

Research Paper

Exploring the role of business diplomacy in enhancing legitimacy during the internationalisation of small and medium-sized enterprises from home to host countries: Evidence in Vietnam

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Abstract: Research on the role of business diplomacy in enhancing organisational legitimacy among Vietnamese enterprises during the internationalisation process is limited, particularly in the context of emerging economies. This gap is essential because legitimacy determines the ability to enter fore in markets and survive in them. Based on legitimacy and institutional theories, this study uses theoretically oriented inductive thematic analysis based on in-dept semi-structured interviews with 10 CEOs and senior managers of Vietnamese SMEs. The results identify two primary mechanisms: the creation of domestic institutional linkages and international multilateral dialogue, both of which contribute to legitimacy enhancement. Regarding practical implications, the article emphasises how SMEs can establish legitimacy through business diplomacy and non-business risk management within the scope of internationalization. This can be achieved by utilising institutional channels, certifications, and engaging in multilateral dialogue to enhance trust and facilitate market entry. This paper contributes to the existing theoretical framework in business diplomacy by positioning it as a strategic capability of SMEs that helps transfer legitimacy from the host country to the receiving country, thereby expanding theories of legitimacy and internationalization. The research clarifies the role of business diplomacy in reducing non-business risks and increasing the legitimacy of SMEs, while providing a new understanding of the mechanisms of business internationalization from emerging economies.

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1. Introduction

Amid globalisation and changes in global supply chains, small and medium-sized enterprises (SMEs) from emerging economies are striving to penetrate international markets. Beyond the typical obstacles related to resources and competitiveness, a crucial yet often overlooked challenge is the question of legitimacy – specifically, how stakeholders in both domestic and international markets view a business in terms of its legitimacy, appropriateness, and trustworthiness (Stojčić et al., 2024). SMEs from emerging markets frequently face the challenge of establishing legitimacy from the grassroots level progressing from home-country legitimacy to host-country legitimacy. Within this framework, Business Diplomacy (BD), defined as cultivating relationships with political, social and institutional stakeholders (Saner, 2019), emerges as a potentially valuable yet underexplored strategy for Asian SMEs.

Vietnam exemplifies this trend notably. With over 97% of enterprises within the economy classified as SMEs (VietnamPlus, 2022), the nation is actively promoting internationalisation through various free trade agreements (FTAs), including the EU-Vietnam Free Trade Agreement (EVFTA), the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), as well as the “Go Global” strategy Vietnam Briefing. (n.d.). Nevertheless, a significant number of SMEs in Vietnam continue to lack a systematic support framework to establish a credible presence in the international market, particularly in the

absence of a global brand and given their origins in an emerging economy (Ho & Nguyen, 2024; Tran et al, 2008).

In this context, BD, defined as the capacity to establish and sustain strategic relationships with institutional, political, and social stakeholders both domestically and internationally (Alammar & Pauleen, 2022), has emerged as a significant soft strategy to assist SMEs in cultivating legitimacy from their country of origin (home-country legitimacy) and to progressively transform BD into legitimacy within the host country (host-country legitimacy) (Marschlich & Ingennhoff, 2021). However, there remains a paucity of research concerning how SMEs in emerging economies, such as Vietnam, actively engage in multilateral diplomacy and multistakeholder engagement as a strategy for legitimisation. Accordingly, this study aims to investigate how SMEs in Vietnam employ BD to establish and safeguard their legitimacy throughout the process of internationalisation. Based on the aforementioned research objective, this study will be centred around the following research question: What role does BD play in the legitimacy-building strategy of Vietnamese SMEs moving from their home country to the host country?

2. Literature review

2.1 The country context

Vietnam was selected for this study because it is viewed as an emerging country with a unique communist system. This system may influence the legitimacy of SMEs during their internationalisation (Chu & Nguyen, 2025; Nguyen, 2025). The distinct nature of Vietnam's political framework, which is socialist-oriented and market-based, promotes an open-market system by enhancing international cooperation and investment, thereby supporting the internationalisation of companies (Chu & Nguyen, 2025). In this context, institutional actors are vital for companies, although SMEs generally rely on institutional support through policies rather than on direct engagement with actors (Nguyen, 2025). Other stakeholders also play specific roles for the companies. Therefore, societal issues can be addressed by the government, which encourages the private sector to collaborate on solutions (Nguyen, 2025; Thanh et al., 2021).

2.2 Legitimacy and Business Diplomacy

The definitions of BD in the current literature are not unified but can be grouped into three main approaches. First, BD is seen as a non-market capacity to manage risks and relations with institutional actors (Ingennhoff & Marschlich, 2019; Szegedi et al., 2025). Second, BD is understood as an institutional signalling mechanism, in which enterprises use certifications, letters of sponsorship and participation in their missions to strengthen their legitimacy when approaching new markets (Alammar & Pauleen, 2022; Saner, 2019). Third, BD is described as a multi-actor networking activity, combining businesses, governments and intermediary organisations in dealing with non-business issues (Bolewski, 2019; Mogensen, 2022; Tran, 2023).

Previously, scholars in organisational studies have examined organisational legitimacy across various research fields, ranging from general management and business ethics to public diplomacy, which pertains to the appropriateness of an organisation within society (Marschlich & Ingennhoff, 2022). The concept of appropriateness encompasses the social values, norms, and culture that an organisation must adhere to or contribute to within the host country (Suchman, 1995). In a broader sense, a country's values, norms, and culture can be institutionalised through national regulations or laws (Deephouse et al., 2017). Scholars in international business view BD as a strategic tool for large companies to initiate efforts that enhance their own influence and social power in the market (Bolewski, 2019; Mogensen, 2022; Westermann-Behaylo et al., 2015). BD is a strategy for engaging stakeholders to bolster a firm's influence in policy decisions in the host country (Ingennhoff & Marschlich, 2019; Mogensen, 2017). While definitions vary, legitimacy is fundamental (Alammar & Pauleen, 2016; Mogensen, 2017; Taleb et al., 2017). Thus, BD is defined as engaging stakeholders to acquire legitimacy (Kochhar, 2018). To gain legitimacy, BD uses CSR or ESG practices to show compliance with regulatory requirements and societal trends (Caballero & Arbiol, 2022; Marschlich & Ingennhoff, 2022). BD demonstrates firms' capacity for relationship building and engagement to ensure effective operations (Bier & White, 2021; Sidibé & Saner, 2017).

However, to understand the role of BD in building legitimacy, it is necessary to distinguish BD from other corporate foreign affairs activities that are easily confused with it. According to Saner (2019), BD is not just government relations or public relations: it is the ability of firms to establish, coordinate, and maintain cross-border institutional relationships to reduce non-business risks, increase acceptance, and facilitate internationalisation. Specifically, BD differs from government relations in emphasis: emphasis is primarily on interactions between firms and government agencies in a country, while BD extends to non-state actors, international organisations, standards bodies, and transnational associations which are also defined as key players in the sectors (Alammar & Pauleen, 2016; Bolewski, 2019; Valderrey et al., 2022). BD is also different from public relations, which aims to build public image. While PR targets mass media, BD focuses on diplomatic-institutional relations and strategic dialogues with powerful stakeholders in the value chain and the regulatory environment (Marschlich & Ingenhoff, 2021; Mogensen, 2017; Sidibe, 2017). As for CSR and ESG, although they can contribute to moral legitimacy, BD is not the same as CSR or ESG. CSR and ESG emphasise social responsibility and sustainable compliance, while BD involves navigating the political-institutional environment and building multilateral networks (Amann et al, 2007; Szegedi et al., 2025; Ingenhoff & Marschlich, 2019; Salvi & Ruél, 2022). Similarly, BD only uses trade promotion as a channel to create credibility, but BD is essentially an internal strategic behaviour of the enterprise, not a state promotion program (Marschlich & Ingenhoff, 2022). Distinguishing BD from the above activities helps establish BD's role as an essential mechanism for generating different forms of legitimacy, including pragmatic, moral, and cognitive legitimacy (Marschlich, 2022). Therefore, BD offers a strategic platform for enterprises to effectively manage non-commercial risks, mitigate the liability of origin, and transfer legitimacy from their home countries to host nations. This mechanism is particularly significant for SMEs in emerging markets economies. Although the literature emphasises BD for MNCs, SMEs lag in its development. Egea et al. (2020) highlight SMEs' role as business partners in stakeholder engagement. Despite prior mentions empirical evidence for SMES is lacking, so this paper focuses on SMEs' BD.

2.3 Organisational legitimacy: building and maintaining

Hudson (2001) and Wiggill (2014) state that organisational legitimacy involves building mutually beneficial relationships with legitimacy evaluators, including both business and non-business actors who judge if an organisation's activities align with local values, norms, and regulations. Firms reflect social demands by adhering to local institutions. Legitimacy depends on interactions with external social and business environments (Hedetoft & Sarfati, 2017). It measures how appropriately an organisation behaves in the market (Suchman, 1995). Society judges an organisation based on evolving values and standards (Deephouse et al., 2017; Suchman, 1995), with success leading to social acceptance.

Multinational and international companies often encounter challenges related to organisational legitimacy, known as the liability of foreignness, which arises from a lack of information about foreign entities in their home countries. This situation can lead to biases and differing evaluation standards when assessing the social value and legitimacy of MNCs relative to domestic firms. In today's competitive landscape, MNCs need to contribute to local development and collaborate with local businesses (Gorjón-Gómez & Mata-Sánchez; 2021; Igarabide, 2022). These contributions are crucial for establishing legitimacy, gaining social acceptance, and ensuring a long-term survival strategy. Researchers have identified various levels of organisational legitimacy, including cognitive, moral, pragmatic, and regulative elements (Du et al., 2022; Kuruppu et al., 2019). Suchman (1995) presents a theoretical framework of legitimacy comprising three levels: pragmatic legitimacy, moral legitimacy, and cognitive legitimacy. When assessing the country of origin, firms can be evaluated on whether their foreign activities support the domestic community (pragmatic legitimacy), align with national ethical standards (moral legitimacy), and reflect the expected role of national firms in the global marketplace (cognitive legitimacy). Numerous scholars have noted that the extent of stakeholders' favourable evaluations can determine the degree of organisational legitimacy based on leaders' perceptions of the business environment (Wei et al., 2017; Wu et al., 2023). Pragmatic legitimacy is the type of legitimacy that arises from addressing stakeholders' direct interests and needs while fulfilling their social expectations (Foreman & Whetten, 2002). In other words, organisations or firms are deemed legitimate when their activities or business operations provide tangible benefits to those individuals or groups in society that influence their existence and development. For Suchman (1995), this type of legitimacy involves utilising resources to shape and control societal narratives about an organisation. CSR activities, for

example, serve as a valuable tool for obtaining legitimacy in a mutually beneficial environment between society and organisations. This is because legitimacy derives from social acceptance of CSR initiatives introduced in society.

2.4 Leveraging home country legitimacy

Companies need to legitimise their business operations by gaining social acceptance to survive intense social demands and to ensure success in foreign markets (Blanco-González et al., 2023; Del-Castillo-Feito et al., 2021). When a company internationalises, it becomes exposed to legitimacy evaluations by the host market's audiences. This means that these evaluators will examine the company's profile and its operations in the home country to determine its suitability for the host country's values, culture, and norms (Plaza-Casado et al., 2024). However, companies will face stricter evaluations if the country of origin raises concerns regarding legislation or a national reputation for corruption and political uncertainty (Kamp, 2021; Wu et al., 2016). In the BD literature, scholars focus on gaining host-country legitimacy as a core mission of the BD (Salvi & Ruél, 2022). Nevertheless, in the context of globalisation and transnational competition, legitimacy is shaped by the host country and is profoundly influenced by the enterprise's country of origin (Monteiro & Meneses, 2015; Saner, 2019).

Home-country legitimacy measures how domestic stakeholders like governments, the public, media, investors, and civil society see a firm's behaviours, strategies, and roles as aligned with the country's values, interests, and expectations. This is vital for maintaining domestic support while operating globally. SMEs should closely connect with their home institutions for support during internationalisation. They are also likely to engage in public diplomacy to boost their home countries' global standing (Ordeix-Rigo & Duarte, 2009). In other words, these companies will embody the values and work culture of their home countries in the global market. In some instances, a nation can utilise these corporations as resources to promote and advocate for national interests in another market (Ordeix-Rigo & Duarte, 2009). This concept introduces a new role for the corporate world, where companies are proactive in pursuing diplomatic objectives that align with their national public diplomacy initiatives (Fitzpatrick et al., 2020; Ingenuhoff & Marschlich, 2019). Even so scholars in the field of BD tend to categorise research into two distinct approaches: one focused on the involvement of companies in public diplomacy and the other on obtaining a social license to operate (Marschlich & Ingenuhoff, 2021). This research will focus on the former, specifically on the participation of firms in their home country's public policy and diplomacy. In this context, potential liabilities affecting firms' activities are the ingrained national image and institutional heritage (Wang et al., 2014). Consequently, institutional linkage is crucial for firms to establish legitimacy in their home countries before pursuing internationalisation. Furthermore, official support from the home government will enhance the credibility of firms aiming to enter new markets beyond their national borders (Small, 2014). The public-private relationship is emphasised, indicating that the government is viewed as a partner to firms, while BD serves as a method to facilitate this initiative (Nobre, 2017). This study aims to provide a comprehensive understanding of the role of home country legitimacy and the potential influence of BD on the legitimacy-building process.

3. Methodology

3.1 Research design

This research was conducted in an exploratory manner to gain an in-depth understanding of how SMEs in Vietnam establish legitimacy in their home country and utilise it during the internationalisation process through BD, especially in accessing multilateral strategic diplomacy spaces. This study aims to analyse the role of BD in enhancing the legitimacy of SMEs in Vietnam during the internationalisation process from domestic to foreign markets. Qualitative methodology was selected due to the novelty of the topic in the Vietnamese context, which necessitated a flexible approach to fully explore the depth of managers' and business owners' experiences and perceptions. According to Aguzzoli et al. (2024), this methodology is particularly appropriate for analysing intricate, context-dependent, and actor-specific phenomena, which are often constrained by traditional quantitative approaches. Moreover, a multidisciplinary, multi-theoretical, and regionally embedded

qualitative research strategy is essential, in accordance with prevailing trends in international business scholarship (Aguzzoli et al., 2024; Hurmerinta-Peltomäki & Nummela, 2006). Since the study aims to explore concepts and mechanisms that remain unclear in the context of Vietnamese enterprises, a qualitative method was selected as an appropriate approach to enhance understanding and comprehend the phenomenon in semantic depth, contextual relevance, and practical application (Creswell, 2009). In addition, factors such as legitimacy, institutional perception, and diplomatic logic are socio-cultural phenomena and cannot be fully measured by quantitative data, thus they require an interpretive paradigm approach to understand the logic of action from the perspective of insiders (Denzin & Lincoln, 2017).

3.2 Data collection

The analysed firms were selected using a purposive sampling strategy to ensure relevance to the research objective, namely, to explore the role of BD in the process of strengthening legitimacy during internationalisation. This sampling strategy aimed to identify those participants who simultaneously met the following criteria: (i) being an enterprise classified within the SME group according to the criteria established by the Vietnamese Government; (ii) engaging in internationalization activities such as exporting, strategic cooperation, or establishing foreign branches; (iii) participants being business owners or senior managers directly involved in the planning and execution of internationalization strategies. The authors identified the interviewee's profile (see Table 1) on LinkedIn and subsequently verified it through the actual company website and the company profile on the government business registration portal. Several interviewees were invited through snowball sampling and through the authors' networks. After identifying an interviewee profile that met the criteria, the contact details and interview arrangements were organised.

Data were collected through semi-structured interviews with 10 Vietnamese SME leaders operating in international markets in different sectors (innovation and technology, food processing, healthcare, finance, and agriculture) (see Table 1). The definition of SMEs in this study is based on the Vietnamese Government's legal definition, as set out in Decree 39/2018/NĐ-CP (and subsequently updated in Decree 80/2021/NĐ-CP), which classifies SMEs primarily by number of employees, revenue, and total capital, depending on the industry. Due to the practical nature of the research sample and the availability of data, the number of employees is used as the primary screening criterion and is compared with available information on revenue size. This approach ensures consistency with the national legal framework and research practices on SMEs in Vietnam.

The interviews had a duration ranging from 60 to 90 minutes. They were conducted mostly in Vietnamese, and some in English, depending on the respondent's comfort, either face-to-face or remotely via Microsoft Teams platforms. The interviews, conducted in Vietnamese, were translated into English by the authors for the purpose of coding. The authors were committed to ensuring the accuracy of the content translation. To mitigate the risk of inaccuracies in translation, essential excerpts were compared between the Vietnamese and English versions to ensure that meaning and context were maintained. In instances where terminology or expressions were culturally or professionally specific, the research team prioritised translations that most accurately reflected the respondent's intent rather than literal, word-for-word translations. This approach contributed to preserving the integrity of the original data and enhanced the reliability of the analysis. With the participants' consent, all interviews were audio-recorded, and notes were taken to document background information and attitudes. The interview questions focused on four primary areas: internationalisation and associated challenges; BD with stakeholders in Vietnam and the host countries; the role of trust in accruing and sustaining legitimacy; and the impact of institutional and network factors. The interview process was structured to facilitate participants' sharing of detailed accounts of their personal experiences, while providing the researcher with the flexibility to adapt questions for exploring significant themes more thoroughly.

This study examines SMEs across industries, revealing how they establish multilateral diplomacy and leverage home country legitimacy. Recurring patterns across sectors suggest these are general phenomena, not industry-specific. Yin (2014) advocates diverse samples in exploratory research, while Creswell (2009) highlights maximum variation sampling for deeper insights. The interview process was designed to encourage participants to share details of their personal experiences, while allowing the researcher flexibility to tailor questions to explore important themes in greater depth (Denzin & Lincoln, 2017). The data collection process was executed concurrently with preliminary analysis to discern emerging themes (Braun & Clarke, 2006). Immediately following each interview, the data were systematically

coded and compared with existing codes to detect the emergence of novel ideas or information. By the ninth interview, the appearance of new codes was minimal and did not significantly modify or expand the initial thematic framework. By the tenth interview, all collected data served only to reinforce previously identified themes without providing additional conceptual insights. This indicated that the study had achieved data saturation, implying that further interviews were unlikely to yield new perspectives (Guest et al., 2006; Saunders et al., 2018). Consequently, the sampling process was concluded after ten enterprises had been sampled. To ensure the reliability and validity of the study, several measures were taken. Specifically, credibility was enhanced through a member-checking process, in which a summary of the results was sent back to participants for confirmation. Transferability was ensured through a detailed description of the study sample's context and characteristics.

3.3 Data analysis

The collected data were analysed employing thematic analysis in accordance with the six-step guide outlined by Braun and Clarke (2006). Initially, the audio recordings were transcribed verbatim, and the researcher diligently reviewed them multiple times to ensure familiarity with the data. The subsequent phase involved primary coding to identify units of meaning, which were subsequently organised into preliminary themes. These themes were then reviewed, refined, and appropriately labelled to accurately reflect their core content. Ultimately, the principal themes were linked to the theoretical framework to elucidate how BD influences legitimacy within the context of internationalisation. The coding process was conducted employing a theory-guided inductive coding methodology. Rather than producing a multitude of micro-codes, the research team emphasised developing high-level conceptual codes that accurately encapsulate the institutional and business diplomacy mechanisms delineated in the research question (Braun and Clarke, 2006). From the interview data, two primary analytical codes were derived: (1) institutional support and voids and (2) institutional and non-institutional stakeholders. These two codes were then refined and synthesised into two core analytical themes: (i) Institutional linkage with home-country and organisational legitimacy, and (ii) Non-business risks and multilateral dialogue. The coding process is illustrated in the Figure 1 below. This methodology enables a concentration on theoretical frameworks and mechanisms, rather than fragmenting the data into numerous descriptive element codes. These two themes are further distinguished from BD tools, resulting in three types of legitimacy within the theoretical context: pragmatic, moral, and cognitive legitimacy. The operationalisation of BD tools and legitimacy will be addressed in the implications section, which is based on the research findings.

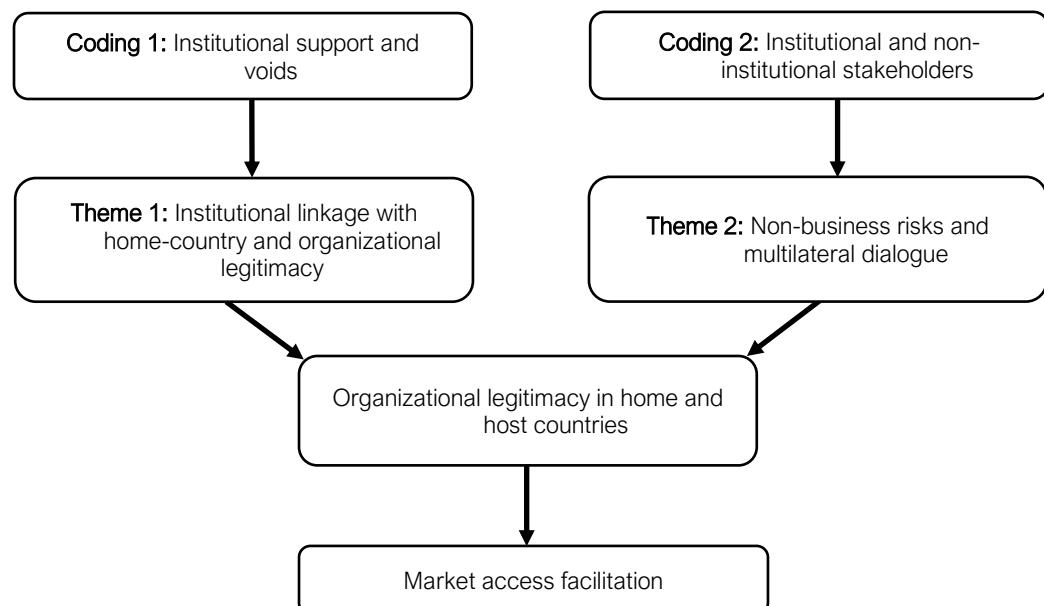


Figure 1: Analytical framework. Source: authors' own

Figure 1 proposes the analytical framework and illustrates the relationship between BD strategies of Vietnamese SMEs, organisational legitimacy and market access facilitation. The analytical framework focuses on organisational legitimacy, which comprises three forms according to legitimacy theory (Suchman, 1995). This is considered a key mediating factor determining the success and sustainability of SMEs in the international environment.

Regarding the qualitative data analysis process, Table 1 illustrates how interview citations were transformed into corresponding codes, topics, and validation types, thereby clarifying the interpretive path from raw data to analytical concepts. This illustration enhances the transparency of the methodology without aiming to provide representative evidence for the entire sample.

Table 1: Illustrative analytics. Source: *authors' own*

Case	Code	Theme	Legitimacy type	Illustrative quote	Observed outcome
Interviewee A	Institutional support and voids	Institutional linkage with the home country and organisational legitimacy	Cognitive and pragmatic	"Enterprises must prepare capital and equipment that meet the environmental standards prescribed by the state and the international market where we export products."	Market access facilitation
	institutional and non-institutional stakeholders	Non-business risks and multilateral dialogue	Pragmatic	"We participate in associations, state environmental management agencies, and foreign partners to exchange information and share experiences on environmental protection and adaptation in accordance with state regulations and social requirements."	
Interviewee C	Institutional support and voids	Institutional linkage with the home country and organisational legitimacy	Moral and pragmatic	"For example, about Fairtrade. For every coconut we sell, we have to refund that amount to the farmer cooperative to support their livelihoods. To improve their quality of life. Well, to manage which coconut area has that certificate, we must be able to trade during the production process; that is, we will be able to trade our products."	Market access facilitation
	Institutional and non-institutional stakeholders	Non-business risks and multilateral dialogue			

Table 1 illustrates the data analysis process and how the study operationalises the concept of legitimacy through qualitative analysis. Specifically, the table links each case study with its corresponding code and topic, and clearly indicates the type of legitimacy (pragmatic, moral, or cognitive) reflected in each case. Illustrative citations from interviews and interviewees' reported results help clarify how business diplomacy practices are interpreted and linked to different forms of legitimacy in the process of internationalisation.

The analysis reveals that Vietnamese SMEs' BD strategies fall into two main types. First, institutional linkages with the host country and organisational legitimacy focus on building relations with state agencies, industry groups, and support organisations in Vietnam. Second, managing non-business risks and engaging in multilateral dialogue demonstrate an outward strategy where enterprises proactively communicate with stakeholders, including regulators, international and non-governmental organisations, and forums. These efforts help minimise risks and bolster long-term legitimacy in international growth.

4. Result and discussion

This section first presents the characteristics of the research sample in order to place the findings within the specific context of the participating businesses. Table 2 summarises information about interviewees and businesses, including management roles, industry, size,

and international experience. The diversity of the sample allows for reflection on various perspectives on business diplomacy practices and legitimacy.

Table 2: Interviewee profiles. Source: authors' own

N	Case	Position of interviewees	Size (Number of employees)	Classification	Industry	Sector	Host markets
1.	Interviewee A	General Director	52	Small	Agricultural products	Exporting and importing service	Thailand, China, UAE, Cambodia
2.	Interviewee B	Founder and CEO	30	Small	Medical supplies	Exporting and importing service	Germany, China, Türkiye
3.	Interviewee C	Head of business development	110	Medium	Agricultural products	Manufacturing/ Consumer Goods	France, Netherlands, Czech Republic, Slovakia, Romania, New Zealand
4.	Interviewee D	Founder and CEO	100	Medium	Financial technologies	Service/ICT & Digital	Singapore
5.	Interviewee E	General director	150	Medium	Food products	Manufacturing/ Consumer Goods	Thailand, China
6.	Interviewee F	Founder and General Director	200	Medium	Food processing and packaging	Manufacturing	Japan, South Korea, Saudi Arabia
7.	Interviewee G	Assistant to the CEO / Supply Chain Manager	130	Medium	Footwear and garments	Manufacturing	South Korea, USA, Southeast Asia, Nigeria, South Africa
8.	Interviewee H	CEO	50	Small	Seafood	Aquaculture	USA, Germany
9.	Interviewee I	CEO	62	Small	Energy	Services	Southeast Asia
10	Interviewee J	CEO	71	Small	Logistics	Services	Asia

Table 2 summarises information about the industries, sectors, and target markets of the research sample. The participating SMEs span sectors such as agricultural products, food, medical supplies, financial technology, textiles and footwear, and import-export services, reflecting the diversity of business models and levels of participation in international value chains. In terms of market scope, the businesses operate in many different regions, including Asia (China, Thailand, Japan, South Korea, Singapore), Europe (Germany, France, Netherlands, Czech Republic, Slovakia, Romania), the Middle East (UAE, Saudi Arabia), and Africa (Nigeria, South Africa). This diversity provides a suitable foundation for analysing business diplomacy practices and the process of building legitimacy within different institutional contexts.

4.1 Institutional linkage with home-country and organisational legitimacy

In the process of internationalisation, institutional linkages are essential for exporting or establishing subsidiaries in foreign markets. Marschlich and Ingenhoff (2022) argued that institutional linkages refer to the relationships established between organisations and institutional actors. Companies build their institutional linkages with these actors to ensure positive and successful market access facilitation and legitimacy enhancement. Internationalised companies, or MNCs, often engage with governmental agencies or actors through various forms of collaboration to address societal and economic issues (Bier & White, 2021). Notably, the study by Marschlich and Ingenhoff (2021) revealed that the UAE's case is unique due to its lack of a democratic institutional and social environment, making institutional actors critical for MNCs, regardless of whether they are domestic or foreign entities. This study

focuses on Vietnam's business environment, recognised as one of the most open markets despite its communist orientation. Therefore, the participation of firms in the policy-making process is highly valued. However, companies must consider the country's developmental priorities at the same time. Those companies in the industry that are not on the national development pathway will receive less support from institutional actors. Interviewee C believes that, despite their hard work over the years to establish partnerships through the diplomatic channels of their home country's representative embassy, this effort has not been effective, as the embassy employees have been unable to verify the major customer firms necessary for forming partnerships. Additionally, they pointed out that their products still lack adequate protection policies from the government, which leads to losses in the coconut industry. On the bright side, they utilise the industry association to voice their concerns with other partners and call for deeper institutionalisation. Furthermore, support from EVFTA has proven invaluable due to the zero-tariff terms for Interviewee C's products. From this perspective, industry associations serve as a communication channel through which firms can express their concerns to the government and its related agencies. In this context, the government's institutional role is minimal.

Considering the home country's institutional role, Interviewee D's case presents an even more challenging situation. Although cryptocurrency and blockchain technologies remain under the supervision of stringent government agencies, this environment complicates their ability to operate effectively in the domestic market.

"Regarding my industry, I see some barriers and challenges to development because this field is known as new technology. New technology is governed by legal policy, typically after the technology has been developed and standardised. Subsequently, new legal policies are created to manage and oversee it. However, I believe that government policymakers in Vietnam primarily focus on risk management. As a result, they tend to withhold support for things they do not understand or are unfamiliar with. Consequently, if the legal policies are not transparent or lack specific guidance from the relevant agencies, enforcement agencies will hesitate to act, which leads to stricter regulations or outright bans." (Interviewee D).

This company also noted that if the industry is a national development priority, its operations and activities will be easier to implement in the domestic market. In the long term, internationalisation will be embraced in the foreign market if the government strongly supports the industry.

"I also attended the workshop on preparing to build the framework for the financial centre of Ho Chi Minh City. The state's direction is to develop Ho Chi Minh City into a regional financial hub, so there will be numerous new developments in that area, and government officials strongly support its growth. Yes, there will certainly be many improvements to our policies soon. We went to work directly with the government department to discuss our capabilities. When they saw that we were genuinely committed, the department began to propose that we could proceed. However, for them to understand the actual scale of the industry, the city committee directly ordered us to organise the event at Nguyen Hue Walking Street (the city centre) to demonstrate that we were genuinely making progress." (Interviewee D).

Examining the cases of companies A and E reveals that they have formed relationships with institutional actors such as embassies. "To conduct business with certain partners, we need to verify and evaluate them through various channels, particularly the diplomatic channel with the embassy. Each embassy in its host country employs a commercial consul who holds significant market intelligence regarding the companies we wish to partner with... For instance, to establish a business in the Chinese market, we must approach the Vietnamese Embassy in China, which has a commercial consul. We will share information about any company we want to collaborate with, and they will help us trace information about that company. This indicates that we have governmental support." (Interviewee E). This statement illustrates that the legitimacy-building process can be reinforced through communication with institutional actors, such as government representatives who validate a firm's legitimacy at the highest level. This approach is more accessible for SMEs, as they do not need to invest significant resources to establish their legitimacy; verification from the home country is likely to hold more weight. The results indicate that SMEs view governmental support as a validation of their legitimacy in the international market. However, the degree of this support may vary based on the industry's priority orientation. Typically, this is achieved through obtaining legal support, promotions, or being included in working delegations of state agencies such as the Ministry of Industry and Trade or the Embassy. While establishing connections through governmental channels like embassies and ministries can sometimes be ineffective, industrial networks, business partners, and industrial associations offer alternative avenues that are

more aligned with business activities. Being recognised by the state helps businesses build greater trust with international partners and also enhances their reputation domestically.

For SMEs, establishing and maintaining institutional links with their country of origin – including ministries, trade offices, embassies, industry associations, and trade promotion organisations – is crucial for building regulatory legitimacy in international markets. Interview data indicate that SMEs often lack the resources to navigate complex host-country regulations independently. In this context, the study adheres to the study of Small (2014), which supports the idea that domestic institutions act as a legal guarantee to help businesses demonstrate compliance with international standards, to establish initial trust with partners, especially in sensitive or emerging industries, and to easily connect with trade and foreign policy support networks. Collaborating with state and semi-public organisations is a prudent strategy for SMEs that have limited resources and face challenges in accessing international lawyers or specialised advice. This approach reduces compliance costs and creates a competitive advantage in bargaining positions. This lesson aligns with the perspectives of Nobre (2017), which demonstrate the essence of public-private partnerships across all levels of governance.

4.2 Non-business risks and multilateral dialogue

Another aspect of the BD can help firms avoid non-business risks, including conflicts among stakeholders and non-business pressures (Knobel & Ruél, 2017). The results of in-depth interviews with representatives of SMEs show that BD not only assists businesses in expanding their cooperation networks but also plays an essential role in addressing non-business risks. This finding aligns with Kochhar's (2018) theory-building article, which emphasises that the legitimacy-building process relies on the given firm's ability to meet social expectations and demands in a non-business context. However, the results also indicate that in extreme or high-risk environments, such as inflation or declining revenue, priority is given to employees and suppliers in the manufacturing sector or business partners in the financial services industry.

“I will prioritise optimising the operation and development of my company. If inflation directly impacts the human resources in my company, I will prioritise ensuring the rights of my employees, followed by those of partners and customers. I will implement corresponding countermeasures for partners and customers, which may involve adjusting cost-cutting measures or, in some cases, increasing prices. These factors must also be weighed and prioritised, but my primary focus remains on the employees, as they are the centre of everything we do” (Interviewee D). Interviewee F places equal emphasis on its employees in terms of prioritising the company's development and security in any extreme situation. Meanwhile, Interviewee C focuses on its suppliers, specifically the farmers, as it operates in the agribusiness sector. “According to Fairtrade regulations, what percentage of money must go to farmers? My company will deduct that exact percentage to return to the farmers' cooperative, and that money will be used for many purposes. For example, we can build houses, construct schools, or give gifts to farmers there” (Interviewee C). Additionally, there will be compensation for one product sold, dedicated to improving farmers' lives. These actions are expected to demonstrate the company's goodwill toward the farmers. To that end, once trust is established, these farmers will be willing to cooperate with the company as long-term suppliers under a contract. In sum, the aspects mentioned above demonstrate those risks associated with social community factors where employees will be the nuclear of the business continuity.

Another critical risk that these companies must address is supply chain disruption. All companies agreed that suppliers and customers play an indispensable role in business activities. In extreme cases, in order to ensure business continuity, the supply chain must be secured from both the supplier side for production and distribution, and from the customer or partner side for the output.

“My point of view is that all the parties involved in my supply chain are important, including suppliers and customers. My top priority is to ensure stability in the supply chain. If you ask me who to prioritise, I would say because of the customers. However, if suppliers cannot meet the demands, I will not have products to sell. Conversely, if I prioritise suppliers without having an output, it remains unstable. We are the intermediaries who must harmonise both parties, so we must strive to make a deal. Of course, if we cannot reach an agreement, the business will fail” (Interviewee C). This viewpoint was supported by Interviewee A, who identified the three most important stakeholders, including customers, suppliers, and employees, who must be prioritised in extreme cases. Interviewee E emphasised the importance of preserving and protecting the supply chain in all cases. “The most essential

experience applicable to strategies that have been implemented, such as ours, the SMEs, is supply chain management. This means we need to build a resilient and sustainable supply chain system that does not exclude any business partners, suppliers, or distributors. If a disruption in the supply chain occurs, it means the failure of a business" (Interviewee E).

In most cases, these companies need to re-verify suppliers' capacities to determine whether they can meet global requirements for product traceability and environmentally friendly technologies. For SMEs with limited scale and minimal risk management resources, facing non-business risks such as political instability, negative media coverage, cultural conflicts, and changes in international policy presents a significant challenge. However, interview data show that BD, which is flexible, relationship-based, and institutionally agile, has become an effective coping strategy. Instead of passively reacting to crises, many SMEs have proactively transformed BD into a soft layer of protection, which thereby helps them maintain legitimacy in their countries of origin, build trust with partners, and ensure sustainability in a volatile international environment.

5. Implications

5.1 Practical implications

Given the limited resources of SMEs for establishing legitimacy, these enterprises should actively seek support from organisations such as their country's Chamber of Commerce, their Ministry of Industry and Trade, and local departments at international events (e.g., industry fairs and trade conferences). The presence of state representatives from the home country helps businesses position themselves as official representatives of the national image, thereby increasing trust with international partners. In Vietnam, numerous Free Trade Agreements have created a supporting institutional framework that enhances state credibility and legitimacy for firms, particularly for SMEs.

In an increasingly complex global environment, relying solely on state support is no longer sufficient. Interview data indicate that, to build sustainable legitimacy, Vietnamese SMEs must be more proactive in establishing multilateral strategic diplomacy through multistakeholder engagement. Many companies have actively emphasised the importance of utilising business networks to foster deeper trust in the domestic market. In this context, SMEs require a systematic approach to multilateral strategic diplomacy to identify key stakeholders and to establish a proactive, flexible ecosystem with access to essential resources, thereby ensuring a resilient supply chain. Multilateral diplomacy is not just about 'attending trade fairs' but about systematising the approach to stakeholders, including governments, international organisations, universities, industry associations, and foreign customers. SMEs must anticipate changes in the macro-business environment that may shift the demands or interests of key stakeholders. Furthermore, after identifying these stakeholders, associated risks must also be assessed. SMEs should strive to create their own dialogue table instead of waiting for an invitation to join an existing one. In internationalisation, legitimacy is no longer solely a product of the nation but rather a reflection of each enterprise's strategic capabilities. Vietnamese SMEs must proactively learn and act as diplomatic agents to survive and thrive in a multi-faceted, multi-dimensional, and volatile global environment.

The results of the study also provide important practical implications for SMEs from emerging economies, such as Vietnam, for building and maintaining legitimacy during the internationalisation process. Firstly, the study demonstrates that legitimacy is not an inherent or default attribute of enterprises, but rather a social asset and capital that must be actively constructed, especially for enterprises from countries with medium or weak institutional status. Enterprises need to proactively engage with domestic institutional systems such as embassies, ministries, or industry associations to receive policy support and borrow institutional legitimacy from the country of origin – a particularly valuable factor when entering the international market. It is because customers or business partners in a foreign market may refer to the home country's legitimacy of a firm in making their preferences. This particular opinion empirically supports the research of Plaza-Casado et al. (2024).

It is recommended that firms, particularly SMEs, should give due consideration to the significance of BD, thereby avoiding the simplistic categorisation of BD as mere public relations activities or event participation. Interviewees have identified BD as a strategic behavioural capability that helps organisations transform their domestic reputations into credible signals of trust for international partners through engagement in multilateral forums,

bilateral dialogues, or institutional support (see Figure 2). Such actions enhance corporate reputation, expedite the negotiation process, elevate the probability of securing agreements, and mitigate non-business-related risks.

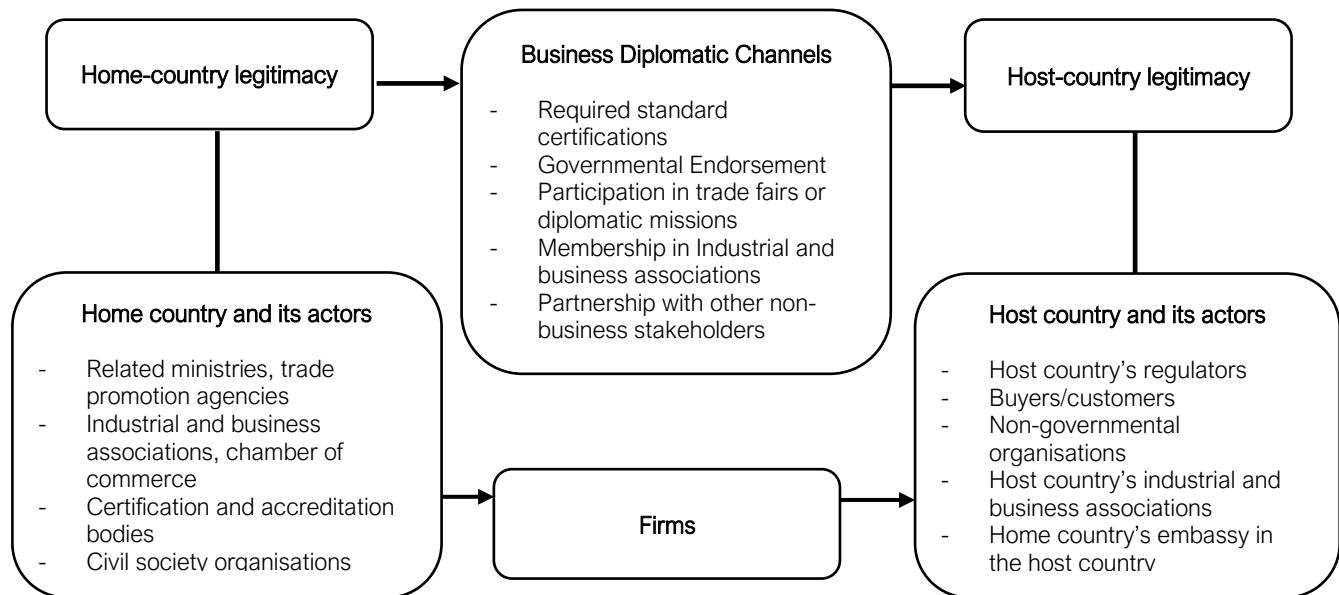


Figure 2: Proposed internalisation model from the perspective of gaining legitimacy.
Source: *authors' own*

Figure 2 illustrates the mechanism of legitimacy transfer from the home country to the host country through business diplomacy. In the first stage, enterprises accumulate institutional signals in the host country including standard certifications, endorsement from state agencies, participation in trade promotion missions and membership of industry associations. These signals are created by actors in the host country such as ministries, business associations and certification organisations, and are mobilised by enterprises in the process of implementing BD activities. Through diplomatic, trade and institutional channels in the host country, these signals are transmitted to assessment subjects such as management agencies, importers, NGOs and local industry associations. These subjects interpret signals to reflect the level of compliance, reliability, and conformity of enterprises with market standards, thereby enhancing legitimacy in the host country. Figure 2 clearly shows the flow of institutional artefacts, the role of two-sided actors, and how firms act as a bridge in the process of legitimacy transfer from the local to the international context. Based on the research results and existing theoretical foundations of BD (Gorjón-Gómez & Mata-Sánchez, 2021; Igarabide, 2022; Saner, 2019), the study proposes a BD toolkit for SMEs in Vietnam. The goal of this toolkit is to transform BD from an abstract concept into a set of concrete actions that can be applied in practice to build trust, create legitimacy and minimise non-business risks in the internationalisation process. Table 3 summarises the main components of the BD kit according to the “What–Why–How–Who–When” structure, helping SMEs easily identify the appropriate tools, related actors, and the optimal implementation time for each stage of the process of approaching and expanding foreign markets.

Table 3: Proposed BD toolkit Source: *authors' own*

BD tools (What)	Purpose (Why)	How to apply	Key actors (Who) to contact	Internationalisation Stage (When)	Legitimacy enhancement
Participation in industry associations & other related business associations	Gaining market intelligence Protection from conflicts Partner verifications	Participating in: trade fairs business lunches organised by the chamber of commerce governmental business meet-up events	Home and host countries' industrial associations Chambers of commerce State-funded business association Business-related establishments	Pre-entry, post-entry	Cognitive legitimacy

International certifications	Serving as key to entering a new market via acquiring necessary certificates	Identifying and acquiring manufacturing-related certificates required by the market Integrating standard requirements into manufacturing processes for the audit	External certification bodies International accreditation bodies	Pre-entry, entry	Moral legitimacy Pragmatic legitimacy
Government-led commercial diplomatic missions	Leveraging governmental endorsements Engaging reputable partners Establishing signals of trust through direct governmental verification	Participating in working delegations and international fairs with the endorsement of ministries and departments Participating in business match-up events according to the schedule of the trade office	Ministry of Industry and Trade Ministry of Foreign Affairs Trade promotion agencies Embassies in host markets	Entry	Cognitive legitimacy Pragmatic legitimacy
Multi-stakeholder dialogues	Minimising social and environmental risks	Engaging in ESG, environmental, and labour forums to promote social welfare and environmental protection	Non-governmental organisations, Civil society organisations, International buyers	Pre-entry, post-entry	Moral legitimacy Cognitive legitimacy
Partnership with non-business stakeholders	Securing sustainable and resilient internationalisation	Facilitating stakeholder dialogues in the supply chain Promoting the sharing of social responsibility	Regulators and state representatives Inter-industry alliances		Pragmatic legitimacy

Table 3 demonstrates that each business diplomacy tool plays distinct roles in helping SMEs establish trust, garner legitimacy, and mitigate non-commercial risks at various stages of the internationalisation process. Tools such as embassy interactions, international accreditation and trade promotion missions predominantly reinforce pragmatic legitimacy through signals of confidence and validation from institutional bodies. Conversely, multi-stakeholder dialogue and participation in industry standardisation contribute to moral and cognitive legitimacy, which are particularly vital when SMEs operate in foreign markets over extended periods. Integrating these tools into a systematic framework enables businesses to more clearly orient themselves towards strategic selection and implementation of BD, thereby aligning with the objectives and resources pertinent to each stage. Simultaneously, Table 3 also elucidates the core mechanism identified in the research that BD actions cultivate trust, which in turn fosters legitimacy, thereby facilitating market entry and sustainable operations within the host country.

An additional significant practical implication of the findings is that SMEs can leverage business diplomacy as a framework for non-risk management. Typically, enterprises encounter three principal risk categories, including political, social, and legal-regulatory, each corresponding to distinct business diplomacy tactics. Regarding political risk, engaging in regular interactions with embassies and trade missions or participating in trade promotion initiatives, enables businesses to signal institutional trust, thereby mitigating the risks of trade disruptions or administrative challenges. Confronting social risks related to labour standards, ethics and ESG issues, SMEs can participate in multi-stakeholder dialogues or seek sustainability certifications to demonstrate their commitment to responsible practices, thereby enhancing their acceptance within international supply chains. To mitigate legal and regulatory risks, businesses may join industry associations, monitor standardisation processes, and utilise regulations to improve their understanding of compliance standards and to minimise disputes and associated costs. This strategy enables SMEs to employ business diplomacy as an integrated platform to bolster supply chain resilience, sustain international stability, and proactively convert risks into competitive advantages.

5.2 Theoretical implications

This paper elucidates the process by which SMEs from emerging markets, such as Vietnam, convey legitimacy from their country of origin to the host country throughout an internationalisation process.

At first, this study contributes to the BD literature by extending the role of BD as a strategic organisational capability that can explain the mechanism of legitimacy transformation in the context of SMEs from emerging markets. This is an essential addition to the existing theories, which often focus on large organisations with established global brands and extensive political influence networks. This study also frames the BD role for SMEs, expressed through soft, multi-layered behaviours such as participating in international fairs, leveraging local institutions, accompanying national public diplomacy, and persuading through bilateral links. This study empirically contributes to Tran (2023) regarding the soft power of firms through BD by viewing BD as a proactive, micro-level, and highly strategic behaviour, irrespective of organisational size. BD enables SMEs to leverage potential home-country legitimacy resources and transform them into credible signals for stakeholders in new markets by engaging, connecting, and positioning themselves within a multilateral network.

Furthermore, this study extends the theory of legitimacy, which has primarily been developed within the context of large-scale organisations to a specific category of SME that frequently encounter obstacles related to scale, brand, and initial recognition. In doing so, the study offers a contextualisation relevant to emerging markets. Additionally, the research contributes to the discourse on legitimacy transfer, a concept that has conventionally been perceived as a passive result (Plaza-Casado et al., 2024; Wang et al., 2014; Wu et al., 2016) by demonstrating that this transfer is contingent upon proactive corporate behaviour through BD. BD serves not merely as a tool for coordinating relationships, but as a strategic mechanism that assists in reshaping the positioning and recognition of enterprises in both domestic and international contexts.

Furthermore, the study contributes to the theoretical foundation by establishing a clear conceptual boundary for BD relative to other corporate external activities, such as government relations, public relations, CSR or ESG, and trade promotion. This distinction not only strengthens conceptual precision, as suggested by Tran (2023) and Marschlich (2022), but also allows for a deeper explanation of the distinct role of BD in the process of corporate legitimacy construction in the context of internationalisation. Unlike traditional activities that focus on communication, compliance or policy advocacy, BD demonstrates the ability to coordinate multi-level and cross-border institutional relations (Marschlich & Ingenhoff, 2022), thereby directly linking to the three forms of legitimacy, which are pragmatic, moral, and cognitive, as observed in the research results. This makes it clear that BD is not just a supplementary activity but a crucial mechanism that helps SMEs in emerging economies to overcome non-business risks and to minimise liability of origin during the entry and operation phase in foreign markets.

In terms of theoretical contribution to internationalisation scholarship, the results show that BD offers an important complementary mechanism to modern internationalisation theories – especially concerning SMEs in emerging countries –, which are evolving from linear models to multidimensional, network-based, and institutional approaches. First, compared to the updated Uppsala Model (Vahlne & Johanson, 2017), this study shows that BD can shorten the internationalisation stages through institutional signalling. Acquiring required certifications and endorsements and participating in trade promotion missions help SMEs build legitimacy from the pre-entry stage, thereby reducing the need for gradual experience accumulation as suggested by the traditional model. Second, BD extends the modern network-based view, where SMEs from emerging economies often lack high-level networks (Ciravegna et al., 2014). BD provides an alternative institutional network through embassies, trade missions, industry associations, and multilateral forums. This allows SMEs to access buyers, regulators, and NGOs without traditional networks via the home country's endorsement. Third, the study contributes to new research on institutional voids and liabilities of origin, which emphasises the disadvantages faced by firms from emerging economies (Koch, 2022; Luiz et al., 2021; Luo & Tung, 2018). BD helps firms fill institutional gaps with international certifications, regulatory compliance, and state-sponsored signals, thereby reducing suspicion of provenance and enhancing credibility when accessing foreign markets. Finally, BD helps address the capacity constraints of SMEs, which are identified in emerging studies on capability constraints (Paul et al., 2017; Chandra et al., 2020). BD is a low-cost strategy at the SME level because employees who implement it tend to be at least at the senior management level. Based on the results of this paper, it can be concluded that the chief executive officer or vice president is in charge of BD: this is still a highly effective strategy for generating legitimacy, managing non-business risks, and expanding international institutional networks, which constitutes a form of strategic capability particularly relevant for SMEs. Taken together, BD is not only operational diplomacy but also a theoretical mechanism with the

potential to expand contemporary patterns of internationalisation, especially in the context of institutional fragmentation and SMEs' limited resources in emerging economies.

6. Conclusions

This study elucidates how SMEs in Vietnam, as a quintessential representation of business entities from emerging economies, are manoeuvring through internationalisation. This process is not solely market-oriented but also encompasses a complex journey known as legitimacy. Within this journey, BD manifests not merely as a tool for facilitating communication or foreign affairs but as a critical survival strategy that assists SMEs in gradually transitioning their legitimacy from their country of origin to that of the host nation. Data obtained from interviews indicates that, despite their relatively modest size and constrained resources, numerous businesses have exhibited their capacity for soft diplomacy in a practical and adaptable manner. This includes proactive participation in international exhibitions, engagement in FTAs such as EVFTA, and establishing connections with embassies and trade promotion organisations. Additionally, SMEs have leveraged their relationships with partners to secure their legitimacy during negotiations or dialogues. Engaging with institutional resources from their home country has conferred initial prestige, fostered trust among partners, and opened numerous new opportunities. Nonetheless, the study also reveals that legitimacy cannot be wholly borrowed from the state or partners; rather, it must be cultivated by developing internal capabilities and consistent strategic actions. Enterprises that successfully establish sustainable legitimacy are characterised by their proactive engagement with a diverse array of stakeholders, their understanding of institutional culture, and their demonstrated ability to collaborate beyond the confines of a single industry country.

This study offers valuable insights into the role of corporate diplomacy in enhancing the legitimacy of SMEs within the context of internationalisation. However, certain limitations must be recognised. The findings are primarily derived from comprehensive interview data collected from a selection of representative businesses across various industries. Given the qualitative and exploratory nature of the study, the results lack statistical representation and cannot be generalised to encompass all SMEs in Vietnam or other emerging markets. Furthermore, the study predominantly reflects business leaders' perspectives, and lacks direct contributions from stakeholders such as embassies, policy agencies, and international partners, which are critical to acknowledging the legitimacy of SMEs. A limitation of this study is that the data were exploratory in nature and involved a small sample size, which precluded cross-case comparisons or the replication of patterns across cases, as typically expected in multi-case studies. Although the fundamental mechanisms linking BD activity, trust, legitimacy, and internationalisation outcomes were consistently identified, employing a pattern replication study design would have facilitated testing the robustness of these mechanisms on a broader scale.

Given these limitations, future research may be pursued in multiple avenues. Firstly, future research could expand the sample size and use multiple-case comparison or replication logic designs to test the consistency of the patterns found, particularly regarding the causal chain between business diplomacy, trust, and legitimacy across different industry and market contexts. Broadening the scope and undertaking comparative analyses among SMEs in various developing nations is essential to evaluate the universality and specificity of BD strategies. Furthermore, the incorporation of the perspectives of stakeholders, including local governments, international organisations and foreign customers, would facilitate the validation of the alignment between how businesses construct legitimacy and how they are perceived in practice. Another potential avenue involves integrating qualitative and quantitative methodologies to establish metrics for BD and the legitimacy ecosystem, which can subsequently be assessed through statistical modelling or longitudinal investigations and to measure the extent to which institutional signals, such as international certifications or participation in trade promotion missions, actually contribute to shortening the pre-entry period and improving legitimacy in the host market. In this way, future research could examine the link between BD capacity and organisational adaptability, the ability of firms to change their strategies, cultures, and cooperation models to align with legitimate expectations from international stakeholders by comparing these with other emerging countries in the region or internationally. In future research, scholars may explore the potential of BD as a mediating variable to ascertain the relationship between the legitimacy ecosystem and related factors of internationalisation. Finally, a scale for BD capability, as a low-cost yet high-performance strategic capability of SMEs, should be developed and validated to assess the impact of BD

on the speed of internationalisation, resilience to non-business risks, and international market performance. These directions will help consolidate the place of BD within the contemporary internationalisation theoretical framework and lay the foundation for more robust empirical research.

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