CPD Perspectives

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Abstract

This article focuses on the growing role of multinational corporations (MNCs) in diplomacy in the modern global political economy. With the rise of geopolitical rivalry and increasingly national regulation, global brands are facing mounting pressure beyond the scope of traditional market competition. Managing relations with governments, regulators, international institutions, and foreign publics to ensure organizational legitimacy is now an essential managerial skill known as corporate diplomacy. The article's central premise is that most corporations are not adequately organized to meet this challenge. The capabilities that corporate diplomacy and global risk management now demand — geopolitical intelligence, government relations, brand stewardship, and cultural expertise — remain fragmented across organizational silos designed for an earlier, more stable era of globalization. What is required is an evolved paradigm, termed here corporate diplomacy 2.0, in which diplomatic capability is institutionalized, intelligence-driven, and embedded in strategic decision-making.

Based on the literature on international political economy, public diplomacy, and stakeholder theory, and on the research on cultural intelligence, the article suggests a three-pillared conceptual framework that combines: (1) diplomatic engagement, (2) brand and reputation management, and (3) cultural intelligence. This framework is implemented by detailed comparative case studies of Apple Inc., Starbucks Corporation, and Huawei Technologies. Drawing on these cases, the article highlights shared features of effective and ineffective corporate diplomacy and proposes the Strategic Diplomacy Office (SDO) as a means of institutionalizing diplomacy within large MNCs. The article further proposes an AI-enabled Geopolitical Risk Intelligence System (GRIS) and a

redefined Chief Strategy Officer role to address the fragmentation of geopolitical risk intelligence across organizational silos. It also advances a reframing of ESG — from compliance obligation to "diplomatic capital" — arguing that genuine ESG commitment generates relational and institutional assets that disclosure-only approaches cannot produce. The analysis contributes to the growing body of research on corporate statecraft, non-state actors in international relations, and the relationship between branding strategy and geopolitical risk management.

1. Introduction

Today, the world economy is experiencing a unique confluence of geopolitical pressures that are fundamentally reshaping the competitive environment for multinational firms. The liberal international order that for decades facilitated a relatively level playing field for multinationals has now given way to an era of great-power rivalry, technology nationalism, supply chain securitization, and the rise of extraterritorial regulatory demands. Previously, companies often defined their strategy in terms of market competitive dimensions, but today they must consider strategic dimensions in the context of state interests, ideological competition, and geopolitical positioning, sometimes even in opposition to commercial considerations (Henisz, Dorobantu, & Nartey, 2014; Witt & Lewin, 2007; Farrell & Newman, 2019).

The implications of this transformation are especially high for multinational companies with global brands. A global brand is not just a commercial asset or a cluster of consumer associations but also a vessel of cultural meaning, a carrier of national associations, and – more than anything – a subject of political contestation. These are not just public relations issues when Apple is seen as acting as a

handmaiden to the surveillance state in China and, at the same time, as a hindrance to lawful access in the U.S.; when Starbucks is viewed as a symbol of the American cultural invasion in certain markets and as a well-regarded local institution in others; when Huawei is presented as a technology player by Western governments and a tool of Chinese state power by others. They are forms of legitimacy crises that have material repercussions in the form of market exclusion, regulatory sanctions, consumer boycotts, supply chain disruption, and, in the worst of cases, existential threats to the viability of the business (Deephouse & Suchman, 2008; Kostova & Zaheer, 1999; Suchman, 1995).

In this context, corporate diplomacy has become an important strategic capability. It encompasses the spectrum of activities by which companies manage their ties with government, institutional, and public entities in transboundary settings to create conditions for their survival and development (Saner, Yiu, & Søndergaard, 2000; Ordeix-Rigo & Duarte, 2009; Henisz, 2016). Although the importance of corporate diplomacy is increasingly recognized, the field remains fragmented, and empirical research remains underdeveloped. The problem, however, is not merely academic. The central premise of this article is that corporations themselves are not adequately organized for the new realities of corporate diplomacy and global risk management. In an age defined by geopolitical rivalry and instantaneous information flows, the structures on which most MNCs rely — government affairs offices, communications departments, compliance functions, and episodic risk assessments — were built for a more stable era and operate in silos, leaving firms information-rich but decision-poor precisely when legitimacy crises move at network speed. Meeting this challenge requires an evolved paradigm — corporate diplomacy 2.0 — that

treats diplomatic capability as a core, institutionalized management function rather than a peripheral or reactive one.

This article helps fill that gap in three ways. First, it brings together literature from international political economy, public diplomacy, stakeholder theory, and cultural intelligence research in a coherent three-pillar conceptualization of corporate diplomacy. Second, it illustrates this with a comparative case analysis of Apple, Starbucks, and Huawei. Third, it translates the corporate diplomacy 2.0 paradigm into a concrete institutional design — a Strategic Diplomacy Office, an AI-enabled Geopolitical Risk Intelligence System, and a redefined Chief Strategy Officer role — to embed corporate diplomacy capability within large MNCs.

The article continues as follows. The theoretical literature relevant to the topic is reviewed in Section 2. The three-pillar framework is presented in Section 3. Section 4 explores integration with strategic planning, including the use of ESG as a business-planning input. The comparative case studies are presented in Sections 5-7, each with an analysis of ESG performance within the firm's diplomatic posture. The discussion of the interconnection of corporate diplomacy and national soft power is part of Section 8. The Strategic Diplomacy Office proposal is developed in Section 9A. Section 9B extends the institutional design by proposing an AI-enabled Geopolitical Risk Intelligence System (GRIS) and a redefined Chief Strategy Officer role to bridge the gap between intelligence production and strategic decision-making. Section 9C argues that genuine ESG commitment generates 'diplomatic capital' — relational and institutional benefits that compliance-based ESG efforts cannot achieve. Section 10 concludes.

2. Literature Review

2.1 Terminology: Corporate Diplomacy or Business Diplomacy?

In the academic literature, two terms are in competition: corporate diplomacy and business diplomacy. Corporate diplomacy is the term used primarily in this article. Business diplomacy, as it is called by Saner, Yiu, and Søndergaard (2000), and the Clingendael tradition, of which Kesteleyn, Riordan, and Ruël (2014) are part, focuses on geopolitical and non-commercial risk management and is based on professional diplomatic practices and mindsets. Corporate diplomacy — as preferred by Steger (2003), Ordeix-Rigo and Duarte (2009), and Henisz (2016) — highlights the communicative, reputational, and stakeholder-relations aspects of the firm's political involvement and foregrounds the management of brand legitimacy as a strategic goal. Some writers use the words interchangeably (Ruël & Wolters, 2016).

For the purposes of this article, which addresses the communicative and relational aspects of international engagement that are central to the public diplomacy tradition, it is more precise and theoretically on point to use the term "corporate diplomacy." The basic logic of public diplomacy — namely listening, advocacy, cultural diplomacy, exchanges, and international broadcasting — can all be applied to non-state actors such as corporations that are communicating with foreign publics on an ongoing basis with the aim of fostering understanding and goodwill, as Cull (2008) demonstrated in his groundbreaking classification of public diplomacy practices.

2.2 Corporate Diplomacy: Conceptual Origins and Development

International business scholarship established early that MNCs were required to perform quasi-diplomatic functions: negotiating investment conditions with host governments, managing regulatory relationships, and navigating nationalist sentiment (Vernon, 1971; Kobrin, 1984). Baron (1995, 2010) built on this to develop non-market strategy as a formal management concept, arguing that sustained competitive advantage depended on managing the institutional and political environment alongside the competitive one.

A complementary entry point was the public diplomacy literature. Those who began studying this tradition noticed that corporations were playing a significant role in public diplomacy, with political implications (Melissen, 2005; Cull, 2019). Cull (2022) has made a convincing case for shifting from soft power to reputational security, namely, that internationally well-known and well-regarded actors do better than unknown or mistrusted actors in times of crisis. This is especially true for companies: brand legitimacy serves as a form of reputational security, insulating them from geopolitically motivated attacks.

Saner, Yiu, and Søndergaard (2000) are most closely associated with the formalization of corporate diplomacy as a field. The first book-length treatment was provided by Steger (2003). Later, Ordeix-Rigo and Duarte (2009) explicitly linked traditional diplomacy to MNC stakeholder engagement. In the most comprehensive contemporary account, Henisz (2016) situated it within relationship-building, trust creation, and political complexity management.

2.3 Stakeholder Theory and Organizational Legitimacy

Freeman's (1984) stakeholder theory holds that organizational success requires managing relationships with all parties who have a stake in what the firm does — a straightforward proposition that becomes considerably more complex across national borders. Kostova and Zaheer (1999) showed that MNCs carry a structural "liability of foreignness," meaning that the institutional gap between home and host environments generates legitimacy deficits that domestic competitors do not face. Suchman's (1995) taxonomy — distinguishing pragmatic, moral, and cognitive legitimacy — provides the conceptual vocabulary for analyzing how firms navigate that gap across different institutional contexts.

2.4 Cultural Intelligence

Earley and Ang's (2003) concept of cultural intelligence — the capacity to function effectively across culturally diverse settings — is directly relevant to global brand management, since brand meanings are culturally constructed rather than universally fixed. The same symbols, values, and narratives carry different weight in different national contexts depending on history, religion, and social norms (Holt, 2004). Managing this diversity requires organizational-level cultural intelligence that extends beyond the competencies of individual managers (Ang & Van Dyne, 2008).

2.5 Geopolitical Risk and Re-Politicization

A substantial body of specifically international political economy scholarship documents the re-politicization of the global economy: the reassertion of state authority over trade, investment, and

technology flows that had previously been governed primarily by market logic (Drezner, 2017; Farrell & Newman, 2019; Rodrik, 2011). The mechanism Farrell and Newman (2019) term "weaponized interdependence" is especially consequential for MNCs. States with centrality in global networks leverage that position to impose costs on rivals or extract political concessions, often using corporations as instruments of that pressure.

3. Conceptual Framework: Three Pillars of Corporate Diplomacy

The framework proposed here integrates the four theoretical traditions reviewed above into three analytically distinct but practically interdependent pillars: Diplomatic Engagement, Brand and Reputation Management, and Cultural Intelligence.

3.1 Pillar One: Diplomatic Engagement

Diplomatic engagement is the structured management of relationships between an MNC and governmental, regulatory, and multilateral institutional actors across national borders. The core premise is that firms operating in politically complex environments cannot treat state actors as constraints to be routed around. They must be engaged as counterparties whose interests and perspectives shape the conditions under which the firm operates.

Diplomatic engagement encompasses government relations (formal and informal contacts with legislative and executive bodies), multilateral institutional engagement (participation in standards-setting bodies and international organizations), and crisis diplomacy (high-level engagement with government counterparts under acute political pressure). The distinction between responsive and

proactive diplomacy matters here. Responsive diplomacy mobilizes resources when a crisis has already arrived; proactive diplomacy invests in relationships on an ongoing basis regardless of immediate pressure. Henisz (2016) finds that firms with consistent stakeholder investment records outperform those that engage only under duress in politically complex environments.

3.2 Pillar Two: Brand and Reputation Management

Brand and reputation management addresses the communicative and symbolic dimensions of corporate diplomacy: how an MNC shapes perceptions of its identity, values, and behavior across international audiences that often hold contradictory expectations. Core practices include narrative management, issue framing, proactive transparency, and legitimacy transfer — the strategic cultivation of endorsements from locally credible actors whose association confers legitimacy on the firm.

3.3 Pillar Three: Cultural Intelligence

Cultural intelligence is an organization's capacity to understand and adapt across culturally diverse contexts. At the organizational level it involves three capabilities: deep knowledge of historical, political, religious, and social contexts in target markets; the ability to detect cultural misalignment signals before they become crises; and processes for translating that intelligence into strategic and operational decisions. Cultural insensitivity failures tend to be rapid and difficult to reverse — which makes cultural sensing a risk management function as much as a communications one.

3.4 Framework Integration and Temporal Dynamics

The three pillars are analytically distinct but practically interdependent. Brand reputation is more durable when grounded in genuine diplomatic engagement; diplomatic engagement is more effective when guided by cultural intelligence; and cultural intelligence informs both. Each pillar also functions as a form of capital: it accumulates through sustained investment and erodes quickly under crisis pressure. Firms that maintain all three continuously are better positioned to absorb geopolitical shocks than those that build diplomatic capability only when they need it.

4. Corporate Diplomacy and Strategic Planning Integration

Corporate diplomacy cannot be a sideline activity if it is to be of value. Diplomatic considerations need to be integrated into fundamental strategic planning exercises, including market entry and exit decisions, supply chain design, technology investment priorities, and M&A screening. Geopolitical dynamics are a key driver of commercial viability that traditional strategic planning approaches do not address. State actions increasingly dictate which companies can do business, in which markets, and under what conditions through the U.S. Export Administration Regulations, China's technology localization requirements, European data sovereignty requirements, and U.S.-China export controls cascading across global supply chains, among others (Farrell & Newman, 2019; Drezner, 2017).

For the integration to be effective, geopolitical and political risk analysis needs to be embedded as a regular, formal part of the annual strategic planning cycle, rather than an ad hoc analysis conducted only

when a particular crisis occurs. It demands a reshuffling of governmental and public affairs departments from supportive roles to strategic advisory roles. And it calls for taking a diplomatic feasibility assessment as part of the investment appraisal process.

A third planning input, which remains largely underutilized in traditional strategic planning, is ESG performance not as a disclosure requirement in the scope of a compliance function, but as a signal-generating system within the business plan. From government negotiations on market access to communities assessing a firm's presence to regulators exercising their enforcement discretion, legitimacy assessments are being made by all these groups and are increasingly using ESG performance as the litmus test for whether a firm is a true stakeholder in the long-term well-being of the community or a visiting extractor. Firms that do not see ESG as merely a reporting requirement but rather as a commitment to their business model and investment strategies develop moral legitimacy, rather than pragmatic legitimacy, which stems from more commercial behaviors (Suchman, 1995). This diplomatic dividend adds up. Trust and rapport built through steady, strong ESG performance are the relational capital that dictates how outside actors respond when a regulatory decision, political pressure, or reputational crisis strikes. Each of the following three case studies presents a different example of how ESG performance (or lack thereof) influenced the firm's diplomacy.

5. Case Study: Apple Inc. — Navigating the US–China Technology Rivalry

5.1 Background and Strategic Context

The best-documented case of corporate diplomacy in the current technology arena is Apple Inc. Its success stems from a strong hardware-software-services integration, and a brand focused on privacy, innovation, and design. Above all, Apple's diplomatic challenge is being deeply entangled in the U.S.-China relationship. At the supply end, the final assembly processes are mainly located in China, with Foxconn and Pegatron involved, and its supply chain includes more than 200 major component manufacturers in East Asia (Duhigg & Bradsher, 2012; Apple Inc., 2023). China contributed about $72 billion to the company's revenue in fiscal year 2023, accounting for about 19% of its total revenue (Apple Inc., 2023). That dependence has since moderated but remains substantial: Greater China contributed $67.0 billion in fiscal 2024 and $64.4 billion in fiscal 2025 — approximately 17% and 15% of total net sales, respectively — as iPhone sales softened amid intensifying local competition (Apple Inc., 2025). This double dependency (on the supply chain and the market) creates a diplomatic situation with no clear solution.

5.2 Diplomatic Engagement

Government involvement was a hallmark of Apple's former CEO, Tim Cook, who made several personal trips to China and met with high-ranking officials, including President Xi Jinping. Guanxi, or the network of personal relationships through which resources and goodwill are shared, in the political

context of China, suggests that a CEO-level relationship has a diplomatic effect that can be substituted by institutional relationships only to a certain degree (Luo, 2000; Peng & Luo, 2000). In the U.S., Apple's government activities are fraught with both contradictions and opportunities. It rejected the FBI's request to bypass iPhone security in 2016 in a public statement, stressing that breaking into devices would violate fundamental civil liberties, a move that put the company on a collision course with the federal government that helped to build the brand of being a privacy company around the world (Davidson, 2016).

5.3 Brand and Reputation Management

The challenge for Apple is one of global brand management: portraying a unified global brand that supports privacy, security, and user empowerment, while withstanding authoritarian regulatory demands that are at odds with these principles. The most obvious case is the 2018 iCloud China case, in which Apple moved Chinese iCloud users to servers operated by Guizhou-Cloud Big Data Industry Development Co. Ltd (GCBD), a state-owned entity, under the 2017 Cybersecurity Law (Amnesty International, 2018). Apple acknowledged the privacy ramifications and said it was better to operate with limitations than to pull out entirely. This "imperfect presence" framing – one that accepts the compromise rather than glosses over it – is a sophisticated reputation-management calculation that preserved the company's reputation for candor and straight dealing despite its regulatory compromises.

5.4 Supply Chain Diplomacy and Diversification

Apple's rapid diversification of its supply chain, with increased manufacturing in India, Vietnam, and the United States, is a form of corporate diplomacy.

Apple has carefully coded its diversification as an add-on, its new capacity as "expansion," not as a withdrawal from China. The twofold framing is a sign of cultural expertise in navigating a decision that carries strategic sensitivity among audiences with divergent and possibly opposing viewpoints (Apple Inc., 2023; Bloomberg, 2023).

5.5 ESG as Diplomatic Instrument: Privacy, Labor, and the Limits of Values-Based Positioning

The Apple case shows how values-based positioning can be, and the challenges it poses when not fully embedded in business plan decisions. From the governance and privacy sides, Apple has made real, expensive choices: in 2016, Apple made it clear that it is not going to build a backdoor for the FBI; that was not compliance, but a statement of values, with material commercial implications, that reinforces Apple's privacy brand among consumers, civil society, and regulators in markets where state surveillance is contested. That commitment brought moral legitimacy, the most enduring variety (Suchman 1995), since it was easily verifiable and inexpensive. But in the social and supply-chain aspects, it's more complicated. Since 2007, Apple has published labor condition audits across its supply chain, and its annual Supplier Responsibility Progress Report has set the bar for the industry. However, the program has been faulted for lax enforcement, and its focus on Foxconn facilities in China, where worker conditions and labor rights are constrained by the Chinese regulatory environment, is a structural ESG challenge that cannot be addressed through diplomacy alone. The strategic planning implication is huge: Apple's supply chain diversification into India and Vietnam, partly for geopolitical risk reduction, is also a chance to apply higher and more credible labor standards from the start, turning a geopolitical risk management decision

into a diplomatic asset – and one that is built around ESG – in markets where that could create meaningful relationship capital with governments and institutional investors.

6. Case Study: Starbucks Corporation — Cultural Intelligence as Diplomatic Strategy

6.1 Background

As of 2024, Starbucks has more than 38,000 stores in more than 80 countries, making it one of the most extensively internationalized consumer brands in the world (Starbucks Corporation, 2024). Its corporate diplomacy challenge is not the same as Apple's: Starbucks is dealing with long-term issues of cultural legitimacy in vastly different markets, not acute technology geopolitics as Apple is. The company's internationalization has evolved from viewing it as a marketing challenge to understanding cultural intelligence as a strategic competence.

6.2 China: Cultural Embeddedness as Long-Term Diplomacy

Starbucks first came to China in 1999, and at that time, there was almost no coffee culture. Instead of trying to replace the Chinese beverage culture, the company saw itself as a "third place" offering drinks to accompany a new kind of "urban sociality." Menus were localized to include tea-based beverages and ingredients associated with cultural events in China (Wang, 2012). Store designs were localized to incorporate local architectural styles. It was the Shanghai Reserve Roastery, opened in 2017, a celebrated architectural landmark, a physical representation of cultural respect and local

commitment, and consequently, legitimacy, which it could not have bought with advertising. Starbucks did this by forming joint ventures in China, which incorporated local market knowledge and relationships from the start.

6.3 The 2023–2024 Middle East Boycotts

After a tweet was posted on social media by Starbucks Workers United, a labor union separate from the Starbucks Corporation, which many consumers took to mean support for Israel's military actions in Gaza, Starbucks found itself a target of consumer boycotts in Muslim-majority markets (Fortune, 2024). The reaction from Starbucks pointed to their local workforce, community investments, and franchise model, as they sought to shift from a global American political player to a local economic community member. As the episode shows, cultural diplomacy investments, no matter how large, can be quickly outstripped when real-world events trigger powerful brand-nationality associations.

6.4 India: Partnership as Diplomatic Strategy

Proactive diplomatic engagement at the market-entry stage is evident in Starbucks' 2012 joint venture with Tata Consumer Products. The foreign direct investment laws in India have made the joint venture a necessity and an asset within the regulatory environment. In the Indian context, the Tata Group is one of the most trusted houses, and the association provided Starbucks with cultural endorsement and a validation transfer that would have taken many years to achieve on its own (Tata Starbucks, 2011).

6.5 ESG as Business Plan Priority: Ethical Sourcing, Community Investment, and Relational Capital

Starbucks' C.A.F.E. (Coffee and Farmer Equity) Practices program is an example of how embedded an add-on to the business plan can be. It is the standard for more than 95% of the company's global coffee supply as of 2020. It is not a reporting system; it is a procurement system that makes verified environmental and social criteria a prerequisite for supplier relationships and, at the same time, builds relationship capital with coffee-growing communities, origin-country governments, and sustainability-focused institutional investors. Importantly, the C.A.F.E. program was established before many markets' mandates for such disclosures, so Starbucks was able to adopt later market supply chain disclosure requirements, already compliant, and with the supplier relationship infrastructure in place that competitors had to be compelled to implement. This is the business-plan logic of true ESG investing: companies that invest in the relational infrastructure in advance of regulation will have a compounding advantage, as that same relational infrastructure will give them a competitive edge when regulation catches up. However, the 2023-2024 Middle East boycotts reveal one of their limitations. No amount of ethical sourcing funding could remove the geopolitical taint Starbucks might have by association when, in some countries, the company was not seen as a local community enterprise but as a spokesman for U.S. foreign policy. This signals that ESG-as-business-plan is not enough. It must be paired up with the cultural intelligence and stakeholder-mapping skills, which will help the firm predict how its identity is going to be understood by a range of politically fractured audiences before the crisis triggers the perception.

7. Case Study: Huawei Technologies — Corporate Diplomacy Under Geopolitical Siege

7.1 Background

Established in 1987, Huawei Technologies is currently the world's largest telecommunications equipment maker, generating over $99 billion in revenue in 2023 and CNY 862.1 billion (approximately $118 billion) in 2024 — a 22.4% year-on-year increase and the second-highest figure in its history — as a domestic semiconductor breakthrough revived its smartphone business and the company diversified into AI computing, cloud, and automotive technology (Huawei Technologies, 2023, 2024). The company has been designated a national security threat by the United States, placed on the Commerce Department's Entity List (U.S. Department of Commerce, 2019), subjected to the Foreign Direct Product Rule — barring it from purchasing advanced chips from any manufacturer utilizing U.S. technology globally — and criminally indicted by the U.S. Department of Justice (U.S. Department of Justice, 2020). These actions represent an unprecedented use of state power to constrain a single company's ability to function in the international arena.

7.2 The Geopolitical Case Against Huawei

The U.S. government's case against Huawei is based on three issues: potential security weaknesses that could be exploited by China's intelligence services, potential trade secret theft from U.S. companies, and alleged sanctions breaches by an Affiliate in Iran. The security issue is not just technical but structural, since nearly all high-tech

semiconductor manufacturing worldwide relies on equipment that uses technology controlled by the United States, thereby allowing the U.S. government to bar Huawei from acquiring advanced chipsets from any manufacturer in any country (Kaska, Beckvard, & Minárik, 2019). What is certain is that Huawei's commercial operations have become fully enmeshed in U.S.-China strategic competition and that this is a proxy battle in which only a geopolitical solution will be possible (Segal, 2020).

7.3 Huawei's Diplomatic Response

Huawei's response has been multi-layered and comprehensive. The company had government officials and security researchers visit its Cyber Security Transparency Centers in Brussels, Bonn, Dubai, and Shenzhen to review its source code and security practices (Huawei, 2020). These efforts were somewhat successful in the European context as several major European operators continued to use Huawei equipment for a longer period than the U.S. pressure seems to have suggested, with the preference that the European Union has for evidence-based regulatory decision-making, as opposed to blanket bans based on geopolitical factors (European Commission, 2020). But transparency ultimately cannot answer a structural argument. No amount of source code inspection can overturn a concern about what Chinese law may require in the future.

7.4 Southern Markets and Bifurcation

Huawei has done significantly better in markets that aren't U.S. policy-oriented, as well as in countries where the Chinese firm is enjoying strong market positions, thanks to its competitiveness on price, the Chinese policy banks' financing, technology transfer

deals, and Belt and Road Initiative connections, which it maintains across Africa, Latin America, and Southeast Asia (Hillman, 2021). The divergence has resulted in a split in the worldwide telecoms infrastructure — a "digital decoupling" that, for Huawei, means its future prospects in Western markets have been destroyed, but it still holds a commercially viable position in most countries worldwide.

7.5 Theoretical Implication (Huawei and Nvidia)

The Huawei case demonstrates the existence of a class of scenarios – existential geopolitical crises – in which, if the company becomes a proxy in the rivalry between states, it is impossible to overcome them through even the most complex diplomatic maneuvers. The key takeaway for other companies is that corporate diplomacy can be unsuccessful. The true diplomacy required to avoid such crises is structural, to be put in place to proactively ensure transparency of ownership, independent governance from the home government that is verifiable, geographic supply chain diversification, and technology architecture decisions that reduce strategic importance before a crisis occurs.

Nvidia Corporation is the mirror image of the Huawei case and an important comparative reference for understanding how weaponized interdependence works from the other side. While Huawei has been a target of the U.S. government over the issue of its strategic threat to the U.S., Nvidia is now restricted by the same government for its most advanced products that "can't be freely exported" as a strategic asset. Structurally, Nvidia's predicament is more like Huawei's — its flagship product is a tool for state policy — but politically, it is the reverse, as the U.S. government's export restrictions on Nvidia's A100 and

H100 GPUs, which support the training of high-performance AI models, have put the company in a diplomatic bind that pits its business interests against the country's strategic priorities. But Nvidia's answer is a telling example of how far technical compliance can go as a diplomatic gambit. Nvidia designed the A800 and H800 chips to meet the original 2022 export control limits, but the chips were also subject to restrictions in subsequent export control changes in 2023, and the H20 chips designed to meet the 2023 limits were also restricted in 2025. As each engineering accommodation was taken away, Nvidia found itself continually in reactive positioning mode, but never in proactive engagement in the policy process. The corporate diplomacy lesson is important: technical compliance and diplomacy are not one and the same, and companies that use technical compliance to replace diplomacy in politically charged regulatory settings always end up with the rug pulled out from under them. In fact, Nvidia's diplomacy challenge — to maintain relationships with both U.S. policymakers and Chinese customers while maintaining strategic flexibility to operate across an increasingly bifurcated technology ecosystem — is a textbook corporate diplomacy challenge of the decade and one that will have implications for the global AI infrastructure landscape for many years to come (U.S. Department of Commerce, 2023; NVIDIA Corporation, 2025; Segal, 2020).

7.6 ESG and the Absent Counterargument: What Governance Credibility Could Have Built

The Huawei case is, among other things, a case study on the cost of absent ESG – the absence of the governance dimension, which over time establishes verifiable institutional credibility with external actors. The crux of the Western criticism of Huawei is not technical but rather the structural opacity of the firm's

ownership arrangements, the composition of its boards, and the possibility that Chinese national security law might compel the company to cooperate with state intelligence services, regardless of its policies. This is where the true ESG investment – with a governance dimension built in from the start of the business plan – is meant to come in. The existence of ownership transparency, independently audited governance arrangements, internationally credible board structures, and explicit, publicly published policies on government data requests – all common elements of the governance dimension of ESG for companies in sensitive technology sectors – would not have been enough to truly resolve the underlying geopolitical rivalry. But they would have altered the landscape of the argument. The most obvious example is the European Union's 5G Toolbox process, which focused on gathering evidence on whether markets should adopt the U.S. stance, rather than simply banning the technology on structural grounds alone. The ramifications for other companies, especially those in areas of strategic sensitivity, are that this governance dimension of ESG is not just a matter of reporting but also of political risk insurance – the proof of institutional credibility that can be established in advance when outsiders must place trust in the institution.

8. Corporate Diplomacy and National Soft Power

The link between corporate diplomacy and national soft power is multifaceted, bidirectional, and dynamic. Multinational corporations are tools of national soft power – communicating their home countries' values and economic systems – and are independent actors whose strategies can align,

diverge, or even clash with those of their home countries.

Soft Power refers to the sources from which Nye (2004) argues that it is generated, mainly culture, political values, and foreign policy. Later, the notion has been extended to commercial soft power, which refers to the extent to which a country's leading firm projects desirable values in international markets (Gallarotti, 2010; Van Ham, 2001). In this context, the notion of reputational security, introduced by Cull (2022) and developed at length in Cull (2024), is also relevant. According to Cull, international reputation and recognition are a form of security that is unparalleled by coercive or transactional power – a notion that holds true for corporations as well. Geopolitical storms do not endanger reputational capital unless the firm lacks this asset.

The soft power relationship results in what could be termed a form of 'diplomatic dual agency' for global brands: serving both the interests of their own country and their own business interests, which are not always the same. For most companies, the solution is to keep the focus on universal values that are common to all countries, regardless of political standpoint: privacy, quality, sustainability, and community.

A particularly visible institutional form of diplomatic dual agency is the practice of executives accompanying heads of state on official visits to politically sensitive markets. This is not a novel phenomenon. Business delegations traveled with President Clinton to India in 2000 and with President Obama to India in 2015. President Trump's first state visit to China in 2017 was likewise accompanied by leaders of major U.S. banks, energy firms, and technology companies. What has changed is the scale

and centrality of these delegations to the diplomatic agenda itself. President Trump's May 2026 state visit to Beijing was accompanied by an unusually large delegation of American chief executives – among them Apple's Tim Cook, Tesla and SpaceX's Elon Musk, Nvidia's Jensen Huang, and Boeing's Kelly Ortberg. Press coverage suggested that the visit's agenda was weighted toward commercial and trade matters to a degree that stood out even against the 2017 precedent (CBS News, 2026; Al Jazeera, 2026). For the companies involved, the diplomatic value is direct: seats on the presidential aircraft and prominent seating at bilateral talks function as a visible signal of access and standing that can translate into regulatory goodwill, export licenses, or commercial agreements, as illustrated by Boeing's interest in a prospective aircraft order and Nvidia's stake in chip export rules under discussion during the same visit. For the host government, the presence of globally recognized brands lends commercial credibility and signals openness to investment.

This dynamic illustrates the limits of treating corporate diplomacy and national diplomacy as separate spheres. In moments such as these, the firm's diplomatic engagement and the state's diplomatic agenda become difficult to disentangle, and the brand's presence in the room becomes itself a diplomatic asset that the home government can deploy.

9A. The Strategic Diplomacy Office: An Institutional Design Proposal

9A.1 Rationale

Corporate diplomacy failures are usually failures of organizational integration rather than of individual

competencies: a lack of mechanisms to coordinate diplomatic considerations across functional silos and geographical units. This article proposes the Strategic Diplomacy Office (SDO) as an institution to serve as the hub for the three pillars of corporate diplomacy, thereby integrating them into strategic planning and decision-making processes. No current organizational unit (government affairs, communications, legal, strategy) is designed to tackle the entire corporate diplomacy challenge or is required to include these aspects in fundamental decisions. This organizational deficit is the premise of this article, and the institutional designs developed in this section and the two that follow — the SDO, the Geopolitical Risk Intelligence System, and the redefined Chief Strategy Officer role — together constitute the operational architecture of corporate diplomacy 2.0.

9A.2 Core Functions

The SDO's responsibility covers four interrelated functional domains. The Geopolitical Intelligence function is responsible for continuously monitoring and analyzing political developments in the markets in question and translating geopolitical intelligence into strategic implications. The Stakeholder Engagement function is responsible for coordinating relationships with governmental, regulatory, and multilateral institutional actors worldwide and has a relationship-building mandate rather than a crisis-response mandate. The Coordination and Integration function incorporates diplomacy into commercial decision-making and transmits it between geographic units, and vice versa. The Values Governance function is responsible for establishing and maintaining frameworks to address situations in which there may be a conflict of values across different market environments (where meeting the requirements of

one government would also breach the firm's stated values in another market).

9A.3 Organizational Positioning

The effectiveness of the SDO will be largely dependent on its organizational positioning. The best place is at the most senior staff level, reporting to the CEO, who includes the SDO head as a permanent member of the firm's senior strategy committee, and as a formal approver of large investment proposals. The SDO head position is the rare intersection of skill sets: deep expertise in international issues and geopolitical analysis; government affairs or diplomatic experience; line-of-business knowledge and business acumen; and credibility as an organizer within the firm to influence senior commercial leaders.

9A.4 Implementation Challenges

The SDO implementation is fraught with the normal challenges of any new organization: the "turf" issue of existing functions resisting scope reduction; the measurement challenge of proving value for long-term, diffuse, and hard-to-attribute outcomes; and the cultural integration challenge of creating an organizational culture that values diplomacy as a strategic skill and supports it as a capability. The SDO's mandate must be designed to complement and/or coordinate existing functions, not replace them. The value it can add lies in integration and elevation, not replacement.

9B. AI-Augmented Risk Intelligence: Toward a Chief Strategy Officer Framework for Corporate Diplomacy

9B.1 The Decision-Making Gap in Contemporary Risk Management

The world's largest companies are producing more geopolitical intelligence than they can convert into strategic decisions. Risk data flows in from government affairs, supply chain monitors, compliance officers, and external consultants, but is rarely aggregated across silos and almost never synthesized before the decision window closes. The result is what this article calls the fragmentation problem. Organizations are information-rich and decision-poor (Caldara & Iacoviello, 2022; World Economic Forum, 2025).

The scale of the problem is documented. Aon's 2025 Global Risk Management Survey, drawing on nearly 3,000 respondents from 63 countries, found that geopolitical volatility entered the top ten global business risks for the first time in the survey's nineteen-year history; a parallel survey found 91% of Chief Risk Officers ranking it among their top five concerns for the coming three years (Lucid Financials, 2025). What both surveys also found is that traditional risk models, built to extrapolate from historical data, are not designed for the speed or complexity of today's geopolitical landscape (World Economic Forum, 2025).

Two institutional responses follow from this diagnosis. The first, proposed here as the Geopolitical Risk Intelligence System (GRIS), embeds AI-enabled

risk analysis within the SDO proposed in Section 9A. The second is a redefined Chief Strategy Officer (CSO) role whose mandate is to ensure that GRIS outputs are structurally connected to the firm's strategic planning cycle rather than consumed, filed, and forgotten.

9B.2 AI Capabilities for Corporate Diplomatic Risk Assessment

AI has entered geopolitical risk management not as a replacement for human analysis but as a means of processing at a scale and speed that conventional methods cannot match. Where traditional risk assessment draws on static historical models and bounded cognitive capacity (Simon, 1955), AI-based pattern recognition and probabilistic modeling can surface signals across far larger and more diverse data sets. Four capabilities are directly relevant to the corporate diplomacy context.

- Scenario Planning and Geopolitical War-Gaming. The Shell methodology of the 1970s produced two to four scenarios per planning cycle, developed by analyst teams working quarterly or annually. AI-powered scenario engines now run that process continuously, updating hundreds of iterations in response to real-time data streams and recalibrating probabilistic weights as conditions shift (World Economic Forum, 2025). Georgetown University's Baratta Center documented one such application: Verstand AI's geopolitical modeling platform built out a scenario library for Airbus Helicopters that quantified how U.S. protectionism, European defense spending, and evolving alliance structures interacted to produce distinct operational futures across Airbus's multi-jurisdictional footprint (Georgetown/Baratta Center, 2025). The

practical implication is that the strategic plan no longer goes stale between review cycles.

- Real-Time Geopolitical Risk Monitoring. Sanctions announcements, regulatory shifts, and leadership changes can alter an MNC's operating environment within hours. Traditional monitoring — human analysts filtering news feeds — adds latency, filtering bias, and coverage gaps that no team can eliminate. AI systems monitor regulatory databases, multilingual news feeds, legislative agendas, and financial market signals simultaneously, surfacing material developments for a specific firm or market in near real-time (Permutable AI, 2024; Lucid Financials, 2025). In 2024, an automotive company using political stability scoring rerouted Red Sea shipments within hours of Houthi closures, avoiding an estimated $220 million in losses (Lucid Financials, 2025). Early detection of that kind converts crisis management into proactive diplomacy.

- Stakeholder Sentiment Analysis. Natural language processing (NLP) systems — AI models that read, classify, and interpret human language at scale — can process news, social media, parliamentary debates, regulatory filings, and analyst reports to produce quantified, real-time sentiment assessments disaggregated by geography and audience segment (Permutable AI, 2024; BlackRock Investment Institute, 2025). BlackRock's publicly disclosed Geopolitical Risk Indicator (BGRI) applies this methodology at the institutional level, rating geopolitical risks by their presence in financial news and brokerage sentiment (BlackRock, 2025). Applied to

corporate diplomacy, continuous sentiment tracking allows the SDO to detect brand narrative shifts before they escalate. The Starbucks Middle East crisis of 2023–2024 illustrates the cost of not doing so. A labor union social media post that triggered boycotts across multiple markets within days could, with continuous monitoring, have been flagged as a risk signal within hours of posting.

- Competitive Intelligence and Pattern Detection. Machine learning models trained on company-government interactions, regulatory decisions, and geopolitical events can surface trends and early signals that evade conventional analysis (Lucid Financials, 2025). One particularly consequential application is regulatory contagion monitoring — tracking how restrictions adopted in one jurisdiction migrate to others. Competitive intelligence on the Entity List's regulatory build-out could have helped Huawei's Western rivals reposition supply chains and customer relationships before the sanctions regime took full effect. The Nvidia export control saga runs the dynamic in reverse. Each Commerce Department tightening since 2022 has swept in chip architectures Nvidia had engineered specifically to remain outside the previous round's scope. A CI system monitoring the signals that preceded each rulemaking — congressional hearings, interagency reviews, allied government consultations, think-tank work on semiconductors and security — would likely have given Nvidia's government affairs team enough lead time to engage the policy process rather than merely react to it (U.S. Department of Commerce, 2023). The pattern is now sufficiently documented to be modeled:

for firms whose products sit at strategic chokepoints in global technology supply chains, regulatory contagion monitoring belongs in standing competitive intelligence, not in periodic compliance review.

9B.3 The Conveyance Paradox and Human-AI Collaboration

AI tools in corporate diplomatic risk management face what the Baratta Center at Georgetown calls the Conveyance Paradox. Executives require actionable answers, but the most defensible AI outputs are scenario portfolios — probability distributions over possible futures, not predictions (Georgetown/Baratta Center, 2025). This is not a technological limitation to be engineered away. It is an epistemological condition intrinsic to geopolitical forecasting, one that AI makes more visible without making more tractable.

Managing the paradox requires architectures that combine AI's signal-processing capacity with human interpretation and contextual judgment. Research on AI in corporate risk management consistently finds that the best outcomes arise from human-AI collaboration rather than automation, with AI providing the analytical substrate and human analysts supplying the market knowledge and strategic direction that probabilistic models cannot generate (WTW, 2025). The SDO's cultural intelligence function is well positioned for this role: analysts with deep knowledge of specific markets and stakeholder relationships are better placed to interpret AI-generated signals than any automated system.

9B.4 The Chief Strategy Officer as Integration Architecture

Intelligence production and strategic integration are distinct organizational problems, and the history of organizational intelligence failures is largely a history of the second kind. Analysis was conducted, findings were circulated, and decisions were made without reference to either (Weick, 1995). GRIS addresses the production side. The proposed Chief Strategy Officer (CSO) role addresses the integration side.

The CSO's mandate is integrative rather than analytical. Where the SDO head manages the firm's stakeholder relationships and the GRIS produces the intelligence substrate, the CSO is responsible for ensuring that geopolitical risk intelligence — including AI-generated scenario outputs — is structurally embedded in strategic planning, capital allocation, and major operational decisions. The role differs from conventional Chief Strategy Officer positions in two respects: geopolitical and diplomatic risk are explicit responsibilities rather than environmental constraints, and the CSO holds organizational authority to translate GRIS outputs into board-level strategic guidance rather than acting purely in an advisory capacity.

Organizational positioning is critical. Two failure modes undermine the CSO role: subordination, where commercial and financial priorities consistently override geopolitical assessments outside of active crisis; and isolation, where the CSO can advise but not shape decisions. The design that avoids both places the CSO on the executive committee alongside the CFO and COO, with co-signature authority on major market-entry, supply-chain, and technology-investment decisions and a formal mandate over geopolitical risk exposures above defined thresholds.

The architecture must also define its interface with the Chief Operating Officer, since the COO's domain — supply chains, manufacturing footprints, and market operations — is where geopolitical risk most often materializes. The COO remains a peer of the CSO rather than a superior: placing the CSO or SDO within the operations hierarchy would institutionalize the subordination failure mode described above, with geopolitical judgment routinely overridden by cost and delivery priorities. Peer status alone, however, is insufficient; three formal interfaces are required. First, the GRIS feeds intelligence directly to the COO's organization as well as to the CSO, so that operational decisions — rerouting shipments, shifting production, adjusting sourcing — can be made at operational speed without routing through a strategic bottleneck. Second, the CSO's co-signature authority over supply-chain and market-footprint decisions operates as a dual-key arrangement with the COO rather than a unilateral check: the CSO brings the geopolitical assessment, the COO the operational one, and neither proceeds alone on exposures above defined thresholds. Third, in episodic mode the COO is the architecture's execution arm: the GRIS produces the scenario portfolio, the CSO synthesizes the recommendation, the CEO and board decide, and the COO implements. An architecture that stops at the decision and leaves execution undefined replicates the intelligence-to-action gap it was designed to close.

9B.5 The Integrated Architecture: SDO, GRIS, and CSO

The three elements are mutually reinforcing. The SDO cultivates the firm's network of governmental, institutional, and public stakeholder relationships — its relationship capital. The GRIS delivers structured intelligence products across the four capability

domains to both the SDO and the CSO. The CSO converts those products into strategic decisions and advocates for geopolitical considerations at the board level.

The architecture operates in two modes. In continuous mode, the GRIS monitors the geopolitical landscape, the SDO maintains ongoing stakeholder relationships, and the CSO feeds geopolitical intelligence into the rolling strategic planning cycle. When a major event or decision triggers episodic mode, the three functions converge: the GRIS produces an updated scenario portfolio, the SDO maps implications for existing diplomatic relationships, and the CSO synthesizes a recommendation for the CEO and board.

The architecture addresses fragmentation at the source by replacing ad hoc cross-functional communication with defined responsibilities, information flows, and decision rights. The setup cost is real — in headcount, reporting lines, and coordination overhead — and the full design is suited to large MNCs with substantial multi-market geopolitical exposure. For smaller organizations or firms in less exposed sectors, a scaled-down version that integrates GRIS functions into the SDO and assigns CSO responsibilities to an existing C-suite role preserves the integration logic at lower organizational cost. Where those responsibilities are assigned to the COO, explicit safeguards are needed — above all, a direct reporting line for geopolitical assessments to the CEO or board — since combining operational and geopolitical authority in a single role concentrates precisely the tension the subordination failure mode warns against.

9C. ESG as Diplomatic Capital: From Compliance Obligation to Relational Asset

The preceding sections have treated ESG primarily as a risk variable — a factor in how governments, communities, and institutional investors assess MNC behavior under geopolitical pressure. This section advances a stronger claim. When ESG is embedded as a strategic commitment rather than a disclosure obligation, its primary deliverable is not a sustainability report but diplomatic capital: an accumulated network of governmental, regulatory, community, and institutional relationships that recognize the firm as a genuine stakeholder in shared futures and respond accordingly when the firm requires access, cooperation, or goodwill.

9C.1 ESG and Organizational Legitimacy: The Diplomatic Logic

The link between ESG and corporate diplomacy runs through the concept of organizational legitimacy. Suchman's (1995) foundational distinction between pragmatic legitimacy — grounded in stakeholder self-interest — and moral legitimacy — grounded in normative judgments about a firm's values — maps directly onto the difference between compliance-based and commitment-based ESG. Governments negotiating concession rights, communities assessing a firm's presence, regulators exercising enforcement discretion, institutional investors making allocation decisions: all are making some form of legitimacy assessment, and ESG performance increasingly shapes those judgments. The firm that has built an ESG track record before disclosure was mandated enters those negotiations with relational capital. The firm that implemented ESG as a compliance function enters

with a disclosure document (Porter & Kramer, 2011; Eccles, Ioannou & Serafeim, 2014).

The logic runs parallel to the argument for proactive diplomatic engagement made in Section 3. In both cases, the investment is in trust — a capital good that compounds when made early and depletes rapidly under pressure. Proactive ESG commitment lays the relational foundation that determines how external actors respond when regulatory decisions, political pressure, or reputational crises arrive.

9C.2 ESG as Relationship Investment: Evidence from Corporate Practice

The clearest corporate evidence comes from cases where ESG commitment preceded commercial return — where the relational infrastructure built through genuine environmental or social investment created regulatory access, community support, and institutional trust that a compliance record could not have produced.

Ørsted A/S is the most fully documented case. From among the most carbon-intensive utilities in Europe in the early 2000s, the Danish company became the world's leading offshore wind developer within a decade. That transformation was a corporate diplomacy challenge as much as an engineering one: winning coalition support from environmental groups for regulatory approvals, negotiating offshore concession rights across multiple national governments, and doing so with credibility that was only available because Ørsted had divested fossil fuel assets and staked the enterprise on the transition rather than hedging it (Ørsted, 2023; IRENA, 2022). Structural commitment, not messaging, produced the regulatory access. The subsequent chapter is equally instructive. Since 2024, Ørsted's U.S. offshore projects have been repeatedly halted by federal stop-work

orders and restarted by court injunction, prompting a DKK 60 billion rights issue and a strategic refocus on Europe and Asia (Ørsted, 2026). Structural ESG commitment created diplomatic access, but it also concentrated exposure to a single policy regime — a reminder that relational capital earned in one political system does not transfer automatically to another, and that even exemplary corporate diplomacy operates within, not above, geopolitical rivalry.

On the consumer side, Unilever's sustainable living brands — Dove, Hellmann's, Ben & Jerry's — were repositioned around verifiable environmental and social commitments. By 2018, those brands had grown 69% faster than the rest of the portfolio (Unilever, 2019). The mechanism was relational: consumers who observed product reformulation, supply chain transparency, and advocacy responded with loyalty that conventional advertising had not produced. IKEA's direct investment in wind and solar capacity, rather than carbon offsets, generated equivalent credibility with environmentally conscious consumers and regulators — credibility that a compliance-based approach could not replicate (IKEA Group, 2020).

9C.3 Social and Governance Dimensions: ESG as Community and Institutional Diplomacy

The diplomatic capital argument applies with equal force to the social and governance dimensions of ESG. The "S" — labor practices, supply chain human rights, community investment, product access equity — has become an increasingly consequential determinant of social license to operate, driven by the speed at which reputational crises spread through networked activist communities and by the heightened scrutiny governments and civil society organizations apply to MNC behavior in emerging

markets. Mastercard's Center for Inclusive Growth demonstrates the difference between compliance and commitment. Financial inclusion infrastructure investments in sub-Saharan Africa and South Asia that helped bring more than 500 million previously excluded people into the digital economy by 2020 built relationships with finance ministries, central banks, and regulatory bodies that opened procurement and licensing discussions unavailable through any conventional market-entry strategy. The commercial returns followed from the relational infrastructure; without it, Mastercard would not have been at the negotiating table.

Novartis' Access program, which provided non-communicable disease medications to sub-Saharan African governments at one dollar per treatment per month, built relationship capital with health ministries, international health organizations, and local distribution partners that was subsequently leveraged for higher-margin products requiring regulatory approval and distribution in the same jurisdictions (Rockers et al., 2019). The stakeholder infrastructure created through ESG-motivated access programming became precisely the kind of forward-leaning relational asset that proactive diplomatic engagement is designed to produce. Microsoft's AI for Good initiative generated analogous returns: partnerships with humanitarian organizations, governments, and research institutions that extended the firm's technical credibility and diplomatic standing well beyond the immediate scope of the project (Microsoft, n.d.).

9C.4 ESG, B2B Supply Chain Dynamics, and Market Access

A less-discussed but commercially consequential dimension of ESG-as-diplomatic-capital is the B2B supply chain relationship. Large multinationals

committed to Scope 3 emission reductions and supply chain social compliance are effectively creating a new class of market-access requirements — not regulatory mandates, but procurement standards set by anchor buyers whose ESG policies cascade through their supplier networks. For suppliers, meeting these requirements is no longer merely a condition of the buyer relationship; it is the condition of access to the supply chains that constitute their primary market. The diplomatic logic is direct: the access key is the relationship with the anchor buyer, and that relationship is now predicated on demonstrated values alignment, not price alone.

The EU's Corporate Sustainability Due Diligence Directive (CSDDD), which requires large companies to identify, prevent, and mitigate adverse human rights and environmental impacts across their value chains, makes the supply chain dynamic regulatory (European Commission, 2024). Firms with credible ESG infrastructure — audited labor practices, formal environmental management systems, functioning grievance mechanisms — now hold privileged access to European supply chains, a cumulative and compounding market-access advantage. More broadly, the CSDDD exemplifies a pattern: voluntary ESG standards adopted by pioneer firms eventually become mandatory regulatory floors, and the firms that built capability ahead of the mandate enter the compliance regime already positioned, with lower transition costs and stronger supplier relationships than those that waited.

9C.5 ESG Integration within the Corporate Diplomacy Framework

Across the cases examined — Ørsted, Mastercard, Novartis, Unilever — genuine ESG commitment strengthened each of the three pillars of the corporate

diplomacy framework. For governments and regulatory bodies, it provided a basis for engagement grounded in demonstrated values rather than procedural compliance. For brand and reputation management, it allowed credibility assessments by communities and institutional stakeholders to be anchored in observable firm behavior rather than narrative. What mattered in each case was not disclosure design but responsiveness to issues that stakeholders themselves had identified as material. That is the foundation of relational capital — and of effective corporate diplomacy.

Within the institutional architecture proposed in this article, ESG belongs in the Values Governance function of the SDO — not as a reporting obligation but as an active stakeholder intelligence and relationship management capability. The SDO is positioned to translate stakeholder values intelligence into diplomatic strategy and product development priorities. The GRIS should monitor ESG signals alongside geopolitical ones: evolving regulatory regimes, shifting investor mandates, community concerns that signal opportunities for proactive engagement. The CSO's responsibility is to ensure ESG-informed relationship data enters strategic planning and investment decisions, not only sustainability reports.

9C.6 A Note on ESG and Sustained Profitability: An Agenda for Further Research

The argument developed here is primarily diplomatic rather than financial: ESG as a builder of relational capital and organizational legitimacy, distinct from whether it also improves financial performance. That second question is significant and beyond this article's scope, but the evidence is directionally consistent. Friede, Busch & Bassen's (2015) meta-

analysis of over 2,000 empirical studies found a positive association between ESG criteria and corporate financial performance in roughly 90% of cases. Khan, Serafeim, and Yoon's (2016) materiality study found that firms outperforming on ESG factors material to their sector produced substantially higher risk-adjusted market returns, which aligns with the diplomatic capital argument, since ESG investment calibrated to actual stakeholder priorities is most likely to generate sustained relational and commercial returns.

A review by Arabesque Partners and the University of Oxford of 200 studies found positive effects of sustainability practices on operational performance in 88% of cases and on stock price performance in 80%, with stronger effects when sustainability was embedded in core business processes rather than treated as a peripheral program (Arabesque Partners & University of Oxford, 2015). The research agenda that follows — on the conditions under which ESG commitment produces sustained financial returns, on how those conditions vary across industries and geopolitical contexts, and on the interaction between ESG materiality and corporate diplomacy effectiveness — is one that neither the corporate diplomacy nor the strategic management literature has yet addressed systematically. Multinationals operating in high Geopolitical Complexity (GPC) environments, where the diplomatic capital logic is under the most stress and the returns to genuine ESG investment are most visible, offer the most tractable starting point for that inquiry.

10. Conclusion

Corporate diplomacy has become a pivotal strategic capability, not a peripheral government-affairs function, for multinationals navigating rising geopolitical competition and regulatory fragmentation. The three-pillar framework developed here provides both an analytical structure and a practical vocabulary for understanding and building that capability.

Three cross-case findings stand out. Proactive diplomatic capital investment consistently outperformed reactive crisis management. Values consistency — the willingness to stand by stated commitments even at commercial cost — produced more durable brand equity than tactical positioning. And anticipatory structural choices — in ownership transparency, supply chain geography, and technology architecture — determined vulnerability to geopolitical instrumentalization long before any crisis arrived.

The Strategic Diplomacy Office is not a one-size-fits-all prescription. The specific design — scope, staffing, reporting lines — will vary with a firm's size, sector, geopolitical footprint, and culture. What does not vary is the underlying principle: Diplomatic considerations must be institutionalized at a level where they can actually shape consequential decisions, not delegated to functions that operate after those decisions have been made.

Several limitations warrant acknowledgment. The case analyses rest primarily on publicly available sources; interview-based or archival research would add considerable depth. The three-pillar framework has not yet been empirically tested, and developing valid measures for each pillar and their effects on brand legitimacy outcomes is a necessary next step

for the research program. More broadly, the article reflects a conviction that the traditional separation between business strategy and international relations scholarship is no longer analytically sustainable. Corporate diplomacy offers one productive framework for bridging it.

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Appendix A

Glossary of Abbreviations

Terms marked with an asterisk (*) are proposed by this article rather than drawn from existing usage.

Term	Full Term	Definition
CQ	Cultural Intelligence	An individual's or organization's capacity to function effectively across culturally diverse settings; the third pillar of the article's conceptual framework.
MNC	Multinational Corporation	A firm that owns or controls production or service facilities in more than one country.
ESG	Environmental, Social, and Governance	A set of criteria used to assess a firm's non-financial performance and conduct; treated in this article as a source of "diplomatic capital" rather than only a disclosure requirement.
CSDDD	Corporate Sustainability Due Diligence Directive	European Union legislation requiring large companies to identify, prevent,

		and mitigate adverse human rights and environmental impacts across their value chains.
SDO*	Strategic Diplomacy Office	An institutional design proposed in this article: a senior, CEO-reporting unit that integrates the three pillars of corporate diplomacy into strategic planning and decision-making.
GRIS*	Geopolitical Risk Intelligence System	An AI-enabled risk intelligence function proposed in this article as an extension of the SDO, encompassing scenario planning, real-time monitoring, sentiment analysis, and competitive intelligence.
CSO	Chief Strategy Officer	In this article, a redefined executive role responsible for embedding GRIS-generated geopolitical risk intelligence into strategic planning, capital allocation, and major operational decisions — distinct from the

		conventional CSO role focused on competitive strategy and M&A.
BGRI	BlackRock Geopolitical Risk Indicator	A proprietary index developed by BlackRock Investment Institute that rates geopolitical risks based on market attention and sentiment captured in financial news and brokerage reports.
NLP	Natural Language Processing	A branch of artificial intelligence concerned with processing and analyzing human language, used in this article's discussion of stakeholder sentiment analysis.
GPC	Geopolitical Complexity	A term used in this article to describe the degree of geopolitical fragmentation and risk exposure facing a multinational firm, referenced in the discussion of future ESG research directions.

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