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Managing stakeholders through Business Diplomacy

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Master in Business Administration

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Department of Marketing, Operations and General Management

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BUSINESS
SCHOOL

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Abstract

Globalization has increasingly exposed companies to public opinion and scrutiny, altering the business landscape and expanding the role of companies beyond their responsibility to society. More and more exposed to the growing demands of the operating environment, especially when dealing with the relationships they develop with their stakeholders. Business diplomacy emerges as a fundamental tool for companies to cope with this constant uncertain environment and the growing importance of the license to operate in order to mitigate and manage the increasing impact that actors have on company actions and consequently on their performance. The objective of this study is to assess, through interview to a set of companies operating in Portugal, the level of knowledge that exists on this subject and to evaluate how business diplomacy, as a strategic management tool, assists companies in fostering relationships and influence over their stakeholders. This work has revealed that, despite companies having some knowledge of corporate diplomacy and its principles, it is not yet fully integrated into their strategies. Its value in managing relationships with the stakeholder ecosystem and as a tool to overcome challenges inherent to business operations is acknowledged.

Keywords: Business Diplomacy; Stakeholders; Globalization.

JEL classification system: M10

Resumo

A globalização veio expor cada vez mais as empresas à opinião e escrutínio público, alterando o panorama dos negócios, aumentando o papel das empresas, para além da sua responsabilidade para com a sociedade como um todo. Expostas cada vez mais às exigências crescentes do ambiente em que operam, especialmente quando se debatem com as relações que desenvolvem com os seus *stakeholders*. Diplomacia empresarial surge assim como ferramenta fundamental para as empresas fazerem face a este constante ambiente incerto, e pela crescente importância da licença para operar, de forma a mitigar e gerir o impacto crescente que os atores têm nas ações da empresa e, consequentemente, no seu desempenho. O objetivo deste estudo prende-se por averiguar, através de entrevistas a um conjunto de empresas a operar em Portugal, o nível de conhecimento sobre esta temática, e a avaliar a forma como diplomacia empresarial, enquanto instrumento de gestão estratégica, para ajudar as empresas a fomentar relações e influência sobre os seus *stakeholders*. Este trabalho revelou que, apesar de haver um conhecimento por parte das empresas sobre diplomacia empresarial e os seus pressupostos, é algo que ainda não está totalmente integrado nas suas estratégias. É reconhecido o seu valor na gestão das relações com o ecossistema de *stakeholders* e como ferramenta para ultrapassar desafios inerentes à operação das empresas.

Palavras-chave: Diplomacia Empresarial; *Stakeholders*; Globalização

Sistema de Classificação JEL: M10

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1. Introduction

In an era characterized by unprecedented interconnection and rapid technological advancements, the phenomenon of globalization has transcended geographical borders and revolutionized the panorama of the business world. As the world becomes increasingly interconnected through digital platforms, communication networks, and complex supply chains, the dynamics of business operations have undergone a profound transformation. Globalization and the trend towards hyper-transparency have been affecting the actions of companies, where their inertia or silence in facing social demands raises many problems, such as unfavorable public perception and this impact on the activities of multinationals (McKinsey, 2014).

Nowadays, organizations must compete in a new and volatile world full of uncertainty, making it necessary for companies to be always alert and proactive to minimize potential consequences. Some advocate the increased need for supervision by the governments, with an active role in overseeing and controlling the activity of businesses. Subsequently, the technological trigger has allowed companies' actions to be exposed to public opinion, with the disruptive development of information systems having a significant impact on the image and reputation, alongside the hyper-connectivity that promotes a demand for greater social involvement in the part of companies and the need for them to respond to problems (Carmeli & Tishler, 2005),

Globalization, in its essence, represents the interplay of economies, cultures, ideas, and technologies across international borders, with the result of a complex ecosystem in which businesses are no longer confined by local constraints but are instead pushed into a domain of endless possibilities and challenges. This phenomenon has compelled companies to reassess their strategies, adapt to new realities, and navigate a model characterized by boundless opportunities and intensified competition.

The accelerating pace of change, fueled by globalization, has not only altered the business structure but has also amplified the urgency for companies to acknowledge and address the concerns of stakeholders across various dimensions. The conventional business perspective, solely focused on maximizing profits, has gradually given way to a more holistic approach that emphasizes the symbiotic relationship between corporations and their diverse stakeholders (Colakoglu, 2011).

The 21st century has seen a noteworthy change in stakeholders' expectations toward businesses. The increased visibility afforded by digital platforms and the ease of spreading information has empowered stakeholders with insights into a company's practices, ethics, and impacts on a global scale. Consequently, there has been an unprecedented demand for companies to be not only accountable, but also responsive to these concerns. Issues ranging from environmental sustainability and social justice to data security and labor practices have transcended the realm of corporate social responsibility to become pivotal determinants of a company's reputation, brand value, and, ultimately, its long-term viability.

Many businesses have recognized the imperative to align their strategies with more sustainable and socially conscious principles. This has led to the emergence of business models that prioritize triple-bottom-line outcomes, balancing economic prosperity with social equity and environmental preservation, reflecting a concerted effort to address stakeholder concerns across multiple dimensions (Colakoglu, 2011). Additionally, companies have begun integrating stakeholder engagement into their decision-making processes more comprehensively than ever. The voice of the consumer, the expectations of employees, and the interests of local communities are being actively requested and acknowledged in formulating business strategies. This inclusive approach not only enhances a company's license to operate but also serves as a source of innovation, driving the development of products and services that resonate with the diverse needs of a global clientele (Colakoglu, 2011).

With this reality of the relationship between companies and stakeholders, there is a need to expand the dialogue of organizations beyond the inclusion of traditional stakeholders and involve all groups, organizations, and people who can, in some way, impact business decisions.

Business Diplomacy can be the answer to this new reality. It not only contributes to the defense of the company's reputation, credibility, and good image but also to the continuous support in the construction and strengthening of communication channels with all social agents. Business Diplomacy is the tool that allows the creation of value through the management of relational capital, capable of forming connections with the different stakeholders, such as customers, regulators, employees, competitors, the media, shareholders, and other relevant players in society (Henisz, 2014). Recently, companies have been paying even more attention to this globalized, interconnected world and to the rapid and constant change of truth, where public opinion is increasing as an aspect to be considered since it has been affecting the decisions and the core business of companies (Henisz, 2014).

By analyzing their contributions with strategies, challenges, and successes, this research aims to provide valuable insights into the evolving business landscape in Portugal and beyond. Enlighten the complex narrative of how these companies embrace stakeholder theories, endorse strategic diplomacy, and navigate the currents of globalization to not only survive but thrive in this era of unprecedented interconnectedness, securing their positions in an environment where stakeholder-centricity has become a non-negotiable imperative. The aim is to explore the awareness of these Portuguese companies about the tenets of Business Diplomacy and the degree they utilize the instruments and tools essential to this matter.

With the purpose of understanding and demonstrating how companies use business diplomacy to manage their stakeholders' ecosystem, the central research question is: "Whether and how do companies use Business Diplomacy to manage their stakeholders?"

The following chapters of this dissertation dive into a comprehensive analysis of how companies have developed strategies concerning stakeholders' management and Business Diplomacy.

2. Literature Review

2.1. Stakeholder Management

One of the primary shifts that occurred from the increased importance of the social and ethical responsibilities of enterprises has been the change in focus from shareholders to stakeholders (Donaldson & Preston, 1995). The transition towards a more focused approach to the stakeholders has caused the development of engagement strategies, expanding from increased dissemination of information through detailed reporting practices to a new interactive form of stakeholder engagement (Burchell & Cook, 2006).

The stakeholder model has become very preponderant due to the modern understanding of companies with the integration of the rest of society in corporate decisions. According to Freeman (1984), stakeholders are "any group or individual who can affect or is affected by the achievement of the organization's objectives" (p. 4). This perspective facilitated and developed a way of considering that almost every aspect of the internal and external environment of the company has been into a more realistic definition of stakeholder.

The increased relevancy of stakeholder dialogue has been receiving acclaim in a way that improves the relationship value, promoting trust, belief and goodwill (Burchell & Cook, 2006), demanding socially responsible corporate practices and serving the role as regulator for new corporate decisions and projects (Kaptein & van Tulder, 2003). The dialogue creates opportunities to find innovative answers to shared challenges, always with the mindset of equally beneficial collaborations (Porter and Kramer, 2011), and in a multi-stakeholder set, have the response for public governance gaps (Reinicke & Deng, 2000).

According to Kaptein and Van Tulder (2003), back then, companies satisfied the stakeholders' questions and demands with the simple answer of "trust me". On the other hand, stakeholders nowadays demand that corporations take action. Stakeholders' point of view about a firm can be achieved by including them in the dilemmas and the discussions, and this can be established by informing stakeholders through annual reports, and by communication channels (Kaptein & van Tulder, 2003).

In several situations, companies incorporate stakeholders in their discussions, such as employee representatives, government entities, consumer associations, and other type of participants, which is an essential part of the strategic stakeholder dialogue (Pedersen, 2006). This perspective of cooperation between firms and stakeholders can change the point of view

from confrontation and competition to discussion and cooperation. (Kaptein & van Tulder, 2003).

Firms need to understand that they have to operate by taking responsibility to solve social problems and paying back to the society, putting topics like legitimacy and accountability as a crucial part of the stakeholder perspective (Johansen & Nielsen, 2011). According to Cornelissen (2008), the approach of different types of stakeholders influencing a company's decisions must be done in relation to the stakes they represent, besides the development of proper adjusted communication, including Corporate Social Responsibility (CSR) activities and corporate identity. However, as it has been shown, stakeholder dialogue cannot be considered another simple management trend or process, companies need to have clear strategies and organized communication channels to have benefits and solutions through relations with the different stakeholders, where consciousness and willingness to implement this strategy may influence the success of the firm´s initiatives (Pedersen, 2006).

2.2. Business Diplomacy

As we have seen from the literature review, the business ecosystem has become increasingly complex, with different players increasingly influencing the decisions that companies make regarding their business operations (Ruigrok et al., 2007). It is increasingly necessary that companies have a clear vision and a well-defined strategy to manage what may affect them, with the strengthening management of the relationship with their stakeholders, and the reputation that arises from it. Thus, it is here where Corporate/ Business Diplomacy appears.

At an academic level, Business/Corporate diplomacy received scant consideration. In fact, until the work developed by Saner et al. (2000) amongst other authors, who tried to get attention towards this subject, advocating business diplomacy as a core expertise for international and national companies, and Steger (2003) using corporate diplomacy as the strategy for a unpredictable and fragmented business environment. Saner et al. (2000) used multiple case studies to demonstrate that managing numerous stakeholders and resolving crises at home and abroad require global organizations to acquire competencies in business diplomacy.

Saner and Yiu (2003) make a substantial contribution to developing a new concept of diplomacy, which they initially identify as Corporate Diplomacy, developing into two distinct but interconnected concepts. The first, linked to the internal part of companies, is designated as corporate diplomacy. It relates the culture of the company and its adaptation to the different

cultures of the countries in which it operates in connection with the relationship that the parent company has with the different subsidiaries. On the other hand, the second concept is related to the company's external environment, which they call business diplomacy, whose primary function is the strategic management of relations with the different stakeholders with which companies interact in their area of activity. Saner and Yiu (2003) advocate that this line of operation concerns the management of several important aspects such as negotiation, public relations campaign, and relevant information to ensure a fruitful and favorable presence related to the investment climate that the different companies try to develop, mainly multinationals and their concerns with operations abroad.

Saner and Yiu (2003) emphasize mainly the external relations of managing relationships with several stakeholders, defining business diplomacy as "an attempt to manage systematically and professionally the business environment in such a way as to ensure that business is done smoothly".

Business Diplomacy is a new idea that comes from the concept of diplomacy that is related to the political and international relations context (Falcão et al., 2021). The academic literature has a broad set of definitions for this subject. According to Yiu and Saner (2017) business diplomacy is a “management function that interacts between the strategic objectives of a company with the social and environmental demands, that put it by the community within which it operates” (p. 38). Steger (2003) presents corporate diplomacy associated with the relations between the firm and the ecosystem around it. Finally, Ordeix-Rigo and Duarte (2009) assess how business diplomacy can affect the organizations’ legitimacy and influence in a given environment.

Nowadays, international business comprises different fields like economy, society, politics, and other interactions with organizations. According to Monteiro (2013), it is necessary to incorporate traditional diplomatic practices, besides the usual management strategies, allowing a well-developed joint approach that takes into consideration the context where the company is incorporated.

Falcão et al. (2021) state that companies are facing new challenges that previously did not exist, managing the same problems as the national diplomatic organizations due to the increase of stakeholders with direct and indirect effects into the firm’s business, the growth in non-state actors, and the emergence of new technologies and social media (Hirsch, 2019). Scholarly literature defends the creation of a corporate diplomacy department within the organization,

with the idea of promoting direct contact with the company's decision-maker to give better advice (Allamar *et al*., 2016).

According to Yiu and Saner (2014), business diplomats participate in the construction of relations with the complex stakeholder environment to promote the company's products or services and to enhance corporate reputation, besides creating legitimacy and preserving corporate image.

Supporting the idea that business diplomacy concerns the assembly and fostering of positive networks with stakeholders, Allamar (2018) stated the importance of a well-established engagement and contact through appropriate and specific communication channels that better adapt to the different stakeholders. The relationship with stakeholders is an ongoing process that includes not only primary stakeholders that have a direct effect on the company but also secondary stakeholders out of the business arena, such as media, governments, international organizations, and society in general, besides others (Allamar, 2018).

Moreover, in the study conducted by Saner and Yiu (2005) on Swiss pharmaceutical and agro-industrial global companies, business diplomacy management is conceptualized as the "ability of multinationals to effectively interact with non-business stakeholders wherever they have business interests, be they in the form of local production, distribution channels or sales offices" (p. 42). In the same research, it is stated that the increasing participation and awareness of the society on issues involving social challenges is highly influenced by the rise of CSR practices and global initiatives, where the most relevant participants are non-business stakeholders and national and international non-governmental organizations.

Business diplomacy can be perceived as the capability to manage and influence the entire stakeholder's ecosystem where the company is included by applying the necessary knowledge while considering multiple viewpoints to impact and influence the environment (Allamar, 2018). Conflicts can arise when the interests of the company and those of its stakeholders are not aligned, and today, it is even more necessary to engage in open and constructive dialogue with all parties that are incorporated in the sphere of influence of companies, identifying and address the underlying causes of conflict and find mutually beneficial solutions.

Due to the highly volatile and global network environment where companies operate, Monteiro (2013) advocates that the non-incorporation of business diplomacy tools and practices can incur a wide of challenges linked to extra costs, failed opportunities, and market share and reputational capital – settlements, boycotts, bad press.

In line with Falcão et al. (2021), communications, influence, and intelligence are the three main factors that regulate the relations with stakeholders, considering internal and external stakeholders, and companies should engage in a proactive position. Firms should incorporate the role of business diplomat within a structure, with a single operative responsible for all stakeholder management functions, including communication, influence, and intelligence functions (Falcão et al., 2021).

The literature tends to point to the same outcome regarding how companies can develop and implement business diplomacy tools. Egea et al. (2020) support the existence of critical components to effectively implement a strategy that incorporates business diplomacy to help organizations obtain and develop influence. Instruments based on "the collection and analysis of information through intelligence; the development of networks with external stakeholders; the management of corporate reputation; and the management of public affairs with regulators through lobbying actions" (Egea et al., 2020, p. 40).

According to the literature, considering business schools and universities, the tools revealed before having been researched and employed separately. Therefore, Egea et al. (2020) the considers the necessity to have an integrated relationship between these four instruments (Egea et al., 2020):

- Competitive intelligence (CI) considers the need to have deep knowledge of the environment where the company operates and the positive relationships with key stakeholders. Organizations need to incorporate competitive intelligence tools to generate influence and knowledgeable networks among the ecosystem of stakeholders.
- Networking with external stakeholders represents a vital mechanism for applying the concept. The employment of professionals with specific profiles a requirement, such as former politicians, ministers, and diplomats, which supports the strategy and the future of the company.
- Addressing Corporate reputation to strengthen and obtain a constructive perception from the society and the environment of stakeholders. Regarding this, it is fundamental to manage corporate reputation before implementing strategies based on the power of influence to have results in topics like transparency, principles, and social responsibility.
- Tackling the company's interests using Lobby activities, this strategy must be based on the three tools mentioned before. Besides being necessary to have economic resources, it is essential to combine strategic information, networks of contacts, and reputation to achieve better outcomes from this connective approach.

Effective stakeholder management has emerged as a foundation of corporate success in an increasingly interconnected and dynamic business scene. In line with what was explained in the last chapter, the following sections dive deeply into the four pivotal instruments that constitute the essence of Business Diplomacy. As businesses attempt to establish and maintain cooperative relationships with diverse interest groups, these instruments serve as a guide through the complexities of modern corporate interactions. The next sessions describe each instrument's role, mechanisms, and real-world applications, shedding light on how they collectively enable companies to foster collaboration, resolve conflicts, and ultimately achieve strategic objectives in the domain of stakeholder management.

2.2.1. Competitive Intelligence

The notion of Competitive Intelligence has a long history, dating back over 5,000 years in Chinese history (Calof & Wright 2008). Several authors state numerous examples in religions and historical contexts where intelligence concepts are addressed.

According to Calof & Wright (2008), consulting groups have written about the intelligence concept over the years. For example, in 2007, the Global Intelligence Alliance, a leading global provider of competitive and market intelligence solutions, revealed that today's business ecosystem demands a comprehensive system for managing risks in the external business environment linked to intelligence and business information. Globalization has a significant role in this segment, where most executives and companies feel that these shift influences will have a notable impact on their organizations (Calof & Wright, 2008).

From the academic world, it is referenced the necessity that enterprises must be aware about changes and occurrences in their environment. Michael Porter advocated that a structured intelligence process was essential to identify business opportunities and threats continuously. CI is critical and plays a significant task, where well-established companies that use and develop CI programs retrieve greater earnings per share than companies in the same industry without CI programs (Calof & Wright, 2008). There have been several authors that tried to get businesses to bring importance and value to the existence of "active, externally oriented, intelligence gathering in their operation" (p. 23). These kinds of strategies and programs within the business world had different designations: competitive intelligence, "business intelligence, corporate intelligence, competitive information, or commercial information. Most practitioners have now settled on one term: Competitive Intelligence (Calof & Wright, 2008).

Competitive intelligence may be defined, according to Hughes (2005), as "the transformation of raw information regarding the competitive external environment into intelligence to support business decisions". As several authors advocate, CI is information about competitors' activities from different sources in order to better evaluate the present and future decisions regarding the general business environment (Colakoglu, 2011). Using the available sources (public and private) to develop data (raw data) about competition, competitors, and the market environment while using that same information retrieved to analyze it, transforming it into usable results (McGonagle et al., 2002).

In 2006, the Competitive Intelligence Foundation, a global nonprofit best practice sharing community for experts from industry, academia, government, and non-profits in Strategic Intelligence, commissioned a study to find out the relevance and opportunities for CI and found that in respondent firms, CI influences a wide range of decision-making areas and is a predominant element in the formulation of business strategy, where it is difficult to recognize any aspect of business and ecosystem that would not gather a positive benefit from the application of CI. There was clear evidence that implementing CI programs or guidelines resulted in supporting decisions in areas like corporate or business strategy, sales/business development, market-entry decisions, product development, R&D/technology decisions, due diligence, and regulatory/legal responses, among others.

According to du Toit (2015), there has been an increase in importance and, thus, exploration in the last twenty years, suggesting that Competitive Intelligence is a separate function in an enterprise and a particular subject field. There is value to all the business areas, and one of the main points that most value and attraction is attributed to this theme, providing accurate foresight regarding competitive dynamics (du Toit, 2015).

2.2.2. Networking with external Stakeholders

In the present era, the imperative for businesses to secure permission to function successfully hinges on their ability to create and uphold positive connections with all the various stakeholder's ecosystem where the company operates. Dorobantu et al. (2017) described this new stakeholder's role in monitoring societal and environmental effects that corporations have on them, leveraging the globalization and the tools that the Internet gathered, urging corporate executives to redefine their goals and convictions. Countless instances highlight how

stakeholders influence a company's functioning, ranging from regulatory demands to consumer-led boycotts and apprehensions about labor practices, including those in the supply chain, as well as environmental and social concerns. Additionally, business collaborators such as suppliers, retailers, and major consumers, among others with extended influence, are presenting fresh expectations to company leadership.

The stakeholders nowadays are evaluating the effects of corporations on society and the environment. Through the powerful platform of the Internet, they are prompting corporate leaders to reconsider their goals and convictions. Countless illustrations exist to demonstrate how stakeholders influence the functioning of a company, ranging from regulatory constraints to consumer-driven boycotts and apprehensions related to labor problems, including those within the supply chain.

Harrison et al. (1996), while being documented a long time ago, described that the logic behind advocating for organizations to adopt the stakeholder approach to management is not solely because other organizations are doing it.

Additional perspectives lend further support to this methodology. The instrumental view, referred to by Harrison et al. (1996), argues that engaging in stakeholder management activities can result in various outcomes, subsequently contributing to increased profitability or increased firm value, and several beneficial outcomes like the enhanced predictability regarding changes in the external environment, achieved through improved communication with external stakeholders and the reduction in detrimental actions by stakeholders (strikes, boycotts, negative publicity) due to improved relationships and trust. Possibly the most compelling pragmatic argument in favor of proactive stakeholder management lies in its capacity to generate and safeguard organizational adaptability.

Harrison et al. (1996) described *organizational adaptability* as not only the speed of response to changes in the environment but also an organization's capacity to mitigate the effects of such changes and the costs associated with addressing them. The lack of organizational adaptability builds inertia during both periods of stability and, more worrying, in turbulent periods. To effectively make a comprehensive stakeholder’s management, it is necessary to develop efforts to comprehend and exert influence over factors within the operational environment.

The authors also stated that established philosophical principles, such as utilitarianism, or the notion of a social contract between an organization and its stakeholders, are fundamental to

developing a strategy regarding the stakeholder's management. As articulated by certain authors, the current question is not whether businesses are responsible to society but rather the extent of this responsibility. The perspective has gained prominence due to enhanced public interest in corporations and the escalating influence of the media. Where organizations are more susceptible to criticism based on moral and ethical standards widely embraced by society (Harrison et al., 1996), companies should contemplate the adoption of proactive partnering techniques not only to reinforce control in the face of environmental uncertainty but also to cultivate organizational adaptability.

Andriof & Waddock (2017) described that partnering initiatives allow firms to establish connections with stakeholders in pursuit of shared objectives, while conventional stakeholder management approaches primarily aim to fulfill stakeholder requirements or demands.

When Freeman initially introduced the stakeholder theory in 1984 (ref), he suggested that nearly anyone or anything could impact or be impacted by a company's decisions and actions. However, not all environmental, social, and governance (ESG) issues raised by stakeholders are likely to hold material relevance for a company, even though many might bear relevance (Koehler & Hespenheide, 2012). Figure 1 illustrates, according to Deloitte (2013) how materiality can be applied in the context of ESG issues, commencing with stakeholder actions based on their perception of a company's ESG performance.

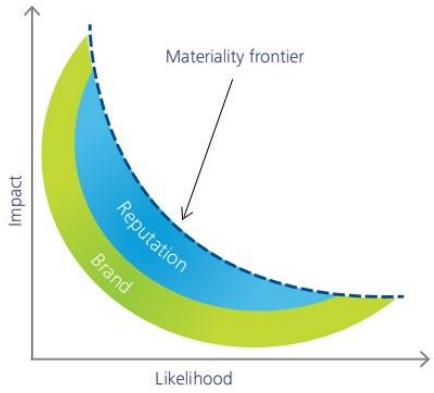


Figure 1: Materiality - Function of likelihood and impact (Deloitte, 2013)

The likelihood of stakeholder action (such as protests) hinges on whether stakeholders perceive a company as generating or diminishing value. Beyond the probability of financial impacts due to disruptions in business, for example, consumer boycotts or loss of operational license can make comprehensive reputational and/or brand impacts. While these might not directly menace

to a company's cash flow, they could influence enterprise value, even if they fall below the materiality frontier. Stakeholders (including shareholders) can influence a company's operational expenses, license to operate, reputation, and brand value (Koehler & Hespenheide, 2012).

2.2.3. Corporate Reputation

Following the sphere of trends strongly linked to this new globalized world and its effect on enterprises, it is important to consider reputation. According to Pires and Trez (2018), corporate reputation can be defined as the "collective perception of the organization's past actions and expectations regarding its future actions, in view of its efficiency in relation to the main competitors" (p. 13). An organization's reputation can be defined by the interactions between the different stakeholders on which the organization has direct and indirect focus (Mahon, 2002).

In the literature, some authors state that corporate reputation affects the companies' performance, but on the other hand, others claim the opposite. According to Flanagan et al. (2011) study, the connection between the Fortune Most Admired Companies (FMAC) ranking and the firms' economic and financial performance concludes that the relationship between corporate reputation and performance exists. Several studies have proved the existence of a relationship between reputation and performance (Brown & Perry, 1994), and according to Carmeli and Tishler (2005), corporate reputation affects the performance of organizations. Nevertheless, some studies assess the relationship in the opposing direction, assuming that a company with financial and economic strength can produce a good reputation (Dowling, 2006).

Reputation is recognized as a complex term, having different connotations for distinct perspectives and fields (Pires & Trez, 2018). Strategy literature implies that corporate reputation is related to competitive advantage, and for accountants, it is an intangible asset, a type of goodwill (Wiedmann & Buxel, 2005). Classifying reputation, Hall (1992) distinguished between tangible and intangible assets, arguing that intangible assets include reputation for being difficult to imitate. Reputation is formed over time and according to different relations and discussions between the ecosystem of stakeholders that have direct and indirect links with the firm in distinct contexts (Mahon, 2002).

Figure 2 provides an overview of some of the essential findings of Kent Walker's (2010) study. The layout tries to explain how the organization's identity flows into the image of the

company and how the combination of the two topics with the respective stakeholders included (internal and external) results in corporate reputation, as a clear way that demonstrates that reputation comes from within the firms (Walker, 2010). These results suggest that reputation is influenced by historical behaviors, and the perceptions that each stakeholder engaged with the business at a particular time frame (Mahon, 2002).

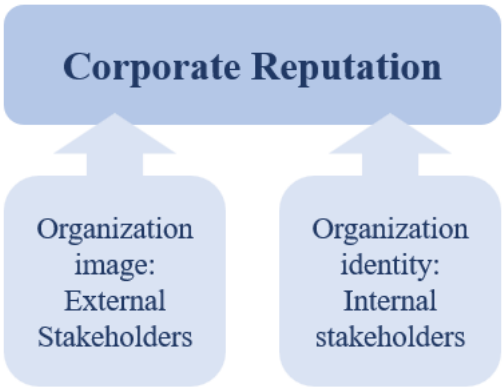


Figure 2: Corporate Reputation Overview (based on Walker, 2021)

2.2.4. Lobby

Lobby is described as a strategy to safeguard and advance interests, viewpoints, and stances related to specific political issues or resolutions. It involves employing a range of resources such as finances, information, and technical expertise and using strategies of pressure. The goal is to apply influence over legislative, regulatory, or decision-making proceedings to secure advantages for oneself or others (Coroado, 2014).

According to Mathur et al. (2013), one line of thought argues that corporations assign significant value to political connections. Analyzing a dataset of over twenty thousand firms across forty-seven countries it concludes that, on average, firms witness an approximately two per cent rise in shareholder value upon announcing their executive or major shareholder entering the political sphere. Similarly, evidence points to a decline in value of around two per cent when an event disrupts a political connection.

Consequently, it is reasonable to anticipate that management at value-maximizing corporate entities equipped with effective governance mechanisms would adopt lobbying as a nonmarket strategy to enhance value. Nevertheless, there is a lack of consensus in the literature concerning the development of lobby strategies. For example, Mahoney (2007) discovered a negative correlation between external strategies and lobbying success, while many scholars

argue that the effectiveness of lobbying tactics relies heavily on contextual factors (Hanegraaff et al., 2016).

When lobbying aligns with managerial interests and enhances shareholder value, managers have a stronger incentive to do so. However, Mathur et al. (2013) argue that some scenarios could lead to a negative correlation between lobbying intensity and managerial entrenchment. One possibility revolves around corporate reputation, implying that business lobbying can result in negative publicity and reputational losses.

According to the findings in their research, Mathur et al. (2013) mentioned that lobbying serves as a tool for promoting corporate value creation through various paths, contributing to better-informed legislation. Furthermore, lobbying acts as an instrument aligning management and shareholder interests to enhance corporate performance. These findings carry implications for strategic decisions made by corporate management, where the potential for value creation through non-market strategies, particularly lobbying, is substantial. Lobbying can lead to gaining a competitive edge through non-market strategic initiatives (Mathur et al., 2013).

Mancuso & Gozetto (2011) introduce a new term, "licit lobbying," which challenges the categorization of lobbying as either illicit or licit. They argue that viewing lobbying purely through the lens of illicit interest defence, obstructs a comprehensive analysis of its practice. Recognizing that licit lobbying can contribute positively, they suggest it is part of the toolkit available to social segments to advance their interests. Lobbying operates as a democratic instrument of interest representation, providing beneficial contributions to decision-makers, public opinion, represented interests, and the political system. By disseminating information and encouraging debate on issues on the public decision-making agenda, lobbying can refine public opinion and lead to more informed participation in mechanisms like public consultations, elections, and referendums (Mancuso & Gozetto, 2011).

While in theory, lobbying should play a critical role in policy implementation by acquainting politicians and public officials with diverse issues and solutions and preventing the overlapping of one group's interests with those of others, in practice, lobbying often becomes entangled with opaque practices of political influence. Unlike the United States or European Union institutions, many countries, like Portugal, lack regulation for lobbying, impeding it from functioning as an open mechanism facilitating access to decision-makers and influencing decision-making processes. In some cases, lobbying leads to the institutionalization of conflicts of interest, capturing legislative, regulatory, or decision-making procedures (Sousa, 2008).

2.3. Business Diplomacy vis-à-vis Stakeholders Management

We have connected different points in common to the topics discussed. Research has shown the correlation between business diplomacy and stakeholder management being this last one an important component in the development of a strategy settled on business diplomacy and a significant point in the connection with the company's reputation. A study conducted by Fombrun (1996) argues that reputation is constructed based on stakeholder perceptions and that companies need to manage these perceptions proactively in order to build and maintain a positive reputation. Saner (2019) explains that the expansion of global supply chains, the increased advocacy towards social responsibilities, and the competition due to globalization between companies make stakeholder management highly complex, based in emerging countries and markets that are competing for access to new consumers and resources globally.

Additionally, research has shown that business diplomacy can also help mitigate reputation risks, where companies that engage in proactive reputation management are better able to anticipate and respond to reputation threats in a much easier way, highlighting the importance of integrating risk management into a business diplomacy strategy (Fombrun et al., 2000). Liu and Lu (2019) stated that stakeholders perceive companies that engage in corporate social responsibility activities as more trustworthy, which can lead to a more positive reputation. Combining effective stakeholder management, incorporating risk management and corporate social responsibility into a business diplomacy strategy can help mitigate reputation risks and build stakeholder trust and credibility.

One major challenge is the need to balance the interests of different stakeholders alongside the necessity to adapt to the rapidly changing business and political environment. For companies, it is essential to be able to anticipate and respond to shifts in the interests and concerns of their stakeholders in order to maintain positive relationships and prevent drawbacks that could affect their strategies. Business diplomacy facilitates the achievement of strategic goals by building trust and mutual understanding with stakeholders through effective communication, participation in industry-wide initiatives and partnerships, and conflict management, helping companies navigate the complex and dynamic business environment (Falcão et al., 2021).

Influencing social and economic players is one aspect that corporations try to implement to create new opportunities connected to the way companies advertise more and more its brand, values, and policies. It becomes exposed and vulnerable to more significant risks, making the

possible mistake of its promises and "well-written speeches" not matching its behaviors (Monteiro, 2013).

Having international operations should make multinational companies anticipate that their representatives or managers need to deal, represent, and communicate with business partners, non-government entities business, and different stakeholders groups. Saner (2019) explains that these representatives should address the intentions they have with the country where they are operating, “how their products and services will help the respective host country’s economy to grow and how their investment will contribute to improving the host country’s society at large” (Saner, 2019).

As discussed throughout this last chapter, companies are increasingly impacted by pressure from the social and environmental spheres. Social and environmental programs, the development of strategies around CSR, global compact programs, and other activities are increasingly on the agendas of companies, especially multinationals, which are compelled to mitigate potential negative impacts they may incur (Saner, 2019).

To meet the challenges of the new driving forces of the global market and learn for success, items of competencies were developed based on "Business diplomacy management: a core competency for global companies", by Saner et al. (2000). According to the authors, there are some critical competencies required to develop strategic alliances, such as:

- Knowledge of key business-related legal standards: It is essential to be aligned with national and international company legal requirements. Knowledge of key business-related standards is crucial to facilitate conversations with non-business stakeholders.
- Knowledge of ‘corporate reporting to stakeholders’: Other recommendations, including those published by national governments and sector-specific organizations, are available in addition to the global reporting framework and guidelines. These guidelines, for example, ask for conformity with a nation's environmental regulations. Companies must have a thorough understanding of these standards and the ability to comply with them, which necessitates effective communication with internal and external stakeholders.
- Knowledge of the interplay between politics, economics, and culture: When the business opens an operation in a new market, this information is highly crucial. Understanding how a company will impact the community and accurately anticipating

how local stakeholders will respond can help companies operate a strategic partnership with confidence.

- Managing and leading negotiations and communications with stakeholders: A strategic alliance or proactive communication and dialogue are highly advantageous, mainly if they involve cross-border cooperation. In addition to being advantageous, proactively promoting mutual understanding through skillful negotiation and excellent business diplomacy communication is also beneficial.

Saner (2019) contributes to the concept of *strategic alliance*, presenting the idea of strategic objectives that organizations develop aiming at strategic partnership in line with the outcomes defined. The strategic alliance occurs through negotiations, and understanding the different processes and the impact that distinct industries have is imperative for the "sustained success of a strategic alliance" (Saner, 2019).

After analyzing the importance of the stakeholder's management, the link with the reputation of the corporations, and connecting with the concept of business diplomacy and their tools, there seems to be room and relevance to assessing how corporations apply diplomacy concepts to manage and overcome the challenges faced in the multistakeholder's environment in which they operate. Evaluating how corporations visualize the business setting where they are established and conduct business, it is a established objective to try to demonstrate what business practices they have in place to cope with the context, what is the relevance they attribute to the stakeholders' issues within the overall strategy of the firm, what is the impact of corporate reputation on the overall performance of the firm, to what extent the concepts of business diplomacy are instilled in the culture and organization of the corporation and, lastly, how is this management tool used in order to overcome and succeed in the business environment in which they are.

As it is possible to verify with the previous research, although there is a consensus on areas of action that companies tend to develop, there is no joint direction linked to the overall business strategy of the companies, something that indicates the clear distance with the concept of business diplomacy that we have been explaining, a conjunction of instruments and tools that give life to a well-formulated strategy, and not disperse.

The focus of this particular research differs, as far as our knowledge, from the overall work done until now in this area, where it tries to demonstrate if companies already use business diplomacy to manage their stakeholders while covering the enterprises established in the

Portuguese market. In conclusion, the following framework (Figure 3) concentrates the above literature review process into six main categories: Competitive Intelligence, Networking with external stakeholders, Corporate Reputation, Lobby; Business Diplomacy, and Stakeholders Management, in order to provide an analysis layout to retrieve fundamental information for the findings.

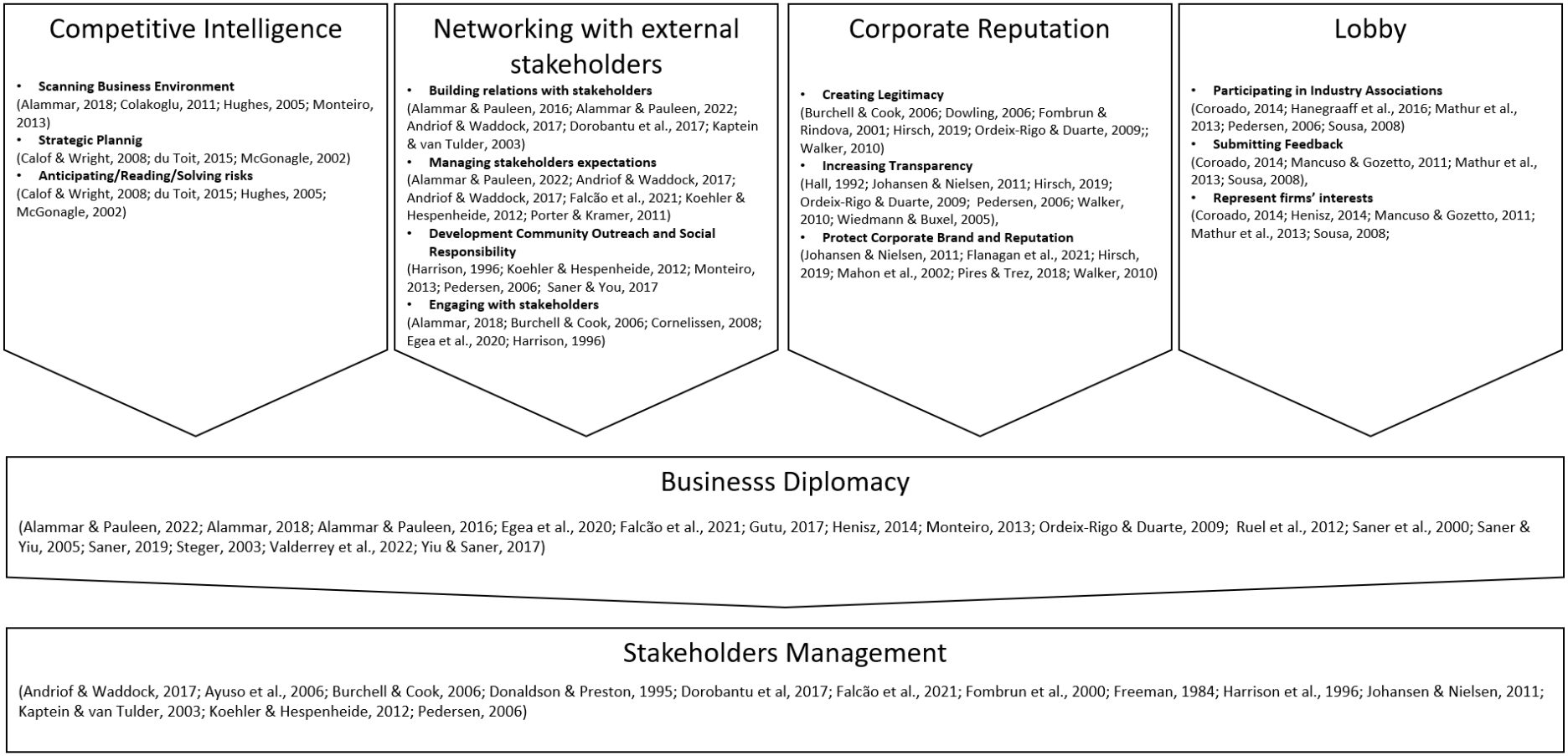


Figure 3: Literature Review Framework

3. Methodology

Following what is intended to be analyzed in this study, it is essential to choose the strategy that best achieves the objectives of this research project in order to succeed. This chapter describes the applied research method used for the data collection, the data collection process, the data analysis, and the explanation and choice of the sample.

3.1. Research method and instruments

This study follows a qualitative analysis methodology as a result of the descriptive nature of the topic in question, offering the opportunity to observe, comprehend and develop a more complete and richer interpretation of it (Yin, 1984). The literature review and the various concepts explained do not allow a comprehensive analysis to be made that best achieves the proposed objectives. For that reason, it is necessary to collect qualitative information from the business ecosystem to understand better and explain the entire process associated with business diplomacy and how it is used (Eisenhardt, 1989).

Interviews are one of the most suitable strategies for the collection of qualitative data, and several authors argue that when a study involves the exploration of perceptions and meanings to develop hypotheses, a more qualitative form of interviewing is required (Bloom and Grabtree, 2006). According to Schwartzman (1993), semi-structured interview is recognized as a valuable method to address management issues, facilitating the understanding of the subject from the perspective of the interviewed, in this case business managers (Qu & Dumay, 2011). Interviews allows to gather data linked to the actual experience of the companies' representatives when the topic analyzed is not a regular practice implemented by corporations, that cpre-established variables can assess. All the data gather from this method can promote a better understanding and visualize a pattern and elements that can be identified through the various cases studied (Eisenhardt & Graebner, 2007).

The interview guide (Annex. C) is planned into different types of questions, namely introduction questions to contextualize the subject, and questions to approach the core subject of the study, to verify the existence of correlation between the theoretical assumptions that were collected in the literature review and the experience of the interviewee, with the vision of the company and the strategies adopted (Qu & Dumay, 2011). Nevertheless, the interview guideline may be altered before and during the interview, according to the interviewee's inputs, or by the course the interview may take, so that there are as many conclusions as possible to be drawn.

Due to these factors, we decided to conduct semi-structured interviews with companies operating in the Portuguese market, making it possible to obtain richer and more detailed information from the respondents. Thus, the primary sources of information are semi-structured interviews, obtaining evidence about the relevance of business diplomacy in the strategy to build relations with the multi-stakeholder ecosystem.

In addition to the semi-structured interviews, other types of resources were considered, like articles, companies' websites, news, reports, and corporate presentations, to have consistency and comprehensiveness about the data available that could be useful to the research project, delivering a more accurate and relevant scientific work (Eisenhardt, 1989).

3.2. Research sample

For this study, we have decided to include a set of companies that have operations in Portugal, to study and analyze the national market for empirical purposes since, as far as our knowledge, no study has attempted to determine what is intended by this academic work. The selected companies had a variable in common, the criteria of being present in the ranking of companies with the best reputation operating in Portugal in 2022. The ranking Merco Empresas attempts to "using a process based different to compile data from different sources of information" (Ranking Merco Empresas Portugal, 2023).

The following companies were selected to be able to have a list of corporations that complement each other, to represent different sectors and different types of activities, and to embrace the most complete possibility of the external situation in which companies operate and where corporate diplomacy can be used. This allows a portrait to be made of the different relationships between companies and the ecosystem that surrounds them, with a look beyond the sector of activity so that there is knowledge and analysis of the entire external environment where companies operate. The study intends to focus on a sample of companies with the highest reputation ranking.

In total, the research sample consisted of 100 companies. Around 47 firms were contacted through invitation letters to participate in an interview regarding business diplomacy. Most respondents were contacted via private message through the social network LinkedIn, in addition to sending via email, directly to the highest responsible manager (e.g., head Public Affairs/ Communication/ Institutional Relations) for this function in the organization. The invitation letter can be found in Annex D.

As a reminder of the invitation, the firm responsible that had not responded after one week was contacted again. Eventually, the following companies were prepared to cooperate in the investigation: AGEAS Group, Sonae Group, CTT- Correios de Portugal, Pfizer Portugal, The Navigator Company, REN, and one confidential company (from the food sector), which corresponded to 7 interviews, that were all transcribed in almost 60 pages.

To reinforce the credibility of the interview data, all the references in the research were sent back to the respondents, who have read, corrected, and complemented.

3.3. Data analysis

Besides the development of interviews, to have clear findings and possible conclusions to analyze, Ruona (2005) argues that it is fundamental to prepare the data retrieved, which requires having the data in a clear processible form. This data preparation process involves the transcription of interviews and the necessity to organize in a specific subject, consolidating "segments of different interviews that address the same topic" (Yin, 1981).

Data analysis involves several sequential steps, initiating with the collection of raw data, which is then structured and readied for exam. In addition, the next phase comprises the comprehensive reading and systematic coding of the data, leading to the identification and delineation of thematic patterns and their corresponding descriptions. Ultimately, the culmination of this analytical journey involves the interpretation of the identified themes and descriptions (Creswell, 2010).

Categories were retrieved from the literature review to answer the research question better. Regarding the first part of the research question the categories proposed goes in line with companies' awareness about the concept of business diplomacy, and the link with stakeholder management. For the second part of the question, we consider the four instruments of Business Diplomacy (Competitive Intelligence, Networking with external stakeholders, Corporate Reputation, and Lobby) to evaluate better how companies use them, enabling and understanding the development of business diplomacy strategy. Therefore, we proceed to select categories one by one and positioning them inside a theoretical model and then constructing a narrative from the interconnection of those categories (Creswell, 2010).

For the data analysis, Miles & Huberman (1994) argue that this procedure comprises data reduction, data display, drawing conclusions, and verification, and this method is applied in the following segments.

3.3.1. Data reduction

The analytic process of data reduction allows us to have all the data collected in an organized way, where it is possible to focus on the relevant aspects that we want to see addressed to draw consistent conclusions. In this process, we decided which data fragments to select for further analysis. The data collected is intended to reflect the interviewees' own experiences, and hence, it had truth value, reinforcing the credibility of the research results. For this purpose, MAXQDA software was used for qualitative and mixed methods data analysis in academic, scientific, and commercial research, represented in Categories; Sub-Categories; References; Meaning and Example of quotation.

3.3.2. Data display

Organize the information collected from the interviews is fundamental to drawing structural conclusions and extracting meaning from the data collected. There is the requirement to prepare the data to perform multiple analyses, comprehend, and reach an interpretation (Creswell, 2010). The same author argued that after collecting the raw data, it is necessary to put it together and prepare it for analysis, which can be done through reading, coding, establishing relations of ideas, and finally, designing and interpreting the findings. A clear and broad portrait of business diplomacy could be formed by displaying the data in this manner.

MAXQDA allows coding qualitative data (categorizing interview) assigning a code to a material segment. The researcher must create a sequence of evidence at each stage of the process until a conclusion is reached, either by identifying patterns or drawing parallels between multiple scenarios with suitable degrees of variation (Yin, 1981). Qualitative coding enables us to take semi-structured data, such as transcripts from in-depth interviews, and structure it into themes and patterns for analysis, making it more systematic and rigorous, providing clarity and transparency while analyzing and getting conclusions. From there, it is possible to find insights that really represent the data retrieved and the stories and experiences behind the interviewees.

3.3.3. Conclusions and verification

Despite criticism, qualitative research is increasingly accepted as a systematic research instrument as the number of scientific publications applying this approach grows in number and significance in the academic community (Yin, 1981).

All the process of data collection and analysis facilitates the development and understanding of some patterns and explanations. As the data collection progress, conclusions start to become progressively clear and explicit. Presenting the information in a correct method makes it clear to demonstrate the findings about how business diplomacy helps to manage the ecosystem of stakeholders, and the reputation that comes from it.

4. Findings

This chapter presents the findings of the interviews conducted with the seven companies operating in Portugal. The chapter is structured as follows: First, it describes the awareness that these companies have about business diplomacy, linked to their familiarity with the concept explained, the impact that the interviewees think business diplomacy has on stakeholders' management, besides their belief about the degree of applicability in the business context. Subsequently, it describes the findings regarding the business diplomacy tools (Competitive Intelligence, Networking with external stakeholders, Corporate Reputation, Lobby) within the companies´ strategy and vision.

Table 1 demonstrates the results from the coding process (supported by MAXQDA) and organizes it into five columns as follows: Categories (Business Diplomacy Awareness, Competitive Intelligence, Networking with external stakeholders, Corporate Reputation and Lobby); Sub-Categories; References; Meaning (a description of each sub-category) and finally Example of quotation (from an interviewee).

4.1. Research Findings

4.1.1. Business Diplomacy Awareness

Familiarity with the concept

The concept used to describe business diplomacy in the interviews was "strategic management of relations with the different stakeholders, with whom companies interact in their area of activity, and with the aim of ensuring a favorable business environment, increasing the level of transparency and positive impact on the company". This raised awareness in the companies, which most identified as something they were already developing and/or are embedded in the companies' strategies already in used.

As put by one interviewee, "Business Diplomacy is inevitable and fundamental, nowadays more and more companies, and the bigger they are, the more responsibilities they have, the more they realize the structured way they must manage it ... REN has been looking at stakeholder management for a long time and has made this assessment of the impact on reputation and impact on P&L" (Interview, REN), demonstrating the relevancy that this theme brings to the business setting.

Table 1: Findings Analysis

Category	Sub-category	References	Meaning	Quotation
Business Diplomacy Awarenes	Familiarity with the concept	11	Familiarization with the concept of business diplomacy and all the dynamics surrounding it	"Business Diplomacy is inevitable and fundamental, nowadays more and more companies, and the bigger they are, the more responsibilities they have, the more they realize the structured way they must manage it" - REN
	Degree of Applicability in the business context	6	Perspectives regarding the implementation of business diplomacy strategies or its fundamental principles within organizations	"… in general, large companies already do it, even if it's not in an institutionalized/formal way, they do it naturally …" – Ageas Portugal
	Impact on Stakeholders Management	6	The perception about the impact that business diplomacy has in the stakeholder's management	"Communication needs to be well-structured, we need to know these different stakeholders well, we need to understand their expectations, their needs…" – Pfizer Portugal
Competitive Intelligence	Strategic Planning	32	Essential insights and information about business setting that can impact organization's strategic decisions	"… we have strategic planning cycle periods… we look at the macro, what's going to happen, what's on the horizon…" - Sonae
	Scanning the business environment	20	Comprehensive understanding of market dynamics, industry trends, and competitive landscapes identifying opportunities and potential threats	"we try to keep up with the legislative and regulatory developments that affect our business…" – CTT – Correios de Portugal
	Anticipating/ Reading/ Solving risks	19	Foresee potential challenges, employing a forward-thinking approach to identify and assess risks before they manifest	"we are always alert for what is going to come out and see how it impacts our activity, our business, and in anticipation, we're going to talk to the legislators, the stakeholders, the general managers… and try to draw attention to a certain aspect or point of view" – The Navigator Company
Networking with external stakeholders	Engaging with stakeholders	50	Mechanisms to engage with multiple stakeholders that have a direct or indirect impact on the companies' performance	"Every other year, we consult with stakeholders and it's on the basis of this consultation, along with our business plan, our strategic plan, that we define our strategy … - REN
	Developing Community Outreach and Social Responsibility	45	Initiatives and strategies aimed at positively impacting and contributing to the well-being of the communities in which they operate	" that is why when we make decisions, we think about the community… we genuinely want to collaborate, we genuinely want to provide our service to society …" - Sonae
	Managing stakeholders' expectations	44	Strategic and collaborative approach to ensure alignment between organizational goals and the needs of diverse stakeholders	"we have an initiative called the Communities Monitoring Committee … meetings in which all the questions and issues associated with a certain industrial complex are presented…" - REN
	Building relations with stakeholders	30	Cultivate positive connections and relations with stakeholders that contribute to the overall organization success	"… the more natural we are, the more value we add to the relationship with our customers… the most important thing is to have this ability to maintain this naturalness in our relationship management, to maintain this balance" – Food sector company

Category	Sub-category	References	Meaning	Quotation
Corporate Reputation	Creating Legitimacy	55	Development of furtive relationships and how the stakeholders perceived and interact with the organizations	"… this is not just a matter of communication, this is a matter of coordinating companies to send that message to the market showing how they are …" - CTT
	Protect corporate brand and reputation	53	Firms act in order to protect their good reputation with all the stakeholders with which they relate.	"… reputation is an increasingly important issue, because this also has consequences for our own employees…" – Pfizer Portugal
	Increasing transparency	30	Organization's perceived legitimacy by demonstrating that it has nothing to hide and is accountable for its actions	"… on the client because … is where the issue of transparency and trust makes the most difference and, therefore, if we create these close relationships with the client as well and they realize that they have someone here who can help them and who can be there for them in difficult times…" – Ageas Portugal
	Tracking Reputation	12	Monitoring and evaluating how an organization is perceived	"we monitor everything that is said about AGEAS in the different online and offline media, we have this crisis communication management plan, … as well as reputation studies…" – Ageas Portugal
Lobby	Representing the firm's interest	9	Defense of company's activities and concerns towards the public, legislators, competitors, and other stakeholders	"what we do is follow developments, public consultations, trying to have spaces to present our vision, but trying to do so within the existing institutional framework…" - CTT
	Participating in industry associations	7	Participate and be part of working groups, industry associations, that have access to decision-makers and influence on decision-making processes	""the issue of lobbying is fundamental, although we do not have an institutionalized lobbying strategy, we do have working groups, groups of people who more or less perform this function in their relations with the outside world" – Ageas Portugal
	Submitting feedback	6	Share firms' opinions and concerns with relevant stakeholders	"the issue of lobbying is fundamental, although we do not have an institutionalized lobbying strategy, we do have working groups, groups of people who more or less perform this function in their relations with the outside world" – Ageas Portugal
	Develop research studies	2	Relationship with the academia by developing studies that support company's point of view on crucial topics of their activity	"we work with academia, we carry out studies with forestry producers, with agricultural producers…" – The Navigator Company

Source: Author (2023)

Also indicated by another interviewee, the concept described is linked to "… specific functions in the organization that aim precisely to interact with this diverse and broad set of stakeholders, … in order to seek to create greater transparency and also to transmit and communicate all this transparency in everything we do" (Interview, Ageas Portugal).

In none of the seven companies interviewed, there is a business diplomacy function or department. Instead, functions and departments like Public Affairs, Corporate Communications, Communication and Sustainability, and Institutional Relations are concerned with activities regarding business diplomacy. As The Navigator Company specified, "that's one of the missions of the Public Affairs area, and obviously it is not the only, it does that for all the areas where the Administration portfolio has the responsibility" (Interview, The Navigator Company).

The term business diplomacy is not used in most firms, but they demonstrate and make associations with the reality of the company. While explaining the assumptions of business diplomacy and the initiatives around it, most companies mention that they develop several activities that converge with the premise of business diplomacy but do not use that name. As cited by Pfizer Portugal, "…we do not call it business diplomacy, but of course, all these activities, initiatives and functions that exist, aim precisely to carry out diplomacy, whether we call it business diplomacy or not" (Interview, Pfizer Portugal).

One different case was Sonae, which demonstrated knowledge on the subject and advocated its importance for companies as a key tool, assuming that "… the desirable thing would be the implementation of Business Diplomacy in order to help companies to mitigate reputational risks and build trust and credibility with stakeholders, with the development of an increasingly integrated strategy…" (Interview, Sonae). The respondent also referred that "We agree with this modus operandi ... there are not many people doing this in Portugal. That's why we think that any CEO, any Executive Committee that believes it should allocate part of its budget to this activity, with moral values, because the right thing is to have a position towards stakeholders, towards the community, towards the state, towards everything, and to say, you are important to me" (Interview, Sonae).

The firms were connecting business diplomacy with sustaining positive relationships with the stakeholder's ecosystem that comprises all the business setting, to construct a good corporate image and reputation. Sonae had an extensive view, where "stakeholders are a tool, communication is a tool, brand building is a tool, and our job is to create the best business environment and create a more balanced society, … we work with stakeholders and the

community, collaborate with them, so that together we can build a better future, whether in Portugal, in Brussels or in Madrid, naturally not forgetting that productivity is down here, shareholders remain, despite this whole context (Interview, Sonae).

Alongside the other statements, the Food Sector company referred that "…the company is concerned about the level of transparency and how stakeholders' impact on its business ... it makes perfect sense for this to be the case, and all this part of having a healthy and favorable relationship with stakeholders only ensures the increase the level of transparency, to increase the positive impact (Interview, Food sector company).

Diplomatic efforts such as networking and the development of relations were also mentioned by all the companies as something fundamental to develop any type of strategy that goes towards sustaining a favorable and well-structured business environment in order to safeguard the vision of companies and nurture a win-win relationship with the parties involved. One of the examples is Ageas Portugal, which promotes working groups to increase the debate on pillar issues for the company, "we are part of different technical committees and working groups, such as with the government, for concrete issues closely linked to the consumer, people, retirement, the future, issues that are closely linked to our business, and we also have the challenge of having the leaders of our company well positioned in certain forums at the level of networking, at the level of power of influence, to be known, to be requested, when necessary and to be seen almost as the specialists or experts who can add value in the discussion" (Interview, Ageas Portugal).

CTT – Correios de Portugal also showed that at the institutional level, it has an area responsible for all of these activities, "… we have an Institutional Relations office, which basically supports the Executive Committee in making all these relations with the State and public administration, often requested in this perspective of services of general economic interest, not only CTT, but all operators in the European Union, have certain types of functions to help the State, such as helping in the distribution of the citizen's card" (Interview, CTT).

A minority of respondents mentioned the topic of strategic alliances and partnerships as significant to them to achieve common goals and outcomes defined. In line, Ageas Portugal stated, "… we create partnerships in which we get deeply involved, and we like to find partners who share the same values, … if we feel that there is a partner who, in terms of sustainability, positioning, attitude, does not align with our values, we automatically withdraw…" (Interview, Ageas Portugal). Also, REN stated that "our purpose and our responsibility is going, for

example, to the municipalities, holding clarification sessions and involve different partners, like the Portuguese Physics Society, to explain to people diverse topics regarding safety and health in relation to high voltage poles" (Interview, REN).

Degree of Applicability in the Business Context

The findings in this sub-category present a range of perspectives regarding implementing business diplomacy strategies or its fundamental principles within organizations. Although interpretations may vary, several converging themes capture the essence of this perspective. Most of the respondents suggest different levels of implementation/integration of this kind of approach caused by the maturity and business responsibility alongside the companies' size. A clear example of that can be CTT, expressing that "there is a wide range of situations in which the most professional and largest companies already do this, and do it in a very professional way, through the various instruments we have named" (Interview, CTT).

This perspective was also mentioned by Pfizer Portugal, adding that the more professional and structured a company is in developing this type of strategy, the better results it will achieve in this area, "obviously the big difference is that those who manage to be more professional, who manages to do it in a more optimized, structured, organized way and have the right people to do the job, obviously manage to get results, something much more positive and beneficial for organizations" (Interview, Pfizer Portugal).

Nonetheless of the degree of formalization, companies that have their business more exposed to public opinion and a larger ecosystem of stakeholders tend to recognize the essential alignment between stakeholder relations, strategic goals, and ethical values, as referred, for example, by Ageas Portugal, "in general, large companies already do it, even if it is not in an institutionalized/formal way, they do it naturally ... large companies have an enormous role and responsibility in the market, in the sector, in public opinion and, therefore, I believe that all large companies already do this…" (Interview, Ageas Portugal).

Emphasis on the interest formalized business diplomacy aligns with the perspective on the necessity of structure, and also raised awareness in most companies. The Navigator Company emphasizes the need for a structured, integrated, and institutionalized approach to business diplomacy. Sonae also advocates this, by saying that "this activity, business diplomacy, should exist more, should be more institutionalized, so that it can also be more transparent and so that people can dispel the myths that often exist on the subject, the wrong myths" (Interview, The Navigator Company). Despite differences in terminology and strategic understanding, the

companies gather convergent viewpoints on the importance of institutionalization, emphasizing the potential benefits of elevating stakeholder engagement from a practice to an organizational pillar, promoting transparency, and enhancing outcomes.

In general, there is a shared acknowledgment of the impact of engaging with stakeholders and the tools we have been referring to, even though the respondents' vision about the level of formalization and maturity varies among different companies. While the concept of business diplomacy may not be uniformly embraced, its ideologies strongly resonate within organizations, although to differing extents, signaling a need for more structured and strategic approaches to foster positive relationships and sustainable growth. An example of that can be observed in the case of The Navigator Company: "After all, companies have to do this in an institutionalized way, whether they call it business diplomacy, or public affairs, or stakeholder relations... we think they have to do it in a structured way…" (Interview, The Navigator Company).

Impact on Stakeholders Management

While the term business diplomacy might not be universally embraced, the essence of its principles resonates deeply within these companies' approaches. Inquired about the impact that this approach has in the stakeholder's management, the respondents showed convergent points of view. Most warned of the importance and positive impact that this has on relations with the stakeholder ecosystem, as CTT said, "we are absolutely convinced that a stakeholder management strategy, business diplomacy, strategy in the sense of the concept that you characterized, is an unquestionable asset, that companies cannot nowadays afford to neglect this dimension in their positioning strategy" (Interview, CTT).

The firms detailed that this kind of strategy brings positive relations with the stakeholders, a win-win relationship for both sides, as Pfizer Portugal also mentioned, "communication needs to be well-structured, we need to know these different stakeholders well, we need to understand their expectations, their needs so that we can adapt our discourse and even our initiatives to them, to bring a scent not only to benefit the company but to effectively do the right thing…"(Interview, Pfizer Portugal).

Creating relationships built on trust and transparency with diverse stakeholders, with the adaptation of a strategic approach in managing these interactions, allows establishing a solid foundation for building enduring and mutually beneficial relationships. Organizations can

enhance their reputation and refine their corporate image by promoting clear communication, pursuing shared interests, and being open to constructive dialogue. An example of that can be observed in the statement by Ageas Portugal, “there is one key word here, regardless of all the KPIs, numbers, and all that, that is trust and transparency. If we do not have the ability to build trusting, long-term relationships, our reputation is unlikely to be positive ... we communicate our strategy to all our stakeholders in a very transparent way” (Interview, Ageas Portugal).

This approach not only contributes to operational effectiveness but also promotes sustainable development within the communities where companies operate. A broad license to operate, through fostering trust, transparency, and positive interactions with stakeholders, can cultivate a favorable reputation, and companies can demonstrate their commitment to public interests by REN, “… involving the various stakeholders, such as academia, official bodies and the state, local authorities is the only way forward ... this vision of networking as a basis for sustainability is a very strong message and I believe it makes a difference, where diplomacy is what enables this partnership” (Interview, REN).

This need for communication and close dialog with the community, as described, for example, by The Navigator Company, "is very important so that the reality of the company is known and that the community has an adequate perception, ... to communicate what the business really is, what the company is doing, to minimize the impact of any problem that may arise" (Interview, The Navigator Company)).

In this sub-category, most respondents also proposed the idea that transparency benefits not only the relationship with the community but also institutional relations with the state, public entities, and beyond. This approach not only establishes credibility and goodwill with the local community but also extends to interactions with governmental bodies and public institutions, as portrayed, for example, by CTT, “… it is clear that if the State and the Regulator have a perception that does not correspond to reality, or if they do not have correct information about the market, may lead to wrong decisions and putting requirements that are not necessary, ... a need to share knowledge, to give decision-makers market data, to make decisions that are reasonable” (Interview, CTT).

A different perspective emerged regarding the role of stakeholders within the framework of business operations. While the concept of stakeholders was interlinked with business diplomacy, only Sonae respondent challenges this notion by asserting that stakeholders are tools among many others, “… the stakeholders are a tool, … and companies choose to interact, they

do not need to, … it is a choice they make, not go any further in their relationship with the community" (Interview, Sonae). Although Sonae considers that it is up to companies to collaborate with society/stakeholders, it highlights the proactive choice to engage and collaborate, not merely out of necessity but additionally to cultivate a balanced, equitable, and thriving business environment linked to where the company operates (Newspaper, Sonae)

4.1.2. Business Diplomacy Tools

In the following segment, we comprehensively analyze how the companies interviewed strategically employ the four instrumental of business diplomacy: Competitive Intelligence, Networking with External Stakeholders, Corporate Reputation, and Lobbying. By exploring the specific strategies, practices, and techniques utilized by these organizations, we gain essential insights into how business diplomacy is integrated into the companies' strategy, even if it is through the individual instruments. This exploration not only brings practical application of these key instruments but also offers a deeper understanding of their collective impact on fostering significant and enduring relationships with stakeholders.

Competitive Intelligence

The *Competitive Intelligence* category embodies, in a sense, the information that companies gather and transform into intelligence to support business decisions. The sub-category *Strategic Planning* incorporates competitive intelligence as a vital component of the process, where competitive intelligence provides essential insights and information about competitors, market trends, industry dynamics, and external factors that can impact an organization's strategic decisions. This sub-category was the most referred to in this segment by the respondents, with diverse approaches to the importance attributed.

In the statement made by Sonae, "we have strategic planning cycle periods… we look at the macro, what is going to happen, what's on the horizon, and then we develop human resources policies, sustainability policies, and at these times we listen to the stakeholders, and we contact them and try to understand what their concerns are, what's most important to them …" (Interview, Sonae).

It is a vital management perception to take into account the constant and fundamental information gathered and proceed to make the right business decisions, as exemplified by Ageas Portugal, "we have in our strategy, in a 20/30 vision, what will be the major trends in society and the economy, and we work very much in line with this … we try to differentiate ourselves

from the rest of the insurance sector…" (Interview, Ageas Portugal).. Pfizer Portugal also mentioned this particularly topic, "… there is also a corporate strategy at a global level, in terms of how we want to be seen, how we want to communicate, how we want to reach out to the community" (Interview, Pfizer Portugal).

The sub-category *Scanning the business environment*, which embodies the process of gathering, analyzing, and interpreting relevant information and data from the external environment that could potentially impact a business or organization, showed a converging vision among the respondents, attributing importance to this segment. The evidence is clear in sectors and companies with greater exposure, but not only where some of the sample firms operate, for example, CTT. As the firm stated, "we try to keep up with the legislative and regulatory developments that affect our business and to form a position on them and pass them on to the authorities … basically we try to intercede with the political decision-makers in order to help them make better decisions" (Interview, CTT).

A clear example was Pfizer Portugal, which mentioned that the Covid-19 pandemic meant that from one moment, there was a super-wide exposure of public opinion and vision towards the company. As mentioned, "there was a media explosion and, obviously, the company became the order of the day... and so we had to start managing in a more careful and efficient way..." (Interview, Pfizer Portugal).

This sets the tone for the third sub-category, *Anticipate/ Read/ Solving Risk*, which embodies this strategic approach to recognizing possible setbacks and being able to anticipate them or even solve them much more quickly and effectively. Alongside the sub-category mentioned above, the results of the interviews showed a clear relevance to this topic, where the firms highlighted the constant need to be aware of the business context in which they operate to develop a state of alertness capable of anticipating and resolving possible risks that arise. As mentioned by several interviewees, for example, by The Navigator Company: "we are always alert for what is going to come out and see how it impacts our activity, our business, and in anticipation, we're going to talk to the legislators, the stakeholders, the general managers... and try to draw attention to a certain aspect or point of view" (Interview, The Navigator Company). In a specific case, Ageas Portugal mentioned that they have a crisis office to precisely manage this, "… we follow up very closely on any situations we detect that may go less well or have a high reputational impact on the company, and we work on an action plan to mitigate or eliminate this impact" (Interview, Ageas Portugal).

Networking with external stakeholders

The *Networking with external stakeholders* category personifies the systematic process through which businesses establish and nurture positive connections, relationships, and collaborations with a diverse range of individuals, groups, organizations, and entities. The sub-category *Engaging with stakeholders* was the most referenced in the interviews regarding the mechanisms to engage with multiple stakeholders that have a direct or indirect impact on the companies' performance due to the main objective that underlies this research, the management of the stakeholders' ecosystem, as described, for example, by REN: "Every other year, we consult with stakeholders and it's on the basis of this consultation, along with our business plan, our strategic plan, that we define our strategy ... we give receive very important feedback and we include all the stakeholders" (Interview, REN).

Examples of this type of engagement can be found among several other interviewees: CTT, with the close contact it maintains with homologous operators in the European Union to exchange knowledge and insights about the future of the sector; Pfizer, with the creation of working groups with political decision-makers, health professionals, patient managers; Ageas Portugal with the example of the partnerships and initiatives it creates related to the Fundação Ageas, etc (Newspaper & Website, CTT/ Pfizer Portugal/ Ageas Portugal).

Building relations with the stakeholders sub-category is linked to the previous one but with the enhancement of establishing and nurturing positive, mutually-beneficial connections and collaborations with the various stakeholders. All the respondents showed how crucial this kind of strategy is for organizations to foster trust, advocacy, and risk mitigation. This was clearly mentioned by REN: "we have someone in my team, for example, which is totally dedicated to supporting the local communities, who is the interlocutor with the operational areas, who does the project planning, as well as the environmental impact assessment" (Interview, REN).

The food sector company brought a different approach to this issue, with the concept of "organic relationship" and spontaneity, stating, "the more natural we are, the more value we add to the relationship with our customers... the most important thing is to have this ability to maintain this naturalness in our relationship management, to maintain this balance" (Interview, Food sector company).

The interviewees repeatedly raised the issue that without a positive relationship with various stakeholders, without a perceived positive reputation among them, it becomes

challenging to develop any type of activity, resulting in a cascade of detrimental effects, impacting financial performance, brand value, employee morale, customer trust, and overall organizational success, as described, for example, by Pfizer Portugal: "Stakeholders view our organization very positively, and we have that reputation, which naturally aids in the development of the company's activities ... it is much more difficult for us to achieve this when we have a poor reputation related to how we interact with our stakeholders" (Interview, Pfizer Portugal).

The subsequent sub-category, *Developing Community Outreach and Social Responsibility,* gathers consensus among the respondents, where social perception is one of first influences that firms make when challenged with the need to develop relations with stakeholders. The organizations develop commitment to making positive contributions to society and the environment. The interviewees emphasized that establishing a positive relationship with stakeholders holds significant importance, as the nature of this relationship can determine the ultimate outcome of initiatives, whether it leads to success or failure, as evidenced, for example, by Sonae: "That is why when we make decisions, we think about the community... we genuinely want to collaborate, we genuinely want to provide our service to society. A company that is market leader in Portugal is only doing well if the Portuguese are doing well" (Interview, Sonae).

The Food sector company also showed this ideology of concern for society, concern for its well-being, and its needs. As mentioned by them:" we had a founder with a long-term vision, a visionary, who quickly managed to understand what society asked for... He used to say that it was like throwing a seed in the ground, planting the seed, so that it can generate in the future; there was always this perspective of support and payback, in which I give to society what society gives to me" (Interview, Food sector company).

The last sub-category, *Managing stakeholders' expectations*, was another segment that raised consensus and was widely referenced. All companies interviewed referred that organizations prioritizing effective stakeholder management are better equipped to navigate challenges and succeed in a competitive environment. These kinds of concerns regarding the stakeholders are fundamental for fostering positive relationships and maintaining trust, were evidenced in examples like The Navigator Company and REN, respectively: "we have an initiative called the Communities Monitoring Committee … meetings in which all the questions and issues associated with a certain industrial complex are presented" (Interview, The Navigator Company) and "we opened a dialogue with all REN stakeholders, who have given very valuable

feedback in terms of their perception of what we do, the impacts we have and where we have to invest to mitigate and prioritize our areas of activity" (Interview, REN).

Managing stakeholder expectations provides valuable insights that inform strategic planning, where an organization can adjust their plans based on stakeholder feedback, reducing the risk of investing resources in initiatives that don't resonate with stakeholders, corresponding with what was stated by Sonae, "we survey our stakeholders, and we contact them and try to understand what image they have, what is most important to them, and what is the right path to choose…" (Interview, Sonae).

Several respondents referred to this sub-category regarding regulatory compliance, where many stakeholders, including regulatory entities, have specific expectations and requirements. The dialogue with those entities is crucial for maintaining compliance and avoiding legal or regulatory issues, as portrayed, for example, by Ageas Portugal: "the requirement, on the one hand, to ensure compliance with what is the regulation in the insurance sector and on the other hand also with governmental entities and their guidelines…" (Interview, Ageas Portugal).

Corporate Reputation

In this category, focused on the collective perception and evaluation of an organization's past actions, current behaviors, and anticipated future conduct, as perceived by its stakeholders, the sub-category *Creating Legitimacy* was the most observed in the findings, linked to how the companies surveyed attach importance to the development of furtive relationships and how the stakeholders perceived and interact with the organizations. The respondents connected to what companies call a license to operate, which allows companies to obtain conditions to work in order to act in a fully integrated way.

The necessity to create strategies to legitimize their business with their stakeholders, especially in cases where companies had close and direct relationships with their customers, was mentioned by several interviewees, for example, by CTT: "… this is not just a matter of communication, this is a matter of coordinating companies to send that message to the market showing how they are... this has a value that is unquestionable and will have an increasing value because people are increasingly careful in choosing their service providers" (Interview, CTT).

Ageas Portugal stated, "we focus a lot on the client because that is where the issue of transparency and trust makes the most difference and, therefore, if we manage to create these

close relationships with the client as well and they realize that they have someone here who can help them and who can be there for them in difficult times, we work hard on this dimension, and we almost evangelize our internal people and our partners" (Interview, Ageas Portugal)., already showing the association to the other sub-category, *Increasing Transparency*.

The firm in question also referred that "… it was unthinkable for us to exist and have a strategy without considering the stakeholders, and without investing in and working on this dimension of transparency and proximity solutions" (Interview, Ageas Portugal). Transparency contributes to an organization's perceived legitimacy by demonstrating that it has nothing to hide and is accountable for its actions, where today's issues, such as the environment and society, have a significant impact on decision-making. Like The Navigator Company indicated, it develops a set of different initiatives, "… we are committed to the preservation of natural values, the preservation, for example, of bee galleries, we have credits in the social component and sustainability, and obviously an economic knock-on effect" (Interview, The Navigator Company).

The respondents emphasized that transparency and the promotion of scrutiny by society, clearly combined with media, is something that must be taken into account and that companies cannot afford to underestimate this issue, these conditions, to have a successful and problem-free business, as mentioned for example by Pfizer Portugal: "all companies that really want to be here for the long term naturally have to be governed by increasingly clear and transparent principles regarding all their processes and activities" (Interview, Pfizer Portugal).

The sub-category *Protecting Corporate Brand and Reputation* was the one that also showed the most references and interest from the firms due to their awareness and knowledge that a robust and favorable brand image, coupled with a positive reputation, holds numerous advantages that contribute to sustained success. This was demonstrated in examples like REN and CTT, respectively: "reputation is one of the most important assets of any organization" (Interview, REN) and "…the issue of reputation and goodwill is a very important asset, ... but it is something complex, not only in the way we relate to stakeholders but also in the special responsibility we have, with the launch of new forms of business, new ways of appearing on the market, how institutional communication is carried out, in other words, we want to be a forward-looking company (Interview, CTT).

One valuable point that was also referred to during the interviews was the impact that corporate brand and reputation have in attracting and retaining top-tier talent, alongside the

satisfaction that employees feel in affiliating with a valued entity and are more motivated to contribute to its triumphs. All of these considerations are very well expressed in the response of Pfizer Portugal: "… reputation is an increasingly important issue because this also has consequences for our own employees; in other words, when people work in an organization, if they feel that the reputation of that organization is really high, obviously, this makes people feel even more motivated and feel more proud to work for that company" (Interview, Pfizer Portugal).

The last sub-category, *Tracking Reputation,* emerged from the contributions of the interviewees, linked to the monitoring and evaluating of how an organization is perceived. This sub-category had few references, which most companies have identified as something they develop, although they have varying degrees of applicability. Some respondents mentioned that they develop robust tracking with various levels of analysis, while others have simpler tracking solutions. In the first case, we have the example of CTT and Ageas Portugal, respectively: "We have regular customer satisfaction surveys, we have annuity feedback in stores, and at the level of corporate customers, customer management does this monitoring, and then our communication department also does this, ... we also monitor what is happening on social networks, we monitor what's happening on the complaint portal" (Interview, CTT) and "we monitor everything that is said about AGEAS in the different online and offline media, we have this crisis communication management plan, ... as well as reputation studies..." (Interview, Ageas Portugal).

In the second case, we have the example of The Navigator Company, which said: "we do not have specific metrics for reputation, for monitoring news, social media, etc., ... we do not have this structured in such a way that it could be monitored and measured" (Interview, The Navigator Company).

Lobby

The last category refers to the Lobby activities, which can be described as the intentional and organized effort to safeguard, promote, or advocate for specific interests, viewpoints, and positions related to political issues or resolutions. This was the category that collected fewer references, possibly due to the fact that in Portugal, there is no institutional regulation concerning lobby activities, something mentioned several times by the interviewees.

Some interviewees raised the issue of the stigma that exists in Portugal with the Lobby itself. As an example, REN stated, “lobbying can be a decisive thing, but curiously, as there is no consensus on this word … for example, we are obliged, due to our activity, to be present in institutions such as the Association of Energy Transport Companies at European level, and we have to pay compulsory fees, both on the electricity side and the gas side, on a European transparency platform, and the participation in these institutions is codified as lobbying and for of that we are penalized in ESG ratings” (Interview, REN).

Overall, all of the respondents stated that they carried out lobbying activities, in the sense of the activity, although not with a negative connotation. The sub-category *Representing the firms' interests* gathered substantial references, where the interviewees warned about the awareness of this type of activity as beneficial for companies, but also for political decision-makers and regulators. This is referred clearly by CTT: “lobbying is a very important tool for providing information, which should not be stigmatized, but we are not there yet … what we do is follow developments, public consultations, trying to have spaces to present our vision, but trying to do so within the existing institutional framework” (Interview, CTT), which demonstrates the other sub-category in question, *Submitting feedback.*

Mechanisms to facilitate access to decision-makers and influence decision-making processes are widely regarded as valuable for the respondents, concerning the *Participating in industry associations* sub-category. One example is Ageas Portugal, “the issue of lobbying is fundamental, although we do not have an institutionalized lobbying strategy, we do have working groups, groups of people who more or less perform this function in their relations with the outside world ... more influential people, people who represent us at the highest level or people who have a level of knowledge of a certain subject that allows them to go out and represent us on these issues” (Interview, Ageas Portugal).

The Navigator Company during the interview, in addition to carrying out this type of activity, namely in the Public Affairs department, also mentioned, in line with the *Development of research studies* sub-category, emerged from the contributions of the interviewees, although acquired the fewest number of references. It promotes a close relationship with academia to develop studies that support the company's points of view on crucial topics in its activity: "we work with academia, we carry out studies with forestry producers, with agricultural producers..." (Interview, The Navigator Company). REN also demonstrated a clear example of this: "… we have also created a unit in biodiversity with the Foundation for Science and

Technology and the University of Porto, to study the impact we have on bird migration" (Interview, REN).

4.2. Discussion

After the description of the results, follows the analysis and discussion of the findings, assessing whether the evidence collected is in line with the assumptions retrieved from the literature review. Thus, investigate all the relevant information to understand how business diplomacy can be helpful for the stakeholders' management.

To explore how companies conduct business diplomacy to manage their stakeholders, the following research question was formulated: "Whether and how do companies use business diplomacy to manage their stakeholders? By using single semi-structured interviews with seven firms operating in Portugal, the awareness about this topic was studied, and the four instruments (Competitive Intelligence, Networking with external stakeholders, Corporate Reputation and Lobby) were explored, to create a complete view of how business diplomacy is embedded in this set of companies.

The exploration of the concept of business diplomacy through the vision of various companies' experiences reveals a common thread of understanding and application, even if the explicit term is not universally adopted. Despite diverging in nature and scope, the interviewed companies exhibit a shared recognition of the importance of strategic relationship management with their stakeholders, advocating the establishment of transparent communication channels, the cultivation of trust, and the pursuit of mutual benefits, highly in line with the theoretical screening.

All firms do not possess a dedicated business diplomacy function, allocating responsibilities to departments such as Public Affairs, Corporate Communications, and Institutional Relations, which collectively contribute to the principles of business diplomacy. While the term "business diplomacy" might not be universally embraced, its principles resonate within these companies' strategies, fostering a collaborative ecosystem to foment societal, economic and business progress.

The consensus among respondents regarding the impact of this approach on stakeholder management emphasizes its significance. Supported by Falcão et al. (2021) and in line with the respondents, the essential role of stakeholder-focused strategies was emphasized, described as

indispensable assets that contribute positively to relations with the broader stakeholder ecosystem. This sentiment was echoed by The Navigator Company, highlighting the imperative of structured communication and understanding stakeholder needs to foster a mutually beneficial relationship.

As articulated by Ageas Portugal, the critical concepts of trust and transparency stand as key pillars for building a positive reputation, highlighting the importance of transparent communication in conveying strategies to stakeholders. Johansen & Nielsen (2011) referred accurately that companies need to understand in order to operate, it needs to take responsibility to solve social problems and paying back to society. Moreover, this approach enhances operational efficiency and advances sustainable development within the communities where these companies operate. The broad "license to operate" earned through trust, transparency, and constructive interactions echoes companies' commitment to public interests, as emphasized by REN, underscoring the necessity of involving various stakeholders in the pursuit of sustainable partnerships.

Furthermore, the notion that transparency's benefits extend beyond community relations to involve institutional interactions with the state and public entities is highlighted by several respondents. This comprehensive approach aligns with the theoretical notions, where today it is even more necessary to engage in constructive and positive dialogue with all parties to better identify and address possible conflicts and find mutual resolutions (Allamar, 2018). The interviewee's primary role is not solely focused on stakeholder management but rather on creating an optimal business environment and a more balanced society. Their core responsibility lies in cultivating an ecosystem that nurtures economic balance and fairness; as was mentioned in the literature review, Harrison et al. (1996) emphasized the principles, such as utilitarianism or the notion of a social contract between an organization and its stakeholders, as something crucial to develop a strategy regarding the stakeholder’s management.

It is interesting to notice different levels of engagement within the business setting, with some companies focusing solely on financial obligations. In contrast, others adopt a more comprehensive approach, with an approach to contribute to the community. This analysis highlights that while stakeholders hold importance, they are just one facet within the broader spectrum of societal considerations that shape a company's operations and impact. The perspective emphasizes the proactive choice to engage and collaborate, not merely out of necessity but to cultivate a balanced, equitable, and thriving business environment tangled with

the well-being of society. At the same time, the theoretical screening tends to advocate that it is a necessity in order to operate, and not a choice (Johansen & Nielsen, 2011).

The findings regarding *the degree of applicability in the business context* highlighted diverse viewpoints regarding the adoption of business diplomacy strategies or their foundational principles within organizational contexts. Despite differing interpretations, common themes emerge that capture these perspectives. Interviewees collectively acknowledge that the degree of application and integration of such approaches varies, influenced by factors such as business maturity, responsibility, and company size.

For instance, one perspective acknowledges that various companies, particularly larger and more professional ones, already engage in these practices. They do so with varying proficiency levels, using a range of instruments to foster positive stakeholder interactions. The significance of these interactions becomes particularly pronounced for companies with heightened public exposure and a larger stakeholder ecosystem. There is a shared ambition for structured and integrated business diplomacy, where interviewees agree on the importance of institutionalizing these practices.

Regarding the four instruments used to answer the question, “How do companies use business diplomacy to manage their stakeholders?”, it was possible to retrieve essential information.

Competitive Intelligence

Within this category, the sub-category of *Strategic Planning* played a pivotal role in incorporating competitive intelligence as a crucial component, providing indispensable insights and data on competitors, market trends, industry dynamics, and external factors influencing an organization's strategic choices. Significantly, this sub-category emerged as the most frequently cited in this segment by respondents, reflecting the relevance observed in the literature review, where Competitive Intelligence influences a wide range of decision-making areas and is a preponderant element in the formulation of business strategy.

For instance, Sonae's statement illustrates this approach, highlighting their alignment of strategic planning cycles with stakeholder input to inform policy formulation. Ageas Portugal exemplifies the recognition that constant access to information is crucial for informed decision-

making, evident in their strategic alignment with social and economic trends to distinguish themselves within the insurance sector.

In line with what was referred to by Colahoglu (2011), the sub-category of *Scanning the Business Environment* underscores the importance of this segment, particularly in sectors exposed to higher levels of external influence, to better evaluate present and future decisions. The respondents collectively, and with CTT's example, develop a proactive approach of monitoring legislative and regulatory developments to inform their positions, showcases their involvement in influencing decision-makers on pertinent issues. Notably, Pfizer Portugal's experience during the Covid-19 pandemic vividly illustrates heightened public scrutiny, necessitating adept and meticulous management in response to the amplified media coverage.

The third sub-category, *Anticipate/Read/Solving Risk*, underscores the significance of this aspect, highlighting the need for constant vigilance within the context of their business operations. For example, the Navigator Company articulatesits vigilant approach to anticipating emerging issues, engaging stakeholders, and raising awareness to address potential challenges. Moreover, Ageas Portugal's establishment of a dedicated crisis office exemplifies a structured mechanism to promptly manage potential threats to its reputation.

Networking with external stakeholders

Engaging with Stakeholders emerged as the most referenced in the interviews, reflecting the mechanisms companies employ to interact with multiple stakeholders that influence their performance. In line with the theoretical assumptions, participants highlighted the importance of consultations and feedback in shaping strategies subsequently contribute to increased profitability and firm value. Companies such as CTT, Pfizer, and Ageas Portugal, showcased various forms of engagement, such as knowledge exchange, working groups, and partnerships.

Managing Stakeholders' Expectations sub-category was widely acknowledged as fundamental for navigating challenges and thriving in a competitive environment. Effective stakeholder management offers insights that inform strategic planning, helping organizations adjust their plans based on stakeholder feedback. Regulatory compliance was a salient aspect, with dialogue between companies and regulatory entities crucial to avoid legal or regulatory issues.

Closely connected with the stakeholders' engagement, in the *Building Relations with Stakeholders* sub-category, it was emphasized by the respondents that this strategy is vital for fostering trust, advocacy, and risk mitigation. For instance, REN discussed their team dedicated to supporting local communities and managing project planning and environmental impact assessment. In a distinctive approach, the food sector company introduced the concept of "organic relationship" and spontaneity, asserting that authenticity contributes value to customer relationships. Interviewees consistently highlighted that a positive reputation and stakeholder relationship are essential for any organizational activity. Without such a reputation, negative consequences arise through financial performance, brand value, customer and employer trust, and overall success.

The sub-category *Developing Community Outreach and Social Responsibility* gained consensus among respondents, highly anticipated as observed in the literature review, where organizations committed to contributing positively to society and the environment recognized the pivotal role of stakeholder relationships in determining initiative outcomes. This outlook was repeated by Sonae, underscoring the connection between corporate success and society's well-being.

Corporate Reputation

Addressing the *Corporate Reputation* category, the sub-category *Creating Legitimacy* takes center stage, related to the concept of *license to operate* enabling companies to function within integrated conditions, emphasizing strategies to legitimize business in the eyes of stakeholders. Interviewees, such as CTT, stressed that this goes beyond communication, involving coordinated efforts to present the company's values and authenticity. Ageas Portugal highlighted the link between legitimacy and transparency, underscoring the importance of close client relationships and internal advocacy, indicating accountability and openness in an organization's actions.

Protecting Corporate Brand and Reputation was another salient sub-category, demonstrating the awareness that a robust brand image and positive reputation bring numerous advantages. REN and CTT acknowledged reputation as a vital asset, noting its complexity in stakeholder relations and institutional communication. Besides the information retrieved in the literature reviews, respondents brought the awareness that strong brand and reputation play a

role in attracting and retaining top talent, fostering employee pride, and motivating contributions to the company's success.

Tracking Reputation, the final sub-category, exhibited varying degrees of applicability among companies. While some firms developed comprehensive tracking solutions, others employed more straightforward methods. CTT and Ageas Portugal exemplified detailed monitoring involving customer satisfaction surveys, feedback analysis, and social media monitoring. Conversely, The Navigator Company expressed a lack of structured reputation metrics.

Lobby

At last, the *Lobby* category collected fewer references, potentially due to the absence of institutional regulations governing lobbying activities in Portugal, a point underscored by several interviewees. The topic of stigma surrounding lobbying was raised by some interviewees, exemplified by REN's mention of the lack of consensus on the term. High theoretical relevance was attributed to the sub-category *Representing the Firms' Interests* (Mathur et al., 2013), as interviewees emphasized the beneficial nature of lobbying for both companies and political decision-makers. CTT highlighted the importance of lobbying as a means of providing information and participating in public consultations within the established institutional framework, aligning with the sub-category *Submitting Feedback.*

The respondents recognized enhancing access to decision-makers and influencing decision-making processes as valuable. Ageas Portugal exhibited the significance of working groups and individuals representing the company's interests at a high level.

The interactions between companies and academia were illustrated by The Navigator Company's collaborations with forestry and agricultural producers for research studies, as well as REN's partnership with the Foundation for Science and Technology and the University of Porto to investigate their impact on bird migration, aligning with the new *Development of Research Studies* sub-category, that arises from the experiences of the respondents.

While Portugal lacks formal regulations for lobbying, interviewees demonstrated its relevance and utility. This exploration demonstrated the relevance of lobbying activities within the Portuguese business context, providing insights into how organizations engage with political matters to further their interests and contribute to policy discussions

5. Final Remarks

5.1. Conclusion

Globalization has expanded the reach and influence of corporations, where firms now operate in a borderless environment, enabling them to access new clients, resources, and partnerships. This new era has led to an accelerated flow of information, causing organizations to respond quickly to stakeholder concerns and emerging hazards. Digitalization has empowered stakeholders to voice their opinions and exert influence through social media and other digital channels, addressing their concerns and demanding reaction from companies. It requires a broader perspective and cultural understanding as companies navigate diverse stakeholder groups across different regions.

In this context, successful corporations must find a balance between embracing the opportunities presented by globalization and managing the challenges they bring. Business Diplomacy arises from that need; a clear strategy to involve a genuine commitment to stakeholder interests is vital for building trust and maintaining positive relationships in this dynamic and interconnected business landscape.

As this study has shown, without coordination or synergies among the four business diplomacy tools, companies' strategy would be limited. Although we have verified that the respondent firms apply these instruments separately and with no apparent connection, the theoretical assumptions advocate for the transversal and linked application, enabling better results concerning enhancing its legitimacy and acquiring the social license to operate.

The purpose of this research was to build a bridge between the stakeholders' management theory and the business diplomacy tool, in order to assess how it could be useful for firms to overcome the challenges intrinsic in the stakeholder's management. Following the literature review and the new perceptions that have emerged from the conclusions, it is possible to state that the theory of stakeholders' management has expanded and improved the practicality while addressing a new tool that can be considered as available to help firms mitigate risks and develop a strategy of influence regarding the environment where they operate.

This research recognizes the spreading value of business diplomacy in today's business environment, even if it is in Portugal, Europe, or elsewhere. New acquired visions and interpretations contribute to improving business diplomacy in organizations. As mentioned during the literature review, studies conducted by Stager (2003), Saner & Yiu (2005), Ordeix-

Rigo & Duarte (2009), Ruel et al. (2012), and Saner (2019) emphasized the importance of business diplomacy in the corporate setting. This research has shown that a set of Portuguese respondents also recognized the increasing value and requirement of business diplomacy as a key role in stakeholders' management.

The findings showed that business diplomacy works as a strategic management tool, analyzed through the four instruments described during this project, fundamental to developing strategies regarding stakeholder management. Concerning the overall results, it should be mentioned that since this type of data is highly interconnected, some information covered different categories/sub-categories.

Considering all the information retrieved and the analysis made, it is possible to compare the assumptions gathered in the literature review and the empirical findings regarding the utility of business diplomacy as a strategy to manage the stakeholders' ecosystem effectively. The academic statements were generally followed by the findings regarding the information extracted from the interviews.

While it was possible to verify that companies implement the four different instruments separately, in different degrees, no integrated strategy brings together these same instruments in a single vision and implementation, as discussed by business diplomacy researchers. It is important to notice that we were able to extract and recognize the importance of business diplomacy for this set of firms today, where different impacts and increasingly complex relationships have an even more significant effect on the company's operations.

The respondents gradually recognized the significance of business diplomacy, primarily influenced by external factors such as stakeholder demands and expectations rather than their own proactive and voluntary stance. Although it has been possible to understand that companies are aware of the subject of business diplomacy and its need, besides identifying similarities with the way they operate, it is important to point out that this practice has not been structured within the company's organization, by some department, or even by an employer profile, such as a business diplomat. It is imperative that companies integrate business diplomacy strategies to be increasingly efficient in responding to the adversities of a global and aware world. In essence, while the terminology might vary, the principles of business diplomacy, described by the four instruments, are present in these companies' strategies, not only aligning with operational effectiveness but also drives sustainable growth within communities, highlighting its impact on modern corporate dynamics.

In conclusion, although there is the recognition that companies should implement a business diplomacy strategy, following the proactive stakeholder engagement method, to benefit from it truly, it is vital to integrate and develop it into their organizational structure. Companies need to move on from their simple awareness of the issue and the informality with which they apply it to a concise and integrated strategy. The non-proficient approach could raise the potential of business diplomacy being misunderstood and poorly applied.

Business Diplomacy is already present in the reality of many organizations. Nevertheless, it should get even more praise and recognition from academic researchers, as well as from the business setting.

5.2. Research Limitations

Regarding the limitations, according to Babbie (2007), reliability is a disadvantage of qualitative research, where this type of research is less consistent than quantitative research. To ensure validity and reliability, we define the research question and purpose clearly, with context as well as our method. Additionally, the data collected was carefully analyzed, interpreted, and stated in the findings accurately and transparently.

According to Creswell (2010), another limitation was the researcher's background, knowledge, and experiences can lead to biased/subjective results and analysis. Furthermore, it's worth considering how the diverse backgrounds of the respondents might have influenced their interpretation and responses to the interview questions and the possibility that they might have tailored their answers to align with what they believed was expected. As well the lack of literature itself and reliable authors was also a limitation.

Additionally, finding company representatives to conduct the interviews was also an obstacle, mainly because it took a lot of time to get replies and the need to be persistent. Therefore, the number of firms could be a problem in the research, primarily due to the likelihood of biased results. To increase the consistency, the argument of saturation, in which repeated information and points of view were already notorious, made it possible to identify patterns with the sample that we secured.

5.3. Future Research

The literature review has revealed that business diplomacy remains a relatively unexplored subject. While there are studies that emphasize the value of business diplomacy, there is a notable insufficiency of research focusing on the practical implementation of business

diplomacy by firms. The lack of attention toward these subject points out the necessity for more qualitative and quantitative analysis, to give information and data regarding antecedents and outcomes of business diplomacy. To better understand business diplomacy and its assistance for stakeholders' management, future research should also involve larger sample sizes to ensure a more robust and significant study.

The additional research across a new set of companies, from different areas of activity, is fundamental to add valuable insights from their perspective and operational practices. The expertise acquired from such efforts can only contribute to enhancing business diplomacy practices within organizations.

This research aims to open new perspectives around a new strategic management tool to address stakeholders, emphasizing that firms still face countless difficulties when operating in this globalized and hyper-connected world, but also show that business diplomacy can be used to surpass or minimize those challenges. Aiming to demonstrate a new way of looking at and applying business diplomacy dynamics, inspiring and reinforcing researchers and companies' representatives to go deeper into business diplomacy.

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7. Annexes

Annex A: Sample Description

Name	Sector	Headquarters	Employees
Grupo Ageas Portugal	Insurance	Lisbon	1.328
SONAE	Retail/ Finance/ Technology/ Real Estate/ Telecommunications	Maia	53.794
CTT – Correios de Portugal	Logistic/ Financial Services	Lisboa	12.788
Pfizer Portugal	Pharmaceutical	Lisboa	Information not available
The Navigator Company	Paper Production	Lisboa	3.450
REN	Energy	Lisboa	697
Food Sector Company	Food	***	***

Source: Own elaboration

Annex B: Sources

Name	Interviewd	Position	Duration	Other Sources	
Grupo Ageas Portugal	Inês Simões	Director of Corporate Communication, Brand and Organizational Culture	33:23	Corporate Presentations: Newspapers: Articles: Reports: Videos: Web Pages:	1 6 0 1 2
SONAE	Leonor Sottomayor	Head of Public Affairs	25:50	Corporate Presentations: Newspapers: Articles: Reports: Videos: Web Pages:	0 5 0 0 4
CTT – Correios de Portugal	Marta Capelo	Director of Competition and Regulatory Affairs	57:56	Corporate Presentations: Newspapers: Articles: Reports: Videos: Web Pages:	0 4 0 0 1
Pfizer Portugal	Paulo Teixeira	Country-Manager	33:16	Corporate Presentations: Newspapers: Articles: Reports: Videos: Web Pages:	0 2 0 0 1
The Navigator Company	Vitor Coelho	Head of Public Affairs	55:21	Corporate Presentations: Newspapers: Articles: Reports: Videos: Web Pages:	0 3 0 0 1
REN	Margarida Ferreirinha	Head of Communications and Sustainability	38:19	Corporate Presentations: Newspapers: Articles: Reports: Videos: Web Pages:	1 2 1 0 1
Food Sector Company	***	***	32:08	Corporate Presentations: Newspapers: Articles: Reports: Videos: Web Pages:	0 3 0 1 3

Total Time	4:58:21
Total Number	7

Total	42
Corporate Presentations:	2
Newspapers: Articles:	25
Reports:	1
Videos:	2
Web Pages:	13

Source: Author

Annex C: Interview Guide

Introduction

1. **The role of companies in society has been changing in recent decades due to increasing globalization and broader exposure to public opinion. These new responsibilities imposed on companies by society raise new challenges that they have to address, beyond their core activities. How does the company perceive and attempt to develop an integrated strategy for this?**

Objective: To understand how the company positions itself in society, its responsibilities beyond the products/services it provides, and how it deals with this new role demanded by society (social, environmental, economic).

Stakeholder Management

1. **In this new business context, there are increasingly more actors influencing companies' decision-making, in addition to their shareholders, referred to as stakeholders. How does your company position itself in a global and socially conscious society, increasingly concerned with social aspects, in order to have a successful business?**

Objective: To assess the importance the company attributes to the diverse stakeholder ecosystem.

2. **Does your company involve various stakeholder representatives in discussions for strategy formulation? For example, developing strategic dialogue with stakeholders, government entities, associations, NGOs.**

Objective: To understand whether the company establishes communication channels with different stakeholders for the development of its business strategy.

Reputation

1. **The reputation of each company is tied to how it is perceived by the community and its various relationships with the diverse stakeholder ecosystem. How does your company position itself on this issue, and how important is it to the company?**

Objective: To understand how the company manages its reputation and the importance it places on it for business development.

2. **How do you measure the success of your reputation management strategies, and what key performance indicators do you use to track progress?**

Objective: To understand the type of strategies the company employs to build a good reputation.

Business Diplomacy

1. **If we characterize business diplomacy as the strategic management of relationships with various stakeholders with whom companies interact in their field of activity, with the aim of ensuring a favorable business environment, increasing transparency, and having a positive impact on the company, how does your company reflect this modus operandi?**

Objective: To understand, after providing context on the topic of study, if the company identifies with something related to business diplomacy, and if it aligns with the concept to understand if this practice already exists in some form, even if not institutionalized.

2. **If there is any resemblance, even if not institutionalized, to this modus operandi, how have these types of measures/strategies helped overcome challenges related to reputation and stakeholder management?**

Objective: To understand what role business diplomacy tools can play in overcoming challenges such as stakeholder relationship management and how these measures impact the company's reputation.

3. **After analyzing the literature on this topic, I would like to evaluate how 4 management instruments, identified as pillars of business diplomacy, are applied in the organizational context of your company:**
   - **Competitive intelligence takes into account the need to have a deep understanding of the environment in which the company operates and its relationships with key stakeholders to create influence and knowledge networks within the stakeholder ecosystem.**
   - **Management of relations with stakeholders represents a vital mechanism for implementing the concept. It involves professionals with specific profiles, such as former politicians, ministers, and diplomats, who support the company's strategy and future.**
   - **Corporate Reputation involves obtaining and strengthening a constructive perception among society and stakeholders. Managing corporate reputation is crucial before implementing influence-based strategies, yielding results in areas such as transparency, principles, and social responsibility.**
   - **Lobbying should be based on the three instruments mentioned earlier, in addition to requiring economic resources. Combining strategic information, contact networks, and reputation is essential to achieve better results with this approach.**

Objective: To understand how the pillars of business diplomacy are incorporated into the development and management of strategies, even if in a disaggregated and non-institutionalized manner.

4. **Based on what has been mentioned, do you believe that business diplomacy can help companies mitigate reputation risks and build trust and credibility with stakeholders through the development of an integrated strategy, or do you think companies already do this without institutionalizing it?**

Objective: To understand how business diplomacy can assist in mitigating reputation and stakeholder-related risks and the company's perspective on this topic.

Source: Author (Translate from the original)

Annex D: Invitation Letter

Subject: ISCTE Business School – Master's Dissertation

Dear Mr./Ms. _____,

As part of my Master's dissertation in Business Administration at ISCTE Business School, the objective of the study is to analyze, within a set of companies, the dynamics of reputation management and their stakeholders in accordance with the external environment in which these companies operate and where business diplomacy can be applied. The title of the dissertation is "Managing Stakeholders through Business Diplomacy."

The aim is to understand and determine whether the identified companies apply or employ business diplomacy instruments in managing their external relationships with various stakeholders who have a direct or indirect influence on corporate reputation.

Following a preliminary selection process, I am considering the Merco Empresas Ranking (Ranking of Companies with the Best Reputation Operating in Portugal - 2022) to establish a logical and relevant connection with the topic. [Company] has been identified as a significant company in relation to this research project, and I respectfully request your valuable collaboration by conducting an interview. In this regard, it would be crucial for the research project to mention both the company's name and the interviewee's name.

I am available at your convenience for scheduling the interview. For any clarification and future communication, you can reach me via email or mobile phone - 913 639 547 / vgsra@iscte-iul.pt.

Best regards,

Valter Gomes

Source: Author (Translate from the original)