and external networks foster company's elaboration and practice-sharing among all the company's units.

This thesis aims to better understand CD. Current literature on CD is scarce, and no studies have been previously conducted relating CD to both the internationalisation process and sustainability. Multinationals are increasingly forced to expand abroad to survive, but their approach is often limited to analysing internationalisation operations from a financial perspective, neglecting socio-political risks. In this context, companies are exposed to complex and variable relationships with stakeholders, hence becoming "diplomatic actors". However, it is up to them to decide if to be a proactive and aware diplomatic player, or a reactive and passive actor of the business environment.

In conclusion, to provide managers with an incentive to get involved and become leader in external business environments, this thesis suggests five steps to build powerful Corporate Diplomacy and foster sustainable internationalisation.

1. *CD embodied in the corporate values and culture.* To be effective, CD should be included in the company cultures and visions, starting from being embraced by the CEO. Corporate mind-sets are difficult to change. Nevertheless, successful companies are those, who modify their behaviour before it is necessary, meaning they act proactively and not reactively. Similarly, CD should be internally top-down enforced by the Board of Directors and top managers, acting as first internal and external corporate ambassadors.

2. *CD in the business model***.** CD requires changes in corporate organisation and business model. To be successful and foster business success, CD should be incorporated within the corporate activities across the entire value chain, particularly in the nodes of the internal network connected with the external environment. Moreover, CD must be integrated and interlocked with other departments in charge of outward activities, such as sustainability, communications, public relations and corporate strategy, to carry out joint activities. CD alone is useful and dangerous at the same time, since it can cooperate or create conflict with other outward activities conducted by the company. The internal network is essential in coordinating social, environmental, and economic issues in diplomatic activities across various subsidiaries and strategic decision-making actors. Indeed, CD requires a high degree of corporate consistency and effectiveness. Here, the risk is to underestimate the contribution of CS in implementing CD strategies. Sustainability should be included not only as a formality but in the practical day-to-day operations.

3. *The CD early awareness system.* Similarly to how companies monitor their digital reputation (i.e. scanning potential threats and information flows in the cyberspace) multinationals need to develop an "early awareness system" to regularly detect geopolitical and socio-economic dynamics and potential risks that occur at local, national and international level. To remain up-to-date and anticipate events, the company should support this internal system with an inquisitive and open-minded attitude, present among the company's managers, who deal with external environmental problems and stakeholder relationships. The "early awareness system" would indicate potential threats and new business opportunities, which result from shifting attitudes in specific business environments and might promote co-creational activities.

4. *Corporate diplomatic corps.* To represent the company in external relationships and meetings, a corporate diplomacy corps should be established within the company. Depending on the company's dimension and nature of activities, a certain number of corporate ambassadors is required, and their necessary

expertise significantly changes from one context to another. Large multinationals might place diplomats at corporate, regional, and local levels, while smaller companies would have fewer representatives. To be effective, diplomats must have an interdisciplinary background, to improve creativity and analytic thinking, and to be able to handle different situations and various kinds of relations with stakeholders. It is not relevant if some activities are outsourced, as long as corporate diplomats personally control essential referral points in the business environment. Hiring former state diplomats can help gain valuable and dynamic expertise and create a multi-background group of experts. However, former state diplomats' integration in the company management should be handle with care since public bureaucracy and corporate governance have very different organisational and functioning structures.

5. *Open Corporate Diplomacy to establish external alliances.* Mutual trust, respect, legitimacy and a positive open attitude towards stakeholders clearly pacify unavoidable frictions in the fragmented, volatile and pluralistic global arena. CD is called upon to play a facilitating role in company-stakeholder relations, seeking common points of interest and new business opportunities to generate co-creational activities. Companies should aspire to enhance an "open corporate diplomacy", marked by openness, inclusivity, respect, proactivity, responsibility and shared values. Especially in foreign expansions, but also in competitive tenders and complex projects, companies should scan the business environment, seeking to gain complementary resources and expertise, cooperating with external stakeholders. Engaging external social, institutional and business actors in joint partnerships brings opportunity, which would have otherwise remained unexploited.

The current trends in the global arena suggest that the complexity and unpredictability of the business environment will continue to grow in the future. In the last decades, socio and institutional stakeholders have gained a degree of power and cross-domain influence, to which they would hardly renounce. Thus, companies should decide wheatear to embrace the art of diplomacy actively shaping the external business environment, or if they take it lying down.

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Executive Summary

The globalisation and interconnections of markets and societies have increasing growth in business environments' complexity due to the blurring of existing boundaries among socio-political and economic domains. The traditional role of states, institutions, social organisations, media, civil society and companies is rapidly changing in scope and power. Higher intersectoral and interdependence relations characterise the social and business networks where multinationals operate, facing a broad range of geopolitical and non-commercial risk previously unknown. Whenever companies are internationalising, they would face an expanding influence of local, national and international stakeholders, and a new set of complex geopolitical and socio-economic threats.

Hence, multinationals are increasingly requested to adopt an open, resilient and dynamic approach toward external environment, analysing geopolitical dynamics to anticipate forthcoming trends, and engaging external stakeholders to create co-creational partnership and value shared opportunities. A proactive, inclusive, and sustainable approach with stakeholder and corporate activities is essential, especially during the internationalisation process, as a powerful method to overcome traditional internationalisation liabilities and generate non-financial and financial competitive advantages. The growing uncertainty and insecurity in the global business environment, the increasing role of social actors in the business and political domains, and the pressuring stakeholders' expectations toward corporations underscored a fundamental reality: multinationals need to develop an organisational system to deal with external dynamics and fruitfully engage stakeholders. Companies can only succeed in the global arena successfully developing their own "representative mechanism", supported by a solid methodology to identify, prioritise, and manage complex interactions with the external stakeholder inhabited the global village.

This thesis aims to contribute to both academic and managerial understanding of nature and managerial approach required by socio-political dynamics that multinationals faced \ during the internationalisation process, suggesting Corporate Diplomacy as a practical strategic management approach to avoid risks, engage external stakeholders, and co-create new business opportunities. To this end, the research is hinged around the following question:

«Can Corporate Diplomacy foster sustainable internationalisation? »

Firstly, in Part I, the modern internationalisation process is analysed in relation to the main dynamics of the current globalisation trends. It illustrates the positive role of networks and sustainability in fostering the company's embeddedness in the local environment during foreign expansion. A case study base on the mining industry is proposed, validating the previous theoretical findings.

In Part II, the research focuses on the concept of Corporate Diplomacy (CD), its academic explanation and practical features. An operational definition of CD is thus proposed. Corporate diplomacy is then discussed related to the internationalisation process and explained through the lens of the network view and the strategic management theories, emphasising its capability to handle multi-actor and multidimensional relationships in a cycle process framework. A wide set of company-stakeholder relationships is outlined, showing different utilises of CD strategy.

Lastly, Part III connected the previously analysed thematises conceptualising how CD could embrace sustainability principles to foster long-lasting and profitable internationalisation process. Hence, sustainability is considered a complementary approach to CD that gives content to multinationals' diplomatic actions, thanks to an internationally-recognised and standardised set of behavioural and operative guidelines. Then Part III's hypothesis is tested in the analysis of Enel Spa's (a leading Italian energy company) internationalisation process in Chile.

It is worth to specify that the present research adopts a pragmatic vision of sustainability, not as wasting of resource in satisfying stakeholders' request to purchase the access in foreign markets, but, contrarily, as a precious approach to creating more economic value in abroad expansion, collaborating with the external stakeholders and identifying common interest point between the company and local actors. Therefore, sustainability means respect of sustainable principles and also withstand of corporate operations.

PART I – Networks and sustainability in the modern internationalisation process

The modern internationalisation is an "evolutionary process" of increasing involvement in, adaptation to, and integration in new foreign business environments to increase economic revenue. Thus, any foreign expansion is characterised by the need to create outward economic relations with new stakeholders, located in the target market and at national and international level. The globalisation trend has increased in complexity and number the set of actors, that multinationals are facing internationalising. Being an ever-evolving dynamics, globalisation changed and is still changing the actors' social role and power, modifying hierarchical structures and gradually eroding boundaries among different society's domains, such between the social, politic and economic sphere. The business environment where multinationals are expected to navigate is becoming, even more, a fluid, volatile, fragmented, unpredictable and potentially hostile business environments. Thus, companies in their internationalisation strategies must consider economic and financial aspects and geopolitics and socio-economics dynamics.

Considering the internationalisation process through the lens of the Network View approach, foreign expansions are nothing else than a multilateral, cross-border network expansion process that starts since the pre-internationalisation phases and is mainly characterised by interpersonal and human relationships. The network fosters the accumulation and use of specific knowledge, reduces uncertainty-risks, influences institutionally the "rule of the game," affects the allocation and integration of essential resources, and supports corporate legitimacy in the new market. Considering business environment more as sources of opportunities and context-specific competencies, and less as constraints on multinational enterprises' actions, internationalisation processes should collect the indispensable knowledge, from its home context, and seek for valuable information from the target environment. Especially in internationalisation's entry steps, networks have proven to provide essential information about business conditions and market dynamics. Hence, companies should aim to maximise their external networks, i.e. the outward relationships of all company's business units, to gather qualitative and quantitative data about the business environment, as well as to optimise their internal network to elaborate within the company the information and develop new and best strategies.

Increasing interests in social, environmental, and economic impacts of international business have generated a tremendous demand upon firms to play a positive role and contribute more to sustainable development. The expectations of business actors are growing as a result of globalisation and the increasing heterarchy in society. Corporate sustainability

(CS) refers to the firm's activities and behaviour, voluntary by definition, which demonstrate the inclusion of stakeholders' concerns, on social, economic and environmental matters, in business operations. Thereby, in addition to the more traditional concern for shareholders value creation and profit growth, stakeholder engagement and concerns become a pivotal element in internationalisation strategies.

Pressures for sustainable international operations arise both from new hosting contexts and domestic and international business environments. In the internationalisation process, firms have the advantage to seek and analyse sustainability requirements and the effects on their business operations before entering the market. However, during the entry phases implementation, they start receiving valuable feedback from local and international stakeholders on how the process is working out. After collecting and analysing this feedback, executives may need to reformulate and adjust what they offer to customers, how activities and processes are performed to deliver the promised value, modify the business model, and stakeholder engagement strategies. Business model innovation for a sustainable internationalisation requires specific resources to meet (changing) stakeholder expectations. Firms need to acquire and continuously improve a complex bundle of advanced skills, such as dynamic capabilities, to manage the changing context, experienced inter-firm relations, advanced technology and product innovation.

A Corporate Sustainable (CS) approach to internationalisation should not only be the response to stakeholder expectations but perhaps a thoughtful corporate strategy to better achieve and sustain business success in the new market. CS may help firms developing alliances with credible and locally legitimised social partners, such as NGOs and think thanks, which may turn supporting subsidiary acceptance in a "legitimacy-conveying mechanism". Managing stakeholder expectations allows subsidiaries to avoid civil society protests and tensions, which would reduce operational legitimacy during the entry stages. CS strategies acquire the double functions of reducing social-political risks and promoting legitimacy and resources gathering in the local environment. CS activities could also foster the company's achievement of the social licence to operate (SLO). SLO cannot be conceived as a formal agreement between communities and business entities; contrarily, it can be viewed as the gouge measuring the state of the relationship between a proponent and the community in which the firm operates. SLO is powerfully valuable to foster long-term business success in a foreign operation, particularly in sectors with highly visible business activities, long time horizons, high exposure to global markets or a wide range of stakeholder's keen to influence practice.

The internationalisation process of extractive industry firms is a significant case to analyse how the CS approach must go beyond legal compliance to manage external stakeholders' expectations and obtain a SLO. Where mining investments have not satisfied civil society and local communities' interests, shutdowns and civil protest have frequently followed. Hence, the extractive industry case highlighted how SLO obtainment could eventually protect EICs' investments beyond their local operations, in relations both with local and international stakeholders' concerns.

Although it is widely recognised the value of networking relationships and sustainability actions in foreign expansion, there is still a lack on academic and managerial studies about how to implement a holistic and coherent strategy to handle professionally and in a sustainable way all the external relations that companies face in their internationalisation process. The answer is to implement Corporate Diplomacy

Part II – Corporate Diplomacy

A Corporate Diplomacy (CD) strategy is thus proposed to help companies deal with international and local stakeholders simultaneously in an integrated framework to establish robust, long-term and profitable relationships, fostering a company's ability to shape the context to its advantage and gather valuable knowledge, resources and information from the external environments to support its internationalisation process.

It might be noticed that, the various academic and managerial definitions of CD often refer as common factors: to the analysis of geopolitical and socio-economic dynamics, the management of external corporate relations, the engagement of stakeholders, the reduction of socio-political risks, the identification of new business opportunities and the capacity to influence external environments and legislative norms.

Here, to employ a clear working definition, Corporate Diplomacy is conceptualised in the thesis as:

> *«the art of systematically handling relationships among networks with various and different sets of external stakeholders, to protect and enhance the corporate business, by promoting corporate interests in the numerous business environments where the company operates, with a proactive and co-creational mind-set».*

CD is rooted in various areas of theoretical management literature. What is relevant for the managerial practices is that CD require a high interdepartmental and interdisciplinary capacity to be effectively conducted. It embraced all the corporate office in charge with outward activities, such as public relations, institutional affairs, communications, and those dealing with corporate strategies, such as CEO and Board of Directors offices, strategic planning, and sustainability management departments.

CD is particularly required during the internationalisation process since it enables the company to overcome the liabilities of foreignness and outsidership and seek to generate co-creational value interacting with external stakeholders. CD is a core competency for global companies, and a strategy for navigating volatile, fragmented, and uncertain business environments. CD facilitates multinationals to reduce the international and local arena's complexity, integrating all the variables affecting the business into the corporate strategies, consequently enhancing subsidiary performance and embeddedness in the foreign market. Indeed, CD is effective in relationship management, especially in crisis times, when common grounds should be identified, and critical issues are overcome.

At a closer look, managers could notice CD entails strategic planning activities, focusing on forecasting future environmental trends and socio-politic dynamics. It also involves a strategic management process since it actively enforces a new managerial mind-set, considering how the company may affect the business environment and vice-versa. CD can successfully be enforced using strategic management methodologies, such as Deming cycle and multiple-step circular process, to observe the external environment, plan the strategy, implement the action, check the outcomes, and restart again, from the observation to the outcome, in order to regularly monitor and improve the strategy.

Concerning the network approach, CD enhances multinationals abilities to maximise relationship management influencing "referral points", i.e. critical nodes within the business environments and among different kind of social communities (such as social, political, local, groups). A networking referral point can consist of a single entity or a group of actors, such as am NGOs or the Media. CD, enabling the control of network nodes, empowers a company to monitor, influence, and prevent information flows between different network areas or the same relationship cluster.

CD supposes a re-orientation of corporate culture and mind-set, a system-wide transformation of the multinational's business practice and organisation, cultivating a long-term attitude and integrating the principles of diplomacy into the corporate strategy for internationalisation. CD also required an internal structure rearrangement among the corporate-subsidiary role and a direct a regular contact across all the value chain. The main CD department should be placed under the direct supervision of the CEO office.

A main contribution of CD is to give an efficient and replicable framework to analyse the external environment and interact with a different kind of stakeholder. The process of internationalisation opens multinationals up to geopolitical and other context-related risks which demand a company to acquire diplomatic skills to do business abroad in a potentially unstable, fragmented and unpredictable international environment. In this new reality, multinationals need to adopt and develop their political risk management policies, integrated into the broad CD strategy, to analyse business and geopolitical landscapes and identify potential threats before starting the internationalisation process. CD managers have adequate power and grasp to organise internal analyst teams and conduct geopolitical due diligence. Geopolitical, political and socio-economic trend assessment should be done at country levels but including also regional, interstate and international spheres.

At the governmental level, CD constitutes a pivotal element in dealing with international institutions, home-country and host-country governments, influencing the policy-making process, and seeking internationalisation advantages and support. It should be noticed that different long-standing interests drive companies and states. The firm intends to generate profit, while the state (generally) aims to secure and improve national economic conditions. Hence, corporate managers should look for the main common ground among corporate diplomacy and the state/institution’s commercial diplomacy, to identify the best internationalising approach in the country.

Similarly, at the national and local level companies should conduct an in-depth due diligence activity scanning the business environment to detect potential threats, business opportunities and possible allies. Using a CD approach, multinationals take into account stakeholders’ nature, structure, power, policies and interests. Creating partnerships with key actors or network’s referral point, and alliance with local communities would considerably foster corporate investment and the profit generation. It is also important to remember that every local community is embedded in a regional and international environment and is connected with other networks. CD helps to mitigate the lack of coordination, providing a holistic approach based on a constant dialogue between the headquarter, domestic and host countries and subsidiary branches. In the target country, companies should look primarily to engage local communities, NGOs and information channels.

Wishing to support managerial decisions, the thesis highlights six main hurdles to the implementation of CD: 1) the difficulty in changing company and managerial attitude; 2) the necessity to implement a comprehensive and consistent strategy globally; 3) the complication in equilibrating the need for both autonomy and corporate control over decentralised business units; 4) the resolution of standardisation vs adaptability dilemma in CD strategy and framework; 5) the "first-mover disadvantage"; and 6) the risks of unethical diplomatic conduct and bribery perception.

PART III – Corporate Sustainability as a complementary asset to Corporate Diplomacy

The complex, dense and colourful nature of civil society and institutional stakeholders, their interests, attitudes, strategies and actions make it impossible to map each and every stakeholder by groups. Hence, multinationals need to look to Corporate Sustainability (CS) as an effective complementary approach their Corporate Diplomacy (CD), helping to analyse stakeholders and their expectations from a different and complementary perspective, maybe also by providing support to increment CD's consistency.

Multinationals can only fully achieve CD's advantages if they have a clear, sustainable and transparent behaviour in the target market, which mitigates the CD implementation barriers. CD offers the strategic framework to organise and conduct external relationships, while CS provides the content and principles for the actions, ensuring global consistency and sustainability in the corporate business. Sustainability is not just a corporate behavioural approach useful for CD but also provides robust and strategic instruments to support the relations with stakeholders and the internationalisation process, such as materiality analysis, stakeholder mapping tools, behavioural conduct's principles.

More specifically, the materiality matrix would determine which topics are sufficiently important to be considered, pondering stakeholders' needs and the company's impact in the local context, i.e. the positive or negative social, environmental and economic consequences of its operations. The result of such an analysis provides MNCs with a map of potential "battlefields" for clash or cooperation with external stakeholders, prioritising institutional and social expectations, highlighting shared or conflict points between company and stakeholder, and enabling company diplomats to better engage with local and international actors with activities, communication and riveting propositions, well suited for the audience.

Sustainability requires tangible compliance with internationally recognised standards and procedures. This can enhance true transparency in business practices and activities, especially where significant information asymmetries to external stakeholders' disadvantage are present. Hence, company compliance to international-recognised sustainability principles can acts as a "good-will" business card for corporate diplomats and for the company itself during foreign expansions.

CS and CD represent an intangible corporate asset that is difficult to measure with traditional quantitative assessment and CAPEX analysis. Nevertheless, considering CS and CD together would facilitate recognising how positively they contribute to the company's financial performance and quantitatively identify tools to measure their impact on the business. Several examples are proposed to prove how engaging company in relationships with local stakeholders would mitigate and resolve sustainability concerns, considerably reducing project costs and time. Indeed, stakeholders do not need to force the shutdown of the project to have a financial impact on the company. Tensions with governmental institutions and social protests already require additional resources and human capital to be handled by the company, increasing the investment cost. Not surprisingly, even the financial sector is gradually moving toward more discrimination of "un-sustainable" companies since they are considered riskier and less resilient to external shocks.

As noted above, the implementation of CD in the internationalisation process is challenged by six critical elements, which make it more demanding to employ a successful and homogeneous strategy. However, CS can act as an enabler to overcome some CD's hurdles, achieving additional benefits and reduce risks. CD and CS represent complementary and interrelated approaches to strengthen company's ability to shape and influence its operational environment, specifically in foreign investments, to secure and protect its bottom-line, as well as to foster cooperative partnerships with civil and institutional actors able to turn in entrepreneurial opportunities.

An in-depth analysis of Enel Spa's internationalisation process in Chile illustrates how CD activities supported the establishment of co-creational activities in the new market generating benefits both for both the company and the local stakeholders. Since 2014, with the appointment of Francesco Starace as CEO of Enel, supported by a new Board of Directors, the multinational undertook a "revolutionary" reassessment of the corporate organisational structure and activities, redefining the corporate purposes and objectives, and placing commitment to sustainability and a progressive internationalisation at the core of the company strategy.

The company adopted a new matrix organisational model composed of two types of business units, collected by function or geographic. This enhanced the creation of an internal network organised "vertically" by geographical collocation, from the headquarter to the peripheral business units, and "horizontally" by industrial sectors in different operative units. The Group's matrix organisation fosters the corporate ability to maximise and connect internal expertise to support the internationalisation process during its various phases.

At the time, Enel changed the corporate culture, hinged all activities around two main pillars, “Open Power” approach and the “Creating Shared Value” model. The new approach promotes open collaborations with external stakeholders and the global improvement of energy security and services. Complementarily, the new model adopted aims to improve responsible relationship with the local communities and areas which host power plants and other activities, offering credibility in dealings with governments and authorities of the countries. Combining CS and CD, Enel seeks to gain the company’s acceptance in the local context and develop co-creation and sharing of values activities with local actors. Corporate actions are based on the concept of “evolved sustainability”, seeks to assess the needs of the local community together with the population, in respect of the company’s principles.

In order to identify and establish co-creational activities in foreign markets, Enel developed a system of robust instruments to manage stakeholders, environmental and transitional variables, integrating the diplomatic and sustainable approach in the stakeholder engagement initiatives.

Moreover, Enel is particularly active in leading associations for sustainability promotion, both at the national and international level, contributing to setting long-term goals and commitments to foster a sustainable way of doing business, share valuable experience with other participants and co-develop solutions to climate change and current socio-economic challenges.

Enel’s foreign expansions in a new market usually involve the M&A corporate office, in collaboration with the Sustainability and International Institutional Affairs departments. The company’s internationalisation in Chile represents a great case in point for the analysis.

The market entry process of Enel in Chile covered a long-term period and occurred as a result of the acquisition of the Spanish company Endesa, to finally evolve with an increase in the foreign market commitment during further internationalisation stages.

Three elements substantially shape the stakeholder and CD activities’ management during internationalisation. Firstly, Enel had an already established presence in South America, composed of smaller business activities and partnerships, enabling the Group to gather useful information about the market and environment. Moreover, Enel could rely on cross-national networks, including established connections in South America and Spain, which fostered relationships with Chilean actors and partially mitigated the shortfalls of foreignness and outsidership. Lastly, since the internationalisation took place through an acquisition, the Group faced the opportunities and risks of managing an already established company’s reputation and set of relationships.

Enel has achieved a remarkable performance, legitimacy and recognition in the Chilean market thanks to various activities aimed at engaging external stakeholders in the company's industrial plan. Al international level, despite the prevalence and role of Enel in maintaining and managing relationships with international stakeholders, Enel Chile (the Chilean subsidiaries established by Enel Spa) has nurtured and maintained various relationships with cross-country organisations to interact with international and regional stakeholders

Moreover, Enel Chile decided to engage and involve in corporate activities some local key actors, to better understand local expectations, seek points of common interest between the company and civil society, and evaluate investments and co-creational solutions that satisfy both business and social concerns. In the interacting with local stakeholder, Enel Chile publicly defined criteria and principles for fair relations, where stakeholders are involved in the project's design, ensuring information symmetry in the interactions and dialogue and guaranteeing independence in decision-making.

Whit the gradual business establishment in the Chilean market, Enel Chile optimised and developed complex tools and set of relationships with institutional and local stakeholders, to include community and external across all the phases of investment implementing and seeking to create shared value with joint activities and partnerships.

The case proves the importance to engage and meet stakeholders' expectations in the business model, but, more relevant, the need to seek for common points between the company strategy and stakeholders' interests. Furthermore, the case study showed that sustainability is a relevant prerequisite in foreign expansion but is not sufficient alone, as companies need to directly implement an open and direct dialogue with communities and stakeholder to foster their business and avoid socio-political risks.

The internationalisation process of Enel in Chile demonstrates how important it is to develop "next practices" and share them through the corporate internal network, involving the experience developed by all corporate's units across various latitudes. Indeed, through the internal network interactions, Enel has developed and shared its stakeholder engagement models, such as the CSV model, enabling the Chilean subsidiary to improve its engagement strategy at the local level.

In conclusion, the Enel case study proves that is not anymore, a company's choice to be engaged in Corporate Diplomacy, but a necessity if the multinational wants to enhance a sustainable internationalisation process. Companies can no longer remain indifferent of stakeholders claims and power but have to decide whether to be active players in the business or to be passively subjected to and socio-political dynamics of the market.

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