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Enhancing the concept of corporate diplomacy

encompassing political corporate social responsibility, international relations, and peace through commerce

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S Y M P O S I U M

ENHANCING THE CONCEPT OF CORPORATE DIPLOMACY: ENCOMPASSING POLITICAL CORPORATE SOCIAL RESPONSIBILITY, INTERNATIONAL RELATIONS, AND PEACE THROUGH COMMERCE

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Corporate diplomacy is an emerging concept within the management literature. It describes corporate conduct in the international arena, particularly in challenging political and social environments. Management scholarship and practitioner literature have focused on the communication processes and instrumental benefits associated with corporate diplomacy, exploring and explaining how managers negotiate stakeholder relationships to achieve a firm's profit-oriented goals. We enrich the current understanding of corporate diplomacy by viewing it as an umbrella concept that encompasses scholarship from political corporate social responsibility, international relations, diplomacy, and peace studies. We also suggest that corporate diplomacy includes the political role that multinational enterprises play in addressing social issues and governance gaps affecting less developed and potentially conflict-prone host countries where they operate. Based on this approach, the concept of corporate diplomacy builds on the premise that multinationals have an expanded role and responsibilities in terms of global governance and that the practice of corporate diplomacy can play a role in resolving social or political conflicts, leading to wider societal benefits beyond corporate profits. To illustrate our concept of corporate diplomacy, we focus on the governance gaps addressed in the literature on peace through commerce, discussing instances where firms implement corporate diplomacy through peacemaking or peacebuilding to accomplish both private and public goals in conflict-prone regions. We conclude with the practical implications of corporate diplomacy as well as suggestions for research to further develop a richer understanding of corporate diplomacy.

What are the social roles and responsibilities of corporations trying to conduct business in foreign regions that are experiencing social or political conflict? Multinational enterprises (MNEs) may be hesitant to get involved in international issues and uncertain about how to respond to the particular governance gaps causing or resulting from conflict. However, more and more often, MNEs are being thrust into sensitive global political moments and facing tension and instability in host countries. The

number of political conflicts involving violence has been increasing globally for the past 60 years: In 2014 more than 400 political conflicts were reported; more than 50% involved armed violence (Conflict Barometer, 2014). Studies have found that countries with higher levels of armed violence tend to have lower levels of economic development (GDAVD, 2010). Further, in 2012 for the first time ever, developing countries received a larger share of global foreign direct investment flows than did developed

countries, a trend that continued in 2013 and 2014 and is predicted to continue (UNCTAD, 2012, 2013, 2014). Thus, an increasing number of MNEs are operating in conflict-prone countries, where governmental deficits are most pronounced.

In host countries with weak governance, such as conflict zones, companies face extreme social, political, and legal uncertainties and security and reputational risks, in addition to economic risks (Jamali & Mirshak, 2010). Firms facing these situations have several options, including exiting the country, taking economic advantage of the situation, continuing business as usual, and trying to mitigate the conflict through proactive engagement (Jamali & Mirshak, 2010; Wolf et al., 2007). However, firms in industries with fixed long-term investments, oil and gas, mining, and manufacturing have limited options beyond trying to continue business and engage in conflict mitigation. As a consequence, it is increasingly necessary for such MNEs to have a proactive plan for navigating governance gaps when they find themselves willingly or unwittingly thrust into political situations. In addition, the global reach and financial heft of many multinationals means that more and more MNEs are starting to grapple with issues involving weak governance or social conflicts in host countries that were previously solely within the foreign policy ambit of sovereign states. Corporate diplomacy, a proactive approach, delineates how multinational firms can step in to address governance gaps or political conflict in host countries when nation-states and/or international institutions are unable to address and resolve pressing social issues (Scherer & Palazzo, 2011). Firms practicing proactive corporate diplomacy combine political action and peacemaking and peacebuilding efforts to pursue both private and public benefits in host countries marked by tension or unrest.

Examining corporate diplomacy in conflict-prone zones provides an opportunity to augment the extant political corporate social responsibility (CSR) literature, which tends to focus more generally on how corporations facing governmental deficits can solve public problems independently or through multi-stakeholder initiatives to improve societal welfare (Mena & Palazzo, 2012; Rasche, 2012; van Huijstee & Glasbergen, 2010). Political corporate social responsibility (PCSR), on the other hand, expands CSR to include corporations undertaking activities such as public health, education, social security, and protection of human rights in countries where such services have been withdrawn, or in those with failed state agencies (Scherer & Palazzo, 2011). With the

exception of Valente and Crane's (2010) research, which does discuss the types of public responsibilities that firms should employ when they are facing certain types of governmental deficits, there has been little emphasis on how context shapes the types of PCSR activities that are employed. More information about different types of governance gaps is warranted. In fact, Scherer, Palazzo, and Matten (2014) emphasized that a better understanding of PCSR is needed in varying contexts. They also emphasized that it is important to understand the modes of operationalization at the corporate level as well as between the corporation and other actors, NGOs, governments, and other corporations.

Examining PCSR in conflict-prone regions provides an opportunity to address these specific questions of context and how it affects the political and socially responsive roles that firms individually or collectively undertake to enhance societal benefits and reduce the causes of conflict. Specifically, an enhanced concept of corporate diplomacy articulates the mindset and role that firms need to mitigate social or political tensions in conflict-prone regions and ultimately achieve societal benefits. In addition, corporate diplomacy sheds light on the communication and engagement activities that can be deployed by a corporation to interact with governments, NGOs, and other corporations to maintain legitimacy and a social license to operate (Henisz, 2014).

Corporate diplomacy incorporates an MNE's short-term and longer-term policies and activities to reduce political tensions within a host country, efforts separate from any official diplomatic and political efforts of the MNE's home country government. Several scholars writing about corporate diplomacy use more of an instrumental definition in which the primary corporate objective is to attain a firm's self-interests (e.g., Saner et al., 2000; Steger, 2003). However, we believe a richer understanding of corporate diplomacy can be developed by integrating scholarship from international relations and diplomacy (Garten, 1997; Haufler, 2004; Hocking, 2004), PCSR (Scherer & Palazzo, 2011; Valente & Crane, 2010), and peace through commerce (Fort & Schipani, 2004; Oetzel et al., 2010). In addition to defining and looking at the motivation for engaging in corporate diplomacy, this paper will also look more specifically at the multiple dimensions associated with practicing corporate diplomacy in both the short and long term.

This article begins with an overview of the practitioner literature that has started using the corporate diplomacy terminology in an instrumental manner,

followed by a review of relevant literature on international relations and diplomacy and PCSR. In a subsequent discussion section, we integrate these literatures to enrich the construct of corporate diplomacy, providing some examples from the peace through commerce scholarship to demonstrate ways in which firms have addressed governance gaps in tumultuous settings. Our final section suggests implications for practitioners as well as avenues for future research.

DEFINING CORPORATE DIPLOMACY

A few management scholars have used the term *corporate diplomacy*, or *business diplomacy*, to describe the expanded political and social roles of MNEs in the global economy. However, there has been little consensus about what corporate diplomacy entails in terms of how it is conducted and its objectives (see Table 1). In defining the process involved in corporate diplomacy, Saner, Yiu, and Sondergaard (2000, p. 83) asserted:

Global companies need to be able to forecast, plan, and manage international issues; cope with multiple crises; influence and work with intergovernmental organizations; and know how to operate appropriately within diverse cultural and societal environments. . . . [G]lobal companies need to anticipate

environmental conflicts, communicate effectively with nonbusiness interest and pressure groups, influence the decisions of foreign governments, maintain and cultivate constructive relations with external constituencies, and negotiate on behalf of the company in foreign countries with nonbusiness groups.

Steger likewise suggested that corporate diplomacy involves "manag[ing] systematically and professionally the business environment in such a way as to ensure that business is done smoothly" (2003, p. 18). Yet another definition of corporate diplomacy, offered by Ordeix-Rigo and Duarte, is more expansive in terms of delineating the process, the parties involved, and the purpose. Specifically, they stated:

Corporate diplomacy is a process whose consequences might include recognition of the corporation as responsible mainly by the foreign publics. On the other hand, while social responsibility is a practice toward all stakeholders, corporate diplomacy tries to change the role of the corporation as an institution in society and thus implies mainly dealing with public institutions when taking over some of its roles. Finally, corporate diplomacy uses social responsibility practices as one of its tactics to grow the legitimacy and influence of the company, thus depending on corporate social responsibility to pursue its own objectives. (2009, p. 559)

TABLE 1
Explanations of Corporate Diplomacy Practices and Purposes/Mindset

Author	Practices	Purpose/Mindset
Saner, Yiu, & Sondergaard, 2000	Anticipating conflicts, communicating effectively, influencing foreign governments, maintaining and cultivating relations, negotiating forecasting, planning, managing international issues, coping with crises, influencing/working with intergovernmental organizations, operating in diverse cultural/social environments	To safeguard a multinational company's reputational capital; to seize business opportunities embedded in nonbusiness environments
Steger, 2003	Managing systematically and professionally the business environment; early awareness system, issue checklist, activist checklist, building the business case	To ensure that business is done smoothly in volatile, fragmented business environments; to meet the social and ecological expectations of society without sacrificing the mission—which is to generate a profit by satisfying market demands
Ordeix-Rigo & Duarte, 2009	Participatory decision-making processes, bidirectional processes to engage publics, strengthening the network of stakeholder relationships for a company	To achieve a true, lasting "support of the publics" and not a mere and occasional "public support"; to increase the power and legitimacy of a corporation; to become global interlocutors to address the global issues of today's world
Henisz, 2014	Stakeholder mapping and analysis integrated into core business systems, personal stakeholder relationships, adapting to negative feedback, strategically communicating to reinforce trust and reputation, creating alliances with external stakeholders who will vouch for the firm	To cultivate an externally facing long-term organizational mindset; to obtain social license to operate as strategically relevant; to pursue enlightened self-interest

Similarly, Henisz (2014) recently published a book articulating in much more depth the practical components of corporate diplomacy, arguing that senior executives play a significant role in advancing corporate interests by negotiating and creating alliances with key external players including government, analysts, the media, and NGOs. Henisz (2014) developed dimensions of diplomacy that enable firms to ensure their social license by communicating how stakeholders are better off as a result of a foreign investor. These dimensions include stakeholder mapping, aligning stakeholder mapping with strategic decisions, building stakeholder relationships, and strategically communicating to reinforce trust and reputation (Henisz, 2014). He also outlined many of the challenges of practicing corporate diplomacy, such as taking short cuts and relying on local power brokers or overcoming internal divisions with respect to priorities within the company.

In discussing why firms engage in corporate diplomacy, management literature has mostly focused on instrumental purposes that benefit the firm, including competitive advantage, reputation, legitimacy, and profit. For example, Saner and colleagues suggested that business diplomacy can "safeguard a multinational company's reputational capital, and . . . seize business opportunities embedded in nonbusiness environments" (2000, p. 83). Similarly, Steger suggested that business diplomacy involves "meet[ing] the social and ecological expectations of society without sacrificing the [business] mission—which is to generate a profit by satisfying market demands" (2003, p. 20). While Henisz emphasized that corporate diplomacy creates value for business and for shareholders, he also hinted at a more expansive role for business to create value for society. Ordeix-Rigo and Duarte (2009, p. 559) also mentioned a broader role "to become global interlocutors . . . to address the global issues of today's world." This is the element of corporate diplomacy we focus on.

In using the term *corporate diplomacy*, some scholars discount the larger role that corporations are increasingly expected to take on in the world today. However, we argue that this recognition must be made more explicit in defining corporate diplomacy. This limited perspective on corporate diplomacy—used by practitioners interchangeably with *stakeholder management* and oriented only toward goals such as obtaining licenses to operate or maximizing firm profits—ignores a changing world order and the role of large multinationals in global governance, particularly in regions with the most dire governance gaps. By drawing content from international relations,
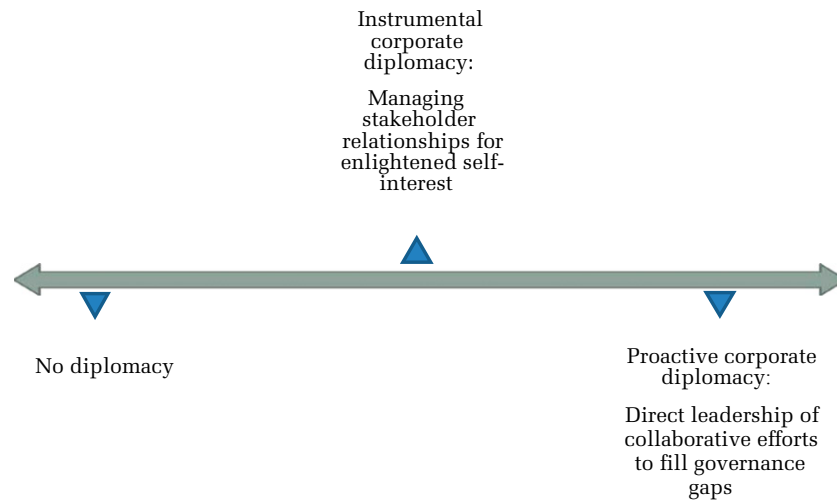
diplomacy, PCSR, and peace through commerce scholarship to enrich the usage of the term *corporate diplomacy*, it is possible to develop a broader perspective of corporate diplomacy. Governance gaps at the national and global levels put more pressure on MNEs to undertake political responsibilities individually and within public–private partnerships, especially when there is political conflict (Scherer & Palazzo, 2011; Valente & Crane, 2010).

More societal expectations are being placed on MNEs today than just to make profits, and MNEs are, in fact, increasingly taking on roles and responsibilities in foreign relations that they never did before. For example, the chairman and CEO of IBM, Samuel Palmisano, recently discussed in *Foreign Affairs* the evolution of the traditional MNE into the "globally integrated enterprise," a "promising new actor on the world stage" that contributes to "new forms of commerce, learning and good governance" and is willing to "tackle the myriad other challenges that globalization raises," including "global security and order" (Palmisano, 2006, pp. 135-136). As Palmisano (2006, p. 136) further suggested, "the alternative to global integration is not appealing," including "growing discontent, stricter regulation, protectionism, nationalism, xenophobia and antimodernism."

Moreover, the actions of these new types of globally integrated enterprises may not necessarily be directed by the foreign policy agenda of a home state or any other nation, as business leaders must recognize that the "issues are too big and too interconnected for business alone or government alone to solve" (Palmisano, 2006, p. 136). So a richer description of corporate diplomacy is needed that incorporates a consciousness of how firms are acting in global governance in conjunction with other actors on the world stage to satisfy bigger issues and the broader expectations facing MNEs in today's world. We suggest that these views of corporate diplomacy can be seen as on a continuum, where the levels of engagement and the objectives of corporate diplomacy range from not taking any diplomatic action to taking more instrumental types of action to proactive diplomatic efforts. Our definition of corporate diplomacy focuses on the far end of the continuum (as shown in Figure 1), emphasizing the proactive steps that firms can take to ensure that societal benefits result from diplomatic efforts.

While the PCSR literature has already examined many corporate responses to governance gaps, there has been less of a focus on what constitutes proactive political engagement in the context of political conflict. In using corporate diplomacy to operationalize

FIGURE 1
Continuum of Corporate Diplomacy

Instrumental
corporate
diplomacy:

Managing
stakeholder
relationships for
enlightened self-
interest

No diplomacy

Proactive corporate
diplomacy:

Direct leadership of
collaborative efforts
to fill governance
gaps

PCSR in conflict-prone regions, questions remain about the types of political and socially responsive roles that firms can and do undertake to enhance societal stability. Given the original provenance of the term *diplomacy* as the resolution of international disputes, conflict zones provide a relevant realm for practicing corporate diplomacy, and the peace through commerce literature has particularly addressed what actions corporations can and do undertake in this context (Oetzel et al., 2010). Scholarship in the fields of international relations and diplomacy can help position and further develop the purpose underlying corporate diplomacy for the management literature.

In summary, our definition of corporate diplomacy is an umbrella concept that encompasses the international relations literature, the PCSR literature, the corporate political activity literature, and the peace through commerce literature. Figure 2 presents the different components of our broad-based definition, which we will discuss below.

CORPORATE DIPLOMACY OBJECTIVES: INFLUENCE FROM THE INTERNATIONAL RELATIONS AND DIPLOMACY SCHOLARSHIP AND POLITICAL CORPORATE SOCIAL RESPONSIBILITY LITERATURE

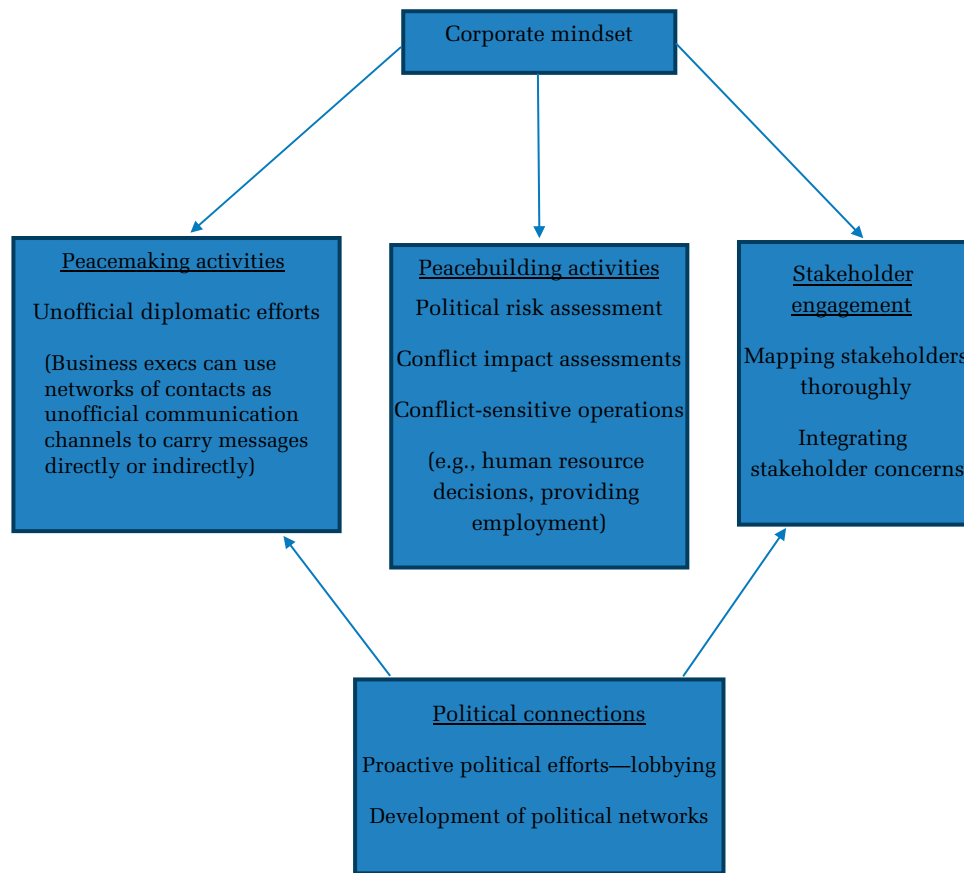### International Relations and Diplomacy Scholarship

Given that the term *diplomacy* is borrowed from the field of international relations (IR), it is essential

to have a historical sense of how scholars in that discipline have viewed the role of corporate diplomacy. Business scholars using diplomatic terminology have tended to ignore the extensive IR literature that has already considered political and governance roles and responsibilities for corporations. By ignoring the IR literature, one ignores key dimensions of corporate diplomacy such as the rationale for diplomacy and key objectives. To have a thorough understanding of corporate diplomacy, therefore, it is important that business use of the term builds on and is consistent with the IR use. Consequently, the diplomatic concepts discussed in the IR literature provide the conceptual premise and inform the rationale for our umbrella concept of business diplomacy.

IR scholarship has been anticipating the rising role of corporations in the world of foreign policy and diplomacy since the early 1990s. More recently, Scherer and Palazzo (2011) noted the relevance of the IR literature in terms of its claims that nation-states and international organizations are unable to effectively resolve social issues. They also pointed to the evolving role that corporations and NGOs must and do play in global governance. This section traces the evolution of thought from diplomacy as intergovernmental relations to public and then to private diplomacy.

Foreign policy and diplomacy efforts are intended to resolve international tensions and further mutual interests. These terms can fairly be applied to ancient times ranging from Thucydides' treatment of the Peloponnesian War to negotiations between leaders

FIGURE 2
Practical Implications

Corporate mindset

Peacemaking activities

Unofficial diplomatic efforts

(Business execs can use networks of contacts as unofficial communication channels to carry messages directly or indirectly)

Peacebuilding activities

Political risk assessment

Conflict impact assessments

Conflict-sensitive operations

(e.g., human resource decisions, providing employment)

Stakeholder engagement

Mapping stakeholders thoroughly

Integrating stakeholder concerns

Political connections

Proactive political efforts—lobbying

Development of political networks

of even more ancient hunter-gatherer tribes. Yet the terms took on their contemporary usage as a traditional governmental function tied to sovereign rights dating from the 1648 Peace of Westphalia (McDonald, 1991) and the birth of modern nation-states. Traditional international diplomatic efforts were conventionally managed government-to-government, through official channels, by specially trained individuals acting on behalf of governments. To be sure, private actors might play a role in diplomatic efforts. Indeed, colonial powers used business entities to advance political aims, such as Britain's East India Company or the French fur traders in America (Fort, 2007). Similarly, as the Rothschild financial empire spread across multiple European nations in the 19th and 20th centuries, it actively participated in the balance of power through lending and other banking practices (Fort, 2007). Yet these examples serve as exceptions to the rule rather than demonstrating any serious engagement of the private sector in diplomacy. As a general matter, the private sector had little to no active role in reducing global tensions or filling governance gaps (Diamond & McDonald, 1996).

This changed, however, after the fall of the Berlin Wall, when parts of the world such as Eastern Europe began opening to the West, marking the beginning of the end of the post-Westphalian model (Ohmae, 1995; Wriston, 1992). The changes happening in the world in the 1990s, including the privatization of many government functions simultaneously with globalization and the rise of multinational business, meant that governments no longer had the resources or the experienced people to carry out foreign policy without partnering with business and NGOs (Garten, 1997). Globalization meant that links between countries became more public, and that foreign interaction was often carried out through commerce or other types of exchanges rather than solely through government contacts. In particular, Garten (1997) suggested that implementing government foreign policy interests requires working with business to

gain the necessary technology, management, and connections to achieve state goals.

Globalization led to a rethinking of traditional models of conducting foreign policy. Montville (1989, p. 535) suggested that foreign policy practitioners began to understand the "psychological tasks" necessary to successfully ease global tensions and conduct foreign relations. Suggesting that winning hearts and minds is as important as power in foreign relations, Burton (1990) argued that public diplomacy could also develop strategies for influencing public opinion and organizing human and material resources in ways that might resolve conflict. Montville (1989) further argued that the private sector, encompassing not only business but also educational and cultural institutions, is better suited than government to establish the psychological connections between peoples that are necessary to build the trust that underlies traditional diplomacy.

Montville labeled traditional governmental foreign policy practices as track I diplomacy and defined public, or track II, diplomacy as the "unofficial, non-structured interaction between members of adversarial groups or nations that is directed toward conflict resolution by addressing psychological factors" (1989, p. 535). The realpolitik model of diplomacy, based solely on government power, gives way to a "softer" approach that recognizes that frustrated basic human needs can be a cause for conflict (Burton, 1990). Thus the concept of multitrack diplomacy recognizes that different segments of civil society can bring uniquely valuable perspectives to reducing tensions, organizing resources, and improving global communication and understanding (Diamond & McDonald, 1996; McDonald, 1991).

Multitrack diplomacy goes beyond government activity to encompass several different tracks representing various segments of civil society, including business professionals and private-sector corporate interactions (Diamond & McDonald, 1996). Most significantly, in multitrack diplomacy international interactions between private citizens within various tracks are not generally coordinated in any way by official government actors, and businesses do not deliberately intend to resolve existing conflicts through their relationships. Rather, multitrack diplomacy is focused on corporate bottom-up initiatives that build mutual understanding and a strong civil society, which can amount to "accidental peacebuilding" (Grozev & Boyadjiev, 2005).

The idea of accidental peacebuilding through nongovernmental tracks of diplomacy enriches our definition of corporate diplomacy by recognizing the potential for business to have a positive impact on international relations simply because of the interactions that emerge from MNE business activities. First, during the 1990s, it became clear that by initiating international commerce, MNEs affected international relations by building bridges with local and national policymakers and doing so of their own accord, without government coordination or influence. As a result, both the traditional government-based diplomatic establishment and corporations recognized that MNEs could play a legitimate, independent, and substantive role in the modern realm of foreign policy (Diamond & McDonald, 1996). Second, while business actors may not consciously shape international relations, they assume a role in international affairs indirectly when they build political relationships to facilitate their global commerce (Garten, 1997). It became apparent during this time period that foreign direct investment contributes to mutual understandings between businesses as well as between businesses and governmental actors, strengthening civil society and laying the foundation for stronger governance (Montville, 1989).

To elaborate on accidental peacemaking, Diamond and McDonald (1996) distinguished between peacemaking activities, or advocacy and action that help to resolve specific conflict, and peacebuilding activities, or advocacy, action, and education that help to transform systems by reducing the likelihood of conflict. In other words peacemaking could be done at (or parallel to) the negotiating table, such as when a cease-fire is mediated. Though it is not the norm, there have been instances when business professionals have participated in diplomacy in such circumstances. For example, Kmart executives encouraged China to resolve tensions with the United States after a collision of military aircraft resulted in a U.S. spy plane crash-landing on Chinese soil (Kahn, 2001). Peacebuilding activities, on the other hand, seek to change the longer-term dynamic that causes the underlying social tensions, such as resource deprivation, that contribute to conflict. We will return to the distinction between peacemaking and peacebuilding when we discuss the peace through commerce literature.

After the advent of multitrack diplomacy, the role of business in diplomacy exploded in the 21st century, to the extent that IR and diplomacy scholars have become concerned about the extent to which diplomacy and foreign policy-making have been privatized (Hocking, 2004). The professional diplomat's

role as the agent of the state in international dealings has eroded in the postmodern multicentric world order where authority is dispersed beyond states. In fact, the ability of states to resolve these issues between themselves has weakened (Hocking, 2004). Some scholars have even suggested that the rise of truly global markets could render the state largely irrelevant in global politics (Ohmae, 1995; Wriston, 1992). Public–private partnerships have become a norm for implementing foreign policy, and not only governments but also business and civil-society organizations have a role in negotiating global governance. Corporations have assumed a central role as in determining trade and development policy, as well as in addressing issues that are not effectively governed (Hocking, 2004). At times, this occurs at international and national levels, but partnerships have also been used at local levels and often without government engagement (Kolk & Lenfant, 2015).

Prominent IR scholars (e.g., Garten 1997) have warned that national and international institutions can no longer address all of the pressing societal issues without corporate involvement. However, this involvement is complicated because MNEs have their own agendas and do not necessarily have allegiance to any specific country. Because MNEs operate in multiple countries, it is often unclear when the interests promoted by an MNE diverge from those of its home state. Furthermore, it becomes difficult to identify a home state for some MNEs given the foreign strategic alliances, offshoring, outsourcing, and overseas tax reincorporation that globalization has spawned (Garten, 1997). Given this reality, corporations can take on global governance privately and act as independent political agents, not representing any state and solely pursuing their self-interest.

If corporations are going to address societal issues, therefore, it is critical that there be parameters for making sure that firm leaders are cognizant of their societal impact. The political CSR literature builds on the extant IR literature to address this point by outlining some of the political roles and responsibilities that corporations should undertake when there are governance gaps. We review this literature in the following section.

Political Corporate Social Responsibility

In addition to the literature on international relations and diplomacy, the PCSR literature also enhances the definition of corporate diplomacy in several ways. First, it confirms the type of values that should be contained in a corporation's mindset with respect to the practice of corporate diplomacy. According to Henisz (2014), a corporation's mindset, the articulation of a clear vision and mission, drives the practice of effective diplomacy. Henisz (2014) provided examples of mission statements of leading MNEs in several different industries, hinting that firms should be motivated by externally focused nonfinancial values. However, he stopped short of stating that corporations need to go beyond their instrumental purposes and be proactive about their societal impact. The PCSR literature takes this step and emphasizes the importance of nonfinancial values by discussing the broad global responsibilities that corporations should assume. Specifically, Scherer and Palazzo (2011) argued that corporations can no longer take their cues about their social performance from just the national context. When developing countries are ineffective in addressing pressing social issues and regulating corporate behavior, the point of reference for determining corporate responsibilities is on the global stage (Scherer & Palazzo, 2011). If firms want to develop moral legitimacy and in essence create an enduring social license to operate, they need to go beyond national compliance and examine the global context, global standards, and multistakeholder initiatives to inform their corporate mindset.

The recent initiatives concerning the responsibilities of business for respecting human rights in their global value chains (Ruggie, 2013) provide a good example of why the global context can be important for shaping the orientation of corporate diplomacy. Many of the countries where MNEs are conducting business have been lax about protecting the human rights of their citizens, with respect to discrimination, child labor, and/or safety. This is especially true in conflict zones (Hamann, Sinha, Kapfudzaruwa, & Schild, 2009). As corporations develop their human rights policies and operationalize their principles, the point of reference for shaping their corporate diplomacy concerning human rights should go beyond national regulations to encompass the 2011 UN Guiding Principles on Business and Human Rights, which detail the broad roles and responsibilities of business in addressing human rights concerns (UNHRC, 2011).

The PCSR literature also emphasizes the types of public responsibilities that corporations may undertake in conducting corporate diplomacy. More specifically, the PCSR scholarship reiterates from the management perspective that the traditional strict separation between public and private

domains is no longer valid. In many countries, the governance system is incapable of addressing global public goods problems or regulating business to ensure that the public interest is served (Scherer, Palazzo, & Matten, 2014). In particular, when many services formerly provided by government have been privatized, and global production has been offshored to countries with incomplete or corrupt legal systems, NGOs and corporations often step in to fill governance voids and take responsibility for issues of public concern (Scherer & Palazzo, 2011; Teegen, Doh, & Vachani, 2004). The PCSR literature describes firms acting both independently and within multistakeholder initiatives to undertake several types of activities to address governmental deficits (Mena & Palazzo, 2012; Rasche, 2012; van Huijstee & Glasbergen, 2010). Such activities can include improving governance gaps in the areas of public health, education, social security, the protection of human rights, and public safety and security (Scherer & Palazzo, 2011). In conflict zones, as with other types of PCSR (Scherer & Palazzo, 2011), a corporation will go beyond its own interest by combining its private interests in maintaining security with the public concern for peace and safety.

Last, the PCSR literature recognizes the elevation of the role of firms in the global order (Scherer & Palazzo, 2011): Firms are acting as independent agents on the global stage, simultaneously with governmental and/or civil society actors. In the case of corporate diplomacy, this signifies a change in corporate power and influence. The PCSR literature grapples with how corporations are actually becoming political actors themselves, rather than simply "doing" political activities from time to time (Scherer, Palazzo, & Matten, 2014). Firms are increasingly being asked to take responsibility for social and environmental issues that were once regarded as state functions, and firms often directly engage in the provision of public goods. Firms frequently have equal footing with government and civil society actors to determine whether, which, and how activities are undertaken for the public interest. This has significant implications for corporations that must consider the positive and negative spillovers that result from behaving as a political actor.

PRACTICING CORPORATE DIPLOMACY

Having reviewed the IR, diplomacy, and PCSR literatures, which outline many of the collective mechanisms that corporations can use—such as forming and/or participating in multistakeholder initiatives as well as individual efforts such as the direct provision of services, schools, education, utilities, or military services (Valente & Crane 2010)—we now provide examples of specific diplomatic practices in conflict-prone regions, drawn from the peace through commerce literature. According to the Heidelberg Institute for International Conflict Research, a conflict is where two or more actors are carrying out a difference in social values using measures other than established procedures for dispute resolution (e.g., courts or elections), and where the conflict has reached a point where it has the potential to, or is actually, threatening core state functions or the international order (Conflict Barometer, 2014). Such conflicts can vary in intensity ranging from a nonviolent dispute to a medium-intensity violent crisis to a full-blown war. Also, the intensity level of any particular conflict can vary over time (Conflict Barometer, 2014). As mentioned above, the number of such political conflicts has been rising steadily, with more than 400 conflicts identified worldwide in 2014, 53% of which involved violence (Conflict Barometer, 2014).

Obviously, most firms are not likely to deliberately seek out conflict-prone regions in which to do business. However, given the global reach of multinationals, international business is increasingly facing the risk that the regions where they locate may erupt in conflict. Indeed, violent conflict has occurred recently in many countries that are important locations for foreign direct investment, such as Mexico, Russia, India, Brazil, and Turkey (Conflict Barometer, 2014). Therefore, there has been increased interest (Oetzel et al., 2010; Williams, 2008) not only in strategies to manage the risks that conflict poses to business, but also in the business actions that can reduce conflict intensity and even resolve the underlying social tensions that can contribute to conflicts.

Within this context, the peace through commerce literature details internal business operations as well as external business relations with communities, NGOs, governments, political groups, and other stakeholders that reduce tensions underlying potential or existing conflicts and help society recover post-conflict. Consistent with our enhanced definition of corporate diplomacy, this literature defines a proactive approach as corporations engaging in both peacemaking and peacebuilding types of activities to resolve social issues resulting from political conflicts in host countries. Drawing from interdisciplinary research in anthropology, political science, and economics, peace through commerce

research has identified business activities and behaviors that can decrease the seriousness or reduce the causes of conflict (Fort & Schipani, 2002, 2003, 2004; Haufler, 2001; Nelson, 2000). These business activities and behaviors need to be consistently aligned with the fundamental principles of ethical business behavior (Fort & Schipani, 2004; Oetzel, Westermann-Behaylo, Koerber, Fort, & Rivera, 2010) to effectively reduce violent conflict (Fort, 2007). Scholars are careful to acknowledge that many business practices have the potential to bring both positive and negative spillovers to the situation (Bies et al., 2007; Oetzel et al., 2010). For example, hiring, supply chain, and resource use decisions can be made either in a way that exacerbates inequality or social tensions between groups or in a way that mitigates them. Thus, it is not only what is done by firms but often how it occurs that can help to reduce conflict. When corporate leaders are cognizant that their practices may either contribute to political tensions or reduce them, they can maximize the potential positive spillovers and minimize the potential negative ones.

Peacemaking Activities

Business diplomacy involving peacemaking is made possible by "the creation of strong bonds of relationship, understanding, and communication between peoples of different nations" through the enterprise of business (Diamond & McDonald, 1996, p. 53). On a private-individual level, business executives can use networks of contacts as unofficial communication channels to carry messages directly or indirectly to political officials, or to convey ideas and float proposals for managing contentious issues. As a corporate diplomacy initiative, firms can implement programs to encourage interaction and exchange of ideas between their executives and host country counterparts to facilitate the development of executive relationship networks and open lines of communication. As much of this type of communication necessarily happens behind the scenes, it is difficult to assess the extent to which private, unofficial peacemaking through business diplomacy occurs, though there are instances in which business is credited for dispute resolution. For example, executives from General Electric were credited with speaking up behind the scenes and smoothing tensions between India and Pakistan during the standoff in 2002 when both countries had moved troops and missiles to the border area in Kashmir (Friedman, 2002).

At a more public level, business diplomacy is occurring more frequently in response to actual or potential conflicts through the increasing phenomenon of multistakeholder initiatives (Kolk & Lenfant, 2015). Multistakeholder initiatives are "voluntary and collaborative relationships between various parties, both State and non-State, in which all participants agree to work together to achieve a common purpose or undertake a specific task and to share risks, responsibilities, resources, competencies and benefits" (Tennyson & Bowman, 2003, p. 36). Zadek (2008) explained these initiatives as exercises in collaborative governance. As noted elsewhere in this Symposium, they have also been shown to exist at multiple levels of governance (Kolk & Lenfant, 2015).

The story of the Confederation of British Industry (CBI), a group of private businesses that had been affected by the long conflict in Northern Ireland, is a classic illustration of when business diplomacy can resolve a dispute through collaborative efforts. In 1994, CBI published a report called "Peace—A Challenging New Era," which detailed the negative impact of the conflict on the regional economy (Rettberg, 2006; Tripathi & Gündüz, 2008). In the report, CBI argued that if the violence in Northern Ireland ended, there would be a "peace dividend" of over $1.4 billion that all citizens of Northern Ireland would enjoy (Banfield, Gündüz, & Killick, 2006). The willingness of these businesses to engage productively in peacemaking through an explanation of the tangible economic benefits associated with resolving the protracted dispute provided new momentum to the political negotiations in the peace process. After a cease-fire agreement was reached in August 1994, this dividend was realized in the form of significant increases in tourism and foreign direct investment and decreases in unemployment in Northern Ireland to the lowest level in 14 years (Banfield et al., 2006).

Peacebuilding Activities

The peace through commerce literature highlights certain specific practices of business diplomacy that may build the foundation for peace in conflict-prone areas. One primary way business can reduce tensions is by providing economic opportunity. Individuals without economic opportunity have little at stake in preserving peace and stability and very little to lose by resorting to crime or violence. Indeed, World Bank studies have demonstrated correlations between poverty and violence (Collier et al., 2003; Ross-Larson, 2011). Amartya Sen (1999) and Martha

Nussbaum (2003) equated poverty with capability deprivation rather than just lack of income. Capabilities that are intrinsically valued, such as the development of skills and the freedom to work and to participate in markets, are crucial to sustainable development. Indeed, relative deprivation of capabilities can lead to social tension and civil unrest (Sen, 1999).

Businesses engaging in diplomacy can help to build economic capabilities in conflict-prone communities to reduce certain causes of disputes, including poverty, particularly in regions where high unemployment and social disengagement contribute to conflict risks. In impoverished areas, private business can promote job creation, entrepreneurship, training, and work placement, particularly among youth, who are most likely to resort to violence (Ross-Larson, 2011). Private companies can also transfer technology and skills from MNE operations to local community development (Oetzel & Doh, 2009). Until recently these positive spillovers were viewed as by-products of international business activity rather than intentional efforts to build capabilities in communities, but there is increasing evidence that corporations engaging in business diplomacy are consciously building capabilities in communities along their value chains. Companies such as Microsoft are deliberately contributing to peace and stability by broadening their training programs beyond their own employees to include curricula for wider communities, thereby creating more economic opportunity and giving underprivileged populations a stake in peace and stability (Microsoft, 2014).

Another way that business diplomacy can reduce political tensions is by undertaking regular political risk assessment and conducting conflict-sensitive operations. When an MNE proposes expanding operations into unfamiliar areas, it is common to undertake a thorough assessment of the region's political risks during the planning stage, which can highlight tensions and triggers that may cause conflict down the road. Specifically, political risk assessment includes screening for factors such as corruption, recent economic decline or widespread poverty, long-term regional or youth-bulge unemployment, autocratic government, and/or human rights abuses, among other things (Banfield, Haufler, & Lilly, 2005). Some factors are more significant indicators of risk of violence than others, depending on the setting. A conglomeration of risk factors can indicate that the risk of civil unrest is so high that investment in that region is unwise.

After conducting a political risk assessment, some firms may still decide to invest in a politically risky region because they believe they will be able to manage the risks (Jamali & Mirshak, 2010). In such cases, firms can use another diplomatic practice: conducting conflict impact assessments. These assessments examine the potential and ongoing impact of a firm's operations on the conflict (Ballentine & Haufler, 2005) and regularly reevaluate the political risks and conflict impacts surrounding the business (Oetzel & Getz, 2012). If a few significant issues are flagged during the initial political risk assessment, a company should give special attention to these factors in ongoing risk assessments after establishing business operations.

Conducting business operations in a conflict-sensitive manner is another essential diplomatic practice. Several civil-society organizations have collaborated to develop tools such as guidebooks and checklists for firms to assess and alleviate the conflict risks surrounding their business in every stage of operation. Conflict-sensitive operations can also have internal approaches. For example, conscientious human resource practices can have a positive impact on the external environment by ensuring that hiring practices provide employment opportunities across diverse racial, ethnic, cultural, and age groups rather than potentially stoking antagonism by favoring one group over others. Balancing diverse employees across work teams, projects, and levels of management can extend that positive impact internally, providing opportunities for individuals from historically rivalrous ethnic or cultural groups to work together and build a sense of relational connection. This can help humanize potential rivals and promote understanding, thereby reducing tensions between ethnic or cultural groups (Fort, 2001). International Alert, an NGO focused on peacebuilding, has partnered with industry professionals and the United Nations Global Compact to develop resources to help specific types of business groups engage in risk assessment and conflicts sensitive practices, such as the extractive industries (Banfield, Barbolet, Goldwyn, & Killick, 2005), project finance (Banfield & Tripathi, 2006), and small and medium-size enterprises (Hettiarachi, Holdaway, & Gunduz, 2009).

In addition, encouraging employees to speak up about potential improvements in work process and product quality issues, providing meaningful grievance procedures, and supporting employees' rights to join associations or unions are all ways business can increase the capacity of individuals to voice

opinions. Voice capability can spill over to promoting more active participation in society and supporting democratic political processes and social harmony (Milliken, Schipani, Bishara, & Prado 2015; Spreitzer, 2007). Indeed, as suggested in this Symposium, to the extent that employees have the opportunity to exercise their voice and express their opinions in the business organization, there is likely to be a positive spillover effect to other aspects of their lives (Milliken et al., 2015). Whether this is a result of congruence—that a person interested in exercising voice will find both employment and other activities congruent with his personality and preferences or whether the exercise of voice is a result of skill-building at work that has impact elsewhere—the correlation between them suggests that something valuable occurs when employees do, in fact, exercise voice at work (Milliken et al., 2015).

SiThaMu is an example of a corporation practicing diplomacy by using peacebuilding activities in post-conflict Sri Lanka. The company, jointly owned by Sinhalese, Tamil, and Muslim investors, runs a rice mill in a district where these three ethnic communities live close together and still harbor mistrust of one another as a result of the country's 26-year civil war. The mill's directors and employees are drawn from all three ethnic groups. SiThaMu provides economic opportunity for diverse youth as well as rice farmers in the area. Addressing the root causes of ethnic conflict in the area, SiThaMu inspires the three ethnic communities to work together, build strong relationships in the community, and overcome the historical biases that have given rise to socioeconomic conflicts in Sri Lanka (Hettiarachi, Holdaway, & Gunduz, 2009). The employees have built trusting relationships with one another that cross ethnic lines, helping to improve community relations outside of work and reduce political tensions substantively within the community.

This example illustrates how firms that assess conflict risks in their external environment in their planning stages can develop business practices that reduce political tensions and help to transform the social systems in which they are embedded. Specifically, this successful peacebuilding effort resulted from the use of diplomatic tools, including conflict-sensitive human resource hiring and team staffing mechanisms.

Corporate Political Activities

Another important dimension of corporate diplomacy is a corporation's political relationships with politicians in both its home and host countries. In general, political connections can be a conduit for useful political information, greater consideration in the political process, political prestige, and preferential economic benefits such as access to credit (Hillman, 2003). However, in developing countries with weak political institutions, corporations need to be concerned about the negative spillover effects that may result from establishing ties with certain political actors. This is especially true for corporations conducting business in geographic areas where conflict is occurring; having government relationships could be contentious if government officials are considered to be corrupt and untrustworthy. Although Luo (2006) did not analyze corporate behavior in conflict zones, he did find empirically that more ethical companies conducting business in China maintain an arm's-length relationship with government officials rather than close social connections. This type of approach may be more of a necessity for firms doing business in conflict zones, where governments may be fragile and ineffective.

Scholars have also looked at the range of political efforts that firms can undertake to engage in peacebuilding efforts and contribute to public security. Jamali and Mirshak (2010) contended that firms can undertake political actions that range from being passive to shaping public policies. In addition, the corporation can make decisions about whether to cooperate with other key stakeholders to address issues in a conflict zone. Jamali and Mirshak (2010) suggested the types of social engagement that firms can implement, ranging from little CSR involvement to proactive engagement, which involves significant peacebuilding efforts and contributions to public security. In their integrative typology, Jamali and Mirshak perceived that it is valuable for companies to form political connections, suggesting that more proactive corporate political efforts should be aligned with the most extensive peacebuilding efforts.

Oetzel and Getz (2012) also looked empirically at the types of direct and indirect efforts that firms may employ either individually or collaboratively to mitigate conflict. Their assessment of a firm's direct response for dealing with conflict included individual and collaborative efforts to lobby and/or work with the government. Based on this qualitative and quantitative work, it can be deduced that companies can improve societal welfare (address tensions in conflict zones) by combining political connections with other types of stakeholder engagement. If a company's diplomatic practices include only political connections, this will be insufficient for

addressing the root causes underlying the tensions that exist in a conflict zone. Thus, more work is needed for understanding the kind of lobbying and government interaction that leads to mutually beneficial outcomes and reduces the tension caused by the conflict.

In defining corporate diplomacy, we argue that firms that are conscious of the wider international impacts of their activities will go beyond the common instrumental motives of just using their political efforts to improve their own financial performance (Hadani & Schuler, 2013). Recent studies have emphasized that it is possible for firms to align their social and political initiatives to develop policies that are beneficial for society (e.g., Den Hond et al., 2014). In conflict zones, part of the focus of firms should be on the benefits of developing networks of strategic political connections for social objectives. Research has indicated that corporate political activity can lead to the development of resources useful for a firm's CSR activities, such as information about policy preferences, political contacts, sophisticated government affairs operations, and potential for building political coalitions (Peterson & Pfitzer, 2009). Therefore, corporations operating in countries with weak institutional structures that lack political transparency/stability may be able to undertake more expansive diplomatic initiatives only if they have developed political ties with some key political actors, gaining their trust and developing goodwill.

In terms of policy, corporations practicing political diplomacy as we define it will recognize how they can use their political efforts to push for political decisions that strengthen a country's political and economic infrastructure. Valente and Crane (2010) mentioned information technology companies that have made commitments to lobby governments against Internet censorship. As another example, mining companies such as Barrick Gold Corporation in Tanzania have encountered tensions in local communities where they conduct business. Community members may mistrust government officials, and this affects their relationship with companies such as Barrick Gold that have received governmental benefits. An option for reducing tensions would be for Barrick Gold to lobby the Tanzanian government to adopt the Extractive Industries Transparency Initiative, which would help to strengthen the country's governance by increasing the transparency of its decisions.

In terms of the political component of political diplomacy, firms need to make a decision about their strategic political orientation when they are operating in a conflict zone and/or in a buffer state (Forrer & Katsos, 2015). Oliver and Holzinger (2008) argued that a corporation's choice of a reactive, anticipatory, defensive, or proactive political approach indicates that it has decided to focus on either complying with or trying to influence the political infrastructure. Firms should realize that their political connections are an important resource in terms of peacemaking activities and stakeholder engagement. Further, firms need to focus on the types of tactics they will employ to implement their political approach, such as lobbying independently or collectively, selecting political actors to interact with, using economic leverage, and/or building other types of stakeholder coalitions to persuade government officials to support the firm's political suggestions and objectives. Last, firms must consider whether their political efforts in the host country are aligned with their social goals and objectives.

PRACTICAL IMPLICATIONS

We endeavor to augment and enrich the scholarly and practitioner attention paid to corporate diplomacy. First, by reviewing the IR literature, we seek to reorient practitioners' attention beyond the instrumental benefits a firm receives from corporate diplomacy to consider the wider role that corporations have been asked to take on in global governance. The stakeholder management tools of corporate diplomacy are just one sort of managerial action that can serve to buttress dispute resolution beyond the value chain of the firm. Further, we seek to develop the research agenda in this area to emphasize the need for scholars to look beyond the immediate outcomes of corporate diplomacy, which may entail only firm-specific benefits. It is important to understand the significance of practicing diplomatic efforts such as multistakeholder engagements that go beyond the individual efforts of firms (Kolk & Lenfant, 2015).

Drawing from multiple literatures to understand corporate diplomacy allows us to develop a broader range of tools that can be employed by MNEs to improve the social environment and mitigate conflict. The practitioner literature addressing corporate diplomacy has already identified some of the tools, methods, and systems for MNE executives to pursue, such as a thorough stakeholder analysis and mapping followed by an integration of stakeholder concerns into strategic business decisions (Henisz, 2014). These are important tools for diplomacy in

general. To further delineate the tools and practices that executives can undertake in practicing corporate diplomacy, particularly in conflict-prone regions where much foreign direct investment is occurring, this paper takes a broader focus by including the above-described corporate peacebuilding and peace-making activities, as well as corporate political activities. Additionally, aspects of the IR and PCSR literature help to depict the mindset and world outlook that executives should employ when they engage in corporate diplomacy. We suggest that the way that executives view their role in the world can shape the use of diplomatic tools. For corporate diplomacy to create an increase in societal welfare and actually address the root causes of conflict, we suggest that it is necessary to combine capabilities with corporate diplomacy tools and have a mindset that embraces a role in global governance. See Figure 2 (above) for a depiction of the expanded definition of corporate diplomacy.

To further understand the practice of corporate diplomacy, more quantitative and qualitative work is needed to identify if and when firms can succeed in improving societal welfare and mitigating conflict. Some of the current empirical research on corporate diplomacy, specifically forthcoming work by Henisz, Dorobantu, and Nartey, has focused on the financial payoffs associated with corporate diplomacy. Their empirical results indicate that the financial valuation of MNEs is enhanced when they act to strengthen the political and social support of their foreign operations, and decreases when they have high levels of conflict with stakeholders. Some additional scholarship on the role of business in conflict zones has used both qualitative and quantitative data to assess strategic behavior in conflict zones (e.g., Dai, Eden, & Beamish, 2013; Jamali & Mirshak, 2010; Oetzel & Getz, 2012). This research has tended to focus on the types of strategic decisions that firms make, such as whether to remain in a conflict zone, and the types of independent and collaborative approaches for resolving conflict. Far less attention has been focused on the outcomes, either financial or social, associated with these strategic and diplomatic efforts to mitigate conflict. Consequently, there is a need for further empirical research, including research that looks beyond firm instrumental benefits and examines differences that might result in buffer states (Forrer & Katsos, 2015).

Echoing Margolis and Walsh's 2003 call for an alternative research agenda that focuses on the social impact of corporate responses to global misery, we have focused on the potential for corporate diplomacy to have positive spillovers that fill governance gaps and promote peace in conflict-prone regions. At this point, the peace through commerce literature has essentially made a prima facie case that corporations are able to orient their affairs to help improve social harmony and reduce violence (Fort, 2007, 2008). To demonstrate this case we have provided examples of businesses using corporate diplomacy to promote peace and fill governance gaps. However, there is a need for further empirical research to assess the impact of corporate diplomacy on the polities, the societies with which corporations engage. Although there has been a start in empirical research examining the outcomes of business diplomacy on wider society (see, e.g., Kolk & Lenfant, 2012), stronger documentation of this phenomenon is needed. There remains a need for empirical research to explore to what degree and in which situations corporations play a diplomatic, positive role in foreign relations, as well as when they do not.

Therefore, we close this discussion with questions for future research, starting with this: When do firms engage proactively to resolve political disputes? According to the fledgling empirical research (Jamali & Mirshak, 2010; Kolk & Lenfant, 2012; Oetzel & Getz, 2012), it is quite rare for firms to actually engage with political conflicts, so what are the motivating factors to do so? Who is able to engage in such effort successfully? What positions, roles, background, personal attributes, etc., allow executives to successfully engage in corporate diplomacy? What are the most likely and most effective channels or networks for executives to use to engage in discussions related to filling governance gaps? Kolk and Lenfant (2012) pointed out that MNEs operating in weak governance zones have little understanding about the political environment and the root causes of potential or actual conflict. What are the best ways, in terms of organizational learning, to motivate firms to develop a deeper understanding of weak governance zones, beyond the immediate direct risk to the firm? What are the most effective combinations of public, private, and multistakeholder initiatives that will yield positive societal results in terms of political stability and reduction of violence? What factors ensure a successful corporate diplomatic effort that reduces acute instances of political unrest, and how are those factors different from a long-term diplomatic effort aimed at a persisting political situation? Finally, how can MNEs understand when they should not intercede—when the political situation is such that they would not be able to have a positive

impact, and attempts at corporate diplomacy may simply exacerbate tensions?

In conclusion, the topic of corporate diplomacy is a promising avenue for further practitioner and scholarly attention. The work that has been done so far in the area has spelled out many tools and strategies and used case examples to explore this phenomenon. However, more work is needed to fully understand how corporate diplomacy is exercised. As many voices push for the institution of business to take a more significant role in global governance, and some evidence emerges that businesses may be willing to assume that role (Palmisano, 2006), we suggest that corporate diplomacy will become a more institutionalized practice. As that occurs, we need better practitioner understanding of the wider expectations, risks, responsibilities, and potential outcomes—both positive and negative—inherent in taking a bigger role in international relations. A scholarly analysis, including both normative philosophical dimensions and empirical data, is needed to inform this understanding for both business and foreign policy practitioners. We have provided herein an initial road map of avenues for further consideration as well as a motivation to do so.

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