

FUNDAÇÃO GETÚLIO VARGAS  
ESCOLA DE ADMINISTRAÇÃO DE EMPRESAS DE SÃO PAULO

HANS KRISTIAN HEDETOFT

**CORPORATE DIPLOMACY IN ACTION:**  
Diplomatic Ties of Maersk in Brazil

**SÃO PAULO**  
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Campo do Conhecimento:  
Diplomacia Corporativa

Orientador Prof. Dr. Gilberto Sarfati

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## RESUMO

Durante as últimas três décadas, a globalização tem empurrado empresas em direção a internacionalização, e conseqüentemente essas mesmas corporações tem se tornada instituições independentes parecidas com estados. Estes “estados independentes” precisam de estratégias internacionais coerentes e relações diplomáticas com funcionários da administração pública a fim de acompanhar as demandas desses mercados, criar estratégias para minimizar riscos, e ganhar legitimidade.

O objetivo desta dissertação foi explorar a complexa relação entre o Grupo Maersk e o governo brasileiro e outros atores envolvidos no Mercado de óleo e gás controlado pelo estado. Afim de compreender o processo de diplomacia corporativa da empresa ,entrevistas semi-estruturadas foram realizadas com os indivíduos presentes na cadeia da diplomacia corporativa da empresa .

A descoberta revelou a importância de diplomacia corporativa para a Maersk. Relações diplomáticas pessoais forjadas com entidades representativas e brasileiras são a chave para a Maersk impulsionar seus objetivos. Também mostra a importância das missões diplomáticas dinamarquesa ajudando a empresa a ter acesso a autoridades governamentais.

**PALAVRAS CHAVE:** Diplomacia Corporativa, Diplomacia Empresarial

## **ABSTRACT**

During the last three decades, globalization has intensively pushed companies towards internationalization, and therefore these corporations have become more independent state-like institutions. And as “independent states”, they must have a coherent international strategies and diplomatic relations with other foreign official government in order to accompany these business demands, create risk-mitigating strategies, and gain legitimacy.

The aim of this paper was to explore the complex relationship between Maersk Group and the Brazilian Governments and stakeholders involved in the state-controlled oil & gas market. In order to understand the process of corporate diplomacy of the company, semi-structured interviews were carried out with individuals present in the chain of corporate diplomacy of the company.

The finding revealed the importance of corporate diplomacy for Maersk. Personal diplomatic ties forged with Maersk’s representatives and Brazilian and Danish authorities are key to boost their objectives. It also shows the importance of the Danish diplomatic mission helping the company to gain access to government authorities.

**KEY WORDS:** Corporate Diplomacy, Business Diplomacy, Non-Market Strategy

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## **1. INTRODUCTION**

Corporate diplomacy is quite a new expression, however it has been present for many years since the establishment of the first multi-national companies. Today, global companies can become many times larger and more influential than the nation it comes from, and an example of this is the Maersk Group from Denmark.

The objective of this master thesis is to explore how stakeholders understand the role of corporate diplomacy in the Oil sector in Brazil.

Diplomatic ties between Maersk, Danish Government and Brazilian authorities are explored in six interviews conducted between June and August 2013. This paper is divided in the following manner: first the literature review which explores the most recent articles related to corporate diplomacy, followed by the methodology, the research finding, an in-depth discussion concerning the findings, and a conclusion.

This thesis is relevant because it attempts to explore corporate diplomacy in an emerging market, which is Brazil, and the difficulties encountered throughout these processes. As mentioned by Ordeix-Rigo (2009), today's international corporations are using different strategies to increase their power especially through public relation practices, and henceforth redefining their role as positive and important society-oriented institutions.

In conclusion, through the research finding of this thesis one can observe the growing importance that multi-nationals are giving to their relationships with government authorities and how they are increasing the use of corporate diplomacy as a powerful tool. Furthermore, the interconnections between diplomatic authorities and their corporations in foreign markets is increasing and jointly working to obtain the best results in both political and economic terms.

## **2. LITERATURE REVIEW**

### **2.1 Non-Market strategies**

In traditional economic theory, markets consist of mainly suppliers, clients and competitors. However, the non-market environment is made of social, political and cultural actors that can facilitate or constrain the company. In the traditional market, companies create competitive advantages through resources and innovations, however in the non-market scene a much broader approach must be taken into account.

According to Henisz & Zelner (2012), corporations respond and create strategies to influence the political and social environment in which they are present. Developing and encouraging interpersonal links with political and institutional actors play a very important role of the company's general nonmarket strategy. Depending on the market of the MNE (Multinational Enterprise), the political risk management strategies may differ according to the industry.

Baron (1995) argued that the firm's non-market strategy depends on the degree of governmental control over the specific market in which they act. Therefore, the value of corporate diplomacy must be greater in political salient industries such as the Oil market, than in highly competitive markets such as the textile market. Porter's five-forces model doesn't take into account the power of governments, however he and others acknowledged that political actors have the power to create barriers to entry through various mechanisms.

During the last three decades, globalization has intensively pushed companies towards internationalization, and therefore these corporations have become more independent state-like institutions. And as "independent states", they must have a coherent international strategies and diplomatic relations with other foreign official government in order to accompany these business demands.

Global corporations are important actors for the leverage of a countries economic development, and some are even larger than nations, transforming the importance of their roles in society.

## 2.2 Corporate Diplomacy

Today, international corporations are important actors in the area of international relations, who have not only national interests, but also global interest and have the capacity of constructing a foreign policy and foreign political strategies for their companies.

As mentioned by Sarfati (2007), since the mid 70s, states couldn't be seen as the only isolated actors in international relations. This is supported by Nye's (2008) idea of "soft power" in which corporations as well have a role as states to represent their own interests and influencing other states through their values, ideas and culture. Governments have usually given corporation a secondary role in international relations, however as governments, companies have understood the importance and challenges of entering and being accepted in a foreign country.

The term "diplomacy" can be defined as the actions of constructing alliances and negotiations between State representatives. However today the private sector, each time more independent of the influences of the State to establish their business abroad, has a vital role in the growth and development of their home and host countries. And therefore "corporate diplomacy" has become of extreme importance for the private and public sector.

Corporate diplomacy, according to Ordeix-Rigo (2009) is as well a challenge of not only being accepted in a foreign country, but rather being recognized as equal to another nation. They state that corporate diplomacy has become an increasingly complex process aimed towards public national institutions which has the aim to increase the legitimacy and "license-to-operate", and ultimately improves not only the relationship among both parties, but to the entire given social system.

A corporate diplomat must know the market of the specific country it wants to enter, draw the best strategy for the entrance and establishment of the company. Therefore the building of a reliable and dynamic network in the country is very important, because the power balance is in constant change, and occasional contacts don't have a chance of evolving.

It is interesting to observe that diplomats are becoming public diplomatic entrepreneurs that promote and aid their country's companies and products in the

same level as their governmental agendas. In the same manner are corporations becoming corporate diplomats to build and establish relations with other governments and institutions abroad, having in mind economical and political factors in order to have a larger return of their investments.

The state can assume different roles towards private institutions, which can affect the outcome of those relationships, such as regulators, judges or players (Sarfati, 2007). As regulators the state establishes public policies and laws that affect the distribution of power in specific market segments. As judges the state determine the rules of competition with industry players. And as players the state can have the roles of clients, competitors, and suppliers that complement the activities of companies.

In order to fully comprehend the notions of corporate diplomacy, we must understand the evolution of modern corporations, which have moved from the simple task of producing a single product or service to incorporating complex missions in a number of areas in order to be as profitable as possible. Mintzberg (1992) describes this as the evolution from “closed organizational systems” into “open organizational systems”. And Post (2002) further describes these modern corporations as complex networks of activities.

Ordeix-Rigo (2009) suggest that *“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.”* By entering in this diplomatic arena, large multinational companies do not only obtain a license to operate in those countries, but become a symbol of the home country and its values, embracing a big responsibility.

Large transnational corporations have understood as well the importance of corporate diplomacy as the means to increase their power and legitimacy. And through these, have a stronger bargaining ability towards states in order to pursue their own business strategies, and thus adding new roles to traditional corporations. As was recognized by Post (2002), the importance and legitimacy of multinational corporations is changing rapidly, and these “institutions” within society are becoming evolving.

As the power and importance of large corporations is increasing, Gilboa (2008) states that the interdependence among public and private actors is growing. And thus corporations, institutions or governments must create and establish beneficial relations among them according to the policies of other nations, and these missions require large efforts to ferment mutual trust relationships.

Therefore, competition among nations has developed into a more macro-economical management and industrial policies approach than traditional foreign policies diplomacy. And due to this evolution, companies have had a stronger role as actors influencing the course of transnational relations, and in the future this influence will become much stronger.

In this new relationship between States and firms, those who were able to identify changes in the structure of the global market economy and adapted to this new reality have had success. Today, in our fast pace of technological changes, investment cost in R&D have dramatically increased while a product or process lifetime has decreased as well noticeably. And therefore, companies have been obligated to seek foreign markets in order to make a profit. And this is applicable as well to the Oil industry. As Strange (1992) mentions, the globalization of logistic systems used by corporation has played an imperative role in changing the economic policies taken by political leaders in all nations. And developing countries, such as Brazil, have changed their policies from import substitution and protectionism towards privatization and liberalization.

The economic and social structural changes have had a competitive result, that is, of countries competing between themselves for world market shares. And therefore nations are negotiating and bargaining with corporations to start activities in their countries, becoming in essence corporate diplomacy.

Prevailing transnational companies have undoubtedly become powerful players in the global scene, with economic advantages wished by every nation wanting to increase their global market share. And these firms have three main competences: technology, structured access to sources of capital worldwide, and easy access to major markets. As known by economic scholars, a nation can only gain wealth by exporting their products, and therefore nations must leave foreign policy in second

place and concentrate in attracting and maintaining foreign companies and consequently world market shares.

*“While the bargaining assets of the firm are specific to the enterprise, the bargaining assets of the state are specific to the territory it rules over.”* (Strange, 1992). Companies can only operate in a specific country if they follow the rules and regulations imposed by the government. However, it is the foreign company that adds value to the chain of production, and states have understood this and began competing with each other over these firms, and this is the underlying ground of the bargain.

And in order to attract these foreign firms, governments must breakup monopolies and create competition between companies, as is stressed by Porter when he discussed the importance of rivalry among local and foreign companies. Strange (1992) identified that the growth in Brazil has been hindered not solely by the large state controlled industries, but by the power prearranged to influential business associations of domestic and foreign manufacturers in key segments of the industry.

Furthermore, transnational corporations have great influence on the growth and development of the worldwide political economy, and this influence tends only to grow further on. In international management studies, corporate diplomacy has become as important as corporate strategies for finance, marketing and production.

The strategic and non-economical value of Corporate Political Ties (CPTs) constitutes a very important role in Corporate Diplomacy. Ties with the local government, both in developing and emerging nations, provides strategic value for MNE subsidiaries and their growth strategies. Many formerly known developing nations, such as Brazil, have now become “mid-way” economies (in between emerging and developed countries), and so have their institutions changed (Xu & Meyer, 2012). Therefore the approach to CPTs has changed as well.

Firms and managers who successfully develop their links towards institutional actors create valuable political resources and thereby creating a competitive advantage towards other companies that is very difficult to obtain. However, political ties can be both an advantage, but as well a liability if not well managed. Granovetter (1985) argued that firms are embedded in complex relations with various stakeholders such

as suppliers, competitors, customers, regulators, and so on. Within these complex relations, interactions between corporate level and governmental level can determine the success and profitability of the company (Hillman, Keim & Schuler, 2004).

Firms who have political connections enjoy benefits in regulatory issues (Johnson & Mitton, 2003), higher chance of a government bailout if needed (Faccio, Masulis & McConnell, 2006), and favorable access to governmental loans such as the BNDES in Brazil (Claessens, Feijen & Laeven, 2008).

According to Hillman et al. (2009), the benefit of Corporate Political Ties outweighs the financial and non-financial cost. However, recent studies have shown that the embedded political ties of corporations can very rapidly become liabilities (Siegel, 2007). One such liability, which is well known, is that the opposite sides expect as well reciprocal advantages even if the relationship has become negative. The other is the rapid shift in the political scene of the host country.

Many definitions of the concept of Corporate Diplomacy have been made by scholars, however for this paper a clear and simple definition had to be established. The following working definition is:

*“Corporate Diplomacy is the process in which a positive and long-term relationship between corporate executives and governmental authorities of the host country are made, with the aim of creating legitimacy and reputation in the host business environment.”*

### **3. METHODOLOGY**

This master thesis explores how corporate diplomacy is conducted in a practical manner, through the person who is a corporate diplomat, within a multinational company. Therefore, a specific study case is done with the experience Maersk has had in entering the Brazilian oil and gas state-controlled sector. The aim is to explore how stakeholders understand the role of corporate diplomacy in the oil sector through the case study of Maersk in Brazil.

#### **3.1. Research Sample**

Lux et al. (2011) argued that the larger the company, the more politically active it may try to become. Therefore, Maersk is the chosen multinational corporation due to its particular situation worldwide and its history in a developing country, which is Brazil. Maersk Oil is a part of the Maersk Group, a Danish business conglomerate, which is currently no. 154 in the Fortune 500 global ranking and has revenue of over 60 billion US dollars.

Corporate diplomacy is a very recent research topic for academics, however it has existed for many years. It is interesting to study corporate diplomacy in Brazil, a quite young country that has only had a democratic elected government since 1984. As well, in the last couple of years Brazil has become a very attractive nation for foreign multinational companies, and therefore the relationship between MNC and government officials has become increasingly important as a competitive advantage.

The reason for choosing Maersk is due to various reasons. Maersk has had a very strong influence in the Danish economy and politics and the founder of the company, who died in 2012, was the only Danish civilian awarded the Order of the Elephant that is reserved for member of the Danish Royal Family only. As well Maersk is the largest Danish company and it's the biggest tax paying company in Denmark, and this gives it a very strong political and economical power not only in Denmark but abroad, and therefore it is an interesting company to study.

Maersk Oil entered the Brazilian Oil & Gas sector in 2001; however only in 2008 it began an aggressive entrance into this segment. Maersk Oil obtained in 2008 a considerable share in two oil blocks called BM-C-37 and BM-C-38, where two exploration wells were drilled and more six between 2012 and 2013. In 2010 it made

its most aggressive action, buying 20% of the BM-C-34 block where it has drilled five wells in the pre and post-salt layers. As well, in 2010 it acquired SK Energy in Brazil for US\$ 2.4 billion, giving it 40% of the “Polvo” field (BM-C-8); 20% of the “Wahoo” field (BM-C-30); and 27% of the “Itaipu” field (BM-C-32). All these transactions had to be approved by the Brazilian authorities.

The participants are divided into three groups in order to obtain as much in-depth information to be later analyzed. In the first group are Danish authorities and Danish consultants involved directly with the Maersk and the oil sector in Brazil. The second group consists of key individuals from Maersk in Brazil. And the third group is made of Brazilian governmental authorities especially key people in the oil sector that has connections with Maersk.

One of the most important and interesting individuals that was interviewed is Mr. Carsten Følbaek. In the first semester of 2013 the most important economical newspaper of Denmark published an article about him and Maersk called “Esplanadens (the headquarters of Maersk in Denmark) super lobbyist in Brazil”. Employees within Maersk call him the Minister of Foreign Affairs of Maersk, others call him the ambassador of Maersk, and some even call him Agent 007. However his official position is Senior Vice-President with a function as the representative of the owner in Latin America. As well, Mr. Følbaek has been here the last couple of years for a very special reason, which is that the current CEO has invested a very high amount the last 5 years in Brazil. And this is another interesting reason for doing the study case with Maersk in Brazil.

### **3.2. Research Method**

In this master thesis, a qualitative method will be used because interviews are essential in order to have an understanding of this event and because there is a limited amount of literature about corporate diplomacy in developing countries. Qualitative interviews will be made with government officials and corporate executives of Maersk in this specific event, and as well external consultant of the Oil & Gas market in Brazil. Semi-structured interviews were chosen, because it would leave space to other questions depending of the conversations and its outcomes.

In this research, interpretivism was chosen as the research philosophy, due to the

complexity of corporate diplomacy. Every business situations is unique, and the case study is far too complex to measure quantitatively or make any generalized laws about. This research philosophy could also be identified in the collection of data, were semi-structured interviews will be conducted in order to capture the complexity in the social situations. According to Saunders et al., (2007), taking an interpretivist stance could affect the generalizability of the results, as previously mentioned. As social actors are important in this research, positivism and realism does not seem suitable since it would not capture such social interactions, as a more subjective interpretivism philosophy would.

The interviews will be started by semi-structured interview guides, and will give space to other questions and comments, and will be held as recorded informal conversations. In the beginning of the interview a brief introduction will be made and explanations will be done about the confidentiality of their comments. All interviews will be recorded in English and transcribed in order to make an in-depth analysis of the case, linking them to other interviews and theoretical findings from literature review. Comparisons are essential in order to understand the entire study case.

### 3.3. Interviews

The following individuals were interviewed between June 2013 and August 2013.

Individual	Organization	Position	Location
Nicolai Prytz	Royal Consulate General of Denmark	General Consul	São Paulo, Brazil
Jens Olesen	Danish-Brazilian Chamber of Commerce	Chairman and President	São Paulo, Brazil
Svend Roed Nielsen	Royal Embassy of Denmark in Brazil	Ambassador	Brasilia, Brazil
Carsten Følbaek	Maersk Group	Senior VP Latin America	Rio de Janeiro,

			Brazil
Magda Chambriard	ANP - National Agency of Oil & Gas	President - Director	Rio de Janeiro, Brazil
Clayton de Souza Pontes	Ministry of Energy	Director - Politics of Exploration and Production	Brasilia, Brazil

Prior to each interview, the general introduction was done through explaining the definition given to corporate diplomacy according to this paper. The respondents were given the option to remain anonymous, however none of them chose this option. As well, prior to the interview permission was asked to record using a telephone program. All the respondents accepted except one: Mr. Følbaek, who stated that a recorder would create a barrier and that the interview would not be as open. Therefore, in this specific interview notes were taken after the meeting.

### 3.4. Data Analysis

As the research takes on an interpretive philosophy, the data collected is to be treated in a more subjective and complete way instead of an objective and categorized manner as the scientific backbone of the research is that no objective truth exists. Each interview will be analyzed and treated separately and in a complete way, and not be fragmented. Therefore, the qualitative analysis follows the interpretive form of narrative analysis (Saunders et.al 2007). Even if standardized questions have been asked to the interviewees, the interviews have been semi-structured to sustain the integrity of each interview and allow them to differ between interviewees. A factual analysis, which is closer to the positivistic philosophy, is expected to be less appropriate for the research since human behavior and social interactions are not taken into consideration on a similar level.

## 4. RESEARCH FINDINGS

### 4.1. Corporate Diplomacy according to Brazilian Authorities

In the interview with Clayton de Souza Pontes, director of the Exploration & Production in the Ministry of Mines and Energy (MME), his attitude was defensive. He tried as much as possible to dissociate the relationship between companies and the Ministry of any kind of corruption. Therefore, a large importance has been given to create a notion of transparency in the oil sector in order to attract FDI (Foreign Direct Investments). Pontes stated that: *"In our country, we have a very strong legislation which gives a confidence to foreign companies making investments in the Brazilian oil sector. It is mostly the ANP's role to conduct these relationships with the MNE"*.

And more specifically: *"We always attempt to be very transparent, so all companies can be assured that no national or foreign enterprise was favored in any way."*

Companies, especially foreign multinationals, make appointment with the Ministry in order to increase their legitimacy and maintaining a positive relationship: *"Many companies come to talk with the Ministry of Energy in order to present and demonstrate the value of their investments in the Brazil, in order to maintain a good relationship with the federal government."*

However, it was stressed by Pontes that the Ministry always tries to help if it is needed, but always following the rules, assuring that this role mainly worked in a dynamic where companies were heard and later action was taken, within the guidelines previously established by the Ministry.

And, as stated in the literature review, in the relationship with political actors, exchanges have to be made in order to maintain this relationship: *"Our role here is to encourage them to follow the policies established by us such as local resources and knowledge transference."*

In the interview with Magda Chambriard, president of the National Oil Agency (ANP) who represents the Brazilian State in the Oil sector, she stated that the relationship with companies in this sector is very long due to the characteristics of the oil sector. She also stated that corporate diplomacy is done between two or more individuals,

and not institutions: *“We have very good relationships with multinationals, and on both sides are individuals and not institutions. Therefore if you are well treated you respond as an human being, and if you are badly treated you respond adequately as well”*. This clearly indicates that the relationship between people still has a more direct and strong effect on individuals than necessarily that response they will have if they are treated as part of an engine. This is partly the reason why corporate diplomacy is so important: it is made from the human connections and relationships people create, and not simply rules and norms decided in meetings. Also, this is the answer why not every action can be predicted, but is always the consequence of human responses.

In relation to Maersk, she said that the company enjoys a very positive reputation within the ANP: *“Maersk has few contract in the oil sector, and therefore we hope that more investments are made by this company who has a very positive image and reputation.”*

It is important to state here that corporate diplomacy especially in the Oil & Gas sector is essential for companies in the market because *“90% of the oil reserves are in the hands of state-owned companies”*. According to Chambriard the initiative to create a transparent procedure for selling of oil rights has come from the Brazilian State: *“This transparent procedure was an initiative of the Brazilian state, and not of the MNE, in order to create a legitimacy in the sector”*.

When asked about how companies approach the ANP when having problems, a good reputation is essential and a positive corporate diplomatic history is very valuable: *“It is positive when we know the company, because we can skip the story-telling part, and jump directly to the solution of a given problem”*, and, *“We have an obligation towards equality, but we have a more open approach towards companies that have a positive reputation and have a long history in Brazil”*.

With regards to the manner in which MNE should conduct their corporate diplomacy, it is essential to understand the culture of the country and to show an interest in the country and not only in the economic benefits they can make: *“It is very common that MNE do not understand (at first) that they need to establish offices with power in Brazil, and that the executives do not make the effort to learn Portuguese. That causes problems, and to create an effective corporate diplomacy speaking the native*

*language is essential*”, and stated as well the importance of having natives conducting this aspects of the company: *“Companies, especially MNE, should be conducted through natives representative because he has an understanding of the nations culture and can pass it on to the company’s headquarters.”*

In regards to the two items mentioned above, the good reputation and relationship that Maersk has today with ANP is a fruit of many years hard work and people committed to the task of building a robust rapport with the different areas of interest to at any given time, when problems arouse for example, be able to reach out to the ones that know them, understand their way of working and have a trust channel opened and ready to be used.

#### **4.2. Corporate Diplomacy according to Danish Authorities**

The interview with Svend Nielsen, ambassador of Denmark in Brazil, was enriching due to the view of a foreign diplomat in the corporate diplomatic environment of the oil sector in Brazil. About the differences and similarities about the way corporate diplomacy is conducted in Denmark and Brazil, Nielsen stated that: *“The overall structure of corporate diplomacy among countries is similar, however it is different in Brazil because of the difficulty to gain access to individuals that companies can get in Denmark”*, and one of the reason is that Danish companies which are big and influential in Denmark are not necessarily so broad. Consequently, the interest is more limited, and these companies need to invest more time and resources in their corporate diplomatic strategies to be able to understand, acknowledge and act according to the way of working in each country.

It was well observed by the ambassador the complexity of corporate diplomacy in Brazil due to the fear of it being misunderstood as corruption or traffic of influence: *“There is a fear among political and institutional actors in Brazil not to have meetings with MNE because it can be interpreted as if something illegal can be taking place”*, and the Danish Embassy, when asked to arrange the meeting so the company can gain access to the people they want to meet, both because it looks better for the political actors to say they have a meeting with the Danish Embassy and as well it gives us a role as regulators that the meeting is regular and having the mission to hold the ethics in the meeting, for both sides.

The ambassador stated as well that corporate diplomacy is very important here in Brazil where the state is involved in many projects, and can become a barrier or a partner. He said that: *“We advise companies in how to improve their reputation here, such as using the media to become known and tell the press the investments they are making here in terms of employment and transfer of technology, to paint a picture of the company who are contributing to the Brazilian society and not only come here to make a profit. But trying to present the company as truly integrated in the Brazilian economy”*, thus having a more clear public strategy directly influences your corporate diplomatic leverage.

The Danish companies together with the diplomatic mission hold seminars with decision makers and their companies can demonstrate the solutions they can provide, and that modifies future tenders into more detailed ones in which these companies can gain a competitive advantage. The embassy also invites decision makers of the public sector to Denmark and *“show them what we are doing. Much better to do it as a group of companies together with the Embassy to give the impression of doing something for Brazilian society, and not only to make money.”*

With regards to the manner in which corporate diplomacy must be conducted Nielsen stated that: *“It is not constructive to go to the authorities and complain, not do that, but always come with a constructive feedback. And we have to maintain these long-term relationships. Only as a last resort we complain, basically not doing that.”*

The mapping of stakeholders has to be done, and it is essential in order to develop a consistent strategy. The ambassador as well commented that: *“In the end, we are the small guys, and if the government wants to punish us it is very ease. Therefore we are always looking for common interest with the public authorities.”*

With regards to corporate diplomacy in the Brazilian oil sector, he said that: *“having a good relationship with the public authorities in Brazil is basically having a good relationship with Petrobras and we have been inviting Petrobras to Denmark to see Danish solutions and expertise, and get an impression of the mother company and the people that work there, and Maersk is part of that.”*

As a final comment, the Danish ambassador said that many Danish companies have realized that corporate diplomacy is an important part of the profile, and need to have

people dedicated to this area in a day-to-day business. The companies that do that have demonstrated a better ability than others who just complain. And have been trying to help by creating groups of companies where *“we can use some of the expertise of more experienced companies to the benefit of smaller companies.”*

All in all, Nielsen stated the different tools that the Danish Embassy today is using to create a relationship that will favor all Danish companies in the country by giving an impression of true interest for the Brazilian societies benefit, but after all seeking mainly the possibility of advantages for the companies in their businesses even though they themselves do not necessarily use corporate diplomacy strategies.

In the interview with Nicolai Prytz, the general-consul of Denmark in São Paulo, the vision was similar but differed in some aspects due to his closer relationship with the companies. *“We advise companies upfront about the complexities of conducting corporate diplomacy in Brazil and one has to invest much time and money in order to benefit from future outcomes.”*

*“It is important to know who is who, where the debate is going, and how the future will look. Therefore, corporate diplomacy is important to gain insights from public authorities, to prepare for the future.”* According to the consul, more companies have to invest in this area.

Denmark has been taking a very active role in the last years of bringing trade delegations with ministers and members of the royal family to Brazil. It is difficult to see the tangibility of delegations, but it is important to have these delegations in order to create more publicity to Danish companies and gives them the opportunity to meet public authorities under this umbrella.

#### **4.3. Corporate Diplomacy according to Maersk in Brazil**

Carsten Følbaek, Vice-President of Maersk in South America, stated the importance of maintaining a close relationship with politicians and government authorities not only regarding large ongoing projects, but especially before they planning stage in order to foster a positive image of the company.

According to the Danish financial newspaper Børsen (Linding, Søren. *“Maersk i brasilianske investeringsrus”* 29.01.2013. Børsen), Maersk Oil has invested amounts

higher than USD 20 million, which will only give profits in the long term. Maersk Oil's director Luis Costa stated that the strategic vision is to create a long-term business in Brazil, but profits should only come in 2020. Therefore, investing in good relationships with government authorities is a priority for Maersk.

According to Følbaek, the most important aspect when visiting public authorities is story telling: explaining how the company is going to benefit the Brazilian society in the short and long term. That creates legitimacy and goodwill in the long run.

Secondly, the importance of personal networks to increase the corporate diplomatic portfolio is essential to create a solid reputation and help when it is needed. As well, one has to weigh when it is best to use or not the Danish Embassy when problems arise.

Thirdly, Maersk is beginning with a new strategy in their corporate diplomatic area, that of using media as a tool to create legitimacy and reputation not with the general public but directed towards public authorities. In order to achieve this result, the company hired a public relations agency that uses different forms of media, which are usually read by politicians and policymakers. In these inserts, Maersk tries to portray itself as an institution that invests in the development in Brazil, and consequently create a larger legitimacy among government authorities.

According to Følbaek, Maersk has a very good position today with regards to their corporate diplomacy in Brazil, and other South American countries, but it has taken Maersk many years and big investments to get there. And the strategy set by him 15 years ago had been respected by the Maersk headquarter, and that has been essential.

## 5. DISCUSSION

The finding revealed the importance of corporate diplomacy for Maersk, and three main outcomes: the importance that diplomatic mission have to Maersk because of the access it obtains to policymakers and legitimacy of a foreign government, and Maersk is taking advantage of it; The importance that Maersk has in attracting employees with cross-cultural skills who can understand the importance of corporate diplomacy; And thirdly, the utilization of public media as a tool for corporate diplomacy.

With regards to the first item, the competitive advantage obtained by foreign companies in establishing and gaining access to government authorities is clear when making the proper use of corporate diplomacy. As was analyzed, Maersk has been able to take advantage of their position to create goodwill from officials and therefore standing in a better position to defend its own interest in the country and consequently minimizing its investment risks in Brazil.

It is interesting to observe as well how diplomatic missions are moving from a political guidance to an economical one, and therefore has a tremendous importance to the development of their home-country industries in the host country.

Secondly, the majority of companies have been very slow in accepting and taking actions into the importance of corporate diplomacy. This has given other companies competitive advantages and the power of leveraging their investment and counter risk measures. In the long-term, companies must invest in internal talents who can deal with cross-cultural challenges by identifying the opportunities lying within a corporate diplomacy situation.

As well, it can be observed that many graduate programs offered by large multinationals, such as Maersk, target individuals who have a strong potential for international assignments. Large corporations have understood that skillful employees must lead relationships with government authorities in times of uncertainty in developing nations. These large companies that have perceived the value these workers have become a strong asset for the company and are not willing to let go of them, risking being hired by competitors.

Thirdly, public media has been seen as only a tool for marketing and publicity, however as was explained by Maersk, the view is to use local media as a tool to create visibility among officials and the local population towards the benefit of the company. Once this new communication way is created, many more benefits can be established both ways, not only for the company, but as well for governments in for example public policies. As a consequence, the company can create a relationship of trust and reward that can later be used to their own advantage. This is an area that must be analyzed thoroughly in future research.

It can be observed that many of the statements resulted from the interviews confirm the academic literature regarding corporate diplomacy. As mentioned earlier, Heinzs & Zelner (2012) discussed the importance of managing the company's strategies considering political risk and how it can differ according to industry. As the oil market is very sensitive to governmental changes and policies, Maersk needs to use significant investments in its corporate diplomatic area, and this was confirmed by both the Danish Ambassador and Carsten Følbaek as well. In line with this idea, Baron (1995) statement that the companies strategy has to consider the degree of governmental control over the specific market can be observed in the Brazilian oil sector. Magda Chambriard believed that the nature of the oil sector, in which long-term relationships have to be explored and maintained, can be correlated with the high influence of the Brazilian government authorities in this market.

As well, the interaction between corporate individuals and governmental individual can determine the success and profitability of the company (Hillman, Keim & Schuler 2004), and the director of the ANP, Magda Chambriard, confirms this. According to her, the fact that Maersk has a very positive image and reputation contributes directly to the successful relationship it has wit government agencies.

All in all, the research findings confirm and are in line with the recent academic literature about corporate diplomacy. Gilboa (2008) mentioned about the interdependence among public and private actors and how it has been growing, and that could be clearly observed in the statements of the different actors involved in this paper.

It is very interesting to consider the value contribution made by both the Danish diplomatic authorities (Svend Nielsen and Nicolai Prytz) and the Vice-President of

Maersk. First of all, the strategy of the Ministry of Foreign Affairs of Denmark has been changing dramatically in recent years. It has focused its diplomatic mission in aiding Danish companies abroad and its commercial interests, putting in second hand its political role. And of the other hand, Maersk (who is the greatest contributor to the Danish GDP through company taxes) has increasingly relied of the diplomatic missions in the countries in which it is present to support and aid its interests.

And how do they help each other and what they gain from it noteworthy to discuss. The relationship between the Danish diplomatic mission in Brazil and the top-management of Maersk in Latin America is very strong. This has its roots in two main factors: the tight relationship of the Danish Government with Maersk due to a historical and economical factor. As well, it is in Denmark's highest interest to help Maersk increase its profits and subsequently increase its income from company taxes.

On the other hand, there has been a very frequent "rotating-door" system between both institutions. Many former Maersk employees are currently in high positions with the Ministry, and vice-versa. In Brazil, they help each other, with the diplomatic mission gaining legitimacy among Danish companies due to its strong relationship with Maersk Brazil, as well as gaining legitimacy among the top-level in Denmark's ministry. As well, due to its support, Maersk is willing to help other Danish companies in Brazil when the embassy asks for it. The ambassador stated that they can help other companies from the past experience of other companies established for a longer period there.

Interesting was the statement of Nielsen when he said that "*in the end we are the small guys*". When the diplomatic body (who has a strong political legitimacy) aligns with a strong global private company (who has a strong economical legitimacy) both side become stronger. In conclusion, both the diplomatic mission gains through positive feedback from their home country, and as well the Maersk management gains legitimacy at it's headquarter.

It is particularly interesting too to understand the role of Carsten Følbaek, the Vice-President of Maersk in Latin America. As was identified in the literature review as well as the statement of the ANP director, corporate diplomacy is not conducted by a company, but by individuals who act as representatives thereof. Følbaek has been

employed in Latin America for over 20 years, and therefore his relationship and networks have been immensely beneficial for Maersk. As was mentioned above, he is called by many as the Minister of Foreign Affairs of Maersk due to his active role in the corporate diplomacy of the company. As well, Maersk has been involved in very high and significant investments in Brazil, and one of the main causes is because it knows that they have a very professional corporate diplomatic to help it safeguarding its investments and risk minimizing effect.

## 6. CONCLUSION

Insights into this new and important area for governments and corporations, especially in developing countries, were analyzed throughout this paper. In these developing economies the relationship towards government officials are of even higher importance due to the volatility, and therefore can reduce significantly investment risk in them and create competitive advantages to the company.

Maersk relies on the Danish diplomatic mission and home government to establish and sustain a positive relationship with government authorities and politicians due to its diplomatic nature and avoidance of any illegal action. It was seen that Maersk has a long-term and well established corporate diplomatic strategy in Brazil in order to safeguard its investments in the country.

Vance and Paik (2006) state that the fundamental challenge for multinational companies is establishing systems that accommodate two conflicting needs of globalization and local focus. In other words, the creation of centralized systems that coordinates a global view however independent enough to deal with local needs.

There is no doubt that these current complexities need individuals who can manage companies facing global challenges. The acquisition and retention of these professionals has become essential in their capacity to operate globally, and companies must act on this personnel development today before it becomes too late.

Research findings suggest that Maersk employs corporate diplomatic tools by having skillful key employees that understand the cultural and institutional environments in which they operate. Corporate diplomats such as Carsten Følbaek forge personal ties with Danish and Brazilian authorities in order to boost Maersk objectives in Brazil. Although corporate diplomacy cannot alone explain the strategy of the company in Brazil it helps to understand how specific diplomatic tools are employed to foster strategic objectives.

Future research must be conducted to further understand the role that diplomatic missions have on corporate diplomacy, and how this complex relationship is between these three groups: policymakers, diplomatic missions, and private corporations. As well, future research can focus on understanding the role of public media not only in the

public relations of the company, but as a tool in the toolbox of corporate diplomacy. The literature review revealed that the topic of corporate diplomacy is very much under-valued in the academic sphere and that more actions should be taken in the increasingly important area.

This thesis had as the main objective to show corporate diplomacy in action, in other words, how a corporate strategy is established in a country such as Brazil, with its challenges and opportunities. Overall, the outcome was positive in assessing the role of government players and diplomatic mission in Maersk's strategy and risk management attitude.

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