FUNDAÇÃO GETULIO VARGAS
ESCOLA DE ADMINISTRAÇÃO DE EMPRESAS DE SÃO PAULO


MATTHIEU RAPHAEL BILBAULT


**A STUDY OF FRENCH CORPORATE DIPLOMATS IN BRAZIL**


SÃO PAULO
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Thesis presented to Escola de Administração de Empresas de São Paulo of Fundação Getulio Vargas, as a requirement to obtain the title of Master in International Management (MPGI).


Knowledge Field:
Gestão e Competitividade em Empresas Globais


Advisor: Pr. Dr. Gilberto Sarfati


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# ACKNOWLEDGMENTS

# ABSTRACT

As multinational companies gain in weight economically and socially in an ever-increasingly globalized world, relations with nation-states and actors from the civil society become more important in order to defend and promote business interests. Companies increasingly need to use corporate diplomacy to anticipate market shifts and minimize the risks that can potentially threaten their position. The purpose of this master thesis is to find out and understand more about French corporate diplomats and their methods to achieve their objectives in Brazil. Semi-structured interviews were conducted with French executives from big multinational companies, in order to look into their techniques and approach chosen with external stakeholders. This research follows an inductive methodology, aiming at pinpointing common themes among the participants and apply them to a larger target population. Findings first show that French management style and education system, explored in the literature review, deeply influences the way French corporate diplomats lead and implement their strategies in Brazil. Their rational-driven mind and hierarchical internal organization shape French corporate diplomacy in a pyramidal structure, in order to cope with regulatory abundance and put forward financial objectives. The homogeneity of their backgrounds also reinforces these similar techniques through a close corporate ecosystem where they can communicate on corporate diplomacy best practices. They tend to keep decision-making processes in small circles and view lobbying as a risky strategy in Brazil because of the political environment and history, even though they tie close links with Brazilian officials to voice their viewpoints.

**Keywords:**

# RESUMO

Nas últimas décadas, as empresas multinacionais ganharam peso economicamente e socialmente em um mundo cada vez mais globalizado. As relações com estados-nações e atores da sociedade civil tornam-se mais importantes para defender e promover interesses comerciais. Empresas precisam usar a diplomacia corporativa para antecipar as mudanças no mercado e minimizar os riscos que podem ameaçar suas posições. O objetivo da pesquisa desta tese de mestrado é descobrir e entender mais sobre os diplomatas corporativos franceses e seus métodos para atingir seus objetivos no Brasil. Entrevistas semi-estruturadas foram realizadas com executivos franceses de grandes empresas multinacionais presentes no Brasil, com o objetivo de analisar suas técnicas e relações com partes interessadas externas. Esta pesquisa segue uma metodologia indutiva, com o objetivo de identificar temas comuns entre os participantes e aplicá-los a uma população-alvo maior. Os resultados mostram que o estilo de gestão e o sistema de ensino francês, explorados na revisão de literatura, influenciam profundamente a forma como os diplomatas corporativos franceses lideram e implementam suas estratégias no Brasil. A organização interna hierárquica baseada na racionalidade molda a diplomacia corporativa francesa em uma estrutura piramidal, a fim de resolver a abundância da regulamentação local. A homogeneidade das origens dos participantes também reforça a semelhança das técnicas usadas por meio de um ecossistema corporativo próximo, onde eles podem se comunicar sobre as melhores práticas da diplomacia corporativa. Eles tendem a manter os processos de tomada de decisão em pequenos círculos e vêem o lobby como uma estratégia arriscada no Brasil por causa do ambiente político e histórico, embora eles vinculem estreitos relações com as autoridades brasileiras para expressar seus pontos de vista.

**Palavras-chave:**

Diplomacia Corporativa, Diplomacia Empresarial, Diplomacia de Negócios, Estratégia de Não Mercado, Partes Interessadas Externas, Brasil, Estilo de Management, Lobismo, Responsabilidade Social Corporativa

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# List of Abbreviations

- MNCs: Multinational companies

- CPA: Corporate Political Activity

- EAS: Early Awareness System

- IT: Information Technology

- NGO: Non-Governmental Organization

- bn: Billion

- HQ: Headquarter

- GAFA: Google, Apple, Facebook, Amazon

- CSR: Corporate Social Responsibility

- m: Million

- GMO: Genetically Modified Organism

- PR: Public Relations

- R&D: Research and Development

- CEO: Chief Executive Officer

- PDG: Président-Directeur Général

## I.   INTRODUCTION

This research paper dedicates its focus to the area of corporate diplomacy, which includes the tools used by companies to apply weight over external entities influencing their activities. The concept can be defined as a "process to develop a corporation's power and legitimacy within society using public relations tools" (Ordeix-Rigo, 2009). More specifically, the study aims at exploring which tools are used by French corporate diplomats through a series of semi-structured interviews, and has the objective to identify the nature of their operations in Brazil.

Although corporate diplomacy is not a brand-new idea (it already existed in the times of the East India Company, for instance), it is only recently that is became a widespread and more salient stake. As mentioned by Sarfati (2009), its essence is intrinsically linked to the growth in size, revenues, and workforce of multinational companies (MNC) occurred during the globalization process of the worldwide economy. MNCs are now more than just suppliers of goods and services in societies as they have understood that they can leverage alternative ways located beyond the frontiers of traditional business strategies to achieve their goals, for example through relationships with governments and civil society actors (Sarfati, 2009). For that reason, they diligently participate in the political life as independent actors (Muldoon, 2005). Business executives are not apolitical persons and pursue their own agenda, using non-market strategies in order to maximize their gains.

Two other important points should be highlighted to understand why corporate diplomacy is a predominant component of today's global business context. First, the dispute of the role of the state in this globalized economy is a significant phenomenon to be mentioned. State sovereignty, born with the Peace of Westphalia, is largely challenged today because of the dematerialization of borders and economic transfers. MNCs are using this favorable context on the business side (thanks to the vast liberalization of markets) but also want to be present on the non-market side by developing corporate diplomacy strategies with state representatives in order to hedge against worst-case scenarios. Second, the growing dependence of companies on their Public Relations (PR) communication is a crucial argument in favor of corporate diplomacy today (Ordeix-Rigo, 2009). MNCs can just not afford to let their products speak for themselves any more. Enhanced

scrutiny makes effective anticipation and reaction to external circumstances necessary for them to remain relevant in the game, because the ones that don't take that component into account pay a big opportunity cost (Monteiro, 2013).

The study of French corporate diplomats' methods in Brazil is relevant due to several reasons. Brazil is a politically and economically unstable country, therefore interesting to analyze from that perspective. Campos and Giovannoni (2006) show a framework in which unstable political systems are more likely to produce active lobbying, because this form of non-market strategy can perpetuate the *status quo* and help reduce future regulation. The weight of highly regulated industries (oil and energy, agriculture) in the Brazilian market makes corporate diplomacy even more central according to Baron (1995). With companies such as JBS (the largest meat processing company in the world) and Vale (the largest producer of iron ore and nickel in the world), the Brazilian market deeply relies on sectors that are sensitive both in the eyes of the consumer and of public authorities. Finally, France and Brazil being two big diplomatic and economic partners, French MNCs are largely present in the country, which raises the question of the existence of a pattern in terms of their corporate diplomacy strategies (whether or not the target population show similar behaviors).

The purpose of this research is to understand French executives' *modus operandi* , meaning how they structure their corporate diplomacy strategies internally, and implement them afterward. We will focus specifically on how they approach their interactions with external stakeholders in Brazil. We are therefore interested to find out: How do French executives conduct corporate diplomacy strategies in Brazil?

In order to answer that research question, the dissertation begins with a literature review focusing on significant findings on the corporate diplomacy field, as well as techniques of corporate diplomats. This material includes current contributions to the topic and that are important to have a basis for the subsequent analysis. In this section, we will also present past research on French management style used in the preparation of the interviews. It also allows us to verify if some elements match our results and to be able to provide complementary content to the fieldwork with our conclusions.

The methodology of the research is then presented, introducing the participants and the instruments of the study: the data was collected from interviews of French corporate diplomats based in Brazil with the goal of searching for common themes according to inductive theory principles. It aims at deriving a summary of findings from the analysis of the raw information, linking the research question to the results (Thomas, 2006).

Next, the conclusion presents an in-depth analysis of the research findings showing the theoretical patterns built from the data collected. Based on these observations, the study concludes that French corporate diplomats use similar methods that stem from French management style and education, creating a relatively homogeneous French corporate diplomacy style in Brazil, enhanced by the internal communication within the national corporate community. The methods used show features such as intense discipline and hierarchy in the internal organization of French MNCs in Brazil, and carefully selected human resources responsible for corporate diplomacy tasks. A common theme applicable to the community of French corporate diplomats active in Brazil is also a strong willingness to provide expertise to their field to improve efficiency in the country that they deem slowed down by bureaucracy. The relationships with external stakeholders are a priority and involves a proactive behavior to tie bonds in an anticipation-driven strategy. However, French corporate diplomats show a heightened prudence when it comes to lobbying activities and restrict themselves from being implicated to closely to external stakeholders to avoid ambiguous situations that could have significant repercussions on their corporation and brand equity.

## II.  LITERATURE REVIEW

### A. Definition of corporate diplomacy and its roles

Diplomacy used to be a term reserved for interactions between states, but as touched upon in the introduction, corporate diplomacy emerged due to the considerable economic weight gained by MNCs after the Second World War, leading them to more autonomous behavior, almost equaling states in terms of influence (Sarfati, 2009). Because of this power shift, states can sometimes fear that their sovereignty is in jeopardy (Kobrin, 2009). Pitti (2011) explains, for example, that a lot of companies invest their cash in sovereign bonds and therefore have a financial leverage over states themselves, becoming their creditors. Even if this must be nuanced, as nation states remain in control of what happens on their territory, it gives new opportunities to MNCs. Strange (1995) argues that technology is exploited by corporations thanks to high financial resources and provides them with political power, creating a struggle with the states. Sako (2016) adds that globalization strengthened companies to the detriment of states and highlights the role of the individuals who are in charge of corporations and their decision-making process, having now an influence comparable to statesmen.

The research topic can thus be defined using Ordeix-Rigo's words (2009): "corporate diplomacy is the capability that some major transnational corporations develop to draft and implement their own programs, independent from the government's initiative, to pursue similar diplomatic aims." The relevant example that illustrates this trend is the French privatization wave of former national champions in various sectors started during the liberalization in the 80s (e.g. Saint-Gobain, TF1). This movement was globally accurate around the world (i.e. privatization of British Rail initiated by Margaret Thatcher in the United Kingdom) and is correlated to the beginning of corporate diplomacy as we know it today. Hillman, Keim and Schuller (2004) pinpoint the emergence of "Corporate Political Activity" (CPA), which constitutes an innovation in the non-market framework and can offer new gains to corporations using it properly, shaping policy-making processes through influence. Lux, Crook and Woher (2011) demonstrated in their study a positive correlation between CPA led by corporations and their economic performance,

supporting the idea that bonding politically with influential actors could lead to market share growth.

The post-Cold War world shifted to a multidimensional model and therefore became more complex as other countries started to emerge in the world. Gutu (2017) explains that, even though the economy is globalized, every country has different business practices, which reinforces the need of customized diplomacy led by corporations. She also stresses the importance of the current international political environment, with the election of Donald Trump and the Brexit referendum having enhanced the need for effective business diplomacy in the world because of the dismantling of many existing business rules (e.g. raising tariffs, economic sanctions) and higher uncertainty. Schaffer (1995) had already underlined this aspect, explaining that the increased power of regulation on corporations incentivized them to organize internally and adopt a more active political behavior than before. Forms of political systems deeply shape the life of companies because governments own the legitimate use of force and can implement laws that firms have to integrate in their business strategies (Boddewyn and Brewer, 1994).

Sarfati (2007) defines four different parameters within a corporate foreign strategy led by a MNC: the market dimension, the government dimension, the society dimension, and the information dimension. He analyzes the impact of each of them on the value chain, i.e. the subsequent activities bringing added value to products or services. Porter (1985) developed the concept of competitive advantage which is at the core of corporate diplomacy goals. Porter insists on the fact that any company should be seeking to establish a "sustainable competitive advantage", meaning whose duration could be extended thanks to the skills of its managers. The key skill, according to him, is to bring value thanks to differentiation of products. But when thinking outside of the market strategy framework, one can realize there are many more alternative ways of creating a lasting domination over its competitors in a given industry. Corporate diplomacy can enable that through intelligent soft power and political relationships. In other words, corporate diplomacy aims at "creating, enforcing, and changing the rules of the game" (Sako, 2016).

Corporate diplomacy thus has a preemptive role to cope with this increased worldwide complexity (Pitti, 2011). Its ultimate goal remains financial success, like any for-profit strategy, but can be attained through several paths. Corporate diplomacy is a very versatile term in that it involves being in contact with a wide range of external stakeholders, from government officials to

legislators and activists. It needs to be ubiquitous, taking on all influential players and leveraging tools like the media, to improve the reputation and the brand image of the company.

Pitti (2011) takes the example of the growing use of Public-Private Partnerships (PPP) in many countries to show that relationships between corporations and states have never been so close. According to him, they represent 10 to 15% of public investments in the UK. This "growing intertwining movement of political and economic spheres" represents well the attempts of companies to prepare themselves in case of high turbulences putting their existence in danger. Corporate diplomacy therefore has, above all, an anticipation and damage control purpose. The growing interdependence of all stakeholders, whether private or public, combined with a global instability are turning corporate diplomacy into a necessary tool in order to protect oneself against potential threats. Scherer, Palazzo and Matten (2014) explain that companies do not hesitate to overpass their traditional roles and to get involved in public affairs, especially when the economy is largely privatized and where the state has less control.

Steger (2013) advocates the need of implementing an "Early Awareness System" (EAS) which aims at assessing the variety of risks that could put the corporation in difficulty, evaluating the likelihood and prioritizing them based on their degree of threat. The purpose of an EAS is thus to spot early indicators and give a suitable response. With technology improvement, MNCs are increasingly using Information Technology (IT) solutions in order to computerize, process large amounts of available data and communicate the most relevant ones effectively to the appropriate persons in charge of the definition of corporate diplomacy internally.

**Figure 1** – Dynamics of Early Awareness Systems

Computerized Early Awareness System

Central Element

Sensors

Signals
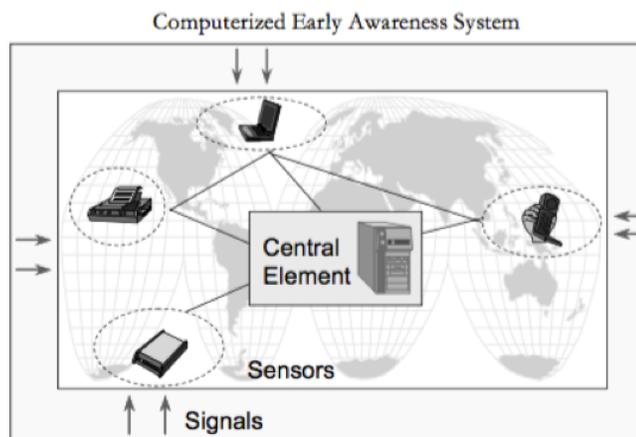
**Figure 5.1** Data collection transfer.

Two core tools are useful to prepare an effective corporate diplomacy strategy at an early stage: the identification of the specific risks ("cross-impact analysis") as well as the decision of a timeline of reaction to the issue ("the diffusion curve").

Cross-impact analysis is used to determine the issues that are most likely to negatively impact the company, and is performed through study of various indicators as well as internal discussions within the firm involving all departments. The capacity to notice symptoms of future changes enables to anticipate the threats and allocate corporate resources to these projects (e.g. to fight enhanced regulation). This step enables to set a priority list in the corporate diplomacy agenda.

After having achieved this, one can focus on the action plan to follow, relatively to the public opinion (the diffusion curve). The symptoms announcing movements have to be taken into account in the corporate diplomacy decision-making process. The objective is to better anticipate the shift in order to minimize the future impact on the company. The decision of which corporate diplomacy to adopt will be taken according to several criteria such as the degree of emotion surrounding the issue (and therefore media attention that will follow), and the posture of activist groups such as NGOs.

The warning purpose of an EAS can also be a driver to new business opportunities, offering the possibility, for instance, to be the first-mover advantage on a new product after realizing its market potential. Recently, it has been seen in the automotive industry that electric and hybrid cars, which emerged because of environmental concerns, are now booming and represent the future of the sector (Tesla's skyrocketing market capitalization show the enthusiasm of investors for disruption players of the industry).

## B. Current corporate diplomacy trends

Corporate diplomacy having become fundamental for MNCs, it is interesting now to dig deeper in today's trends to have a broad picture of modern corporate diplomacy's sources and uses. According to Musters, Parekh and Ramkumar (2013), the influence from government regulations on companies' earnings can vary from 30% to 50%, depending on the industry. Surprisingly, despite this compelling numbers, corporate diplomacy remains today a very underestimated tool by business leaders. Indeed, past literature shows to what extent corporate diplomacy seems to be still considered only as a support function rather than a fully operative division in a high number of MNCs in the world. It is therefore mandatory for companies to shift to a more modern and adapted organizational model to lead effective corporate diplomacy strategies and succeed in turning this overwhelming regulatory influence to their benefit.

Resulting from this underappreciation of corporate diplomacy, miscommunication can hamper corporations´ global strategies. The two core targets for corporate diplomats in this influence game, regulatory authorities and the public opinion, require the company to a have a consistent strategy, which is often not the case. A lack of internal organization and communication can prejudice the company and make it lose the focus it should give to top priority topics.

Barlett and Goshal (2000) support the "glocal" approach that aims at integrating the company's operations globally (from the Headquarters (HQ) by the top management) and focusing on the different markets locally to avoid missing important signals. While the glocal strategy was initially designed for marketing purposes, corporate diplomacy also needs to follow this reasoning to achieve success.

In order to achieve efficiency, discipline must be respected within companies. Only after having a clear picture of the issues endangering the firm, one can start to evaluate the probability

of scenarios. One big challenge for corporations is to hear and select carefully the cases that should be prioritized, which can be extremely difficult given the amount of information flowing daily. The internal organization has to promote a methodical stakeholder engagement through a mapping out of most important relationships.

**Figure 2** – Structure of Corporate Government-Affairs Units
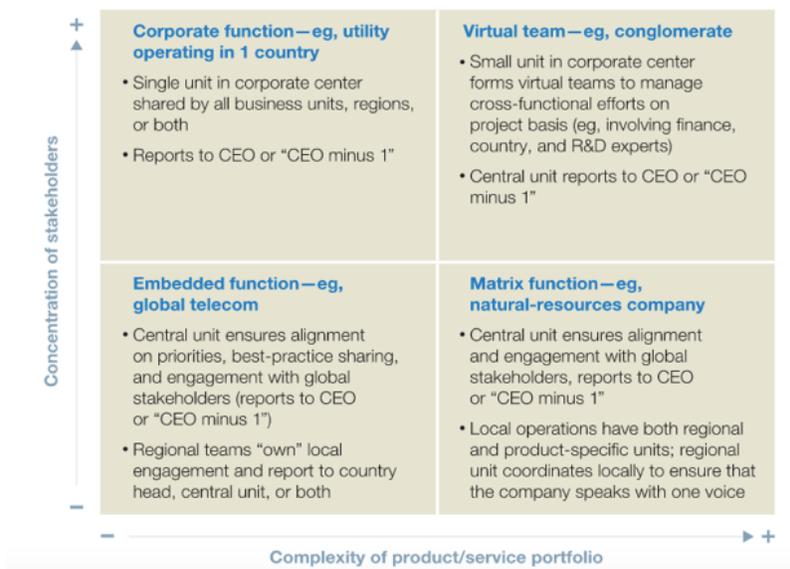


Source: Musters, Parekh & Ramkumar (2013). Organizing the government-affairs function for impact. Retrieved from McKinsey website.

Corporate diplomacy therefore appears like a necessary strategy for any modern company willing to sustain a competitive advantage. However, as Sako (2016) pinpoints it, it seems more important for certain industries, due to their strategic aspect and to the presence of specific regulatory bodies. The disruptive digital economy is also creating a shift in terms of power with the Google, Apple, Facebook and Amazon (GAFA) companies acquiring more and more market share with the goal of dominating the entire value chain. For that reason, technology companies are also heavily committed to corporate diplomacy strategies: Google dedicated $18.2m to lobbying activities in 2012 (Sako, 2016).

Another crucial characteristic of the modern world that makes corporate diplomacy unavoidable is the enhanced scrutiny that companies have to face, due to social networks and internet penetration. Amann, Khan, Salzmann, Steger (2007) define this global situation as a "goldfish

bowl transparency", where accountability is a major stake. Corporate diplomacy can be a way to control this transparency and turn it into the corporations' advantage. Henisz (2016) says no different thing when he mentions that the objective of such a strategy is to "win the hearts and minds of external stakeholders", including the recipients of media content.

At the core of this phenomenon, the consumer influence is unquestionably a major component of corporate diplomacy strategies because consumers have gained considerable leverage over companies. Although fragmented, the civil society is an ensemble of external stakeholders not to be neglected: according to Fullsix, 78% of the consumers tend to trust more their entourage than commercials or advertising content (Pitti, 2011). Word-to-mouth and shared information can be both a great tool and a threat for companies having to deal with issues that are revealed to the public rapidly and openly.

NGOs lead actions that can have a big impact, through boycott or other events that gather a large number of people and are broadly mediatized. Their clout forces corporations to develop strategies to interact with them. The ideal situation is to manage to cooperate with them, to be seen as their allies, because NGOs are widely regarded as defending better causes than profit-driven companies. However, relationships between NGOs and corporations are usually very difficult given their contradictory objectives. Consensus is thus hard to find and will mainly depend on the level of commitment of the two parties on a given topic. The most complex and biggest confrontation will occur in the case of a simultaneous "tooth and nail" involvement from each party in defending its position.

**Figure 3** – Business-NGO Cooperation
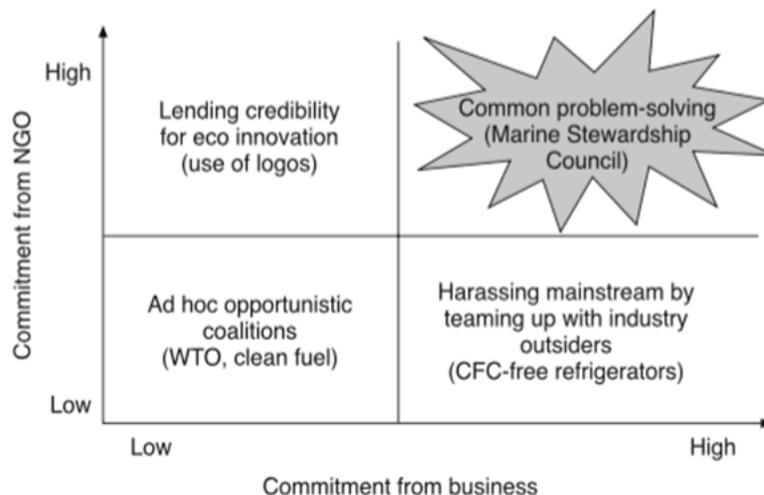


**Source:** Steger U. (2003). *Corporate Diplomacy: The Strategy for a Volatile, Fragmented Business Environment.* John Wiley and Sons Ltd.

Activists have several options to defend their cause, by exerting pressure on public authorities or campaigning to convince consumers to change their mind. It is interesting to notice that those two leverages are also used by companies in their corporate diplomacy strategies, in a reverse movement, which means that a true confrontation occurs. The motivation behind the action is also different since activists claim to be fueled by the desire of achieving something deprived of self-interest, unlike MNCs, whose shareholders seek financial profits in a capitalist enterprise.

On the reputation stake that plays a huge role in today's business activities, Amann, Khan, Salzmann, Steger (2007) declare that corporate diplomacy is based on the legitimacy theory. Suchman (1995) defines it as the external and social validation of an entity´s actions. By that, we understand that, especially since consumers' power has greatly increased in the last couple of decades, perceived legitimacy of corporations has become even more salient for their economic success. Strategic legitimacy aims at improving or keeping this image intact of scandals and other negative events. Zimmerman and Zeitz (2002) explain that MNCs now need this social recognition to achieve sustainable growth. Simultaneously, critics of global companies have become harsher. In the wake of environmental issues and the gradual awareness that the current form of liberal capitalism is creating more inequalities, pressure groups voice concerns more loudly because the

audience is becoming more and more receptive. Although it does not mean that the system is vacillating, it is a clear signal sent to MNCs that consumers will not accept things that were overlooked in the past, such as disrespect of norms and quality standards.

The omnipresence of social media naturally pushed them further in that direction, since there is no intermediary any more: consumers can choose to share with the world any thought on any product, potentially influencing other people's choices, especially when those posts go viral. According to Deephouse (2000), media reputation is one of the most important "intangible assets" of a company, mostly because of its non-substitutable characteristic. The fact that media is accessible to every single external stakeholder reinforces the efforts that companies should make to maximize the positive image through that network of communications, seeing media reputation as a resource. They consequently need to control as much as possible the media content broadcast about them, because consumers receive feedback that influences their opinion. L´Etang (2009) insists that corporate communication strategy should base itself on traditional diplomacy framework, as a soft power tool aiming at convincing external stakeholders through dialogue and stakeholder engagement.

## C. Organizational attitude in corporate diplomacy strategies

"Contextual environment", that encompasses all external shareholders such as local authorities, officials, NGOs, organizations and civil society, is the target of all corporate diplomacy and legitimacy strategy. Companies have to adopt an "organizational attitude", meaning how they will react to the pressure exerted by any member of the contextual environment. According to Amann, Khan, Salzmann, Steger (2007), this attitude will largely depend on several criteria such as the country of origin and the nature of external stakeholders. Schein (1985) explains that they can leverage past experiences in order to better adapt their organizational attitude towards external pressure, showing that a learning curve exists in corporate diplomacy.

From that analysis, a typology of corporate diplomatic strategies can be constructed based on the attitude companies take relatively to other stakeholders. This decision will determine the events unfolding after, as corporate diplomacy defines a non-neutral stance.

**Figure 4** – Strategies for Dealing with External Pressures
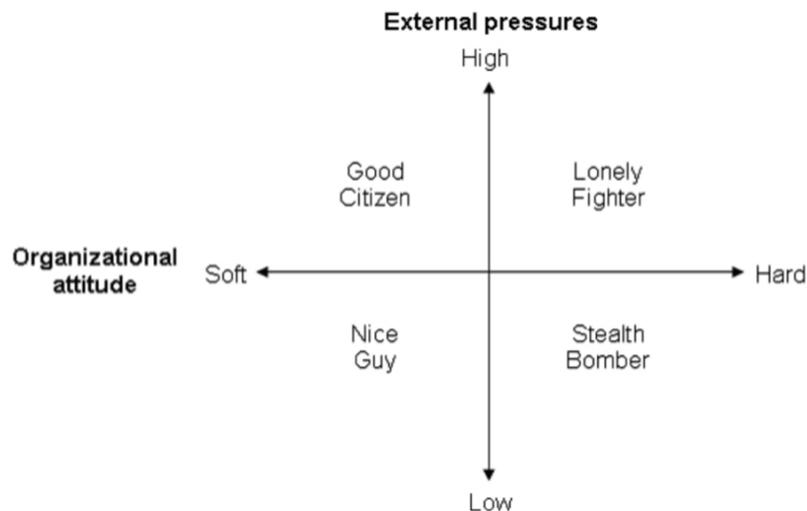


Source: Amann, Khan, Salzmann, Steger (2007). Managing external pressures through corporate diplomacy. *Journal of General Management, 33(1), 33-49*.

The behavior towards external stakeholders is something to be thought of after having performed the initial market analysis and during the preparation stage of the corporate diplomacy strategy. Regulators can have great influence on a company's business whether on its patents, taxes, or financial transactions. The same goes for the consumers and other organizations that have a clout of the opinion. Having an appropriate strategy towards them therefore is vital.

One can see that, in order to keep its legitimacy intact in the modern and highly connected world, corporations will tend to have a softer attitude because it is less risky and gives an impression to be docile and respectful of the law (Amann, Khan, Salzmann, Steger, 2007). The organizational attitude will also depend on the industry, and the scrutiny that lies upon it: highly mediatized ones will usually favor a soft approach in their relationship with external stakeholders, attempting to be seen as the "good citizen", because they cannot afford to have a deteriorated public image. Amann, Khan, Salzmann, Steger (2007) conclude that in the vast majority of the cases, choosing a constructive approach is more efficient in defending the company because of this opportunity cost. A direct confrontation can represent a big prejudice for the future as it will be easily remembered by most of the stakeholders.

The example of Dow Chemical Company is striking in that regard: the company was under the threat of a new set of regulations called REACH, and decided to enter in negotiation with the European authorities instead of confronting them like its competitors, because it deemed it more likely to have a positive outcome for them in choosing this path (Daemmrich, 2011). This way of reasoning is well summed up by Sako (2016) when stating than it is preferable to participate in the rulemaking process than passively watching it from outside the negotiation circle. Henisz (2016) has a similar opinion, arguing that some market shifts are sometimes inevitable, and embracing them rather than fighting them can be more efficient: this dynamic capability is therefore a precious skill for corporate diplomacy.

Another way of acting could also be to leverage one external stakeholder in order to pressure another one: Airbnb used this strategy when facing the risk of the Proposition F in California, a regulation willing to limit short-term rentals in the city of San Francisco. The way Airbnb achieved success was by investing heavily on a marketing campaign ($8m dollars according to TechCrunch, 2015), and getting the customers and public opinion on their side. Uber behaved the same way in Brazil when the Senate was about to pass a law curbing car-sharing companies' operations. In that specific case, confronting regulatory bodies can be a smart way to achieve a strategy, but it can only work if enough public leverage is collected.

The organizational attitude is therefore very important to think of in order to respond to the right issues: Henisz (2016) explains that it starts with a shift in the management techniques. He asserts that the old and straightforward strategy of "Decide, Announce, Defend", theorized by Susskind (1985) is not necessarily the most productive one. Rather, he supports Jan der Veer's view, a Shell's top executive: "Dialogue, Decide and Deliver". This decision-making process is more cooperative and can be used in the framework of softer organizational attitude, because companies start to see external stakeholders as partners and not rivals. Taking a different initial standpoint, it modifies the paradigm of relationships between corporations and external entities such as NGOs and government officials in order to include them in the strategy building rather than excluding them. Amann, Khan, Salzmann, Steger (2007) evoke the stakeholder theory to pinpoint that shift in the relationships between those different actors. Actions of individuals belonging to companies influence their brand image, and therefore it is recommended to have collaborative behaviors to help reach competitive advantage (Donaldson et al., 1995; Freeman, 1984; Jones, 1995).

The example of Monsanto shows that behaving aggressively can greatly backfire for a company, especially if it is highly scrutinized. Nowadays among the most publicly criticized companies in the world, Monsanto's reputation is due first to the threat their products represent to human health and to the environment in general, but also because of the company's attitude when scandals occurred. After the 1999 "mad cow crisis" in Europe, the local authorities started to have a precautionary approach towards food supplies in general, in particular for the ones coming from the United States because of the widespread use of Genetically Modified Organism (GMO) food products there. When European authorities increased control of labeling, Monsanto publicly voiced its discontent and was associated with uncontrolled capitalism and lack of moral. Monsanto also underestimated their adversaries and especially the potential influence of NGOs. Amann, Khan, Salzmann, Steger (2007) explain that Monsanto underestimated Greenpeace´s pressure power and consumers' discontent. The recent $66bn acquisition of Monsanto by the German pharmaceutical firm Bayer is therefore a risk that this bad reputation will be transferred as a burden to the merged entity, and that is the main reason why the Monsanto brand will disappear, leaving all the assets under the Bayer name.

## D. Skills and training of corporate diplomats

The actors responsible for performing corporate diplomacy tasks, called corporate diplomats, can be defined as "all employees of a MNC charged of any aspect of international business strategy and implementation, relations to governments as well as relations with the organized civil society" (Sarfati, 2009). This very broad definition clearly shows that corporate diplomacy deals with a variety of different subjects, implying overtaking actions under different forms. As it usually gets to grips with sensitive issues, corporate diplomacy can sometimes be concealed under another name, like institutional affairs. Asquer (2012) explains that because of this, literature exploring corporate diplomacy sometimes gives limited number of details due to the reluctance of firms to openly talk about their practices.

Henisz (2016) explains that corporate diplomacy fundamentally relies on three points: data, dynamics, and internal stakeholder engagement. As we mentioned before, the first step for a skillful corporate diplomat is to be able to detect dangers prior to their realization. In order to anticipate efficiently, corporate diplomats must have a sensemaking skill to be able to "mitigate

those risks and seize those opportunities" (Henisz, 2016). Among the required qualities, flexibility is also crucial to be able to constantly perform a "strategic renewal". Ruel and Visser (2012) demonstrate in their typology that proactiveness is the most important trait that a corporate diplomat must have, because of the potential benefits it can bring. If there emerges an issue appearing to be relevant for the civil society and largely discussed publicly, the companies which might get affected by a change of the regulation related to the issue should be enterprising in influencing it and anticipate the potential shift instead of passively waiting. The "proactor" (Ruel and Visser, 2012) who focuses intensively on various levels of external stakeholders has the biggest chance to provide a positive outcome for the company.

The professional training, in that regard, is a crucial part of the preparation of an effective corporate diplomacy, because the workforce needs to perform well on the business, political and public levels at the same time. This necessary multitasking ability requires an initial investment from the company in terms of human resources if trying to maximize the success rate of the strategy. It is the point that Saner, Saner-Yiu & Sondergard (2000) are making when they explain that an institutionalization of corporate diplomacy within MNCs is necessary if real progress wants to be made.

Henisz (2016) also argues that corporate diplomats are not sufficiently prepared to local differences. Sako (2016) explains that this is why huge companies that can afford it try to hire experienced individuals for those positions, who have connections are able to make a real impact on those topics. Thanks to their network built throughout the years, they can be a true asset and help the company get out of complicated situations by reaching out to their acquaintances.

Musters, Parekh & Ramkumar (2013) mention three different types of corporate diplomacy leaders: industry veterans, high-profile lobbyists or former politicians, or internally promoted business insiders. They assert that, when managing to form a team composed of several of each category, their complementary competences and backgrounds will amplify their chances to successfully tackle market threats.

However, the skills needed to pursue efficient and coherent business diplomacy strategies are not sufficiently developed nowadays. The managers who work in those non-market strategies lack this specific training: Henisz (2016) compares them as "fire alarms" who are more useful in detecting dangers than actually providing solutions. Indeed, the competence of selecting and analyzing the right information is needed in order to respond accordingly: social skills are not

sufficient. Besides, corporate diplomats must remain business executives and show a rational mind: they must be able to notice the disruptive elements in the market as well as assessing their financial impact on the company's market share and financial statements. This aspect is often neglected, corporate diplomats being insufficiently aware of the market drivers.

Henisz (2016) argues that the best way to achieve success is through collaboration of the teams through a "cross-functional dialogue". When the participants of a corporate diplomacy strategy have different skillsets and areas of specialization, it can create synergies through sharing of information. To do that, Henisz (2016) proposes a "management by walking about", which consists in using high-ranked executives who have decision-making power to participate in the discussions with other employees to avoid what he calls managerial isolation. Incentivizing communication horizontally (through departments) and vertically (through hierarchy) enables effective feedback and better understanding of the issues at hand. Rotation can offer a broader technical skillset to the corporate diplomats, by creating a self-nurturing environment leading to more efficiency.

Other difficulties faced by corporate diplomats can be a lack of autonomy, not being able to take initiatives and act proactively because of the internal rules of the company. This rigidity can be very costly if it ends up preventing them from diagnosing dangerous market trends. Other complications can stem from the high number of external stakeholders exerting different types of pressure on the company, making it hard for corporate diplomats to have a transversal activity and reach all of them.

But the biggest challenge relies in the personal relationship to develop with the external stakeholder, requiring very developed interpersonal skills. The external stakeholder, especially elected officials, is necessarily suspicious when being approached by a company. A specific know-how is required in the manner to get in touch and bring up the issue that concerns the company, without appearing solely focused on one's vested interest. Boutilier (2009) recommends an approach that promotes reciprocal communication and sharing. He stresses the importance of the understanding of local customs to avoid any type of offense.

A very important thing to achieve is to manage to tie personal bounds to get closer to the external stakeholder on an individual basis, such as common interests that can be a basis of a nascent relationship. Sharing life experiences and personal stories is a good way to do so (Zandvliet and Anderson, 2009). When approaching an external stakeholder, it is important to understand his

way of thinking and functioning and to adapt accordingly. At the end of the day, corporate diplomacy is a combination of art and science. External stakeholders are human beings and therefore react with emotions, subjectively. The ultimate goal is to reach trust for healthy cooperation afterwards (Deephouse, 2000; Diermeier, 2011; Fombrun, 1996).

But most importantly, corporate diplomats must show authentic interest in the objectives of the interlocutor. It is important to show that corporate diplomats are aware and care about the issues that matter for the external stakeholders as well as knowing how to address, or at least helping to address them. Henisz (2016) takes the compelling example of Chevron in Angola which helped the local authorities to achieve political stability. Even if everyone conspicuously knew that Chevron was not acting selflessly and that it probably was seeking a social recognition behind its efforts, the action itself represents a gesture that could represent a turning point in a relationship.

### E. Other current challenges in corporate diplomacy: proving its financial impact and benefits

One of the main current challenges about corporate diplomacy that sometimes can be the source of critics is the difficulty to precisely measure its impact and benefits. The difficulty is to analytically determine a valuation of the strategy itself, like any other, from a financial perspective. The objective of doing that is to determine its Return On Investment (ROI) and its Net Present Value (NPV) to conclude on its reason to be or not. Even if it never will be possible to completely transpose corporate diplomacy into numbers because of its qualitative essence, Henisz (2016) applies valuation techniques from corporate finance theories to give a framework to work on.

Attempting to quantify corporate diplomacy is an intelligent way to prove its relevance. Indeed, it is this pragmatic demonstration that will help give credibility to corporate diplomacy, because numbers usually speak for themselves and are undeniable proof of success. Other non-financial indicators can be used in that regard, such as measuring the progress with external stakeholders to see how the strategy has been performing. The quality of the relationship with these individuals can be evaluated, e.g. with the number of meetings.

Despite the growing importance of corporate diplomacy in the world, non-market strategies are sometimes considered as an expandable cost because they usually do not bear fruits immediately, and when they do, it is difficult to make a clear connection between the cause and the result. Therefore, some cost-cutting strategies in bad economic times can be an impediment to

the own corporation itself if they imply lowering corporate diplomats. Amann, Khan, Salzmann, Steger (2007) warn of this short-term vision that encompasses other expenses whose effects are not easily distinguishable. Corporate diplomacy belongs to the category of costs that are not well-known and therefore often misunderstood.

Henisz (2016) also points that the budget allocation to corporate diplomacy should be decided differently than traditionally, because these strategies are built on the long-term and need constant resources to maintain the relationships. On that account, corporate diplomacy's budget should be decided on intrinsic indicators related to the need of funding that those strategies demand, rather than on common financial metrics.

Another current trend in corporate diplomacy is the benefit it can represent for the nations themselves. It is interesting to take a look at the objective and desired outcome that corporate diplomacy strategies can have for the home country (where the multinationals come from, e.g. France). Kolesnicov and White (2015) support the argument according to which companies abroad conduct "nation-branding" strategies, backed by the countries themselves. In return for the help of their respective governments on several levels, companies are incited to convey a positive international image of their country. Social media plays an important role in that regard, because they are the platform where companies communicate.

## F. French management style

For the purpose of this study, is important to mention the past literature showing the link between cultural singularities and management methods. Hofstede (2001) shows how culture and national customs impact the way managers lead their businesses, and influence the relationships between members of corporations. He proposes several indexes evaluating how culture shapes the internal life of groups, among which the Power Distance Index and Uncertainty Avoidance Index. When studying French structures, the results designate high measurement for both of these cultural dimensions, which means French people tend to concentrate power (autocratic style) and pre-determine the role of each member in a group to avoid unpredictable events. French institutions have a historically strong centralization that can explain this hierarchical aspect (e.g. Napoleonian structures).

**Figure 5** – Hofstede´s mapping of countries: Uncertainty Avoidance and Power Distance Indexes



Accept less inequality – **Power Distance Index** – Accept more inequality
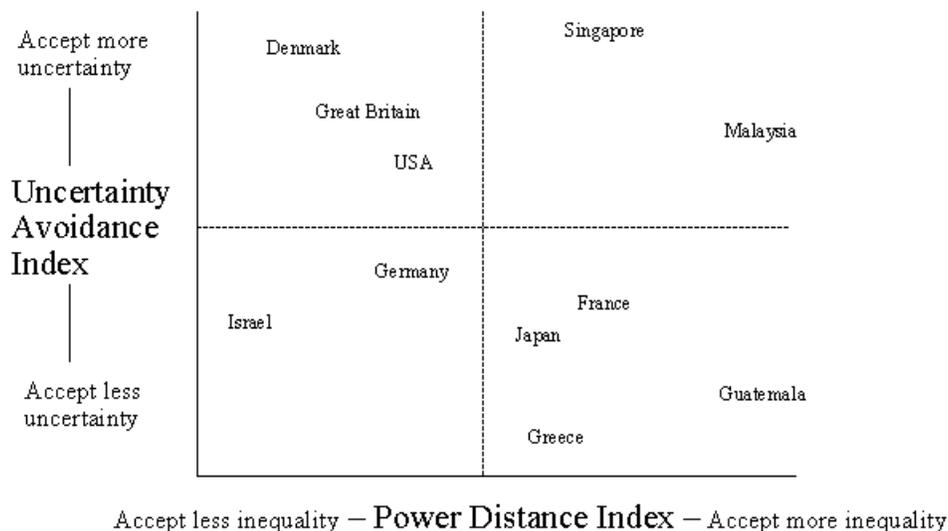
Source: Cushing, B. E. (1987). *Accounting and Culture: Plenary Session Papers and Discussants' Comments from the 1986 Annual Meeting of the American Accounting Association*. Sarasota, Fl: American Accounting Association.

Meier (2006) explains that, when it comes to French day-to-day business activity, it involves keeping within close committees the decision-making discussions. Hall and Hall (1990) demonstrate that this is due to the willingness to supervise everything and to the difficulty to delegate major tasks that require to take important decisions. French managers are not comfortable in receiving actions plans and apply them without taking the time of inspecting all aspects. Leadership is a major element of how French companies operate because of the legitimacy the leader has, whether due to his experience or competences in his field.

These cultural features have impact on the internal organization implemented in French companies. D'Iribarne (1989) highlights the pyramidal structure putting forward the role of the leader and the consequential distance between the top management and the rest of the members in the company. Laurent (1983) describes French management style as a rigid system that limits decision power of employees not belonging to the small circle of top executives, considered as subordinates. He shows in his study that in French structures, the likelihood to have the leader´s authority challenged is less important, confirming the High Power Distance Index for France

(Hofstede, 2001). The predominance of upper echelons in French companies entails straightforward guidelines which do not give a lot of possibility to take initiatives for lower-ranked individuals. All major decisions are generally taken by the executives, and then communicated for them to execute. The typology on leadership styles established by the International Institute for Science, Technology and Education (IISTE, 2015) shows that the benefits of autocratic management are enhanced discipline in the tasks assigned and effectiveness when having clear goals in mind with deadlines to respect. In corporate diplomacy, since timing is a major stake, it can prove to bring success to the strategy when used thoroughly. However, Allio (2016) reminds that leaders also need to monitor operations constructively in order to create a momentum and a shared identity in the organization serving a common purpose. Managers therefore must find a balance between authority and inclusive approach to maximize the performance of the overall group. Von Bergen and Bressler (2014) insist on that aspect, explaining that leaders sometimes fail to put themselves in their employees´ position, and do not reflect on their own improvement potential.

Another trait of French managers that has been noted in past academic literature is their technical reasoning and background. Lewis (1996) noticed that decisions from senior employees in French firms are logic-driven and are generally following a well-thought of rationale backed by analysis of data and objective argumentation. This preciseness can be found in the words and expression they use, that are always aiming at describing phenomena with most details to avoid confusion and promote clarity in the discussions. In their interactions with external stakeholders, Lewis also noted the French managers tend to put the emphasis on the long-term bonding rather than prioritizing short-term success.

Barsoux and Lötscher (1991) stress out the fact that most high-ranked executives in French companies have a strong technical background, as engineering schools in France (the flagship one being Ecole Polytechnique, a military elite school) produce more and more managers. They detail that, out of 100 French Chief Executive Officers (CEO) studied in France, there were 28 Polytechnique alumni. The role played by the educational system and the elitist *Grandes Ecoles* in the French corporate vision is therefore particularly salient. Author's impressions when interviewing French managers indicated that French executives are smart individuals who focus on providing practical solutions. The interviews underlined the strong reproduction of the elite in France, pointing out the intellectual proximity between the public administration and leaders of

the biggest companies of the country. Clark (1983) also show this strong concentration of similar backgrounds among high-ranked executives in French corporations and stresses the over-representation of a few number of schools which educate the leaders of private and public entities.

Since high-ranked executives are considered to be the most skilled and deserving of this position thanks to their intellectual capacities, their leadership should not be questioned because they have the most appropriate background and experience to give thoughtful recommendations on the path to follow for the corporation. Barsoux and Lötscher (1991) also noted the longevity of career development in France, higher than in other countries, that makes faithfulness to institutions an additional trait of French managers.

Thanks to their competences, François Pitti (2011) argues that French companies leverage their good reputation to be ambassadors of the country abroad and therefore participate in the national diplomatic strategy as well. He argues that the acknowledged skills of French companies is a way to promote the country, which helps them create partnerships and win important contracts. A certain reciprocity therefore exists between the French states that support national firms through public funding. This "Marque France" is definitely used by French companies abroad, especially in emerging markets where the European Union countries has lost its economic influence to the benefit of bigger economies like China. Henisz (2016) specifies that corporate diplomacy is even more important is those areas of the world, because of the weaker political and social institutions.

III.    **METHODOLOGY**

## A. Participants

The target population of the research study encompasses the globality of French corporate diplomats who are based in Brazil, and working in big French MNCs. The French community amounts to 30,000 people in the country where close to 850 subsidiaries of French companies are present according to France Diplomatie (2017), the official entity from the French government. Given these numbers, we can evaluate the number of French corporate diplomats (based on the definition given previously) to a few thousands of individuals. The research, aiming at exploring their methods to conduct corporate diplomacy strategies, show that similar features observed could be applicable to this target group, drawing patterns from the inquiry.

The process to select participants began by short-listing potential individuals, using lists of French executives made by the Consulate of France in São Paulo and the French Chamber of Commerce. After having met with a diplomat in charge of economic affairs at the consulate, we were able to single out the most relevant profiles according to pre-defined criteria. These characteristics included holding a position of responsibility in a significant French MNC based in Brazil, having a background in the country and whose position involved being actively working with corporate diplomacy strategies. The sample procedure also intended to include individuals from different industries, preferably where regulations and external actors have deep influence on the market (e.g. energy, construction, food & beverages). This way, the research sample was chosen representing a large and diverse population to which the findings are most likely to be applicable. We then reached out to the potential participants presenting the research study purpose on corporate diplomacy and decided to interview the ones who accepted to meet, amounting to 7 individuals. Most of them are based in Sao Paulo, because of the high concentration of French companies in this city and also due to its business weight in the country.

**Table 1**: List of Interviews – A Study of French Corporate Diplomacy in Brazil

| | Age | Gender | Position in the Company (Brazil) | Sector of the Company | Time spent in Brazil | Location of the Interview |
|---|---|---|---|---|---|---|
| **Interviewee 1** | 48 | Masculine | General Delegate | Construction | 4 years | Firm's HQ (São Paulo) |
| **Interviewee 2** | 38 | Masculine | CFO | Advertising | 7 years | Phone interview |
| **Interviewee 3** | 55 | Masculine | Director of Institutional Relations | Cosmetics | 12 years | Firm's HQ (Rio de Janeiro) |
| **Interviewee 4** | 58 | Masculine | Director of Institutional Relations | Retail | 12 years | São Paulo |
| **Interviewee 5** | 29 | Masculine | Project Manager | Hotels | 5 years | São Paulo |
| **Interviewee 6** | 57 | Masculine | PR Director | Automotive | 5 years | São Paulo |
| **Interviewee 7** | 49 | Masculine | CEO | Corporate services | 5 years | São Paulo |

## B. Instruments

The instruments used for the study were individual and semi-structured interviews with the chosen participants. The content of the interviews was prepared beforehand in an interview guide, constructing a list of short questions that addressed the way they approach and tackle corporate diplomacy issues in Brazil. We chose to put the emphasis on what constitutes the differentiation of French corporate diplomats' methods, trying to understand the specificity of their methods and discussing with them how they view their approach compared to other nationalities, using the literature review to be able to have a basis of the conversation on that topic. The questions also intended to address subjects linked to recent findings and relevant research in the area of corporate

diplomacy, mentioned in the literature review and on which further research was deemed relevant. The focus of the questions was to discover if the personality traits of French managers noted by previous academic studies were found in the chosen participants, regarding the internal organization (importance of hierarchy), the homogeneity of backgrounds, the technicity of their skillsets, the type of training they go through and the distinctive methods they employ in their corporate diplomacy strategies.

The questions were composed of two types: background-related questions (time spent in the company and in Brazil, education etc.) and empirical questions linked to corporate diplomacy strategies (practical experiences involving actions, reactions, interactions, role, opinion etc.). This second type of questions mostly took the form of "how", "why", "what" interrogations, in order to let the interviewees express themselves with extended responses, and to allow them to tackle topics they thought relevant to add to the discussion, following the interpretative research method according to which social experiences shape  visions and points of view in a subjective way.

## C. Research Design and Procedures of Data Collection

This study aims at exploring the methods used by French corporate diplomats in the development and implementation of their strategies in Brazil. Two things must be analyzed in that regard: the specificity of the French corporate diplomats' methods as well as the impact of the local environment on the best approach to adopt. Brazil indeed is a very distinctive business environment and thus forces corporate diplomats to behave a certain way. The unit of analysis is therefore the practices used by them to carry out their strategies and to reach their objectives, focusing more specifically on their relations with external stakeholders and on what makes their methods distinct from other corporate diplomats. As this study is a qualitative research, the methodology required this flexible section in the interview to dig deeper in the underlying trends and key elements of corporate diplomacy, by developing some specific points in an open-ended conversation with each participant. Every experience is unique and subjective and thus was treated as such through a narrative analysis, according to Saunders et al. (2007). The same basis of questions was used with each interviewee in order to put them on an equal footing as well as having the possibility to later compare their responses and argumentation.

The objective was to make empirical observations during the interviews and using the research findings collected to find out if patterns could potentially be constructed among the different interviewees, making parallels and comparisons between what was discussed in each of them, and between interviewees' personalities and backgrounds. This inductive methodology implies proposing patterns based on the research material and applying them to the target population (Thomas, 2006).

The data collection was achieved through interviews processes carried out during the months of June and July 2018, in São Paulo and Rio de Janeiro (Brazil), either directly at the office of each interviewee, or by phone when their schedule did not allow them to meet personally. They lasted between thirty minutes and one hour. Given their nationality, the interviews were performed in French and transcribed later in English for the purpose of this research paper. In total, 7 interviews of French executives were conducted. In each of them, the discussion focused on the problematics of each company and sector relatively to corporate diplomacy, and the methods to overcome these challenges in Brazil.

Through the different interviews performed, the research material was collected in complete confidentiality because of the sensitivity of the topics at hand. This insurance of anonymity was also a way to incite them to open up and talk about their actual experiences and backgrounds, which is the core of this empirical research, and also insured more reliability of the data collected. The facts reported during the encounters were written down and/or recorded on an audio tape (depending on the person's preference), which allowed to have a full set of data needed for the analysis later.

At the beginning of the interviews, a short introduction on corporate diplomacy concepts and definitions was given to the interviewees to present the concepts and to make sure of their awareness and understanding of the research topic.

## D. Data analysis

After having collected the research material, the analysis was performed following a thematic content methodology. It implied coding the data of every interview, considering them separately to highlight the most stressed out themes, and examining the degree and frequency of

each of them. The analysis of the interview transcripts thus involved reducing the data to these common themes (Nowell et al., 2017).

In a second step, the interviews transcripts were analyzed as a unit in order to search for broader patterns and construct a potential framework, looking for similarities between each participant. The themes were thus confronted to build theoretical models applicable to the broader target population. The goal was to explore raw data from individuals and put them together in an interrelation process. From those comparisons could be drawn patterns on the behavior of French corporate diplomats in Brazil, grounded in the data set collected (Creswell, 1998). The following themes were significantly noted in the findings and were defined as the patterns of this research.

# IV.  RESEARCH FINDINGS

## A.  Technical expertise from French industry leaders in a ponderous Brazilian business environment

One pattern that appeared in most of the interviews conducted is common desire from French top executives to participate in finding solutions to dysfunctional aspects of their respective markets, often linked to regulatory constraints. In order to achieve that, they all expressed their commitment to have a dialogue with the local authorities in order to make progress on a certain number of issues.

To support their argument, most of them mentioned their previous experiences that give them business credibility and proof of reliability to suggest possible changes to reach smoother economic conditions. What the research findings also show is that most of French executives all have the perception that regulation in Brazil is very complex and not adapted to markets, as if the regulators did not really measure the impact of the legislation they vote and implement. Therefore, French corporate diplomats try to have a role in this influence game, working with legislators to help guide in the direction they deem to be the best, as well as actively reacting to the multitude of rules when they are restricting their business in a difficult manner.

This reasoning them to pursue discussions and demonstrate the relevance of the propositions they make. This pattern, observed in all of the interviewees' responses and arguments, seem therefore to be one of the main characteristics of French corporate diplomats' practices. As described in past literature on French managers, they are usually experts of their sectors and therefore have a big input to provide thanks to their long experience: all interviewees demonstrated a strong envy to inform both the public opinion and the regulatory authorities of their knowledge of the market to make their voices heard and put it to use in Brazil, in a constructive approach.

For instance, Interviewee 1 argued that corporate diplomacy is not only a mean of promoting his firm's interests even though he did not deny that it was obviously the main purpose of the strategy, as he possesses the fiduciary duty towards the shareholders of the company. However, he insisted several times during the interview on the importance of using these strategies to guide the topics debated toward a good outcome for the country as well. He provided concrete examples in relation to the construction sector, citing for example the advocacy of more regulation

toward isolation building material in order to improve the energy efficiency in Brazil, and reduce the waste that is currently enormous. Such a measure is in the interest of the company which sells isolation products, but he defends his position arguing: "I am not going to tell you otherwise, because that would not be true. But we do select projects to fight for in which we believe in and from which everybody will benefit from at the end of the day".

Such attitude repeatedly occurred during the interviews, putting forward the difficulties of leading a business in Brazil due to a tough regulatory environment and demonstrating the negative impact of legislations on the macroeconomic scale. It turns out that the French executives interviewed during this process all prioritized this approach, not only because of its pertinence, but also because of their knowledge and willingness to share and improve the current situation through their respective business operations. Seemingly far from being easy to achieve, most of them admitted to sometimes not understanding some regulations that are voted and implemented, evoking a lack of common sense. Interviewee 3 mentioned the "administrative machine" which can create some norms that are imposed and must be respected by all the market players. In addition to the regulations themselves, he insisted on the complexity of having to deal with a multiplicity of individuals, that can create confusion in the corporate diplomacy decision-making process.

Working in a food retail distribution company, Interviewee 4 was probably the one who felt the most those uneasy conditions. He referred to the chronological changes in the past twenty years in Brazil that led to this high level of constraint for companies, going from low sanitary rules to very restrictive ones in a short period of time. He assesses this awakening of public authorities positive in some manner for the sake of consumers' protection, but truly believes that it reached an exaggeration that happens to be unproductive for all economic actors today. As a way to illustrate this frustration, he mentioned the rule requiring the systematic cleaning of wagons in distribution centers after each utilization, which seems obvious in theory but is very hard to achieve in practice given the considerable amount of time this process takes.

Interviewee 5 similarly gave an example of what he deemed to be a precipitated and arbitrary measure, regarding the necessity to have a certain ratio of rooms in all hotels adapted to handicapped people (according to the "*Lei Brasileira de Inclusão da Pessoa com Deficiência*"). Not denying the obvious relevance of such measure, what bothered him was the high quota decided by the legislators, apparently much higher than the actual proportion of clients needing this

accommodation (10% of rooms now must respect the norms, whereas approximately 1% of clients in hotels are handicapped, according to his statistics). He believes that the people in charge, in congress and in the commission proposing the law, did not carry out a sufficient study on the commercial and technical sides of the problem. He qualified this as a symptom of the legislative amplification that has been taking place in the past decades in Brazil, implying promulgating laws before making sure the above-mentioned measure makes practical sense, and before consulting the professionals of the industry.

The different levels of implementation of norms (federal, state and local) create a real burden of paperwork, requiring approvals from various government agencies for any administrative task. The World Bank ranked Brazil at the 126th position out of 183 countries in its list measuring the local business environment, illustrating the difficulties companies must go through when operating on Brazilian land (BBC News, 2012). This lack of organization is felt deeply by all business actors and several of the interviewees declared discussing macroeconomic problems with government officials and legislators, such as the lack of funding in education and for investments.

Using their technical skills, French corporate diplomats give rational recommendations they would rather see that current regulations they deem are hurdles to the Brazilian economy. It matches the description stemming from past studies on French management style which suggest French executives are very rational and prioritize pragmatism. On investments, Interviewee 1 talked about the macroeconomic error of neglecting infrastructures and Research and Development (R&D) for instance. He went back to the roots of the deindustrialization of Brazil experienced during the recent commodity. One can see that the share of the industrial sector decreased from 40% of the GDP to 20% in 2016 (World Bank, n.d.). This trend has strengthened the lack of competitiveness of Brazilian industrial companies that are running behind other developing countries. The remarkable growth during the 2000s (due to higher wages and increased consumption) hid the underlying issues of the overall economy, and therefore the true need for these necessary spending. On the long term, those capital expenditures are necessary for a sustained growth. During the first seven months of 2017, public funding represented BRL 16 billion, almost BRL 10 billion less than in 2016, and the lowest amount since 2008 (Folha de São Paulo, 2017). However, funding is not the only problem as one of the main issues is the unorganized governance and poor budget allocation decisions.

Besides these structural problems that participate to the tough economic environment in Brazil, good intentions from local authorities lack sometimes the expertise needed and the knowledge of each specific industry. To cope with this, all interviewees demonstrated to have a very proactive behavior when facing Brazilian bureaucracy and low productivity, which will be detailed in depth in a next pattern. It proves that French corporate diplomats understood how to efficiently lead non-market strategies, fulfilling the skills what Ruel and Visser (2012) recommend developing. They tend to push for alleviation of regulation, but always with a broader goal in mind, and not only to achieve a competitive advantage that would have the unique purpose of benefitting them.

On this topic, French corporate diplomats are very similar in their way of tackling the problem. When asking about other French corporate diplomats, they usually responded that their contacts with other French firms all pointed in the same direction and methods. Among several work groups where French executives meet, they are able to share and agree on common strategy in their talks.

## B. The impact of the French management style on corporate diplomacy modus operandi

As showed in previous research studies mentioned in the literature review, the French education system has an impact on the way French corporations are managed internally. Since corporate diplomacy strategies are usually determined by the top executives, this way of thinking applies to that field as well. The findings show, through the words and verbal expressions used by interviewees as well as the reasoning developed in their arguments, a lot of similarities and like-minded ideas. Another relevant element that also confirms the "expertise pattern" is the fact that most of the interviewees have a long experience in their respective firm or at least industry. Interviewee 2, as an example, spent seven years in Brazil and was previously in charge of the Latin American section of the company (amounting to fifteen countries). These high-skilled individuals hold such positions in French MNCs of that size and usually lead with a very vertical management style that differs from the American one, for example, which is more transversal, and gives more importance to communication skills (Lewis, 1996). The analytical process for any task is usually very important to French executives and the interviews clearly showed that they try to identify the

indicators through long and methodical studies. On the other hand, interpersonal skills are less valued than for American executives, and is not the point of focus for them.

The fields where France has been excelling for many decades and where the country is ranked among the best in the world are highly scientific and with considerable added value. With companies such as Thales and Dassault, whose expertise are acknowledged internationally in the defense sector, one can better understand the impact that technical predominance has on the French management style. Not only in the defense sector, French expertise is also true in the environmental field, with firms leading innovation like Engie and Total. Interviewee 6, who works in the automotive industry, particularly focused on the help French companies can provide on the technology challenges that are self-driving cars and reduction of pollution in urban areas. Far from substituting public investments, they aim at accompanying the evolution of Brazil to more efficiency, and in Interviewee 6's case, toward cleaner and more intelligent mobility.

### C. Top-down and hierarchical internal organization

The above-mentioned management style necessarily implies some sort of verticality in the corporate organizational structure, which was clearly perceived in non-market strategies discussed during the interviews. As exposed in the literature review, the internal pyramidal structure which is salient in French companies, puts the "*Président-Directeur-Général*" (PDG), equivalent title to a CEO in France, at the center of the decision-making process. This status is very revealing of the power that one single individual exerts within a firm, overemphasizing the omnipresence of the CEO. He is the one determining business priorities (which corresponds to one of the most important elements in corporate diplomacy).

Interviewee 3 is a very good example of this type of French management "top-down" style: his background is very representative of a high-ranked executive, having spent nearly thirty years in the company (he is a member of the executive committee), and holding a high position within the French business community in Brazil. He explained in a very clear way throughout the interview that his key function, Director of Institutional Relations, was reserved to persons with his profile and experience, as it is the case in most big French companies.

Whereas most employees are Brazilians in French MNCs present in the country, French executives having this similar background and education usually are the ones giving the guidelines

within the corporation, including corporate diplomacy strategies. Most of the interviewees and French executives come from the French elitist system mentioned in the review of past research, which shapes the minds and makes them technicians ("technocrates" in French), meaning people who are very thorough and informed intellectually on their industry. Besides that characteristic, it is important to underline that technicity is not sufficient to be a good corporate diplomat and that the interviewees also show strong knowledge of the local environment and the appropriate stakeholder engagement to have. Beyond his technical background, it is interesting to mention that Interviewee 3 also received a legal education, an element that was found several times for other interviewees. Since the top management usually leads the corporate diplomacy strategy, a good understanding of legal issues is a necessity in order to respond accordingly, in all sorts of situations.

Interviewee 4 took a very compelling example that illustrate this verticality in the management type that he calls himself "*gouvernance fondamentale*", or fundamental governance implying very centralized decisions: he explained that corporate diplomacy issues which are spotted in Europe are directly transmitted to the other offices in the world of the same firm with the instruction to look into them and see if the potential negative impact could be true in their markets as well. He mentioned the law on protection of personal data of consumers to explain that, since Europe is way ahead of Brazil on that topic, a future corporate diplomacy concern should be to exert a clout on the coming legislation discussions. Data represents nowadays a huge wealth for MNCs as they provide a complete classification of profiles of consumers, remembering their preferences and behaviors. As this regulation is not yet developed in Brazil, anticipating it could help create a competitive advantage for the company that succeeds in its corporate diplomacy strategy.

## D. Restricted number of corporate diplomacy actors

Interviewee 1 largely focused on that theme during our open discussion, explaining that the employees responsible for leading corporate diplomacy strategies had to be very well informed, experienced and skilled to handle those technical topics involving legal norms and complex legislations. Once again, this pattern seems to be intrinsically linked to the vertical French management style, and the tendency to concentrate all responsibilities in a few skilled individuals. The interviews confirmed the high Power Distance and Uncertainty Avoidance Indexes noted in

French managers: most participants showed their capacity to supervise a large number of operations at the same time. French corporate diplomats are piloting the end-to-end strategy, in order to limit the variables and to minimize the number of potential mistakes that could put the whole firm in jeopardy. French executives tend to want to oversee the principal tasks and consolidate the decision power in the hands of a few individuals. This aspect closely linked to French management style was clearly found in the corporate diplomats interviewed.

Discipline is thus a very important factor: Interviewees 3 and 6, both of them handling PR strategies of their respective company, stressed out the attentiveness in the implementation process to avoid *quiproquos* that could harm the reputation of the company through different networks such as social media. Interviewee 1 insisted on the necessity to convey a "clear, thorough and precise message" in their communication strategy. On these sensitive topics, the selection of corporate diplomats is very restrictive. For instance, Interviewee 4 talked about his necessary and constant leadership in many areas, closely working with his corporate affairs and legal departments which include a relatively low number of employees.

### E. Strict compliance guidelines in a very sensitive business environment

Several of the interviewees indeed mentioned their preoccupation about corruption accusations which can deeply impact a corporation's image and therefore brand equity.    After the various scandals that emerged in big companies in Brazil (especially with Petrobras with the *Lava Jato* involving the ex-president Lula and the bribes offered by Odebrecht), French companies seem to be taking this peril very seriously, therefore shaping their corporate diplomacy strategies accordingly. The extreme caution expressed by some of the participants on lobbying suggests a general vigilant attitude taken by French corporate diplomats in Brazil. Sensitive topics linked to political stakes create a risk that is deemed not be worth the eventual benefit. They at least set uncompromising limits on lobbying activities to avoid any kind of misunderstanding that are possible to blurred lines between politics and corporations that exist in that area in Brazil.

### F. Carefully selected PR projects, including explicit business goals

What came out clearly out of the interviews was the willingness from French corporate diplomats to lead thoroughly selected strategies and cherry-pick projects that bring most value to

the firm, and containing less risks. Interviewee 1 explained this decision-making process as a financial risk-adjusted return with a very rational vision of his mission. He mentioned sustainable development projects in the Amazon region of Brazil that his company sponsors, explaining the economic rationale behind it: a rightful allocation of resources        directed at bringing a financial yield. Regarding the budgeting, Interviewee 4 put forward the calculated forecasted costs assigned to each project to illustrate his economic coherence.

Since a lot of associations and NGOs are soliciting the help of such big corporations, Interviewee 1 explained that, as the top executive of the firm, he is obliged to select the most compelling both for the firm, as for the communities that could be helped. They also aimed at increasing their legitimacy capital, having understood that supporting causes associated to positive actions can bring financial benefits as well as intangible ones like reputation improvement. This aspect is indeed nowadays one the most valuable assets for any international and exposed corporation. Interviewee 1 also confessed always putting forward the economic benefits of his company's activities in Brazil (e.g. job creation, value added offered to consumers through quality products) to build up a solid corporate standing that is important in the eyes of external stakeholders.

PR strategies are therefore strongly embedded to the overall economic strategy of the company. Interviewee 3 used the term "Chief Reputation Officer" to describe his complex and transversal mission and cited four core business objectives that his unit his pursuing: communication, sustainable development, strategic negotiation, and public affairs. All of these are intrinsically interrelated and that is why he said all converge toward the creation and, above all, the preservation of the company's reputation. The four elements that he brought up address a very large number of topics and stakeholders and make his job the center of the coordination of all corporate diplomacy strategies.

French corporate diplomats tend to continually attempt to be part of the discussion in which they sense they can have an input, and that can also bring some sort of material or immaterial profit to the company. But they do not want to be perceived as individuals soliciting favors and want to avoid attracting attention and scrutiny when it is not necessary. Interviewee 1 stressed this point particularly, explaining that a good corporate diplomat knows which topic really matters to the company, and when to intervene by allocating all necessary resources only to major projects. He explained that doing so enables to be more effective on the chosen topics and to keep credibility

when negotiating with external stakeholders. This approach seems to be French-specific since all interviewees, at different degree, mentioned the fact that their corporate diplomacy strategies are thoroughly aimed at relevant topics for each company, instead of far-reaching endeavors. It also matches the traits perceived in past literature on French managers, describing them as very precise and result-oriented.

Interviewee 1 evoked other styles from different countries that appear to focus on different aspects, such as American executives who tend to be more predominant in all discussions as a way to maximize their influence, while being less productive on the operational side. This can appear as a general cultural management discrepancy in how to conduct corporate diplomacy.

### G. Proactive behavior of French top management with external stakeholders

The interviews showed that the top-management in big French MNCs tends to tie bonds with Brazilian local authorities (such as municipalities) with a very go-ahead conduct: they usually attempt to create strong relationships with these key people because they are the ones holding the local power and the implementation of norms. The previous objective mentioned, transmitting the expertise of French "technocracy", therefore has a prerequisite in the construction of a network of relationships from scratch (since their arrival in Brazil) to later leverage this network in carrying out their goals.

Interviewee 1 explained for instance that, since corporate diplomacy requires consistency, it is important to be regularly in touch with external stakeholders. He gave several examples, such as lunch meetings with ministers in Brasilia, close ties with members of the Fiesp (*Federação das Indústrias do Estado de São Paulo*), and frequent encounters with central bank officials among others. He specified that the selection of the external stakeholders (or the mapping-out) is more important than the absolute number of people to be in contact with. He mentioned the necessity to be the first ones to address the problems when directly affected by them. Interviewee 2, working in advertising services, insisted that since his industry is based on calls for bids made by public entities, the contact with mayors and local legislators is a priority. Interviewee 3 also evoked this strategy, admitting that corporate and human resources are needed where legislations are decided, once again favoring anticipation, that is more comfortable that the hurry of a sudden reaction.

**H. The French community and network in Brazil is an asset used by French corporate diplomats**

As the French business community is in constant contact through various events and structures created for this purpose (such as the *Câmara de Comércio França Brasil de São Paulo*, Business France, French Tech São Paulo and other entities led by the consulate or the embassy locally), the top management executives of big French MNCs frequently meet up to discuss these topics, reinforcing this ecosystem and similar way of executing corporate strategies. The French network therefore influences internally their vision of corporate diplomacy. France leverages its official diplomatic entities to support French companies abroad and this political willingness can be seen through this state´s bodies serving as vehicles and intermediary of negotiation for business goals.

Besides the support that the country provides to its national companies in Brazil, a certain reciprocity exists: the French government also finds an interest through a positive image conveyed by French companies, in helping Brazilian authorities in the country, notably trough the expertise offered on technical topics as mentioned previously.

**I. Use of external structures by French corporate diplomats**

The majority of participants referred to this common theme: besides unilateral discussion with external stakeholders that are obviously needed, it is often in their interest as well to be seen as a united force along other actors when discussing regulations. Joining forces can provide a stronger negotiating power: Interviewees 3 and 5 specifically mentioned being regularly involved with a multitude of professional associations and syndicates. Working in the highly-regulated hotel industry, Interviewee 5 insisted on the importance of having groups gathering the big market actors in order to better cope with regulatory authorities (for instance the *Fórum de Operadores Hoteleiros do Brasil*).

Furthermore, French corporate diplomats are able to admit when a topic is better handled by local people who have an expertise on it, in order to maximize the likelihood of a positive outcome for the company, showing once again that rationality prevails for them. Interviewee 3, for instance, explained that his unit often included specialists of each area that are Brazilian-born and educated, because they are the most qualified persons to achieve this objective. If not directly

employed by the company, they can be private consultancy firms that master the given issue and that are hired for these specific purposes. Interviewee 2 mentioned legal issues that frequently require a very deep knowledge. For these affairs, he said that the company did not hesitate to hire specialists because they give priority to the best experts to handle sensitive topics.

**Table 2** – Summary of Findings with Degree of Importance of each Pattern - A Study of French Corporate Diplomacy in Brazil

|  | Will to solve regulatory dysfunctions | Hierarchical internal structure | Carefulness regarding lobbying | Rationality and result-oriented attitude | Proactive behavior with external stakeholders | Uses of external structures (incl. French community) |
|---|---|---|---|---|---|---|
| **Interviewee 1** | Highly important | Very important | Important | Very important | Very important | Important |
| **Interviewee 2** | Very important | Important | Important | Important | Very important | Important |
| **Interviewee 3** |  | Important | Very important | Very important | Very important | Very important |
| **Interviewee 4** | Very important | Important | Very important | Very important | Very important (especially on the reaction side) | Very important |
| **Interviewee 5** | Very important | Very important | Very important | Important | Very important (especially on the regulatory side) | Very important |
| **Interviewee 6** | Very important | Important | Very important | Important | Very important (focus on anticipation capacity) | Very important |
| **Interviewee 7** | Very important | Important | Highly important | Important | Very important | Very important |

## V.   CONCLUSIONS

The analysis of the findings, following the inductive research methodology, leads to the definition of several clear patterns drawn from the observations made during the different interviews, whether in the background, behavior, actions, or arguments developed by the participants.

French corporate diplomats in Brazil first seem to have grasped the importance of current corporate diplomacy stakes in today´s business world that requires a very developed anticipation capacity as well as a proactive behavior. They are aware of the impact that external stakeholders exert on their companies and take it fully into account when determining their corporate strategies. They certainly possess "sensemaking" competences (Henisz, 2016) to detect relevant indicators, as well the ability to prepare the field beforehand to achieve damage control when being threatened by regulatory projects, or PR scandals.

They have an "idée fixe" consisting in wanting to contribute to the improvement of the local business environment, showing that French corporate diplomats are deeply influenced in their methods by the French management style: the latter could be defined as rational-driven and very technical. Most of the interviewees are pundits of their industries and are particularly skilled in technical fields. Their focus lies on attempting to solve the Brazilian bureaucracy problem that represents a big impediment for business actors, as well as carefully selecting their strategies that are most vital to the company´s well-being, putting forward CSR projects that are complementary with their economic interests.

They also opt for result-oriented and vertical internal organization and implement their strategies pragmatically to achieve maximum efficiency, which is an aspect noted in past literature. Their very top-down approach entails a relatively low number of actors involved in the company, at least for the ones having a true impact and responsibilities on the success or failure of those projects.

Their *modus operandi* includes tying strong relationships with Brazilian regulators that they continually fuel, in order to have a stable and trustworthy basis to communicate on valuable topics on which they can bring their expertise and knowledge. They appear to have chosen the consensual approach for most of their corporate diplomacy strategies, playing the card of the "good citizen". That way, they place themselves in a constructive position that allow them to take part to

the discussions where they can offer thoughtful recommendations. However, they take many precautions to avoid at all costs any possibility to be linked to corruption, and therefore limit their lobbying activities.

These patterns seem to be self-nurturing themselves and stem for most of them from this French management style based on hierarchy, technicity and rigorous education and background. The very active French business community in Brazil, organizing recurrent events and communicating on a daily basis, also contributes to the fact that these patterns exist. They tend to share experiences throughout industries about corporate diplomacy best practices, and end up using a lot of similar ones when they made their proof of success.

In terms of limitations of the research, some of the observations made from the interview transcripts might not be exclusively applicable to the target group and could also be valid for corporate diplomats from other countries. Further research could help determine what other groups also embrace these patterns, and which methods prove to be the most effective. Also, although attempting to select a sample that was representative of the target population, it is difficult to assert from a small group and apply these observations as they are perceived because individuals express subjective ideas: for example, the participants are all male and do not represent perfectly the target population. This is because no female corporate diplomat responded positively to the solicitation, although it would have been interesting to add a different point of view within this research.

This research paper being a qualitative study, the findings are based solely on the interviews and do not have statistical evidence measuring the accuracy of data even if all measures were taken to maximize the reliability of the findings.

One method that could help give strength to such a study could be an additional survey based on the findings given to a higher number of participants to be able to analyze a bigger set of data and thus have a more detailed vision of French corporate diplomacy in Brazil.

In order to improve knowledge on corporate diplomacy discrepancies, future research could address comparative studies between nationalities to explore more in depth the differences that exist, as well as the impact of corporate management style on business diplomacy methods (for example taking Japan as a benchmark because of the country´s unique corporate culture).

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# VII.  APPENDIX

**Interview Protocol**

<u>Research question:</u> How do French executives conduct corporate diplomacy in Brazil?

1) <u>Introduction and definitions of core concepts</u>

<u>Corporate diplomacy:</u>

- This concept can be defined as a set of tools used to apply soft power and influence to obtain competitive advantage (Financial Times Lexicon).
- *"Corporate diplomacy is the capability that some major transnational corporations develop to draft and implement their own programs, independent from the government's initiative, to pursue similar diplomatic aims"* (Ordeix-Rigo, 2009)
- "Creating, enforcing, and changing the rules of the game" (Sako, 2016).

<u>Corporate diplomat:</u>

- "All employees of a MNC charged of any aspect of international business strategy and implementation, relations to governments as well as relations with the organized civil society" (Sarfati, 2009).

<u>External stakeholder:</u>

- "Governments can grant or revoke licenses and permits. Legislators, judges, or regulators can shift the scope of permitted actions or the terms of such activity. Communities and non-governmental organizations can mobilize protests that disrupt supply chains, shift consumer willingness to pay, or cause governments, legislators, or regulators to intervene" (Henisz, 2016)

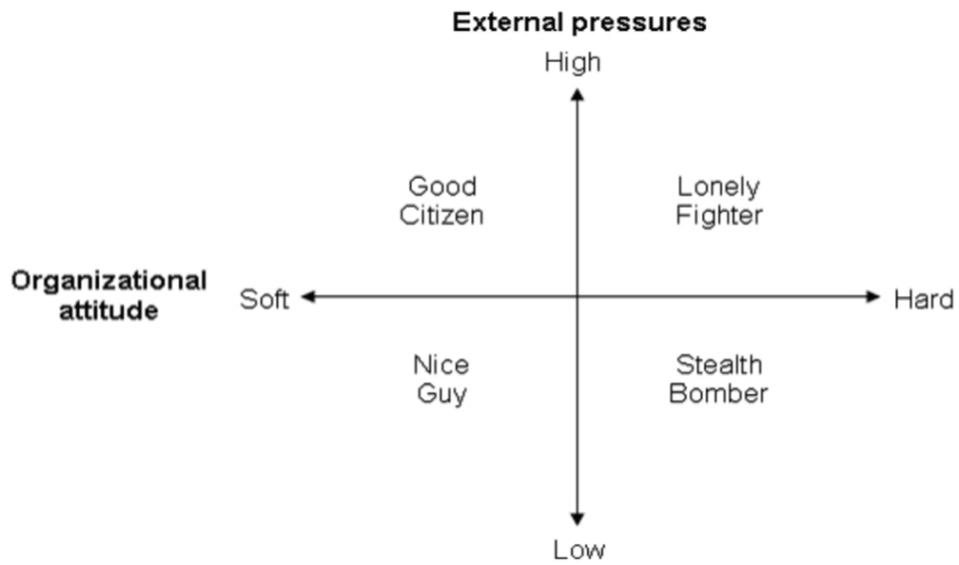2) <u>Demographic questions (characteristics and background)</u>

- Name and last name
- Genre
- Age
- Company and industry
- Official position title
- Time spent in Brazil
- Time spent in the company (detailed if spent in another country as well)

3) <u>Non-demographic questions focusing on topics such as:</u>

- Their vision of the Brazilian economy and anticipation of market shifts
- Their difficulties with the country's regulations and bureaucracy
- Their behavior towards regulatory activities
- Relationships with external stakeholders and personal bonding
- The internal organization and communication within corporate diplomacy strategies in the firm
- The selection, training and backgrounds of French corporate diplomats
- Their view of lobbying in Brazil
- Theirs methods of management vs other countries'
- The French business community and ecosystem in Brazil
- The importance of PR and reputation in corporate diplomacy strategies
- Their perception on their role in the firm and their impact on creating a potential competitive advantage
- The budget decision and the financial measure of corporate diplomacy's outcomes

To all interviewees was asked to attempt to locate their corporate diplomacy approach on the graph below and subsequently to explain why, giving concrete examples.

**Figure 4** – Strategies for Dealing with External Pressures



Source: Amann, Khan, Salzmann, Steger (2007). Managing external pressures through corporate diplomacy. *Journal of General Management, 33(1), 33-49.*)