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## Highlights on How Multinational Companies Operating in Brazil Organize Their Government Relations' Areas

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### **Abstract:**

*Among all non-market forces, and of particular importance in developing countries, the Government rises as a key stakeholder that needs to be addressed towards an integrated strategy in today's and future's business environments, especially in highly regulated sectors.*

*This way, this work presents a summary of the findings from a qualitative research conducted during 2018 with 15 private multinational companies from 8 different nationalities, aiming to throw more light on the nature of the strategic relationship with the Brazilian Government (at Federal, State and City levels), and how companies can organize internally to interact with this key non-market component.*

*Several highlights were derived from the research results, such as: the increasingly formal, structured and organized relationship with Governments; the importance of the Government Relations area as part of the company's overall strategy; many challenges faced, like headcount allocation and internal/external communication alignment; different forms of measuring and disseminating results; need for multiple competencies development; and increasing interaction with the business value chain.*

*The work contains conclusions and recommendations with the intention to contribute to the Government Relations' field of study, identifying best practices and challenges for multinationals when dealing with the Brazilian Public Administration, that can be used as insights for further research, aiming to be applied by Government Relations areas from other types of companies operating in different markets.*

*In order to avoid disclosure of any proprietary and/or strategic information and for privacy purposes, names of the companies and interviewees were omitted, without sacrificing the academic rigour.*

**Keywords:** Government relations, strategy, non-market

### 1. Introduction

Over the last decade, corporate strategists, researchers and authors have been increasingly recognizing the importance of non-market forces, which are related to the activities that are not solely based on or directly driven by traditional market forces (Lamb and Wann, 2018; Martinez and Kang, 2014; Lawton, Doh and Rajwani, 2014; Henisz, 2014; Henisz & Zelner, 2012).

Recent studies draw more attention and reinforce efforts of pioneers in the non-market environment study field with a strategy bias (i.e. non-market strategy), such as Baron (1995) and Bach & Allen (2010). Further research on the non-market environment can provide guidelines and effective recommendations to solve real problems and improve practitioners' actions, regarding the strategic relationship with the Government and turn this into a comparative advantage for companies (Navarro, 2018, 2017; Navarro, Dias and Valle, 2013).

This way, the non-market strategic environment is still relatively not well explored by both academic and professionals of management, even with some advances in this field since the beginning of the 21<sup>st</sup> century (Watkins, Edwards and Thakrar, 2000; Richards, 2002; Wilcox et al., 2003; Alsop, 2004; D'Aveni, 2004; Susskind, 2005; Harris and Fleisher, 2005). In particular, among all non-market forces (that include varied types of media, NGOs – Non-governmental Organizations, local communities, syndicates, etc.) and of great importance in developing countries, the Government rises as a key stakeholder that needs to be addressed towards an integrated strategy in today's and future's business environments, especially in highly regulated sectors.

Few works explore specifically the influence of Government on different business environments, the companies' relations with this particular non-market force (Salacuse, 2008), and how top management from the C-level can optimize the strategic use of a Government Relations area into their decisions and actions. Even fewer works explore these themes with a strategic bias on the extremely complex business environment of Brazil<sup>1</sup> (Navarro, 2018, 2017; Carvalho et al., 2013; Galan, 2012; Ricardo, 2011; Farhat, 2007).

<sup>1</sup>The Doing Business 2019 report from the World Bank considers several factors – such as starting a business, getting a location, accessing finance, daily operations and business environment – and poses Brazil at the 109<sup>th</sup> position on the ease of doing business ranking (being position 190 the most difficult). Available at [http://www.worldbank.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2019-report\\_web-version.pdf](http://www.worldbank.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2019-report_web-version.pdf), accessed in January, 2019.

Despite all these developments, there are still controversies in the area. The renowned Canadian Professor Henry Mintzberg argues in one of his latest books, *Rebalancing Society* (2015, p. 92), that the relation between private sector and Government may take place such as:

"...In a manner of speaking, lobbying may be legal. So is bribing, under the label of political donations, which has opened those backroom doors to lobbying. Corruption, you see, can be legal, too. Everyone has access to lobbying: "everyone" includes those who have the money to bribe the politicians, or the power to make their lives miserable, or who can threaten their reelection...Lobbying is about democracy: in fact, lobbying destroys democracy. The self-evident truth today is that those people who get to lobby are more equal than those who don't."

In their 2014 book entitled *Aligning for Advantage: Competitive Strategies for the Political and Social Arenas*, authors Lawton, Doh, and Rajwani highlight (p.5):

"...Despite some research advances, the nonmarket strategic environment remains relatively uncharted territory for both scholars and practitioners of strategic management. This is particularly true in emerging economies. In particular, the influence of government, a subset of the nonmarket context, is a largely unexplained and indeterminate variable within companies' strategic decision-making process. Although there is research on state-business relations, less work has been done on how top-management teams factor the external political environment into their strategic decisions and actions."

This vision is shared by the 2014 study from KPMG, *A New Vision of Value: Connecting Corporate and Societal Value-creation*, that recognizes (p.40) the importance of this topic for research:

"...Externalities, both positive and negative, are increasingly being internalized with significant implications for corporate value creation – both in terms of impact on earnings and changing company risk profiles. The question is, how should companies respond to this trend?"

The *Global Reputation Track Report*, from the Reputation Institute<sup>2</sup>, periodically measures and indicates several concrete results and trends (such as competitive differentiation, top talent acquisition and retention, and ability to collaborate/partner with key opinion leaders or policy makers), obtained through research with highly admired companies in the world, linking these tangible – and nowadays most sought-after results – to explicit nonmarket strategies being conducted by these companies.

The *State of Corporate Public Affairs*, one of the most comprehensive reports on trends in Public Affairs management, published by the Foundation of Public Affairs<sup>3</sup>, indicates (2015, p. 6) the strategic role of this area:

"...In recent years, public affairs departments have become more involved in business strategy and more collaborative with other departments that communicate with stakeholders. Over 90% say their top public affairs executive plays a role in developing their company's strategic plan. In fact, 19% of top public affairs executives serve as one of the architects of the plan and another 39% are members of the corporate strategic planning team. Most public affairs executives have access to the top levels of the company, with 36% reporting directly to the CEO or president and another 27% reporting to the general counsel."

The latest version of this report (2017-2018) reinforces the strategic importance of the area and its position within the organization (p. 6):

"...In order to be effective, public affairs executives need access to the top levels of the company — and most everyone has it. According to the 2017-2018 survey, 37% of respondents report directly to the CEO, chairman or president, and 29% report to the general counsel. Another 25% report to a corporate vice president or other C-suite executive, and the rest report to business unit heads or division officers."

Important to notice that among the respondents of the above-mentioned surveys, none had its company headquarters nor the working place in Brazil, indicating a need to further explore this subject in one of the top emerging countries in the world, and thus reinforcing the importance of studies to fill this gap, such as the conducted research here highlighted.

In this context, since 2012 the author of the presented research worked to conceive, co-develop, launch (in April, 2015) and coordinate at Fundação Getulio Vargas (FGV) – the best ranked business school in Brazil<sup>4</sup> – the first MBA on Government Relations in the country<sup>5</sup>. The importance and success of this MBA in Brazil since then (in 2019, there were 14 concluded/ongoing cohorts in different cities) was mentioned in several media articles and reports, like *The Economist*<sup>6</sup> (May 15<sup>th</sup>, 2015), *Galileu magazine*<sup>7</sup> (June, 2015), *Folha de São Paulo newspaper*<sup>8</sup> (August 09<sup>th</sup>, 2015), *Você S.A. magazine*<sup>9</sup> (August, 2015), and *BBC*<sup>10</sup> (November 4<sup>th</sup>, 2015). In October, 2018 FGV received the Marco Maciel Prize,

<sup>2</sup> For a broad view and several related materials, see [www.reputationinstitute.com](http://www.reputationinstitute.com), accessed in January, 2019.

<sup>3</sup> Available at <http://pac.org/>, accessed in December, 2018.

<sup>4</sup> <https://portal.fgv.br/noticias/retrospectiva-2018-fgv-consolida-lideranca-principais-indicadores-e-rankings-educacionais>, accessed in January, 2019.

<sup>5</sup> <https://educacao-executiva.fgv.br/rj/rio-de-janeiro/cursos/mba-pos-graduacao/mba-pos-graduacao-presencial/mba-executivo-em-economia-e-gestao-relacoes-governamentais?oferta=70314&unidade=botafogo>, accessed in January, 2019.

<sup>6</sup> <http://www.economist.com/news/business/21651269-upside-professional-lobbying-courting-state?frsc=dg%7Ca>, accessed in December, 2018.

<sup>7</sup> <http://revistagalileu.globo.com/Revista/noticia/2015/06/como-agem-os-lobistas-representantes-de-empresas-de-tecnologia-em-brasilia.html>, accessed in January, 2019.

<sup>8</sup> <http://classificados.folha.uol.com.br/empregos/2015/08/1665986-cargo-de-lobista-e-estrategico-para-as-empresas-e-atrair-profissional-de-diversas-areas.shtml>, accessed in December, 2018.

<sup>9</sup> Edition n. 206.

<sup>10</sup> [http://www.bbc.com/portuguese/noticias/2015/11/151030\\_polemica\\_lobby\\_jf\\_ab](http://www.bbc.com/portuguese/noticias/2015/11/151030_polemica_lobby_jf_ab), accessed in December, 2018.

promoted by ABRIG<sup>11</sup> (Brazilian Association of Institutional and Government Relations), recognizing it as the best educational institution in Brazil for Government Relations<sup>12</sup>.

The research from which the main findings are here highlighted was conducted during the year of 2018 as part of the doctoral thesis of the author, aiming to study and draw conclusions that can be turned into applicable recommendations to the Government Relations community to optimize this key corporate function, in an engaged scholarship effort for both academy and business executives, with focus in Brazil.

## 2. Methodology

Qualitative in-depth interviews were collected (N=15), using a semi-structured methodology (Myers and Newman, 2007) to consider the performance of the companies in Brazil, with the Government Relations (GovRel) area as the unit of analysis (Yin, 2009).

The invitations were sent via e-mail or phone call, with 100% of response rate. Thirty questions were posed and additional questions made when necessary, to clarify statements, when needed. All the interviews were processed and coded manually. All interviews were conducted in Portuguese, transcribed and then translated into English.

The interviewees signed a disclosure information protocol. The interviews were validated after final submission and acceptance by the interviewer. Disclosure information were assured and interviewees were told that they could end the interview at any point without necessity of additional explanation. Secondary data were gathered through literature review and archival research.

It was also assured that the researcher would not identify the interviewees or the companies by name in the final reports, and that the confidentiality of the participant would remain. Subsequent uses of records and data were subject to standard data use policies which protect the anonymity of individuals and institutions.

The questions were of the open type, the answers being classified using a systemic approach, in order to cover three distinct and complementary blocks, going from the macro aspects to the micro: the company and sector(s) of activity; strategy; and the GovRel area – structure, organization, and processes.

The research aims to improve knowledge about different areas of GovRel organized by companies operating in Brazil, from different sectors, allowing a theoretical and technical basis for managers, decision makers and leaders to make comparisons of their own practices with those of other companies, identifying opportunities for improvement of processes, procedures, organizational structures, systems, metrics and strategies of the GovRel area, in addition to improving its interface with other areas of the company (i.e. transversality).

## 3. Development

The research process was divided into three steps. In step 1, using a vast network of corporate contacts of the author, developed and nurtured during 30 years of work in the GovRel area, which includes companies and professionals working in multiple sectors, a preliminary list was drawn up containing possible candidates that could potentially be interviewed.

Following the inclusion/exclusion/substitutions necessary due to the schedule and the possibility of participation, 15 multinational companies, from several nationalities – American, Swiss, Chinese, French, German, Chilean, Argentinian, Brazilian – which have their own GovRel structures were contacted and selected from among those who agreed to participate in the research, resulting in the following final list of companies (named “A” to “O”) from different sectors:

- A: Crop protection
- B: Agribusiness
- C: Healthcare
- D: Pharmaceutical
- E: Social network
- F: E-commerce
- G: Airline
- H: Information Technology
- I: Capital Goods
- J: Automotive
- K: Genetically Modified Organisms
- L: Banking
- M: Retail
- N: Plastic
- O: Soft drinks

In step 2, the 15 interviews (100% in-person) were conducted over a total time of 16 hours and 50 minutes, with the decision makers and responsible for the GovRel area in the universe of selected companies, being mapped the different points contained in the research forms. Also, additional information was obtained by collecting information available in different media and sources (e.g. annual reports, LinkedIn, websites, articles).

The main points raised in the interviews related to the following 30 topics, addressed through specific questionnaires:

<sup>11</sup>[www.abrig.org.br](http://www.abrig.org.br), accessed in January, 2019.

<sup>12</sup><https://portal.fgv.br/noticias/fgv-recebe-premio-marco-maciel-etica-e-transparencia-entre-publico-e-privado>, accessed in December, 2018.

- General information about the company and interviewee;
- Type of Company-Government relationship;
- Strategies used by the GovRel area and its relations with the levels of the company's strategy;
- Roles and responsibilities performed by the participants in the GovRel area;
- Denominations of the GovRel area and respective positions;
- Development of internal intelligence and competencies versus use of external consultants;
- Characteristics of the company, the target market(s) and its stakeholders;
- Size, profile, history, maturity, culture, beliefs, policies and values;
- Level of regulation, concentration of the sector(s) and influence of non-market forces;
- Concessions, authorizations, "license to operate", existence of contracts with Government(s);
- Level of transparency and trust;
- Obtainment, measurement and dissemination of GovRel area results internally;
- Tools used by the GovRel area;
- Budget, headcounts, salaries and bonuses;
- The perception of the GovRel area externally (stakeholders and market);
- Impacts of the GovRel area involving corporate reputation;
- Presence in social networks;
- Organization chart and position in the company hierarchy;
- Size of the GovRel area, geographical location and dispersion (national/international);
- Profile of the occupants of the GovRel area positions;
- Corporate functions above and/or below "sister" areas;
- Participation in business associations and coalitions;
- Linking/interaction with Institutes, Foundations, R&D Centers, Academy, NGOs;
- Interaction in the business value chain (transversality);
- Formal/informal processes used;
- Potential x actual contributions;
- Process of setting objectives and measuring results;
- Quantity, frequency and quality of interactions with Government(s);
- Posture: proactive, reactive or both;
- Perception of future challenges for the GovRel area.

In step 3, the information obtained and the additional ones collected were compiled and processed, resulting in a series of highlights and recommendations that are presented in summary in the following sections.

## 4. Highlights

### 4.1. Companies and Interviewees

Even focusing on multinationals, where large numbers of employees interact every day, respondents in general have shown a strong willingness to share their experiences. This reflects the observed fact that the GovRel area still presents professionals often with a passionate and solitary role profile, that can benefit from a periodic exchange of quality information with other executives from the same and different areas of their own company (and from their peers in other companies).

The difference in the academic background presented by the 15 interviewees (11 men and 4 women, being 6 lawyers, 3 journalists, 2 economists, 1 international relations, 1 political scientists, 1 administrator, and 1 system analyst) was also reflected in the areas they lead and also contributes to this exchange need mentioned above, since once providing different approaches and visions which may differ and/or converge, it ends up complementing each other.

### 4.2. Type of Relationship Company-Government

The vast majority of interviewees indicated the reality (or growing search) for an increasingly formal, structured and organized relationship with Governments. The following types of relationship were mentioned (number of mentions during interviews): formal (12); structured (10); intense (9); organized (4); constant (3); permanent (1); recurrent (1); specific (1); diluted (1); measurable (1); periodical (1); informal (1).

It was an agreement among the interviewees that there is no more space for amateurism or non-professional practices in this type of relationship. Gov Rel's work based solely on personal relationships is being replaced by strategic actions performed by well-trained and experienced professionals, complemented by a good network, that remains important.

### 4.3. Strategies Used by the Govrel Area and Its Relations with the Levels of the Company's Strategies

The strategic importance of the GovRel area was evidenced in all interviews, albeit to a greater or lesser extent. In any case, a strong correlation was identified between these different strategic levels<sup>13</sup>, i.e. the ones from GovRel (Institutional, Sectoral, and Transversal) and the company's (Corporate, Competitive, Functional).

<sup>13</sup>See Navarro (2017), pp. 53-63.

Important to notice that 80% of the interviewed GovRel areas (i.e. companies A, C, D, G, H, I, J, K, L, M, N, O) presented well defined processes, already integrated in the definition and influence of the company's strategies. An specific example of those identified was the application of Howard Chase's issues management methodology<sup>14</sup> to the area, such as the one conducted by company J.

A relevant point in this topic was the importance highlighted by many of the interviewees to be involved as soon as possible in the company's strategy definition processes, not only because of the concrete possibility of GovRel to somehow contribute – and this way improving its transversal characteristic – but also to avoid future problems in different areas that may impact the company's reputation and be difficult to control later.

Another common point was the sequential process of global-regional-country unfolding of strategy. In these cases, some companies have noted concern about specific local issues and necessary adjustments, including taking into account resource constraints, leading to a conscious and deliberate choice of what to do or not.

#### *4.4. Roles and Responsibilities Performed by Participants in the Govrel Area*

There were cases among those interviewed where the members of the GovRel area, due to the small size of the team and the large number of subjects to be dealt with, were led to "play in all eleven positions" (as pointed by company B) in analogy of soccer, that is, they perform different roles simultaneously, including at regional (Latin America) level. It has been reported that this can bring risks to the operation not only of the GovRel area, but for the company as a whole, due to lack of support in some important processes or initiatives.

It should be noted that it was also identified (e.g. companies A and H) the growing role of a professional within this area dedicated to social network management as a differentiation factor in supporting GovRel actions, which involves new skills to be developed for this professional, further enhancing the complexity of the competencies and academic formation demanded for an optimized performance.

An interesting point was the format used in the case of company H, which is regional-transversal, called "thematic desks", where in each country the company operates the GovRel area has a member specialized in a certain topic, being responsible for helping another pair/team mate, regardless of its location (geographical area), on that topic. The idea is to have these thematic expertise to support any and every country in the region that is discussing this topic.

#### *4.5. Denominations of the Govrel Area and Respective Positions*

Many variations were found within the GovRel areas, not only at the hierarchical level (e.g. Vice-Presidents, Directors, Managers), but also in the denomination used (e.g. Public Policy, Government Relations, Corporate Affairs, Public Affairs, Regulatory Affairs) and their combinations, depending on the incorporation of one or more functions under the responsibility of the same position.

At regional (Latin America) level, there was also reported a variation in the relevance of positions depending on the size of the market where the company operates, where in many cases markets less relevant from the company's operations standpoint are only monitored using local consultants or even based abroad (e.g. Washington).

This diversity on nomenclature appeared on the interviewees' denominations over the different 15 companies: (A) Director of Corporate Affairs for Latin America; (B) Government Relations Manager; (C) Director of Public Affairs; (D) Senior Specialist in Government Relations; (E) Director of Public Policies; (F) Government Relations Manager; (G) Government Relations Manager; (H) Director of Government Relations and Regulatory Affairs for Latin America; (I) Vice-President of Government Relations and Policies for Latin America; (J) Director of Government Relations for Mercosul; (K) Director of Government Relations; (L) Government Relations Manager; (M) Director of Government Relations; (N) Legal and Institutional Relations Director; (O) Government Relations Director.

#### *4.6. Development of Internal Intelligence and Competencies Versus Use of External Consultants*

All interviewed companies use both models, except for companies H and O. The former stated that "the team has acquired an expertise, a connection to the business, and with our external stakeholders that is so great...that consultancy has lost its importance over time". The latter stated that it "...has always been like that; we have a dedicated team for this [GovRel] work".

The development of an internal team and a concomitant use of consulting services were justified by different arguments, such as the perception of not having certain competencies and a high cost to achieve them (company A); the huge amount of information to process (company B); understaffed teams (company K: "...our team is very small and I need consultants); and need of complementary knowledge (company N: "...the external consultancy does not have the specific knowledge of the business, and the business does not know how to relate abroad".

One specific issue that has arisen in the case of company J is the non-use of consultants due to the company's culture, which is historically not to work with consultants.

There were one case (company I) where consultancies are used to replace or substitute the function, considered more onerous, of own employees, mainly as already reported in Latin American markets of lower commercial expression. There have also been cases reported of the use of consultants shared with other companies (i.e. non-exclusive), but only for obtaining information or to "open doors", being the processing of information done internally, such as companies D and G.

<sup>14</sup>See Jaques, T. (2008). Howard Chase: the man who invented issue management, *Journal of Communication Management*, Vol. 12, Issue 4, pp.336-343.

#### 4.7. Characteristics of the Company, the Target Market(S) and Its Stakeholders

Regardless of the sector in which they operate and the origin (8 different nationalities) of the interviewed multinationals, the Government stakeholder (e.g. regulators, Executive and Legislative branches), at all its 3 spheres – Federal, State and City levels – stood out among those other pointed out by the interviewees as more relevant to the company as a whole, including NGOs, unions, media, activists, local communities, private sector associations, academy, suppliers, clients, employees, and competitors.

#### 4.8. Size, Profile, History, Maturity, Culture, Beliefs, Policies and Values

Quite a variety of profiles among multinationals operating in Brazil (for instance, in terms of company's age, there were relatively new companies to centenary ones), but a belief in values that reinforce aspects such as transparency, ethics and good reputation were always present, which has been contributing to the increased importance given to areas such as GovRel, Compliance and Governance.

It was evidenced that, in general, factors such as maturity and company profile/culture influence the size of the GovRel area, but there were cases (as company I) where even considering that the company is very large, there was a decrease in available resources (human and financial) over the last couple of years, justified by the interviewee as due to the economic crisis that Brazil faced in this period.

#### 4.9. Level of Regulation, Concentration of the Sector(S) and Influence of Non-Market Forces

The majority (80%) of the interviewees reported the level of regulation and influence of non-market forces as high (7) or very high (5). Only 2 classified this level of influence as medium to high and 1 as medium.

#### 4.10. Concessions, Authorizations, "Licence to Operate", Existence of Contracts with Government(S)

In some cases, important concessions have been reported that are necessary for the company's own operation (such as company B), which ends up taking up a lot of the time of the GovRel area, with constant demands of this type to be solved.

There are also multiple authorization requirements, both at Federal and State levels and even Municipal to launch products at markets, involving in many cases Regulatory Agencies and Secretaries. As company A reported, "...for example, I have a [Brazilian] State today that is creating restrictions on a product of ours that I can use in the entire country".

The term "license to operate" was recognized by most companies as an important issue to be observed as a mission for the GovRel area to maintain. As stated by company B, "...maybe that is the part that take most of my time as a Government Relations Manager".

In approximately 50% of the cases where there have been reported contracts with Government (i.e. companies A, C, D, G, H, I, J, L), there is the intentional separation between the GovRel area and the commercial areas involved. This was put in place as a facilitator for the areas to operate. In particular, the interaction between the areas in company J's case has to be highlighted, where the GovRel area plays a role of authorization (e.g. fixing limits of value) when there is such a sale, although it does not participate in the identification process of opportunities in such bids.

#### 4.11. Level of Transparency and Trust

In general, the GovRel area has been reported to be transparent and perceived as trustable both internally and externally. There were cases, such as company C, when challenges were faced in the past and reflections are still felt: "with specific stakeholders, we have a good reputation, but sometimes the company promises and has difficulties in sticking to it".

Specific examples have been given throughout the interviews. In some cases, such as company B, there is still the need to work internally: "...maybe not everyone knows that the company has an area focused in Brasilia, expert in GovRel, that can help with many problems that they have no idea of". In other cases, the constant alignment pays out: "...for the past four, five years, every week a Director gets together with employees on the floor to align what is been done. If we fight so much for external transparency, why wouldn't we have this internally?".

#### 4.12. Obtainment, Measurement and Dissemination of Govrel Area Results Internally

There were few cases where the results of the area were reported as being systematically disclosed within the company. The most commonly observed was the preparation and submission of periodic reports (e.g. weekly, monthly, quarterly, half-yearly, annual) with the results obtained for direct reporting, i.e. within the area itself and to higher hierarchy levels. Company C treats this topic as "*an important challenge of endomarketing*".

#### 4.13. Tools Used by the Govrel Area

Different tools have been identified, some more punctual, others more holistic (e.g. monthly reports, newsletters, intranet's area for GovRel). An example is a specific GovRel online system used by company I, containing all the projects being worked on, with periodic updates.

Important to notice what can be a future trend on this topic, as reported by company H, which is the use of Artificial Intelligence "...to back up the process of search and analysis of information for the use of GovRel, and stakeholder management. [The system] searches all open data banks, Ministry's portals, NGOs, Twitter; it runs analysis of issues like data protection, for example. What happened this week about data protection? It brings what was positive, negative or neutral. Which stakeholders are related to this piece of news? It gives me the stakeholders. What is the trend of these stakeholders in relation to this news? This one. Whom is this stakeholder related with? Then a relational tree comes up. I

want to know who has a favorable position of the bill of Senate number 330? These people. What did they say that can lead me to believe that they are actually favorable? This is a Brazilian initiative, that we want to replicate globally".

All companies also reported to use Whatsapp groups as an agile way of communicating – as company B stated, "...a super useful tool, leaders answer much faster".

#### 4.14. Budget, Headcounts, Salaries and Bonuses

Due to the recent economic crisis in Brazil, over the last years many companies have reduced resources in general, and with the areas of GovRel was no different (e.g among the interviewees, only companies K and L increased their headcounts recently; all others reduced). However, the trend, with the recovery of the economy and the growing importance recognition of the area, is – in the opinion of the interviewees – a progressive increase in headcounts and in the total compensation of this "new", more qualified professional.

The interviews indicated competitive salaries with the market practiced by the companies, with a variable part in different modalities, such as bonuses from 2 until 8 salaries, additional wages, stock options, short/long term incentives, company's shares with vesting periods, and special pension fund additional contributions.

There is a concern, particularly in the GovRel areas researched, with the attraction and retention of talents, since it is often linked to them part of the network of relationships (reputational inheritance) used by the company, especially where there are no well defined and structured processes of interaction before different stakeholders.

#### 4.15. The Perception of the Govrel Area Externally (Stakeholders and Market)

Most respondents reported a positive perception and a great concern about keeping this point that way. As said by interviewee from company O about the importance of factor trust in GovRel: "...more than ever, government themes are important in decisions of the company and we participate in these decisions".

Some of them (e.g. companies A and K) conduct periodic specific researches, with the support of specialized 3<sup>rd</sup> parties such as Reputation Institute<sup>15</sup>, to identify the level and quality of this perception with selected key stakeholders.

#### 4.16. Impacts of the Govrel Area Involving Corporate Reputation

All respondents agreed that there is a close connection between the performance of the GovRel area and potential impacts, positive or negative, on the company's reputation. As examples, the interviewee from company I said that "... one of our biggest jobs is to preserve the company's reputation"; the one from company E stated that "...part of our function is to build a positive reputation with our prime stakeholders"; and the one from company C emphasized that "...we [the GovRel area] are the guardians of reputation".

Moreover, the interviewee from company B highlighted an important point regarding the link between the GovRel activity (many times referred to as 'lobby' with a negative image by many, including media) and the recent corruption scandals that put Brazil in the 2019 International Transparency Report at the low 105<sup>th</sup> position among the 180 countries and territories analyzed<sup>16</sup>, when stated that "...without doubt there is impact, especially in times of 'Car Wash' [anti-corruption] operation and contestation of public power by society."

#### 4.17. Presence In Social Networks

The interviewees reported that there is a strong presence of their companies in Brazil and in the Latin America region on different social networks like Facebook, Instagram, Twitter and LinkedIn. One point that has appeared in the interviews is that more and more companies are using Corporate Facebook as an internal tool, in addition to the version aimed at the external public.

It was also highlighted the use of these social networks to – as the term sometimes used, as in the case of companies H and I – to "evangelize" different stakeholders, in a close and effective way, since many of them use these networks on a constant basis, specially with short videos and information sharing.

#### 4.18. Organization Chart and Position in the Company Hierarchy

A great diversity was present in terms of location, organizational charts and positions in the hierarchy of the companies interviewed. A more common point is the formal separation of the Compliance and Legal (and less often, Communication) areas from the GovRel area – this occurred in all but 2 companies (F and N), which despite having a specific GovRel team, the report is under the Legal head.

In some cases, the complex GovRel structure permeates other areas, where previous coordination is key before engaging external stakeholders. One example comes from company B: "...there is the global VP of Corporate Affairs, located in the USA; this VP has a regional VP, who is in Costa Rica and I report to him. I have two peers, one of Communication and another of Sustainability. Below me, I have a coordinator and an intern, both with me in Brasilia. I have 5 people working as Coordinators of Corporate Affairs in 5 distinct States, with shared report including the Superintendent of each plant that they are located. The ones that do not belong to our structure, but work with that are the PRs [Public Relations], that go to the Mayors, Deputies, after aligning with us. I do not have a direct or dotted line report to the President of the company here in Brazil, and this is a huge setback: making the relationship with the leaders stronger, receiving their demands and transmitting the pieces of information with adequate credibility that are important to them – it is a challenge."

<sup>15</sup><https://www.reputationinstitute.com/>, accessed in January, 2019.

<sup>16</sup>See <https://medium.com/@transparenciainternacionalbr/brasil-cai-pelo-3º-ano-seguido-no-ranking-da-transparência-internacional-e-atinge-a-nota-mais-54e9fb8fba63>, accessed in January, 2019.

These GovRel structures, besides being complex, may change overtime. To illustrate, company A reported: "...in terms of pillars [of the GovRel area], one is advocacy, Government Relations and monitoring; another is Internal and External Communication; and Institutional Brand, which takes care of sponsorship, community relations, brand and corporate events. In the case of Brazil, it has the Brasília office, with a manager, a coordinator and a regulatory one. And in São Paulo, there is a manager just to take care of States, which has two people reporting. That is what we have today, but we are changing the structure. The Corporate Affairs area is ceasing to exist. We will have a Sustainability area, where everything from the old Corporate Affairs will come, plus the whole Regulatory, plus Stewardship [area responsible for the correct use of the company's products]. In the new structure, the Internal Communication part is going to Human Resources. The global head will be renamed Sustainability Chief Officer. Sustainability in the broad sense, it is not only environment, but the business, with the Government, with the stakeholders."

#### *4.19. Size of the Govrel Area, Geographical Location and Dispersion (National/International)*

The size of the area was also another aspect identified as of great variance. The number of reported headcounts, considering Brazil, varied around 3 to 6, and at Latin America level they reached 31 (case of company A). In the Latin America region, the countries that receive the most attention (and, consequently, resources) are Brazil, Mexico and Argentina, followed by another bloc with Chile and Colombia. An example comes from company C, that has a total of 12 people in the Brazilian GovRel team, including the interviewee: "...I have a person in Rio Grande do Sul, one in Minas Gerais, one who is located in Santarém (but that also covers the Northeast region), one in Brasília and other 7 in São Paulo with me. This is only to cover Brazil. For Latin America, in Washington we have a team that is the VP, plus 12 people of managing level, and besides that each country has an structure: there is a Director of Public Affairs for Colombia (that also covers Peru), another for Mexico, another for the Caribbean, another for the South Cluster (Argentina, Uruguay, Chile and Paraguay).

#### *4.20. Profile of the Occupants of the Govrel Area Positions*

The profile identified is mostly comprised by seniors, although most companies also have analysts and trainees. These, increasingly qualified, are not only thought as "low-cost alternatives" to occupy positions in the GovRel area, but as "spare parts" in case of necessary replacements in the team. The academic background of the GovRel teams is varied, comprised by lawyers, political scientists, economists, international relations, journalists, administrators and engineers.

#### *4.21. Corporate Functions above and/or below of "Sister" Areas*

The functions that most appeared as "sister" areas and mostly with their own structures were Legal, Communication, Compliance, Regulatory and Public Affairs. The area of Corporate Social Responsibility appeared most of the time integrated into the GovRel area.

Regarding the Legal and GovRel areas' relationship, the following statement was provided by the interviewee from company N, who has now both areas under his responsibility: "...I've spent a few years saying the following: non legal solutions for legal themes. Many times Legal came to us with a solution and it had to be followed till the end. Then, sometimes I said: it wasn't the way to go. Let's discuss with the Ministry of Finance, talk to the Mayor, let's discuss the theme in a more open way, not only from the Legal standpoint. And then, for being persistent, the President [of company N] said: this area is yours, let's organize that. This happened when I had been in the company for 17 years and it was important for the recognition that I have in the company".

#### *4.22. Participation In Business Associations And Coalitions*

The participation is very large and intense, in some cases such as company I reaching more than 60 associations simultaneously, only in Brazil.

The performance in this format was pointed out by many companies as being a priority in terms of strategy (i.e. sectoral strategy), in some cases due to understaffed teams, in others as a deliberate strategic intent. As stated by company M, "...very often you can introduce yourself as a company for an authority, which is nice; but many times, when we have a sectoral issue which is everyone's interest, we go as a sectoral entity – we gain shape, volume and more respect to address the matter".

Other companies use the associations to obtain information, keep track of events and strengthen the network, but a relevant point in the case of some companies (e.g. companies H and J) is to seek sine qua non the leadership in strategic subjects treated in these forums, through positions as chairman of commissions or committees, avoiding or even refusing a mere institutional participation.

#### *4.23. Linking/Interaction with Institutes, Foundations, R&D Centers, Academia, Ngos*

Some companies where the interviewees work have their own Foundations (e.g. companies A, I, J), but the action is limited to other regions outside Latin America (e.g. USA, Europe) or to specific social activities and support to communities.

Companies H and J have their own Research Centers, which was reported to facilitate interaction with particular stakeholders in the GovRel area.

It was mentioned by some interviewees the desire to intensify the work with the Academy, also as a form of potential reinforcement of the area's performance.

Voluntary actions and partnerships with institutions such as WWF<sup>17</sup>, Doctors Without Borders<sup>18</sup> and Greenpeace<sup>19</sup> have also been reported on this topic (such as company G). Company O reported to have an Institute that is part of the GovRel area in the format of a OSCIP (Civil Society Organization of Public Interest).

#### 4.24. *Interaction in the Business Value Chain (Transversality)*

The cross-sectional factor of the GovRel area was not only widely recognized, but also pointed out by the interviewees as being essential for its optimized functioning.

The increasingly important activity for professionals in this area known as "linking the dots", i.e. to collect different data in several places, inside and outside the company, and the re-combine them to provide a solution or a fresh view for a particular problem or situation, is only possible if this transversality exists.

This crucial interaction was reported to occur in different ways, like creating and coordinating "a work group, a mini committee comprised by key people" (company B), or by "getting involved in the business areas since the beginning of plans, participating of specific projects and having informal chats, to exchange information and to seek for opportunities" (company C).

For company G, the implementation of the transversality is still difficult and a work in progress: "...what we reached as an area is that we are seen as reference, so many other areas come to us and we play a consultancy role, and seek a strong alignment. However, there isn't a formal organization yet. There are some cases, like when a letter [from the Regulatory Agency] arrives or a request for attendance to a public consultation, which processes we follow; but for some rising themes we are not fast enough".

#### 4.25. *Formal/Informal Processes Used*

The majority of the processes, even due to compliance rules, were reported as formal. However, informal processes do exist ("...I believe that informal processes work when people know each other longer", said Company K's interviewee), and in some cases facilitates the area's performance, as company C stated: "...it works; I pass by the office of the Legal Director and catch up periodically".

Occasional meetings, lunches, coffee breaks, smartphone apps, and un-scheduled meetings at after office hours were cited. One factor that seemed to contribute to this, mentioned by some interviewees, was that the GovRel area was physically located on the same floor as other "co-sisters" areas mentioned and the company's leadership, as the interviewee from company A reported: "...we constantly exchange information; the distribution of the areas on the floors even encourages this – Corporate, Legal and Regulatory Affairs are on the same floor as the Presidency, for example".

In some cases, the contact may start informally, but then it is formalized, as company D mentioned: "...we use Corporate Facebook and WhatsApp daily. But even if I talk via WhatsApp, we formalize the contacts made".

The report provided by company I summarizes the above: "...the staff that reports to the CEO is on the same floor. So, we try once a week to have lunch together to exchange information. In my area, within the company, there are two WhatsApp groups; one includes Communication personal and one person that is in Washington, that is a most expanded group, a little more formal; and there is the GovRel group, where we talk almost every day. And we stimulate everyone to have a Facebook, Twitter, LinkedIn account, guiding them how to use them".

#### 4.26. *Potential X Actual Contributions*

The real contributions of the interviewed GovRel areas have been indicated unanimously as being still far from all the potential that they can reach. The reason pointed out for this was often the sub-dimensioning of the area or the non involvement in the beginning of projects. In this sense, company A said, "...the area can contribute even more; I need more money and more people"; and company I stated "...the area could do more; one of the difficulties of carrying out the 'you can do more' is the process of you being involved early in the projects. Still, in a permanent way we have to engage with business leaders, and say: look, it's important, just include me in the process as soon as possible. Overall, when I get a call, it's last minute."

The trend is to seek an optimization on the performance of the area, as explicated by companies F ("...I think it [the GovRel area] can contribute even more, and we have plans of expansion for the area") and N ("...we don't get to even 20% of what we can achieve...as a new area, [with] two or three years, the first year was for explaining what it was, with little results; the second was about bringing people to appropriate from this area and see the advantages for their projects; now, the search for the Institutional comes naturally").

#### 4.27. *Process of Setting Objectives and Measuring Results*

The processes follow practically a pattern, where at the beginning of the year the strategic agenda is set, usually in 3 levels at the multinationals researched – global, regional and country; the personal goals and their KPIs<sup>20</sup> are further deployed; usually a mid-year review takes place where managers make a balance with their subordinates and proceed eventual adjustments; and at the end of the year the evaluation to close the results begins.

<sup>17</sup><https://www.wwf.org.br/>, accessed in January, 2019.

<sup>18</sup><https://www.msf.org.br/>, accessed in January, 2019.

<sup>19</sup><https://www.greenpeace.org/brasil/>, accessed in January, 2019.

<sup>20</sup>KPI – Key Performance Indicators, see Kaplan and Norton (2008)

To measure the goals that were set, there are different methodologies, from "traffic lights" (green, yellow, red) to an interesting process reported in company H's case, which has to do with an annual sales support goal, called "market support". In this case, by identifying an opportunity and giving due support to the process to capture it, documentation of everything is ensured, for example by e-mail. Once this is done, the area participates in the design of the business on different fronts, along with the operational areas and a group of specialists is set up to evaluate and format the opportunity. Thus, insights are generated that the seller, the technician, does not have.

#### 4.28. *Quantity, Frequency and Quality of the Interactions With Government(S)*

The majority reported interactions with different levels and spheres of Government as being composed of many formal interactions. The Federal Executive level emerges as the most cited as intense and frequent. With States, the majority select the most important ones to focus, the same happening with Cities. Some interviewees (e.g. companies I, N) said that they prefer to relate with the Legislative through associations (i.e. using a sectoral strategy). The relation with Judiciary was left solely to the Legal department, as stated by all interviewees but companies H and N, that joins Legal for technical support when needed, and company F, "...when there is a institucional relation with them".

#### 4.29. *Posture: Proactive, Reactive Or Both*

Although both postures were reported as present, proactive was always preferred to be sought. As mentioned by company O: "...I believe that historically the GovRel area has always been reactive and that has been the challenge, making it as it is today more than ever proactive".

However, here again due to a sub-dimensioning of the GovRel area, it was reported not to be always possible to achieve and/or maintain this proactive stance. Also, in terms of legislative proposals, that can be presented without a previous warning, it was mentioned that they generate a necessary action, in this case, of a necessary reactive nature.

#### 4.30. *Perception about Future Challenges for the Govrel Area*

Among the main perceptions, positions and future challenges pointed out to GovRel, there were mentioned:

- Actively seek a positive agenda as a differential, that is, to recognize, invest and develop those issues that interest not only the company, but also stakeholders (value co-creation pursuit).
- Know how to pass credibility and importance of the GovRel area to the leadership of the company (trust factor enhancement).
- Explore more how to work together with other areas (transversality increase).
- Change the perception of the activity to a more positive one. In Brazil, the official recognition of the activity by the Ministry of Labour<sup>21</sup> in February 2018 was one step in this direction, but there is still much to do (Lobby x regulated GovRel activity).
- Improve and extend the company's internal knowledge about formal relationship processes, in the most efficient way possible (information sharing).
- Promote diversity, and foster interest that should ideally be for the multi-cultural, multi-disciplinary environments (horizon expansion).
- Address accordingly the issue of metrics to be used by the GovRel area (specific/adapted KPIs and tools).
- The challenge of finding qualified and experienced professionals to work in the GovRel area (competencies development).
- Increasingly seek exposure, depersonalising actions, advocating social causes, including more people, mobilizing society, making messages from the GovRel area echo in a way to reduce the negative legacy that the activity still carries (the "old school" lobby works no more).
- From the market's view – and specifically in the case of Brazil, because of Lava Jato [Car Wash] anti-corruption operation – the GovRel function became extremely valued, and the companies will have to bring good professionals and seek good practices (network + experience + competencies).
- GovRel needs a well organized back office, to register plans, developed actions and achieved goals in a structured work (operational excellence).
- Need to build one single view of the company about a certain topic, regardless of individual agendas or interactions, working as a team (prioritization is key).
- When the theme is politics, avoid to internalize information just using media reports, but always bringing data to support and transform opinions into diagnostics (beware of fake news).
- Avoid reducing resources for the GovRel area even in times of crisis, because the vision must be of long term, and one can not lose intelligence to support the business (cost x investment approach).
- Avoid the posture of the "one man show", seeking a professional, incremental, day-to-day work with a single message about what will be pursued, fostering teamwork (transparency).
- GovRel must keep up with a fast, evolving digital environment, modernizing and reinventing itself, if necessary, with adapted and/or new tools and mindsets (embrace the digital world).
- Build credibility inside the company, show effectiveness; the key for this area is the balance between knowing the business and its strategy, and knowing how to connect to the outside relations (be strategic).

<sup>21</sup>[www.mtecb0.gov.br](http://www.mtecb0.gov.br), under code 1243-25, accessed in December, 2018.

## 5. Conclusions and Recommendations

Although the research focused on multinational companies that operate in Brazil, there are some recommendations that can be used as insights for further research, aiming to be applied by GovRel areas from other types of companies operating in different markets.

- Promote and/or participate in periodic meetings with other GovRel professionals from different companies and sectors to exchange experiences, and general/specific information. Those promoted by ABRIG, IRELGOV<sup>22</sup>, ABERJE<sup>23</sup> and educational institutions that offer courses in this area (e.g. FGV<sup>24</sup>, IBMEC<sup>25</sup>) are good forums for this in Brazil. This exchange may also occur at the regional (Latin America) level through participation, although less frequently due to agenda and costs, in the respective institutions.
- Continuous investment in training in the different competencies that form today this complex area, complementing the academic background of origin of the professional of the GovRel area. This may include both hard skills (e.g. strategy, negotiation, communication) and soft skills (e.g. positive leadership, empathy, creativity).
- Implementation of job rotation over a given period (e.g. short term) to and from the GovRel area within the company. Although it was not a recurring practice identified in the companies interviewed, it was recognized by the professionals as a good initiative to raise awareness and publicize what the area does, as well as a possibility of increasing contact with other possible complementary competencies different than those already existing in the area, reinforcing its characteristic of transversality.
- It is essential the use of business strategy models adapted for GovRel, making the process much more integrated and facilitating communication within the company. An example is the holistic model proposed by Navarro (2017) that seeks to capture the best practices identified. Another is the Issues Management model, used by company J.
- Need to involve the GovRel area since the beginning of the strategy formulation process, as well as in the different business units, if this type of division exists.
- Make a correct sizing assessment of the area in terms of headcounts and assignments, while noting the risks inherent in an imbalance not only for the area, but for the company as a whole. Gains and losses can be significant, specially if a competitor has a more adequate team working on the same sector(s).
- Focus on the preparation and development of new and increasingly important competencies within the GovRel area, such as social network management. The strategic use of digital tools including Twitter, Facebook, Instagram and Whatsapp becomes part of the area's tool box to "evangelize" different external (and internal) audiences.
- As a multinational company, be aware of the typical deployment of strategies and goals at the different levels, usually global-regional-country, for the peculiarities that each team must face in their localities.
- Disseminate (for example, through specific space in the company's Intranet) the results obtained by the GovRel area internally for different areas, preferably using metrics, tools and/or systems that are already known and used in the company, in particular – but not exclusively – by its leadership (e.g. an adapted BSC).
- Obtainment of a solid buy-in from decision makers is a key factor for the proper structuring and operation of the GovRel area.
- Having "spare parts" headcounts in the area is important, to cover possible promotions/transfers of professionals from the team. Investing in young, well qualified professionals, with great potential for evolution, is a trend. A good supervised internship or trainee program for the area is recommended. In any case, selective processes need special attention in the area due to the complexities and broad range of competencies involved to perform.
- Format in terms of location and hierarchical levels may vary, but an important point is that the GovRel area must have a good and constant access to the company's leadership – if not possible, ideally, to be part of it. In that sense, GovRel job titles at company's C-level are emerging, such as CEEO – Chief External Engagement Officer, or CLO – Chief Liason Officer.
- When using participation in associations as part of a sectoral strategy, effectively seek leadership in those topics identified as strategic for the company, not only institutional participation or just to obtain information.
- Attention to opportunities (e.g. institutional strengthening, tax incentives, reputation) for joint work with NGOs, Academy and Communities. Also, the strategic use of Foundations, Institutes and Research Centers, whether or not located in the target markets, should be evaluated.
- Promote internal Workshops of the GovRel area to expand knowledge of what the area does and how it does it, seeking synergies, opportunities and reinforcing the natural transversality of the area.

<sup>22</sup>Www.Irelgov.Com.Br, Accessed In January, 2019.

<sup>23</sup>Www.Aberje.Com.Br, Accessed In January, 2019.

<sup>24</sup>Www.Fgv.Br, Accessed In January, 2019.

<sup>25</sup>Www.Ibmec.Br, Accessed In January, 2019.

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