

An Empirical Analysis of the Roles, Activities and Performance
of Commercial Diplomats in Promoting International Business

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of Commercial Diplomats in Promoting International Business

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Summary

Keywords: Commercial diplomacy; commercial diplomat; export promotion; trade promotion; investment promotion; trade representation; trade representative; international business; economic diplomacy; country brand; business promotion; business-government relations; business internationalisation; commercial diplomats' managerial roles; commercial diplomats' activities; time allocation.

Mot clés: Diplomatie commerciale; diplomate commercial; promotion des exportations; la promotion du commerce; promotion des investissements; représentation commerciale; représentant de commerce; commerce international; diplomatie économique; marque nationale; promotion de l'entreprise; relations public-privé; internationalisation des entreprises; rôles managériaux des diplomates commerciaux, activités des diplomates commerciaux; attribution de temps.

Background

Commercial diplomats work as State representatives with diplomatic status conducting trade and business promotion activities between a home and a host country supporting directly individual business firms or promoting the home country as a destination for business. Scientific research in management studies / international business is needed to understand more-in depth effectiveness and the nature of the commercial diplomat's work.

Objectives content and structure

This thesis addresses the contribution of commercial diplomats to business promotion from a management studies / marketing perspective. Mixed research methods are used (qualitative and quantitative) for data collection within a single study. The central research question is “what is the nature of the work commercial diplomats perform”. The thesis is structured around sub-questions: chapter 2 tackles the trends and the major themes in research over time; chapter 3 researches the determinant factors of performance. Chapter 4 presents an integrative framework

to build theory and concepts on how commercial diplomats create value for the nation and individual businesses. Chapter 5 focuses how the business community perceives commercial diplomats. Chapter 6 measures time allocation of commercial diplomats in terms of roles and activity areas and establishes correlations with individual features.

Findings and Implications

There is a gap in the current literature about the commercial diplomat's managerial roles and the management studies / marketing approaches are used relatively rarely (chapter 2). In chapter 3, three dominant types of commercial diplomats are identified: civil servant, generalist and business promoter, whereby the latter is gaining popularity. An integrative framework was designed: inputs are divided into capabilities i.e. institutional/organisational arrangements and resources such as individual features such as education and business experience. Roles and activities (promotion of trade, investment, tourism, IP and R&D) constitute the process. Managerial roles are brought down to three "FAR" roles: facilitation, advisory, and representation, which in turn create value in terms of network/relationship capital, knowledge capital and influence respectively.

Business firms appreciate commercial diplomats as a central platform, the starting point to promote bilateral business and for being credible and neutral. They are also seen as valuable in assisting firms in their first steps in entering foreign markets. In chapter 6, time allocation shows that commercial diplomats spend more than half of their time on the activity area of trade promotion, which is thus considered core business. Individual attitudes matter: a higher hands-on attitude is correlated with more time spent on the facilitation role and the trade promotion activity i.e. the commercial diplomat's core business. It is concluded that commercial diplomats may have to tackle too many different technical activity areas and thus may lose focus. Further research should tackle performance and efficiency to be measured as contribution to the country's economy and business support individually. Practical and managerial implications involve that hybrid institutional and organisational arrangements should be found to fulfil both business and government objectives. Talent management and recruiting need flexibility involving cross-fertilisation with the private sector. Clear division of labour and coordination in the entire trade promotion architecture are to be enhanced with other government sponsored and private business support organisations.

For Viktoria.

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Finally, I would like to thank my wife Viktoria, my parents and my close family for their support and feedback throughout.

List of abbreviations

| | |
|------|--|
| CD | Commercial diplomat |
| B2B | Business to business |
| B2G | Business to government |
| BSO | Business support organisation |
| DV | Dependent variable |
| EU | European Union |
| FAR | Facilitation, Advisory and Representation (roles) |
| FDI | Foreign direct investment |
| G2B | Government to business |
| G2G | Government to government |
| IB | International Business (firms) |
| IP | Intellectual property |
| IPA | Investment Promotion Agency |
| IPR | Intellectual property rights |
| ITC | International Trade Centre |
| IV | Independent variable |
| LMNE | Large multinational enterprise |
| MFA | Ministry of Foreign Affairs |
| MNE | Multinational enterprise |
| MT | Ministry of Trade |
| MT/I | Ministry of Trade and/or Industry |
| OECD | Organisation for Economic Co-operation and Development |
| R&D | Research and development |
| S&T | Science and technology |
| SME | Small and medium sized enterprise |
| TPO | Trade promotion organisation |
| UN | United Nations |
| WTO | World Trade Organisation |

Abbreviations of the names of the home and host countries

| | |
|-------------------|-------------------|
| ARGENTINA ARG | FINLAND FIN |
| AUSTRALIA AUS | FRANCE FRA |
| AUSTRALIA-CA CAMB | FRANCE-PARIS PARI |
| AUSTRALIA-SY SY | GERMANY GER |
| AUSTRIA AUT | GERMANY-BERL BERL |
| AUSTRIA-VIEN VIEN | GERMANY-DÜSS DÜSS |
| BELGIUM BEL | GREECE GRE |
| BRAZIL BRA | HUNGARY HUN |
| CANADA CAN | ICELAND ISL |
| CANADA-OTTAW OTTA | INDIA IND |
| CANADA-TORO TORO | INDIA-MUMBAI MUMB |
| CHINA CHN | INDIA-NEW DE NEWD |
| CHINA-BEIJIN BEIJ | INDONESIA INA |
| CHINA-SHANG SHAN | IRELAND IRL |
| COSTA RICA CRC | ITALY ITA |
| CROATIA CRO | ITALY-MILANO MILA |
| CZECH REP. CZE | ITALY-ROME ROME |
| DENMARK DEN | SWEDEN SWE |
| JAPAN JPN | SWEDEN-STOCK STOC |
| JAPAN-TOKYO TOKY | SWITZERLAND SWI |
| JORDAN JOR | TAIWAN TPE |
| KOREA KOR | THAILAND THA |
| LUXEMBOURG LUX | TURKEY TUR |
| MALAYSIA MAS | UK |
| MEXICO MEX | USA |
| NETHERLANDS NED | USA/CHICAGO CHIC |
| NORWAY NOR | USA- DC DC |
| PAKISTAN PAK | USA-HOUSTON HOU |
| POLAND POL | USA-LA LA |
| POLAND-WARSA WARS | USA-MIAMI MIAM |
| PORTUGAL POR | USA-NEW YORK NY |
| ROMANIA ROM | USA-WASH DC WASH |
| RUSSIA RUS | VIETNAM VIE |
| SLOVAKIA SVK | PUERTO RICO PRC |
| SOUTH AFRI RSA | |

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Chapter 1: Introduction

1.1. CONTEXT AND RATIONALE: MARKETING OF THE NATION'S COMPETITIVE ADVANTAGE

1.1.1. International competition among nations and businesses alike

Whilst globalisation might not be anything new in the world economy, the last 25 years have been characterised by the emergence of a rather fresh phenomena that some authors qualify as hyper-globalisation. This most recent wave of globalisation is indeed new, among others, because world trade grew more rapidly than world GDP. Such trade expansion happens in a world becoming less protectionist: MFN tariffs have diminished from more than 25 per cent in the mid-1980s to about 8 per cent in 2013, globally. For instance, border barriers (tariffs and non-tariff measures) in manufacturing in the Organisation for Economic Cooperation and Development (OECD) countries account for less than 4 per cent. (Subramanian and Kessler, 2013:10). Subramanian and Kessler (2013) also note that “merchandise exports-to-GDP ratios soared from 15 per cent to 26 per cent, and goods and services exports to about 33 per cent over the course of the last two decades” (Subramanian and Kessler, 2013:4).

Furthermore, the historic economic and business leadership of the West – manifested in most intense international trade flows, investments and growth in the past 200 years – is being challenged. Developing and emerging countries from the South and the East invest considerable efforts in improving their competitiveness to respond to opportunities, day by day. China, who can be considered as the first “mega-trader” since Imperial Britain, became the top world exporter in 2012 demonstrating the changing landscape and power dynamics of international trade (Subramanian and Kessler, 2013: 4). In terms of regions, emerging economies of the Asia-Pacific region also top the same list in terms of export flows only followed by Europe and North America (www.wto.org). Moreover, Africa has made considerable progress in entering the world market as supplier. Consequently, this continent is increasingly considered as an appealing destination for foreign investments.

In this context of enhanced globalisation, in parallel, governments have been engaging more and more proactively in business promotion over the last three and four decades. International competition on every possible level is the norm today in a globalised economy: not only business firms, but nations, regions and even cities compete as collective entities in trade, investment

attraction and technology triggering the need of pro-active engagement of governments. Exporters to the EU, US, Japan on average have seen their relative income level diminish between 1980 and 2010 (IMF quoted in Subramanian and Kessler, 2013: 55). Pro-active commercial diplomacy is probably one response to shift to new markets. The UK's Foreign Secretary William Hague said in MHW Magazine in 2011 that

"...there can be no doubt of the importance of Asian markets, as the world's focus shifts from West to East. By 2030 spending by Asian consumers is expected to be around \$32 trillion annually or about 43% of worldwide consumption. So the economic compass of British businesses should be pointing firmly East, and we are determined to support them in their efforts."

Dr Vince Cable, the UK's Business Secretary pursued

"(...). This is commercial diplomacy in action. Around twenty of our senior diplomats with enormous commercial experience in these markets will team up with business leaders who have been there and done it" .

Consequently, the growing need of conserving competitiveness of a nation in today's world economy and responding to global competition challenges do not leave governments cold. Business firms operating internationally are under numerous constraints not only due to complex national and international market rules and regulations, but at the same time they also face growing pressure of global competition, trends, and cultural differences in various markets. One way of tackling these challenges resulting from globalisation is to promote and facilitate business for national firms (or those considered and perceived as national at least) in their international operations with a view of expansion.

In order to promote economic interest and exploit competitive advantage, governments have commercial 'eyes, ears and voice' facilitated by their global diplomatic network of national representatives. In addition, high-level government representatives do not hesitate to exert political leadership for the benefit of promoting significant business deals. Among other undertakings, governments make business and trade promotion efforts via their diplomatic networks to defend and advance national business interests, while at the same time contributing to a growing national economy as a whole. Therefore, the network of diplomatic representations

not only reflects non-commercial/political ties with counterpart countries, but these relationships are increasingly commercial in nature.

Commercial diplomacy seeks to promote and facilitate to 'sell' products and services of a nation abroad as well as prepares the ground for individual business deals. Commercial diplomacy aims to create awareness and advertise the home country's competitive advantages and its national business firms via the diplomatic network of representatives. Commercial diplomacy is gaining importance in Western countries as part of the global economic power shift to 'the East', and due to increasing economic internationalisation efforts of Western countries to regain economic growth. At the same time, it goes without saying that commercial diplomacy is similarly effective and as important for emerging nations – if not more – hence it forms part of their global trade strategy.

Thus, commercial diplomacy's nature and value are to be understood within the context of competitive advantage of nations. The classical distinction in economic theory, leading to philosophical and ideological debates, between laissez faire versus government intervention seems of limited help. To support this, Michael Porter points out in his classic *The Competitive Advantage of Nations* (1998) that the role of government is to strengthen the nation's competitive advantage in order to enhance economic prosperity for its citizens. He also argues that productivity is the prime determinant in the long run for a nation's standard of living, and that governments should create optimal conditions for productive businesses to unfold. This includes attracting investments and promoting international trade. Commercial diplomacy may be, hence, visualised as the top of the pyramid of governments' efforts to promote economic growth and prosperity through international economic relations.

This thesis will address the contribution of commercial diplomats to business promotion at large from a management studies angle. Commercial diplomats are State representatives with diplomatic status conducting trade and business promotion activities between a home and a host country supporting directly individual business firms or promoting the home country as a destination for business. Their activities seek to encourage business promotion and business development through a punctual and long-term support to the business community between two countries.

1.1.2. Why do government officials engage in business promotion?

Governments strive for country competitiveness by engaging in various business promotion programmes. The objectives of governments in business promotion (including trade, investment, and tourism) are ultimately job creation, tax revenue increase and economic growth (Kotabe and Czinkota, 1992). On the other hand, businesses ultimately seek profitability; engaging in international operations constitutes a risk for them. Businesses seek to reduce the risk of entering a foreign market and obtain a service at a competitive price or without fee, whilst financed by tax money (Naray, 2008).

These efforts are supposed to result in a positive sum game in a public – private sector interaction: successful companies are valuable for the country’s publicity whereas a good home country image and reputation are also beneficial for the company abroad. In addition, the networks and knowledge gained throughout the history of a given bilateral relationship between countries should offer an extra advantage from which the internationalising firms benefit.

The established explanation inspired from classical economic theory justifies the existence of commercial diplomacy with the *missing markets* argument. The supply of intelligence is delegated to public agents since

“...some types of information have the nature of public goods, which markets cannot supply – these include unique, reliable and impartial access to information such as through the global embassy network and other government channels and contacts, which become available through the government’s very long term, and non-commercial attachment to foreign markets” (Harris and Li, 2005).

Thus, governments invest considerable amounts financed by public contributions with the aim of supporting internationally expanding businesses. This should, in turn, result in increased international economic integration, growth, and employment along with generally good bilateral business relations with the home country.

1.1.3. Origins and perspectives

Commercial diplomacy has a long-standing history. The very origins of diplomacy often find their roots in international commerce and navigation. The origins of diplomacy are deeply – if

not exclusively – commercial: The Roman institution of *proxenes* (Gibbon, 1944) or those of European consuls in the Ottoman Empire were essentially merchants protecting the interests of their communities in the extensive trade that existed in the period 1460-1220 BC among countries and civilisations of Egypt and West Asia. Trade provided the first motivation for inter-state contact and agreements.

Another example of national interest following economic and business motives is the spread of colonialism in Asia, following Vasco da Gama's journey to India in 1498: "Europe's discovery of the riches of East Indies: the flag followed trade" (Rana, 2001). Generally, commercial interests have been present or have even been the trigger of bilateral diplomatic relations throughout history. Later, the main purpose of commercial diplomacy was recognised as information gathering and intelligence, which were at the origin of the creation of modern "commercial attachés" in the late nineteenth century (Carron de la Carrière, 1998). However, as modern nation states arose, there has been a tendency to delegate business promotion tasks within diplomacy to "less prestigious" positions such as local assistants (within embassy or the Trade Promotion Organisation) or consular staff (Lee and Hudson, 2004). "Selling socks for Britain" as reforms took place in the UK might shock the traditional non-commercial view of diplomacy (Naray, 2011).

Nowadays, at least compared with the past forty years, the commercial function of diplomacy has been again gaining material importance, prestige and foremost professionalization. Commercial diplomats are under a certain pressure to deliver a more value added and tailor-made service based on personal contacts and direct observation. One reason is that many trade promotion data is readily available online with Internet's development and enhanced access to information is omnipresent.

1.2. POSITIONING COMMERCIAL DIPLOMACY IN MANAGEMENT AND MARKETING RESEARCH FIELDS

1.2.1. Government supported export/trade promotion

Literature in international marketing and economics has tackled trade and export promotion considerably. The importance of government supported export promotion in the context of current globalisation provides a point of departure for addressing and positioning commercial diplomacy in the management and business studies literature. Although export promotion is not the only field addressed by commercial diplomats, it has received by far most attention in the literature. Rose (2007) says that “as communication costs have fallen, much information about foreign countries has become quickly and cheaply available through alternate sources” and that consequently, the relatively expensive diplomatic services involving Ambassadors, commercial attachés, and other members of the diplomatic corps position themselves as “agents of export promotion” and are “said to play a key role in developing and maintaining export markets” (Rose, 2007).

The most common mode of business involvement in international markets is export since “it involves minimum business risks, requires low commitment of resources and offers high flexibility of movements” (Leonidou, 1995b). Exports represent many market expansion possibilities, however, foreign market conditions are likely to differ from those prevailing in the domestic market (Katsikeas, 2003). International marketing scholars (Hibbert, 1990a; Hibbert, 1990b; Czinkota, 1982; Seringhaus et al., 1990) commonly refer to cultural, technological, political, legal, and other environmental forces that might vary from one country to another. It is believed that export promotion helps firms to overcome export barriers, thereby facilitating the accomplishment of export results. These arguments have inspired governments to devise policy instruments designed to encourage exports, particularly those of small and medium-sized enterprises. From a government’s point of view, offering export support programmes is intended to improve the international competitiveness of domestic firms and thus the country’s trade balance (Diamantopoulos et al., 1993). Therefore, the need for export promotion is likely to depend on the degree of a nation’s global trade expansion and its relative competitiveness with other trading nations.

The use of government export assistance is expected to provide managers of business firms more information, experience, and resources to help them overcome export barriers and increase their level of pre-export activity (Singer and Czinkota, 1994).

1.2.2. Complex business-government and service relationship

On one hand, private businesses obtain an ‘ear and voice’ via the diplomatic channel abroad for the defence of their interests that might involve public relations, even the political arena as well as diplomacy. Public actors, government, para-public actors as well as private business entities are involved in the complex interaction between the commercial diplomat and private business.

By the same token, this business-government relationship is also about a service in exchange of paid taxes or additional fees for the service on some occasions. Managers of business firms may also use services – possibly sponsored by government – that seek to match them with potential foreign buyers to increase their export sales, such as trade shows and missions. Ruël (2013) says that “support for small and medium-sized enterprises (SMEs) to internationalize via commercial diplomacy activities and instruments is of considerable relevance, because SMEs are considered engines of economic development and growth” quoting an OECD report of 2009. Particularly, Ruël notes in case of SMEs “the limited information to locate/ analyse markets and the inability to contact potential overseas customers” (2013) which are indeed included in the services commercial diplomats are able to offer.

1.2.3. Management angle to study commercial diplomacy

The approach chosen in this thesis is nourished by management/business studies. This relatively new approach allowing to grasp the nature of commercial diplomat’s work and performance is inspired by multi-disciplinary literature within management/business and marketing studies. This managerial perspective of studying commercial diplomats results in important added value. Such angle to study commercial diplomacy allows to address effectiveness and performance. In addition, it focuses rigorously on the definition and managerial function of the commercial diplomat instead of the relatively general and abstract concept of “national interest” in diplomacy whereby commercial diplomacy remains a generic term under the umbrella of political diplomacy. Furthermore, neither political/international relations nor the economics/econometrics approach address the complexity of business-government relations and the nation’s competitive advantage in the context of commercial diplomacy. In contrast, the approach taken in management and business studies will help to understand the following:

- The organisational/management dimension as management of the function (commercial diplomat) within and without the organisation, including stakeholder management and the commercial diplomat’s interactions with multiple internal and external stakeholders.
- The services management dimension involving the client-provider issue what we define as the interaction and transaction between the commercial diplomat and mainly corporate beneficiaries (clients). The latter approach the commercial diplomat with their enquiries, questions, and demands.
- The commercial diplomat’s function and the management of stakeholders in both public and private sectors including the positioning of commercial diplomacy in both foreign affairs and the government’s trade promotion architecture.
- The individual/personal dimension, whereby the commercial diplomat’s individual initiative and drive need to be considered as a success factor of a system.

Commercial diplomats often evolve in public/semi-public agencies or Government Ministry type of organisations. In Mintzberg’s (2009) vocabulary these would constitute ‘the machine organisation’: “formally structured with simple repetitive operating tasks (classic bureaucracy), its managers functioning in clearly delineated hierarchies of authority and engaging in a considerable amount of controlling”. However, under a certain business pressure and in the context of increasingly result based management practices in public administrations, commercial diplomacy must perform by providing tangible results for home business and the economy. The performance pressure results in the following, among others:

- Value creation: activities of commercial diplomacy such as the promotion of trade and investments that are supposed to create value for stakeholders. This prepares the ground to define the nature of activities from a managerial standpoint.
- Effectiveness and efficiency of the system.
- Managerial concerns regarding the interaction between the business community and the commercial diplomat.

Thus, the management and business studies angle captures the importance of effectiveness – and not only efficiency – as well as the complexity of the nature of activities that by definition involve multi-stakeholders of private, public, and semi-private nature. Understanding the

commercial diplomat's interaction with the business community will eventually help effective and efficient implementation of business promotion programmes and policies.

Most of the above-mentioned points emerging out of the management studies approach have been already addressed in the author's scientific peer-reviewed publications on which this thesis is extensively based. The scientific community's interest in commercial diplomats' work has increased considerably in the last ten years (see details in the literature review in chapter 2) and the author was able to sustain a dialogue with this growing scientific community resulting in an exchange on the topic. This continuous dialogue provided evolving and enriching feedback. A discussion paper published, which the author published with Professor Michel KostECKI in 2007 entitled *Commercial Diplomacy and International Business* was the point of departure, on which chapter 3 of this thesis is based (see KostECKI and Naray, 2007). In 2008, the author presented an updated version of the discussion paper of 2007 in the World Trade Promotion Organisation Conference, a professional conference gathering most trade promotion organisations of the world (see Naray, 2008). Afterwards in 2011, the author published his first peer reviewed scientific article partially based on the 2007 discussion paper and additional empirical research in the Hague Journal of Diplomacy (see Naray, 2011).

Subsequently, two other scientific papers were peer reviewed in specialised scientific journals/publications. These are listed in section 1.3. to show their correspondence with the chapters of this thesis. The author was also invited to become a reviewer (i.e. member of the review board) of the recently created International Journal of Diplomacy and Economy and has peer reviewed several scientific articles specialised in trade promotion/ commercial diplomacy since 2012.

In addition, the author's professional career – apart from academia – even before embarking on this thesis and subsequently up until the present day also played a considerable role in the evolution of this thesis. Notably, it allowed participative observation and access to important networks instrumental in the area considered in this thesis. Experience gathered in the diplomatic service between 2003 and 2004 at a Swiss Embassy abroad involved direct participation in the process of bilateral trade promotion and engaging with important actors, such as bilateral chambers of commerce. Such first-hand and direct exposure to commercial diplomacy triggered and nourished the research design right from the start of this thesis. At a later stage, valuable inputs and insights came from the author's programme officer and project manager job, which required managing multi-million US dollar value international trade promotion/development

projects at the International Trade Centre (ITC – a joint agency of the World Trade Organisation and the United Nations). Continuous work contacts with business support organisations, policymakers, exporters, often involving the network of trade representations (commercial diplomats) in various projects of ITC, contributed to the deep understanding and mature judgment about complex issues encountered throughout the research process of this thesis. Particularly, this professional experience added to the comprehension of governments' and business firms' needs as well as enabled to gain valuable insight into business support organisations' functioning, management and priorities. The author's scientific publications were also progressively shared for feedback internally at the International Trade Centre. In addition, the author was also invited to become an expert reviewer and participated in the peer review of the International Trade Centre's recent publication (ITC, 2013; 224 pages) *Entering New Markets: A Guide for Trade Representatives*. This review procedure also allowed productive debates and exchanges to take place between experts further sharpening the author's comprehension of the matter at hand.

To build bridges between academia and the professional community, the following two articles were published in two different magazines and languages:

- Naray, O. (2009). Was ein guter Wirtschaftsdiplomate Alles können muss. *Schweizer Monatshefte*, 973.
- Naray, O. (2010). What a good commercial diplomat has to know and be capable of. *Exchange The Magazine for International Business and Diplomacy*, 2, 8-9.

Consequently, the present thesis benefits not only from a continuous dialogue between the scientific community and the author, but also from an important managerial and field experience in international trade promotion and development.

1.3. RESEARCH OBJECTIVES AND STRUCTURE

This thesis fills a gap in management research. The gap includes the lack of systematic conceptualisation as well as empirical analysis of commercial diplomat's work and performance from a managerial perspective. A major contribution of the current thesis to filling this gap is via providing a systematic empirical study of commercial diplomacy using a management studies approach. The research objectives of this thesis are the following:

1. Conceptualise and create an integrative analytical framework using a systemic approach for studying of commercial diplomacy that is beneficial for further research. This framework prepares the ground for building constructs, concepts and allows testing relationships between variables (i.e. theory building) and enables drawing conclusions on implications.
2. Formulate both theoretical and practical suggestions to improve the effectiveness of commercial diplomacy and contribute to reforms enhancing the effectiveness of the commercial diplomat's function.
3. Fill the gap in management studies' literature – in the international marketing context – by examining commercial diplomats' roles and activities as well as their performance.

The central research question is the following:

- ***What is the nature of the work commercial diplomats perform?***

The thesis is structured around sub-questions, which are further introduced in section 1.5. The sub-questions define the chapters' content, as shown in table 1.1.

Table 1.1: Thesis chapters and research sub-questions and corresponding publications/drafts

| Thesis chapters (excluding introduction and conclusion) / research sub-questions | Corresponding publication or draft |
|--|---|
| Chapter 2: What have been the trends and the major themes in research over time? | Draft article with Prof. Valéry Bezençon entitled “Management Research on Commercial Diplomacy: Examining Trends and Themes” constitutes the content of chapter 2. |
| Chapter 3: What are the determinant factors of performance? | A subsequent version of the article below constitutes the content of chapter 3: Kostecki, M. and O. Naray (2007). <i>Commercial diplomacy and international business</i> , The Hague: Clingendael Institute |
| Chapter 4: How do commercial diplomats create value for the nation and individual businesses? | A subsequent version of the following article constitutes the content of chapter 4: Naray, O. (2012). Commercial diplomacy: an integrative framework, <i>Int. J. Diplomacy and Economy</i> , 1(2), 119–133. Link: http://www.inderscience.com/info/inarticle.php?artid=51684 DOI: 10.1504/IJDIPE.2012.051684 |
| Chapter 5: How are commercial diplomats perceived by the business community? | A subsequent version of the following article constitutes the content of chapter 5: Naray, O. (2012). The commercial diplomat in interaction with international business: Results of an empirical study. Huub Ruël (Ed). In <i>Commercial Diplomacy and International Business: A Conceptual and Empirical Exploration (Advanced Series in Management)</i> 9(1), Emerald Group Publishing Limited, pp. 151-181. Link: http://dx.doi.org/10.1108/S1877-6361(2012)0000009010 |
| Chapter 6: How do commercial diplomats allocate their time? | Draft article with Prof. Huub Ruël entitled “Quantitative Evidence on Commercial Diplomats’ time allocation on roles and activity areas” constitutes the content of chapter 6. |

Source: own

This thesis encourages further research to be elaborated on the above listed and derived questions. Moreover, practitioners such as the designers and key actors of commercial diplomacy (i.e. governments, trade promotion organisations, business support organisations) also have a direct interest in accessing the results of such a research effort.

1.4. METHODOLOGY

1.4.3. Approach

This thesis relied on an inductive model and theory building rather than the hypothetico-deductive model. The reason for following an inductive logic in the research design is that commercial diplomacy is as an emerging scientific topic within management/marketing studies with rather limited literature so far. There has been only limited previous research and theories that could help develop hypotheses to be empirically tested in this piece of research. Thus, a hypothetico-deductive approach did not seem appropriate. On the other hand, induction is appropriate to build theory and thus suitable for our research questions. According to Edwin Locke (2007), theory building in social sciences, including management studies, is better off using inductive approaches, or at least, induction is appropriate to build theory. Locke recommends that “it may be helpful in management and psychology, as a relatively young science, to start theory building with a simple, core idea. The core idea is not a theory but the potential foundation of one. The core idea may develop into a theory over time” (Locke 2007:884).

The discipline in which we position this thesis is management and organisation theory in a broad sense, including marketing – international marketing. So far most approaches have focused on trade and investment promotion through government policies and strategies, which by definition stress high-level strategy and policy formulation rather than organisation and management. The particular managerial perspective, the systematic and systemic analysis of commercial diplomat’s performance and work as well as the organisational settings contain something new and potential to build on. International trade promotion has been so far addressed in the international marketing literature under the topic “export promotion” and to some extent “trade promotion”. Even if the latter constitutes the ultimate purpose of commercial diplomacy, we will examine it from a management and organisational perspective. This research builds and draws on as well as extends into works in the existing literature in international economics, international marketing and international relations.

1.4.4. Methods

This thesis uses both qualitative and quantitative research methods. Therefore, overall it builds on mixed methods. Mixed methods research combines qualitative and quantitative data collection within a single study (Molina-Azorin, 2012; Tashakkori and Teddlie, 2003). The central premise of mixed methods is that both qualitative and quantitative approaches in combination “may provide a better understanding of research problems than either approach alone” (Creswell and Plano Clark, 2007). Qualitative research and case study methods were followed as recommended by Eisenhardt (1989;2007) and Yin (2003) to a large extent. Emphasis was put on in-depth, progressive semi-structured interviewing, whereby Kvale’s (1996) recommendations were followed. The particular methods used are detailed in each chapter.

Since the scientific study of commercial diplomacy is in its infancy, the mixed methods approach seemed suitable to reach thorough understanding of the subject, and to elaborate on same and similar concepts/findings with both approaches (qualitative and quantitative). The mixed methods approach also adds credibility to the process of theory building followed by offering practical suggestions that are both in the primary focus of this thesis. The qualitative research involved 75 in-depth interviews, which included participation in professional workshops. These in-depth interviews included a small survey questionnaire on some commercial diplomats. The quantitative research involved questionnaire based survey research – not to confuse with the small survey in the interviews- on the population of commercial diplomats representing developed trading nations, including mainly small developed countries (for details see chapter 6).

In addition, own field experience of the author was helping in qualitative evaluation and judgment. Bergold (2012, par. 42) points out that “The difference between the academic worldview and that of the research partners from the field is actually an asset which must be exploited in the exploration process”. The inputs and insights from the author’s professional experience were applied in a cross-cutting fashion rather than to a specific chapter of the thesis (see the author’s professional involvement under section 1.2.2.). The inputs resulting from the author’s direct exposure can be qualified as field observation without a comprehensive framework of participatory research. The following elements helped the author step by step to improve the quality of the thesis:

1. Conclusions about practical issues of commercial diplomacy through professional experience in a Swiss embassy in a central/Eastern European country, before starting this thesis.
2. Direct observation of trainings and advisory services regarding commercial diplomats through professional experience at the International Trade Centre during the drafting of the thesis.
3. Panel reviewer of a state of the art, practice/training oriented publication by the International Trade Centre on the topic of commercial diplomacy, during the drafting of the thesis.

The direct access to the field helped to complete the interpretation of both qualitative and quantitative data.

1.4.5. Unit of analysis

Commercial diplomats' work in an international business promotion environment constitutes the unit of analysis. Chapter 2 contains a literature review and identifies major themes in the existing literature. Thus the unit of analysis is commercial diplomacy as addressed in literature (secondary data) i.e. not empirically with new research. In order to capture perceptions and experiences of commercial diplomats, chapter 5 also includes senior executives from business firms as key respondents, but the unit of analysis still remains the commercial diplomat. In all other parts of the thesis the key respondents are mainly the addressed commercial diplomats. Other respondents also contributed substantially to the quality of the qualitative research: trade promotion officials and experts as well as retired diplomats were interviewed. Commercial diplomats represent various home country governments posted in various target markets. Similarly, different formal titles correspond to the function of the commercial diplomat, which are examined in this thesis. Consequently, some examples include "commercial attaché", "commercial advisor", commercial counsellor "or "trade representative" and others.

1.4.6. Scope

The sample of this research in its quantitative studies is limited to OECD and one emerging economy as home countries. Commercial diplomats considered in the quantitative studies are posted around the world (host countries). In the qualitative parts of the research, CDs addressed are of both developed and developing countries origin. Therefore, there is a reasonable balance in terms of CDs represented and posted globally, which enables to draw credible conclusions on

a managerial level for the function of the commercial diplomat. However, national systems were not studied in the current thesis, in particular with their cultural/national specificities.

It is also to be noted that neither issues relating to direct government export subsidies nor export insurance are addressed. This thesis only addresses support activities that do not entail direct cash transfers and financial support/grants to business firms, such as advisory, facilitation etc. activities. On the contrary, the topic of service fees to be paid by businesses was studied.

1.4.7. Scientific contribution

Conceptualisations and framework-building in the forefront of the present thesis considerably open the emerging research field of commercial diplomacy. The thesis paves the way for allowing new research questions to be formulated. In addition, it contributes to filling the existing gap in the relevant research field by new theory building, empirical case studies, qualitative findings and quantitative conclusions based on statistical tests. Furthermore, the present thesis also provides implications and possible suggestions for models to be used for reorganising, restructuring or reforming commercial diplomacy case by case. The managerial approach suggested in this thesis serves as a basis to make sensible decisions on processes, design, restructuring and the delivery of the service, as well as on overall results and stakeholder satisfaction. The research field on commercial diplomacy might continue to attract further empirical research in the management/business studies disciplines given that the ‘bang for the buck’ mind-set (i.e. pressure for efficiency and effectiveness in government sponsored agencies, international organisations) is likely to remain. The scientific contribution is further elaborated on in the conclusion chapter of this thesis (chapter 7).

1.5. CHAPTER OBJECTIVES AND DESCRIPTION

Five chapters in this thesis answer different research sub-questions respectively according to the following:

Chapter 2: What have been the trends and the major themes in research over time?

This chapter reviews the literature of commercial diplomacy during the period of 1960-2013 from a management/business studies angle organised around major themes (“export promotion” etc.). Both qualitative and a quantitative methods are used to analyse the existing literature. Major themes are identified and some key authors’ contributions are studied. The qualitative review is complemented by a quantitative study allowing to trace current research trends according to major themes. Gaps in current literature are identified and suggestions for further research are presented.

Chapter 3: What are the determinant factors of performance?

This chapter examines the nature of commercial diplomacy and its performance from a managerial perspective. It draws on literature from various disciplines that directly address commercial diplomacy (diplomacy, political economy and international marketing) and own empirical research. Methods include qualitative case study research from in-depth semi-structured interviews with numerous commercial diplomats and related stakeholders, such as concerned business firms. The emphasis is on the value chain of commercial diplomacy and on leading management issues such as service profile, its positioning, client-provider gap, management style, organisational matrix, as well as service fees, motivation, the evidence concerning improved performance and good practice. The chapter concludes with a number of suggestions on how to improve performance given the growing willingness of governments to emphasize the business promotion approach.

Chapter 4: How do commercial diplomats create value for the nation and individual businesses?

In this chapter we undertake exploratory theory building. A systemic framework is suggested in which relationships between input-process-output can be tested. The approach serves as a tool to understand value creation by commercial diplomats in a multi-stakeholder perspective. The

objective is to create a systemic framework that helps further research in management/business studies at large.

Chapter 5: How are commercial diplomats perceived by the business community?

This chapter based on empirical qualitative and quantitative analysis examines stakeholders such as government, business support organisations, support services and client business firms, which constitute the key actors involved in the business–government interaction involving commercial diplomats. The ‘intermediary’ function of the commercial diplomat is at the centre of attention as well as the perceptions and experiences of business firms.

Chapter 6: How do commercial diplomats allocate their time?

Building on the concepts of chapter 1 and 2, this chapter provides quantitative empirical evidence on commercial diplomats’ time allocation on previously identified managerial roles and activity areas as well as relevant individual features. Correlations are carried out to determine the individual features’ influence on time allocation.

1.6. THE GLOBAL RESEARCH DESIGN

The structure can be summed up in five stages of the research process. Table 1.2 shows the research design and provides a summary of the process.

Table 1.2: The research structure

| Research process | Research outputs and published material by the author | Chapter in thesis |
|---|---|-----------------------------|
| <p>STAGE 1: Literature review and preliminary interviews' insights</p> <p>1.1. Review of various approaches in literature and identification of stakeholders (micro, meso and macro level)</p> <p>1.2. Formulation of research questions</p> | <p>Definition of research problem and questions</p> | Chapter 1 (Introduction) |
| <p>STAGE 2: Qualitative research: semi-structured in-depth interviews with unit of analysis and connected targets</p> <p>2.1 Analysis of transcripts</p> <p>2.2. Conceptualisation based on empirical research</p> <p>2.3. Confrontation with literature</p> | <p>Conceptualisation and theory building</p> <p>Discussion Paper: Kostecki, M. and O. Naray (2007). <i>Commercial diplomacy and international business</i>, The Hague: Clingendael Institute</p> <p>Article: Naray O. (2011). Commercial Diplomats in the Context of International Business, <i>The Hague Journal of Diplomacy</i> (Martinus Nijhoff Publishers), 6, 121-148. Link: http://dx.doi.org/10.1163/187119111X557382</p> | Chapter 3 |
| | <p>Article: Naray, O. (2012). Commercial diplomacy: an integrative framework, <i>Int. J. Diplomacy and Economy</i>, 1(2), 119–133. Link: http://www.inderscience.com/info/inarticle.php?artid=51684 DOI: 10.1504/IJDIPE.2012.051684</p> | Chapter 4 |
| | <p>Article/ chapter on business's perceptions: Naray, O. (2012a). Chapter 6: The commercial diplomat in interaction with international business: Results of an empirical study. <i>Commercial Diplomacy and International Business: A Conceptual and Empirical Exploration, Advanced Series in Management, Volume 9</i>, Huub Ruël, Ed., Emerald Group Publishing Limited, 151-181 Link:http://dx.doi.org/10.1108/S1877-6361(2012)0000009010</p> | Chapter 5 |

| | | |
|---|--|---------------------------|
| STAGE 3: Research survey on commercial diplomats | Test of concepts and relationship between variables | Chapter 6 |
| 3.1. Elaboration of questionnaire based on qualitative findings and literature review | Interpretation and recommendations for research and practice according to empirical findings. | |
| 3.2. Administration of questionnaire to commercial diplomats from selected home countries posted around the world | Forthcoming article on Quantitative evidence on Commercial diplomats' time allocation on roles and activity areas. | |
| 3.3. Data analysis: descriptive and test of relationships between variables and concepts | | |
| 3.4. Validation of findings and discussion/confrontation with experts and researchers | | |
| STAGE 4: Evolution of the scientific literature | Evolution of the topic and further research | Chapter 2 |
| 4.1. Qualitative review of evolution of the topic commercial diplomacy in the literature | Forthcoming article on evolution of the topic commercial diplomacy in business research | |
| 4.2. Quantitative review of scientific articles about the topic commercial diplomacy | | |
| STAGE 5: Global conclusions | Conclusion chapter of the thesis in light of the five chapters | Chapter 7 (Conclusion) |
| 5.1. Reflexion on further research and agenda | | |
| 5.3. Implications from practical standpoint | | |
| 5.4. Conclusions | | |

Source: Own.

The research process deserves a few words. The time taken to finalise this thesis has been longer than average for the following reasons: first, the author had other professional obligations than research during his employment at the University of Neuchâtel between 2006 and 2009. Subsequently, his research activity had to be slowed down due to his full time professional activity since 2010 at the International Trade Centre. The strength of the followed process is that the material has been progressively published to enable a dialogue between the author and the scientific community. Moreover, the author's professional activities have been closely related to

the subject of the thesis and his practical experience provided a useful input and enhanced credibility. The weak points include some repetitions, evolving definitions of various concepts and the step-by-step growth in the empirical evidence presented in various papers. Yet, all in all, the thesis content has ripened and has benefited from maturity given the long period of time invested.

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Chapter 2: Management Research on Commercial Diplomacy: Examining Trends and Themes

ABSTRACT

This chapter reviews the literature of commercial diplomacy during the period of 1960-2013 from a management angle organised around four major themes. Four major themes are identified: (1) government's export/trade promotion function, (2) institutional/organisational arrangements, (3) managerial roles and behaviour, and last but not least (4) interaction between the commercial diplomat and business firms. In this management/business related commercial diplomacy literature chapter, major authors' contributions are studied qualitatively. The qualitative review is complemented by a quantitative study allowing to trace current research trends according to the four major themes. Gaps in current literature are thus identified and suggestions for further research are presented. Our analysis reveals the emergence of relevant publications during the 1990's 2000's and a rising trend thereafter. It also confirms the relative scarcity of commercial diplomacy literature focusing on the management dimension with a dominance of the major theme addressing commercial diplomacy in the government's export/trade promotion function. This review complements existing literature reviews of the topic by offering a managerial focus along with an identification and analysis of major themes making use of both a qualitative and a quantitative methods.

Keywords: Commercial diplomacy, commercial diplomat, export promotion, trade promotion, trade and investment promotion, trade representation, trade representative, international business.

2.1. INTRODUCTION

2.1.1. Overview

It is to be highlighted that interest in the topic has increased considerably in recent years. There is a growing amount of publications to be found under the keyword and research theme "commercial diplomacy" and "commercial diplomat". Specialised and scientific literature on commercial diplomacy has been developing: we observe that commercial diplomats have been addressed by various disciplines such as international economics, international relations and

management/business studies. We also note that the topic so far has been addressed more broadly by these disciplines. Thus, it would be fair to say that it is emerging as a promising research field, yet it is still relatively limited in the field of management/business studies.

Lee and Ruël (2012) remind us that “Commercial diplomacy is the international relations of business that knits together political and entrepreneurial activities and agents in the global market”. Lee and Ruël (2012) further insist that:

“...the dynamics in the global economy — shifting patterns of economic growth and market power from the West to the South as well as the reduced economic policy sovereignty of nations — enhance the need for effective commercial diplomacy and more integrated relations between business and diplomatic officials within the state”.

This quote could serve as inspiration and encourage in-depth research of the topic. Reuvers and Ruël (2012) who provide an inter-disciplinary review of literature state that “commercial diplomacy literature is still in its infancy”. Against this backdrop, questions arise what the evolution is of this research field and what type of trends we are witnessing.

There is a need to organise the current knowledge on commercial diplomacy from a management angle in order to understand where the body of literature stands and where it is going. The current chapter reviews the managerial literature on commercial diplomacy organised around major themes (such as “export promotion”). Challenged by previous studies pointing to the lack of appropriate management angle in existing literature, the purpose of this paper is threefold:

1. Review the commercial diplomacy literature focused on the managerial dimension thereby offering a complementary study to former literature reviews.
2. Identify major themes within the managerial perspective.
3. Examine current research trends according to the major themes to identify lacks as well as advise on further research.

In order to provide answers to the above, the paper is structured as follows. First, it defines the field of study and presents approaches to commercial diplomacy in existing management literature. Second, our qualitative and quantitative approach for the purpose of the present review is described. Next, key themes and management related works are selected to present major contributions to research. Thus, we reviewed and organised qualitatively the literature by theme.

Finally, the review provides a quantitative analysis by theme. The paper is concluded by a discussion on possible future directions for research.

2.1.2. Definition of the field

The term commercial diplomacy is commonly employed within numerous foreign services and in the literature to describe business support functions performed by members of diplomatic missions, their staff and the related agencies. The export promotion dimension of commercial diplomacy is addressed to a large extent under disciplines such as economics, econometrics as well as international marketing. Commercial diplomats' managerial behaviour and organisational arrangements fall under the discipline of management studies. Commercial diplomacy under the angle of political economy is addressed in the discipline of political science and diplomatic studies/ international relations.

Rana (2000; 2001) uses the term "economic diplomacy" which seems to cover a slightly broader scope of activities, however, still relevant. Rana defines economic diplomacy as being "the process through which countries tackle the outside world, to maximize their national gain in all the fields of activity, including trade, investment and other forms of economically beneficial exchanges, where they enjoy comparative advantage, it has bilateral, regional and multilateral dimensions, each of which is important" (Rana, 2007). Reuvers and Ruël (2012) use commercial diplomacy also in a rather comprehensive manner. They state that:

"...commercial diplomacy is the use of diplomatic means to support commercial activities, such as export and foreign direct investment (FDI) promotion. It is pursued with resources available to the home country, aiming at outputs such as economic stability, home country welfare, and a national competitive advantage. Countries thereby target one or several foreign countries on a bilateral or multilateral basis. Commercial diplomacy functions as an umbrella term, including nation branding and participation in multilateral meetings, such as those of the WTO, and rewarding and sanctioning other countries in order to achieve foreign policy objectives".

Lee (2004) mentions the role of the private sector by defining commercial diplomacy as "the work of a network of public and private actors who manage commercial relations using diplomatic channels and processes." Finally, a rather managerial definition is captured by Naray

(2011) who attempts to define the topic distinguishing between the commercial diplomat (CD) and commercial diplomacy:

“Commercial diplomats are state representatives with diplomatic status who are working for business promotion in a broad sense between a home and a host country. Commercial diplomacy aims at encouraging bilateral business through a series of roles that commercial diplomats perform in various activity areas, such as trade promotion, investment promotion, and cooperation in science and technology”.

This definition focuses on the business promotion aspect rather than the negotiation of trade policy and its regulatory framework. This thesis defines commercial diplomacy referring to the above as the work performed by commercial diplomats in order to delineate boundaries that are otherwise unclear with the term “commercial diplomacy”. In the present thesis, it is acknowledged that commercial diplomats’ work is completed and complemented by other organisations (public, private, mixed) that support business promotion, which this thesis calls “business support organisations”, however we do not include the latter directly into the definition of commercial diplomacy for the sake of clear focus, simplicity and clarity. Another important boundary of our definition is that this thesis tackles definitions of commercial diplomacy that involve the managerial dimension. It is focusing on the business promotion context rather than the trade policy dimension that would also include WTO affairs and negotiations (even though a strict separation is not possible). Therefore, we limit commercial diplomacy in this paper to the definition provided above by Naray (2011), which is “commercial diplomat centric”. Thus, the term “commercial” is broad enough to cover not only issues related to trade but also to investment, tourism or intellectual property.

2.1.3. Approaches of commercial diplomacy in management studies

We observed that even though disciplines all have their focus, the topic has not matured yet to a stage where proper schools of thought could have emerged per discipline. While international relations/political science and history will focus on the foreign policy and political aspects of diplomacy, business and management studies will focus on processes, roles and effectiveness/efficiency, whereby authors will flexibly quote and borrow concepts from related disciplines i.e. mainly across international economics, international relations, management studies and marketing. Political economy and econometrics in particular focus on public funded

trade promotion programmes – of which commercial diplomacy is part – and their impact on trade flows, and gains/losses for the countries engaged in trade. The approach in economics – often focusing on small and medium enterprises (SMEs) – considers the “export promotion programme” as one unit of analysis, which, in turn, contains various services provided by government (e.g. Seringhaus and Rosson 1991). Sometimes the “foreign trade representation” or the “embassy” is considered as one service among many which consequently receives little attention. This is clearly a limitation we have found in the present literature search since the commercial diplomat or the embassy/ foreign trade representation is rarely considered as one unit to be analysed separately. An “export promotion programme” may include various services delivered in the home country’s business capital by various business support organisations. These may remain very different and far off from what CDs offer: export promotion services include nearly everything from trade finance to market information. “Export promotion” or “trade promotion” as used by economists also have strong policy connotations: they include regulatory measures and “export promotion” is often opposed to import substitution policies.

Management and organisation research generally examine the questions of efficiency, effectiveness, behaviour between stakeholders, roles and activities, and how organisations are structured and how they function (e.g. Mintzberg, 1973; 2009). Applied to the field of commercial diplomacy, these questions relate to the interaction between government, trade promotion organisations, private enterprises, and business advocacy. Furthermore, the international marketing perspective enriches the approach by addressing the ultimate objective of commercial diplomacy i.e. export sales, investments, promotion of image, etc. It also tackles issues such as how commercial diplomats promote their country’s economy and what approaches are effective from a marketing standpoint. In other words, business and management research depoliticises the debate around commercial diplomacy: it allows to move beyond the classical political and even ideological questions as the role of government, or the degree of state intervention in the economy.

The managerial dimension is in an emerging phase in the literature, thus additional research both in qualitative and quantitative terms may considerably add to further explain and address managerial challenges, such as the typical ones related to effectiveness and efficiency. Some conceptualisation efforts are to be reminded at this stage. The conceptual literature to date has at least attempted to create frameworks for managerial analysis and defined to a large extent roles and activities of commercial diplomats.

Reuvers and Ruël (2012) made an effort in building on management approaches to understand the phenomenon of commercial diplomacy. These authors use managerial terms and a systemic approach. They define drivers of commercial diplomacy as “the objectives and rationales behind investments in commercial diplomacy”, and shapers as “the resources of the home country and the organisation devoted to commercial diplomatic activities and the personal characteristics of the commercial diplomat”. They pursue by stating that:

“...drivers to pursue commercial diplomacy ... include the prospect of increasing trade, arranging a level playing field for companies (or even a national competitive advantage), increasing employment and internal revenue in the country, increasing business intelligence and network possibilities, and strategic and political concerns at the national policy level and the organisational level”.

For Reuvers and Ruël throughput refers to the transformation process of inputs into outputs, performed by commercial diplomacy. This “transformation process includes activities and practices, such as trade fairs and other export promotion activities, and interactions between the home and the host countries, such as state visits, information markets, and meetings” (Reuvers and Ruël, 2012). According to Reuvers and Ruël (2012), the output of commercial diplomacy, i.e. the results and benefits, can be differentiated along the following three types:

1. Economic benefits (e.g. Czinkota, 2002; Nitsch, 2007; Rose, 2007; Yakop and Van Bergeijk, 2009);
2. Political benefits (e.g. Okano-Heijmans, 2011); and
3. Nation branding (e.g. Potter, 2004).

Reuvers and Ruël (2012) underline that “economic benefits include wealth and knowledge creation and an increase in export and international trade”. Political benefits include development aid (Okano-Heijmans, 2008), economic means to pursue political goals, and the global pattern of diplomatic representation. Nation branding has a positive effect on both economics and politics (Potter, 2004). Reuvers and Ruël note however, “that an appropriate theory for framing commercial diplomacy is lacking at present”.

In the context of input-output frameworks, Naray (2012b) presents an approach by conceptualising commercial diplomacy as a tool to understand value creation by the commercial

diplomat for various beneficiaries. The framework integrates managerial concerns such as organisational arrangements, developmental factors and the commercial diplomat's individual features in an input-process-output system. Inputs are divided into capabilities and resources such as organisational arrangements, geographic location of the foreign post and the commercial diplomat's individual features such as education and business experience. Managerial roles identified correspond to the "process" part of the system between inputs and outputs. According to Naray (2012b): The roles performed are identified as facilitation (F), advisory (A) and representation (R) – 'FAR' – creating value for stakeholders (outputs). Naray (2012b) highlights that each role typically leads to a type of value created. The facilitation (F) role (referral, coordination and logistics) leads to increased relationship capital and networks, i.e., networks of business people and enterprises as well as government decision-makers. The advisory (A) role (gathering/disseminating and analysing intelligence and internal communication) contributes to increased knowledge, i.e., data that might be critical for decision-making on a business or government level (depending on the target). The representation (R) role (external communication and advocacy) leads to increased influence on CDs' relevant counterparts, i.e., the perception of the home country's products and image, as well as to political influence.

In relation to the different levels of analysis of the topic, Lee and Ruël (2012) point to the lack of existing research with regards to the individual level of the commercial diplomat. They bring the idea of three levels of analysis: (i) macro, ii) meso and iii) micro levels. The macro concerns government to government (G2G), the meso addresses the foreign post to business (G2B) and the micro the individual commercial diplomat and the international entrepreneur/business person. They conclude that:

“...the existing work at the macro/structural level has provided interesting and triggering insights on how government- or state-led commercial services work to increase exports and FDI by, for example, highlighting the role of overseas embassies and consulates in commercial diplomacy, but it will always be limited in its explanatory power if it fails to include analysis of the role that individuals play and the importance of micro-level networks of government and business”.

The complexity of the topic is also stressed by Lee and Ruël (2012). They insist on the integration of two broad research disciplines namely business / management studies and international relations. Lee and Ruël (2012) note that what is interesting:

“...is the extent to which commercial diplomacy involves the weaving together of the activities and interests of the nation state and international business, that is the public and the private in the global economy. This is because commercial diplomacy involves and creates networks of nation state (public) and business (private) actors working in domestic, regional and systemic environments in pursuit of private as well as public interests”.

Challenged by the relative scarcity of current literature about the managerial dimension, this paper suggests an approach that creates a categorisation of the current literature with focus on the managerial dimension – yet with a certain degree of flexibility regarding disciplines given the relatively recent scientific research interest in commercial diplomacy. In order to analyse the literature and trends, we review previous research by themes qualitatively and quantitatively. The approach consists of four steps:

- Themes selection (section 2.2.1.)
- Literature review by theme and identification of sub-themes (section 2.2.2.)
- Selection of the journals and criteria for the quantitative analysis (section 2.3.1.)
- Search and keywords analysis within the selected journals (section 2.3.2.)

2.2. QUALITATIVE LITERATURE REVIEW

2.2.1. Themes selection

In order to give a structure to the literature review, we first identify the major themes that appeared in the research to date on commercial diplomacy from a managerial perspective. Several studies providing an overall perspective of the field were particularly relevant to identify an initial set of major themes. The following contributions were particularly relevant to select the themes:

- (i) Literature on managerial roles and behaviour: Visser and Ruël 2012; KostECKI and Naray 2007; Naray 2011, 2012a, 2012b.

- (ii) Recent literature review by Reuvers and Ruël 2012 presented the idea of “shapers” of commercial diplomacy whereby organisational arrangements as well as managerial roles/attitudes of commercial diplomats were identified and reviewed.
- (iii) Recent comprehensive research book (Ruël, 2012) entitled “Commercial diplomacy and International Business” containing nine (9) chapters focusing on various business promotion aspects of commercial diplomacy, such as the commercial diplomat’s interaction with business firms and the quality of the service provided to stakeholders.

With regard to the first point, managerial behaviours, attitudes and roles as well as organisational arrangements/settings are key in managerial analysis. Naray deals with these points thoroughly based on empirical research (2011; 2012a; 2012b) whereas conceptually the managerial dimension is expressed in an input-process-output framework. In addition, Visser and Ruël (2012) build on Kostecki and Naray (2007) that identified three managerial patterns in CD style: the business promoter, the civil servant and the generalist. Visser and Ruël (2012) state that:

“Increasing our understanding of how commercial diplomats work will not only help to advance theory that can explain commercial diplomacy’s contribution to a country’s economy, its effectiveness, its relevance, and usefulness but also lead to more systematic insights that can help commercial diplomats to improve commercial diplomat policies and practices”.

Their results show “three different types of role behaviour and differences in proactivity per type”. Informal institutions such as background, skills, and experience, cultural differences, and the working environment are supposed to explain “the differences in levels of proactive international business support behaviour of commercial diplomats” (Visser and Ruël, 2012: 30).

The major themes were iteratively refined according to our review of existing research. The following four major themes emerge as relevant and central to the study of the research field from previous literature:

- Commercial diplomacy considered in **government’s export/trade promotion function**. This major theme refers particularly to the meso level i.e. government to business (G2B); and is the broadest among the four serving as starting point for research on commercial diplomacy (Kostecki and Naray, 2007). Export/trade

promotion is a widely researched topic addressing sub-theme or sub-topic elements on diplomats' activities, embassies, or foreign representations of trade promotion organisations.

- **Institutional and organisational arrangements** that act as a shaper of commercial diplomacy. This major theme emerged very clearly including public/private participation in national trade promotion structures, the relative independence of trade promotion agencies and their relationship with government ministries. The first empirical studies on commercial diplomats identified this theme (Mercier, 2007) whereas it was developed in reports/books of high ranking experienced diplomats/ambassadors such as Rana (2000; 2001) and further elaborated by Naray (2011).
- Commercial diplomats fulfil concrete **managerial roles** and have specific activity areas (e.g. trade, investment, etc.). This is relevant not only on the CD's individual level but also when defining responsibilities and roles in the entire national trade promotion system. Again, activities and their nature were addressed in reports/books of high ranking experienced diplomats/ambassadors such as Rana (2000; 2001; 2007) along with international organisations dealing with trade promotion, such as the International Trade Centre (ITC, 2004) that contributes with a practical approach addressing commercial diplomats from their own professional standpoint. Roles and activity areas were empirically further elaborated by Naray (2011) and Visser and Ruël (2012).
- **Interaction between the commercial diplomat and business enterprises.** This major theme may be considered as the micro level i.e. commercial diplomat to business (CD2B) of business-government relations. CDs interact with enterprises as their "clients" or "beneficiaries". Typically, business research became interested in studying the quality of service provided and the interaction with business firms. Kopp (2004) a former US diplomat identified the importance of advocacy and lobbying on behalf of (big) business in issues such as counterfeiting in emerging markets.

Table 2.1 summarises the major themes identified.

Table 2.1: Major themes

| Major theme | Explanation |
|---|--|
| Commercial diplomacy in government's export/trade promotion function | Government's role and actions generally in its trade/export promotion function (in the generic sense). Macro level approach, (i) commercial diplomacy is considered either in a broad sense and encompasses government's trade promotion initiatives or (ii) commercial diplomacy is considered as a "programme" or one initiative among others to promote trade. |
| Commercial diplomacy's institutional /organisational arrangements | Institutional and organisational arrangements, which often stem from a country's institutional traditions, culture and current trends in public-sector reform are examined. The CD's unit position is at the centre of organisational concerns. Governments play a major part, yet the private sector and semi-public entities are also involved in commercial diplomatic activities. Various partners and stakeholders are involved beyond the governmental ministry. |
| Commercial diplomat's managerial roles | Roles are typically carried out by CDs; and their weight and aspects are thus often different from other business support organisations. |
| Interaction between the commercial diplomat and business enterprises | Many firms are discouraged from exporting due to the costs of high import barriers. SMEs and large enterprises alike have an interest in an interaction with CDs to obtain advice, support in the internationalisation process. |

The next section provides a qualitative review of selected literature for each major theme.

2.2.2. Qualitative review by major themes within the research field of management related commercial diplomacy

Major Theme 1: Commercial diplomacy in government's export/trade promotion function

There are a considerable number of publications addressing the export/trade promotion function of commercial diplomacy. In accordance with the general trend applicable to the overall publications of commercial diplomacy, research focusing on export/trade promotion in this context has gained increasing importance during the 1990s and even more in the years after year 2000 and has been growing as a promising research field since. Our literature review further reveals the scarcity of the management aspect while the large number of policy oriented themes in addition to business and market confirm the particular nature of commercial diplomacy being at the intersection of public policies and business. These writings usually refer to the importance of diplomatic representation in terms of success of trade expansion while focusing on different elements of the export/trade promotion function (e.g. Hibbert 1990a; Rose 2007).

Export promotion is considered to be one of the priorities of commercial diplomats. Primary but not exclusive focus is on exports (Rana, 2001). Assisting in matchmaking for companies is one of the main tasks with no responsibilities concerning the outcome of transactions and no involvement in negotiations. The local knowledge of the commercial diplomat should help the businessmen with assistance and guidance with the following promotional means: participate in trade and technical symposia and in trade fairs, store promotions, trade displays, social receptions for local business leaders and senior officials (Carron de la Carrière, 1998; ITC, 2004; Hibbert, 1990a). The CD may also make tours as appropriate and report about new industrial zones or tax free zones, publicise his country's new technical developments (Hibbert, 1990b).

Studies by Hibbert (1998), Seringhaus and Rosson (1990), ITC (2004); Potter (2004), Rose (2007) tackle commercial diplomacy in the context of export promotion, which is defined as “all public policy measures that actually or potentially enhance exporting activity either from a firm, industry or national perspective” (Seringhaus, 1986). Rose (2007) as well as Yakop and Van Bergeijk (2009) conclude that commercial diplomacy does have an impact on trade figures and exports do increase with embassies and consulates' efforts. Businesses use and expect help from

CDs: quantitative evidence in the study by Rose (2007) suggests that diplomatic representations abroad encourage export development. In particular, Yakop and Van Bergeijk argue that diplomatic representation is significant in bilateral relationships of developing countries as opposed to OECD member countries.

Commercial diplomacy is also perceived as an integral part of a trade promotion programme in a study by Rothkopf (1998). Empirical evidence provided by Nitsch (2007), who examined the effect of state visits on international trade, attests the importance of official visits for the enhancement of international trade. He concludes that state and official visits are “indeed positively correlated with exports”. Ambassadors, together with commercial diplomats and embassy staff, actively support and prepare home government visits, as well as providing inputs for trade negotiations with the host country.

The effectiveness of commercial diplomacy was studied by Van Bergeijk et al. (2011) who undertook empirical quantitative research by breaking down the various types of representations in the host country into embassies, consulates, honorary consulates, trade offices, embassy branches and other representative offices. They conclude that:

“...outward economic diplomacy and inward economic diplomacy are relevant (from a trade expanding point of view) with outward economic diplomacy being more effective. Positive significant estimates have consistently been obtained for the impact of the number of embassies, career consulates and embassy branches on export flows”.

Export promotion programs’ shortcomings were also subject to a study (Czinkota, 2002) that revealed that these include bureaucracy, corruption, and politicisation, rewarding political friends at trade missions, poor service, insufficient budgets and a poor understanding of the private sector.

To sum up, research concerning export/trade promotion has been growing, whilst there is still room for more. Existing management literature on the other hand provides significant insights especially into the importance of diplomatic representation on export figures while also highlighting the different elements of commercial diplomats’ activities (local knowledge, trade fairs, official visits etc.) gaining relevance to that end. Consequently, research focusing on the questions of efficiency and effectiveness has been gaining increasing significance. Table 2.2

provides an overview of two focuses emerging in or connected to some extent to management studies.

Table 2.2: Focus within major theme 1 with major contributors

| Focus | Authors and their contribution |
|---|--|
| Export/ Trade and investment promotion | <p>Commercial diplomacy is addressed in the context of export promotion. Authors agree in general on the importance of diplomatic representation and on the impact of commercial diplomacy on exports while tackling different aspects of their activities, including factors contributing to trade expansion.</p> <p>Hibbert (1990 b; 1998); Seringhaus and Rosson (1990); ITC (2004); Potter (2004); Rose (2007); Rana (2001); Carron de la Carrière (1998); Rothkopf (1998); Nitsch (2007); Yakop and Bergeijk (2009); Seringhaus and Botschen (1991); Seringhaus and Rosson (1990); Van Bergeijk et al. (2011); Justinek and Sedej (2012); Volpe and Carballo (2010); Wilkinson and Brouthers (2006); Goodnow and Goodnow (1990) .</p> |
| Effectiveness / efficiency | <p>Effectiveness of commercial diplomacy is studied only by few from a trade expansion point of view pointing to the effectiveness of outward economic diplomacy. Export promotion programme shortcomings are addressed highlighting elements in need of improvement.</p> <p>Moons (2012); Van Bergeijk et al. (2011); Czinkota (2002); Potter (2004).</p> |

Source: Literature review

Major Theme 2: Commercial diplomacy in its institutional and organisational arrangements

We observe that the evolution of research on organisational and institutional dimension of commercial diplomacy is in line with the general trend applicable to the existing literature of commercial diplomacy: our search notably shows that the topic of organisational and institutional arrangements has also emerged essentially during the 1990s/2000's and has been growing until today. By reviewing the literature, we note that most authors agree on the importance that governments play in the organisational arrangements. In addition, an increasing

tendency of private entities' involvement in national trade promotion structures is observed coupled with structures and level of the various existing organisational arrangements. Business-government interaction dynamics are addressed in particular by several pointing to the necessity of further research thereof, in addition to the analysis of various structural configurations.

The importance of organisational structures is confirmed by Hibbert (1990a) who suggests that the role of the “commercial representation abroad” depends on the home country’s institutional settings and organisational constraints and on the relative position of the promotion agencies – that might involve private sector participation (e.g. in the board of the trade promotion organisation) – ministry of commerce and ministry of foreign affairs in the organisational matrix in particular. Complexity of organisational structures are revealed by Lee and Ruël (2012) who point out that “conceptually, studies of commercial diplomacy point to complex organisational networks involving ministries of commerce (often with trade promotion agencies/departments), trade and finance, in addition to the foreign ministry”. They pursue by observing the rising importance of private party involvement by stating that:

“...business groups are also, not surprisingly key players in these networks and in many cases are formally placed into overseas missions and consuls through secondment programmes. Business involvement is also channelled through other government departments as well as through links with national and local chambers of commerce”.

Aspects that are worth mentioning on organisational structure, as pointed out by Mercier, are threefold (Mercier, 2007):

1. First, there is the ownership character, namely whether they are public, private or mixed private-public. While agreeing that governments play a major part, some (Mercier, 2007) point to the fact that the private sector and semi-public entities are also involved in commercial diplomacy. The tendency is increasingly to involve private sector actors (Mercier, 2007). In that context, Lee and Hudson (2004) insist on the increasing importance of business-government, private-public partnerships; Lee argues that this aspect has been only marginally addressed. Sherman and Eliasson (2006) state that commercial diplomacy is undergoing a gradual process of privatisation. These institutional developments are generating a move towards private sector influence (Sherman and Eliasson, 2006) in the

government's foreign policy. To impede this influence, commercial diplomats serving business beneficiaries (clients) should be assured that their activities are carried out according to pre-determined guidelines and codes of integrity to reduce conflicts of interest.

2. The second structural aspect that needs attention is the level at which the trade promotion structure is considered, i.e. is it national, regional or local. In spite of differences between countries, it is the central government that is normally the coordinating body.
3. A third structural question is whether the ministry of trade (MT) and ministry of foreign affairs (MFA) work separately or are merged, or even create a body between the two ministries to coordinate trade promotion (Lee and Hudson 2004; Rana, 2001). There is also the possibility of creating a "third agency" to deal with trade promotion (Rana, 2001). Rana (2001) emphasises the advantages of the full integration of the "commercial service", i.e. commercial diplomat's organisational unit or "foreign trade representation" into the ministry of foreign affairs as opposed to be separated in favour of the ministry of trade.

Inspired by Rana (2001), Naray (2011) further suggests a categorisation by identifying six (6) types of organisational arrangements. The categorisation might be used as a 'scale', since it qualitatively measures the degree of the CD's independence towards traditional, governmental, ministry of foreign affairs structures. Criteria such as the TPO's relative independence from ministries, its position in the trade-promotion structure and the responsible ministry are among the most important aspects for commercial diplomacy. Government structures in terms of responsible ministries seem particularly complex with several possible configurations: in some cases the MFA dominates; in others the MT; and sometimes even joint structures exist. There is also a difference in the TPO's position in the structure and its relationship with the CD. Stadman and Ruël (2012) studying different practices within the European Union found considerable differences in terms of the responsible ministry, the policy focus, the network of foreign posts and the work performed at the foreign post. Overall, this study concludes that "home country characteristics (size, culture, and government), host country characteristics (institutions, culture, and regime) and the relationship between a home country and a host country affect the commercial diplomacy policies and practices".

Rothkopf (1998), Garten et al. (1998), Harris and Li (2005), and Bell et al. (2001) focus on the political debate about the funding of the “programmes” and tackle the question whether it is necessary for commercial diplomacy services to be part of the government, addressing fundamental arguments for and against. The multifaceted challenges of commercial diplomacy in regard to the political debate on its public funding and political forces, lobbies and interest groups behind are introduced. The focus remains on its effectiveness and efficiency aspects of “how much bang for the buck”. The debate is often turned into a free trade vs. mercantilism confrontation and is highly politicized, especially in the United States.

To sum up: valuable insights are offered in terms of ownership and structure of commercial diplomacy. Research focusing on the institutional and organisational aspects of commercial diplomacy also helps to understand the multifaceted challenges of commercial diplomacy with regard to its public funding but also on effectiveness and efficiency more generally. Table 2.3 offers an overview of selected, relevant management related literature focusing on the institutional / organisational aspects.

Table 2.3: Focus in the literature relating to major theme 2

| Focus | Authors and their contribution |
|--|---|
| Organisational structure categories | <p>The various coordination options in relation to ministry of foreign affairs, ministry of trade and other promotion agencies are reviewed. The benefits of integration and existing organisational complexities are highlighted. Regional characteristics within the European Union are also revealed. The structural aspect of national, regional and local levels are tackled. The main coordinating role attributed to the central government is observed.</p> <p>Kostecki and Naray (2007); Zuidema and Ruël (2012); Wilkinson and Brouthers (2006); Mercier (2007); Lee and Hudson (2004); Rana (2001); Hibbert (1990a); Stadman and Ruël (2012); Naray (2011); Seringhaus and Botchen (1991); Justinek (2011); Salomon A. (1969).</p> |
| Ownership / funding | <p>Public, private and mixed character of the ownership structure is addressed. While agreeing on the mixed character of ownership arrangements, an increasing tendency of private entities involvement is noted in the business-government context by several. The political debate around the funding, along with the necessity of being part of the government are addressed.</p> <p>Mercier (2007); Lee and Hudson (2004); Sherman and Eliasson (2006); Lee and Ruël (2012); Naray (2011); Rothkopf (1998); Garten et al. (1998); Harris and Li (2004); Bell et al. (2001); Jones, Raes and Kader (2012); Rana (2013); Ozava and Sato (1989).</p> |

Source: Literature review

Major Theme 3: The commercial diplomat's managerial roles and activities

Our literature review shows that, in contrast to the other categories analysed, research addressing commercial diplomats' managerial roles has only actually emerged during the first decennia of year 2000. The appearance of political and institutional themes observed point to the importance of the multi-stakeholder character of the topic involving public, private, para-public actors. Still, even though this organisational dimension appears indeed managerial in its nature, the business/management aspects seem scarce.

Authors generally agree on activity areas evolving over time tackled by commercial diplomats which include trade promotion, made-in and country origin promotion / nation brand, promotion of investments / FDI, protection of intellectual property rights, and cooperation in R&D / Science and technology (Reuvers and Ruël, 2012; Rana, 2000; Rana, 2001; Kostecki and Naray, 2007; Kopp, 2004; Lee, 2004; Mercier, 2007; Carron de la Carrière, 1998). Since practice oriented, some writings help in distinguishing actual and current activities of CDs mainly in the field of export and FDI promotion (Hibbert, 1990a, 1990b; ITC, 2004; Rana, 2000; Rana, 2001; Potter, 2004; Rose, 2007; Carron de la Carrière, 1998; Kotler et al. 1997; Harris and Li, 2005; Rose, 2007; Buschers and Ruël, 2012; Lee, 2004). An interesting observation of single transactions of the commercial diplomats' activity and their evolution into a wider context – bilateral agreements – is offered by ex US Diplomat, Kopp (2004). Commercial diplomats provide support when the home country's businessmen and politicians visit the host country and offer various forms of assistance to encourage business people's participation. Kopp (2004) suggests that it is not possible to separate single business transactions from trade agreements between countries. Transactions lead to agreements; agreements lead to new transactions. Companies on a local level will inform the embassy if transactions are made difficult or if potential is not used. Then, various paths of action are possible depending on the issue: trade agreements, pushing for new legislation in the host country.

While currently relatively little research tackles the managerial roles of commercial diplomats, Naray (2011) captures the nature of the CD's activities as managerial roles by finding three sets of roles in his 'FAR' conceptualisation : facilitation (F), advisory (A) and representation (R) roles. These crosscut the relevant activity areas such as the promotion of trade, investments, the made-in and corporate images, cooperation in S&T and protection of intellectual property. Facilitation includes particular roles relating to referral, coordination and logistics; advisory comprises intelligence gathering and internal communication; and representation includes advocacy and external communication. Other writings address which features emerge as determining factors in terms of quality. In that context, Visser and Ruël (2012) assume that commercial diplomats' behaviour is influenced by "informal institutions". Their results show three different types of role behaviour and differences in proactivity per type. Informal institutions such as background, skills, experience, cultural differences, and the working environment explain the differences in levels of proactive international business support behaviour of commercial diplomats. Visser and Ruël (2012) insist on proactivity as the main determinant of the commercial diplomat's role since it can be narrowly defined.

Existing literature with regard to the individual/micro level has focused so far on studying their individual features and main determining elements concerning effectiveness. In that context, the necessity of business experience and proactivity are studied as significant factors coupled with questions arising in relation to career management. In addition, research also reveals that business experience and knowledge gain increasing importance in terms of quality. Busschers and Ruël (2012) state that business knowledge and business experience are indeed important for the commercial diplomat, such as the ability to understand the needs of the firm and give particular attention to the single business firm as well as the possession and management of business networks. Examination of these individual features further involves the discussion on career management, talent attraction and cross-fertilisation (career mobility) between public and private sector. It is a challenge for governments to recruit potentially professional commercial diplomats who are in an ascending career phase – supposing we have a system where commercial diplomacy is not limited to classical career diplomats (Kostecki and Naray, 2007). This is also acknowledged by and other authors who claim that human resources – i.e. the commercial diplomat leading the respective organisational unit located in a foreign market – are crucial for the effective provision of services (Wilkinson and Brouthers, 2006).

To conclude, we witness some amount of literature in terms of roles, activity areas albeit each with slightly different definitions. In that context, authors generally agree on the activity areas of commercial diplomats, while there are diverging views concerning the main determining effectiveness and efficiency. The importance of business education/experience along with other individual features and certain aspects of career management have also appeared as subject of research offering valuable contributions to studying the questions of commercial diplomacy service's quality. Table 2.4 offers an overview of selected management authors and their contribution focusing on activity areas, managerial roles and individual features of the commercial diplomat.

Table 2.4: Focus in the literature relating to major theme 3

| Focus | Authors and their contribution |
|----------------------------|---|
| Activity areas | <p>Activity areas are studied. There is a general agreement on evolving activity areas while different elements (business contacts and trade agreements; lobbying activity etc.) are captured in various research.</p> <p>Rana (2000; 2001); Potter (2004); Carron de la Carrière (1998); Harris and Li (2005); Lee (2004); Kopp (2004); Reuvers and Ruël (2012); Mercier (2007); Lawrence (1968); Naray (2011).</p> |
| Managerial roles | <p>Literature is scarce. Captures the nature of the CD's work as managerial roles in a new approach.</p> <p>Naray (2011); Visser and Ruël (2012).</p> |
| Individual features | <p>Individual features determining effectiveness are studied. Proactivity and business experience/skills/knowledge emerge as main determining factors in terms of quality. Career management, talent attraction and cross-fertilisation (career mobility) between public and private sector and effective human resource management are also tackled.</p> <p>Visser and Ruël (2012); Kostecki and Naray (2007); Busschers and Ruël (2012); Zuidema and Ruël (2012); Wilkinson and Brouthers (2006).</p> |

Source: Literature review

Major Theme 4: Interaction between the commercial diplomat and business enterprises

We observe an emergence of the topic during the first half of the first decennia of 2000 followed by increasing interest up to 2013. It is worth noting that SMEs as a particular group of business increasingly appear to become a subject of research during the first decennia of year 2000 as well. The topics elaborated in the following sections tackle in the existing management studies literature *inter alia*, the interaction between business and the commercial diplomat, the intermediary role of commercial diplomats and the question of their possible intervention into concrete business operations in addition to tackling the particular situation of SMEs.

Okano-Heijmans (2011), Lee and Hudson (2004), Zuidema and Ruël (2012), Ruël et al (2013), Mercier (2007), Rana (2000; 2001) all address the interaction between the business community and the commercial diplomat. However, research is scarce on other stakeholders than business and on the links between the interaction and the nature of service and process.

Naray (2012a) points out that the ‘intermediary’ function of the CD between the beneficiary business and its potential future business partner is important. The interaction may start on either side: the business firm may approach the CD or vice versa. To a large extent, export issues remain the most important enquiries from business to CD vs. other issues emerge such as foreign direct investment, joint venture and debt issues. Government, business support organisations, support services and client business firms constitute the key actors involved in the business–government interaction within commercial diplomacy (Naray, 2012a).

There are divergent views on the extent to which commercial diplomats should become involved in hands-on business operations. Previous research by KostECKI and Naray (2007) found the following, sometimes, contradictory opinions:

- Commercial diplomats may be useful but cannot substitute themselves for a business firm in an international market.
- Commercial diplomats should be export policy-focused rather than focused on providing support to specific individual firms. The commercial diplomat should assist a larger range of companies rather than provide business-support to individual firms.
- Commercial diplomats may opt for a more company-specific approach even though the latter may be carefully selected according to government criteria.

SMEs as a particular part of the business community are studied by various authors such as Ruël, De Boer S and Ten Haaf (2013), Busschers and Ruël (2012), Kopp (2004), and Wilkinson and Brouthers (2006). Busschers and Ruël (2012) recommend that “foreign posts that are very frequently addressed by SMEs familiar with foreign public customers/partners should, in addition to offering the intelligence services, also emphasize delivering relationship-based services” and “conversely, foreign posts that are frequently addressed by SMEs who only deal with private parties should put more emphasis on the intelligence service...”. Busschers and Ruël’s (2012) empirical findings on Dutch small and medium sized enterprises (SMEs) using or not using commercial diplomacy services show that “merely a third of the internationally active

SMEs used commercial diplomacy within the last two years”. The main reason for this was that SMEs find their own way abroad, which is due to “the existing experience within the host country, favourable trade-institutions, transparent industries and carrying highly complex products”. The second most important reason was the “unawareness of commercial diplomacy by SMEs” (Busschers and Ruël, 2012, pp. 45-46). Busschers and Ruël (2012) demonstrate that there is no “one size fits all” strategy on the service to be provided by the commercial diplomat. Busschers and Ruël conclude that “understanding the needs of SMEs is imperative”.

In relation to the particular situation of SMEs, Kopp (2004) explains – by focusing on the US case – that embassies proclaim themselves as agents of export promotion and insist on helping mainly SMEs in gaining access to new markets. In reality however, embassies also heavily support already established business interests in the host country. The first businesses to invest in any host country are the already powerful multinational enterprises. These companies obviously do not need the embassy for routine issues such as market information or market research. Once problems occur, however, often concerning government procurements, trade disputes, and intellectual property rights or counterfeiting, the embassy’s help is more than welcomed.

To conclude we note, that the dynamics of publications under this major theme is promising, especially in the area of international business whilst there is room for more research concerning also other stakeholders than SMEs, for instance large multinational enterprises (LMNEs) and on the nature of interaction with the CD. Existing management literature, on the other hand, offers valuable insights into the intermediary role of commercial diplomats in particular into the different levels of intervention from providing intelligence to advocacy. Research on both the particular role of SMEs and their eventual reluctance to address CDs and LMNEs are suggested for future investigation. Table 2.5 provides an overview of selected management literature with corresponding authors and their contribution.

Table 2.5: Focus in the literature relating to major theme 4

| Focus | Authors and their contribution |
|--|---|
| Intermediary for the business community | <p>The intermediary nature of commercial diplomats, the main advantages of their services offered and the extent to which commercial diplomats should become involved in actual business operations are addressed.</p> <p>Okano-Heijmans (2011); Lee and Hudson (2004); Zuidema and Ruël (2012); Rana (2000;2001), Naray (2012a), Kostecki and Naray, (2007), Mercier (2007), Ruël et al (2013).</p> |
| Services to SMEs | <p>Particular attention is paid to an important part of the business community, whereby SMEs reluctance to turn to commercial diplomats and their perceptions along with experiences vis-à-vis commercial diplomats are analysed offering valuable insight into their operations.</p> <p>Ruël, De Boer and Ten Haaf (2013); Busschers and Ruël (2012); Kopp (2004); Wilkinson and Brouthers (2006).</p> |

Source: Literature review

The next sections tackle the same major themes but from a quantitative perspective.

2.3. A QUANTITATIVE PERSPECTIVE

2.3.1. Methods and approach

This section provides an up-to date quantitative review of existing commercial diplomacy literature for the period of 1960-2013. Dynamics and evolution are traced back focusing on the managerial dimension.

In order to be systematic in the quantification of the research on commercial diplomacy from a managerial perspective, we selected scientific journals relevant to the topic and systematically counted the occurrence of articles within the topics of interest since the creation of the selected journals. During the selection of journals, an effort was made to focus on business journals even though the subject is tackled in a crosscutting way without a clear-cut distinction between journal/disciplines; the managerial/marketing aspects may also appear in non- business journals.

Beyond the articles found there are certainly papers, books, chapters that are relevant for the topic but did not appear since we limited the search to scientific journal articles. However, the relevant material, beyond the scientific journal articles, is addressed in our qualitative study of the literature. Our search for “commercial diplomacy” as a keyword in scientific journals database produced results in various fields such as multilateral trade policy, bilateral trade policy or promotion. It has become clear that “commercial diplomacy” has a “policy” connotation, which brings the topic beyond the commercial diplomat’s managerial role in the business promotion context. Consequently, the number of articles that appear is naturally over-inflated. Therefore, it was decided to limit the content investigation only to publications addressing commercial diplomacy in its managerial dimension and relating to the context of international business promotion.

Twenty-nine (29) journals were selected. The criteria used for the selection of journals were the following:

- Relevance: journals interested in the topic from the following disciplines were included:
 - Business studies/management;
 - Marketing;
 - Economics journals that contain the management/marketing perspective;
 - Interdisciplinary journals that contain management/marketing perspective.
- Credibility: journals selected have to be generally acknowledged by the academic community and/or be recognised (if new in particular) in the specific field of commercial diplomacy / trade promotion.

Table 2.6 lists the journals considered for the search as well as the time period covered by the journal.

Table 2.6: List of journals with the time period they cover

| Journal | Covered time period by journal |
|--|---------------------------------------|
| 1. Administrative Science Quarterly | 1965 to present |
| 2. Contemporary Economic policy | 1982 to present |
| 3. European Journal of Marketing | 1965 to present |
| 4. Hague Journal of Diplomacy | 2006 to present |
| 5. International Business Review | 1993 to present |
| 6. International Journal of Commerce and Management | 1991 to present |
| 7. International Journal of Diplomacy and Economy | 2012 to present |
| 8. International Journal of Trade and Global Markets | 2007 to present |
| 9. International Marketing Review | 1983 to present |
| 10. International studies perspective | 2000 to present |
| 11. International Trade Journal | 1986 to present |
| 12. Journal of Business Research | 1973 to present |
| 13. Journal of Euromarketing | 1987 to present |
| 14. Journal of Global Marketing | 1987 to present |
| 15. Journal of International Affairs | 1975 to present |
| 16. Journal of International Business Studies | 1970 to present |
| 17. Journal of International Marketing | 1993 to present |

| | |
|--|-------------------------|
| 18. Journal of Marketing | 1936 to present |
| 19. Journal of Marketing Management | 1985 to present |
| 20. Journal of Public Policy & Marketing | 1982 to present |
| 21. Journal of service research | 1998/1999 to present |
| 22. Journal of services marketing | 1987 to present |
| 23. Journal of World Business | 1965 to present |
| 24. Journal of World Trade | 1967 to present |
| 25. Public administration review | 1965 to present |
| 26. Review of International studies | 1981 to present |
| 27. Review of World economics | 1970 to present |
| 28. Sloan Management Review | 1960 to present |
| 29. World Economy | 1977 to present |

The search was carried out with more than one keyword in order to cover all possible and potential articles. Since commercial diplomacy can be a term providing wide-ranging search results (see above), the following combinations were entered: “commercial diplomacy” OR “commercial diplomat” OR “economic diplomacy” OR “trade promotion” OR “export promotion” OR “trade representation” (one search request with several OR). Also, this proved to be useful in order to include the whole field – since the keyword “commercial diplomacy” did not include all relevant publications, and has also other connotations (multilateral trade, WTO, etc.) that are not directly relevant for our researched field. The search produced 117 articles. We sorted all articles manually to exclude articles not relevant to commercial diplomacy from a managerial perspective and allocated them to one of the four major themes. All articles dealing

with the managerial dimension were categorised. The criteria used for including the articles were the following:

1. Commercial diplomacy is understood in the context of business promotion and nation marketing (rather than policy-making in multilateral forums such as WTO).
2. When a paper is attributed to the major theme, the major theme should appear as in the paper's main focus/approach. Thus, the same article cannot appear in two major themes.

Subsequently, the same two-step sorting procedure of the search results (1. filtering of the 117 articles; 2. Allocating articles to a major theme) was duplicated using an independent judge who received a briefing on the sorting criteria. This duplication optimises the objectivity of the manual filtering and allocation.

The authors' and independent judge's analysis resulted in a 69% (82 cases out of 117) match for the filtering procedure (which articles to keep). The mismatches were discussed and processed based on consensus in order to find final agreement on all cases. 49 articles out of 117 resulted from the filtering procedure (i.e. 42% that fit the major themes overall). The major theme allocation procedure resulted in 84% match (41 cases out of 49) between the researcher and the independent judge. The mismatches were discussed and processed based on consensus.

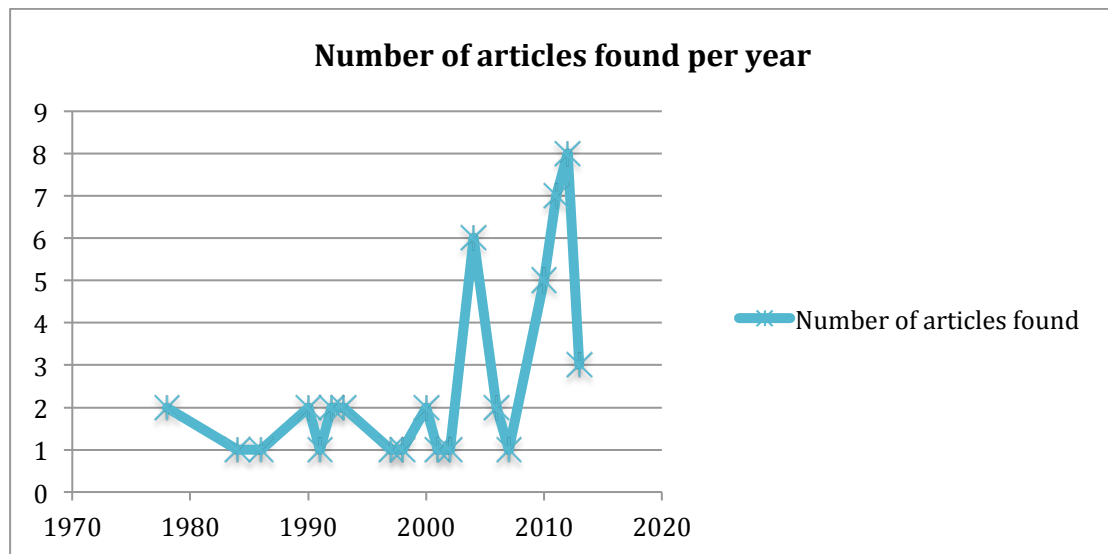
2.3.2. Results

The results of the keyword search in all 29 considered journals provided 117 scientific articles (as of 2 January 2014). The manual sorting procedure filtered the results to eventually include 49 articles that had some managerial dimension whilst addressing commercial diplomacy/commercial diplomats. The articles that were filtered out mostly focused on the political/trade policy dimension, as opposed to the managerial dimension and particularly on the business promotion context. It is worth noting that out of the 29 selected scientific journals, only 18 journals contained relevant articles. Table 2.7 presents the number of relevant articles found within selected journals.

Table 2.7: Number of selected articles within selected journals

| Journal title (publication) | Number of articles |
|---|---------------------------|
| The World Economy | 4 |
| The Hague Journal of Diplomacy | 4 |
| Review of World Economics | 2 |
| Review of International Studies | 1 |
| Journal of Marketing Management | 1 |
| Journal of International Marketing | 1 |
| Journal of International Business Studies | 3 |
| Journal of Global Marketing | 2 |
| Journal of Business Research | 4 |
| International Studies Perspectives | 2 |
| International Trade Journal | 3 |
| International marketing review | 4 |
| International Journal of Trade and Global markets | 1 |
| International Journal of Diplomacy and Economy | 10 |
| International business review | 1 |
| European Journal of Marketing | 3 |
| Columbia Journal of World Business | 2 |
| Contemporary Economic Policy | 1 |
| Grand Total | 49 |

Possible reasons for relatively limited scientific literature to date on the topic may include the confidential nature of the job, the competition between nations, diplomatic services and governments, and the very fact that commercial diplomacy as a profession is not organised sufficiently or professionalised to invest in research. Chart 2.1 shows the evolution of the total number of publications per year and per major theme.

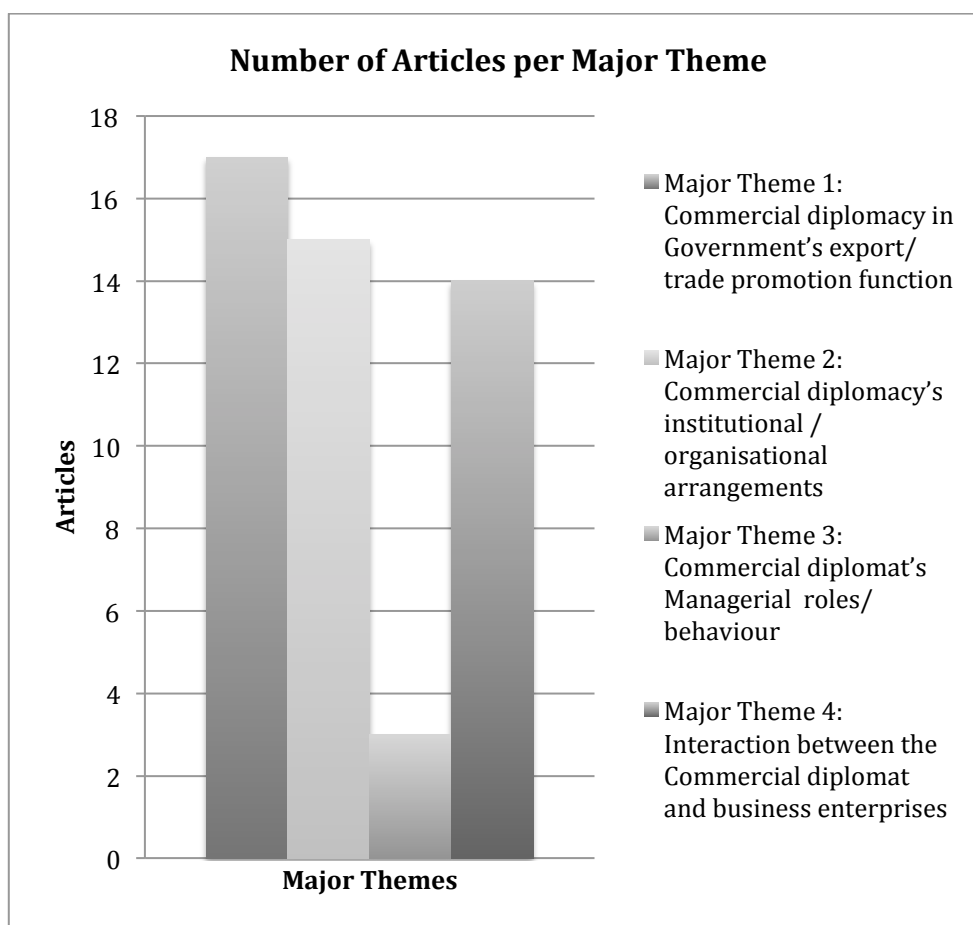
Chart 2.1: Number of scientific articles in selected journals per year and major theme

Source: Online literature search (see methods section)

Whilst publications of commercial diplomacy have already appeared during the period of 1960-2013, we note that the real emergence of selected articles actually dates back to 1978 and witness a clear growth of the topic in literature after 2010. The first scientific publication addressing the topic appears in 1978. Striking is that the number of publications remains very low until (1 or 2 per year) until year 2001.

The trend is very clear: all major themes have limited amounts of publications in terms of aggregate quantities. The appearance of two recently founded journals that specialise in relevant topics offers an explanation for the recent growth: The Hague Journal of Diplomacy (appeared in 2006) focusing on various types of diplomacy and the Journal of International Diplomacy and Economy (appeared in 2012), which tackles particularly economic/commercial diplomacy and export promotion. These publications boost the number of recent articles (14 articles altogether). The increasing number of publications is also, an encouraging sign for the field as it becomes institutionalised through journals and gives prospects to expand the field.

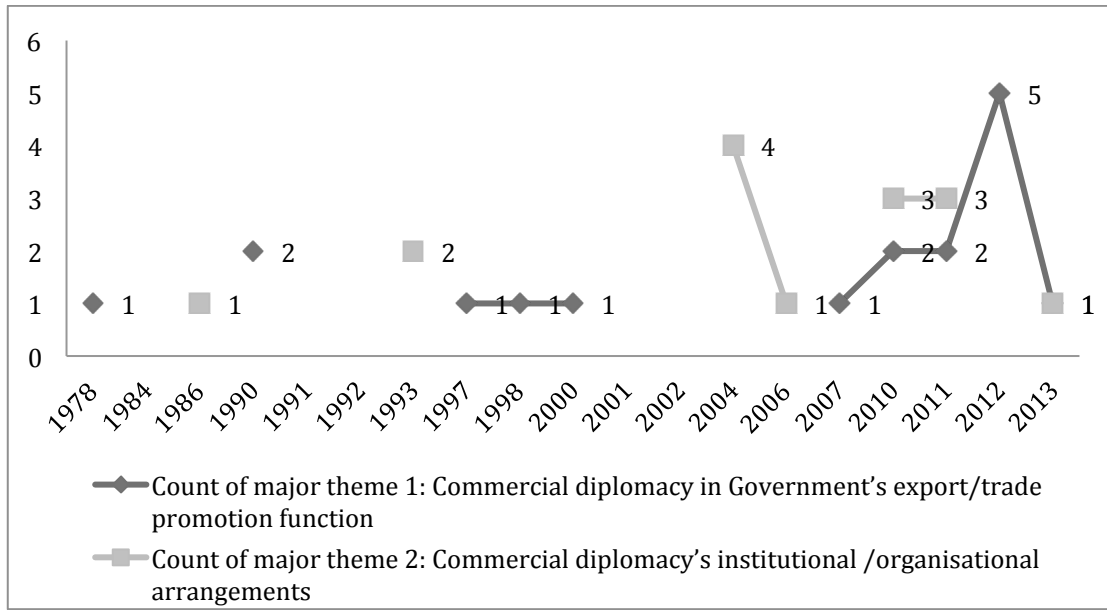
For a clearer overview, chart 2.2 shows the number of articles per major theme. While major theme 1 leads with 17 articles, major theme 2 reaches 15 articles. Major themes 3 covers the lowest amount of articles with only three (3) while major theme 4 reaches 14.

Chart 2.2: Number of articles per major theme

The lead of major theme 1 is probably due to the interdisciplinary aspect of export/trade promotion, which attracts literature from international marketing, international management as well as economics whereby commercial diplomacy is understood, inter alia, in the macro-sense as a government programme. The other major themes attract more business/management literature. Managerial themes fall most directly under major theme 3, which is clearly under-researched compared to the three other major themes. The qualitative review yet showed that publications exist, yet not dominantly from scientific journals. This is thus pointing to the need to further explore this theme. The appendix – chapter 2 lists the articles considered per major theme.

Chart 2.3 provides more details combining the number of articles per major theme 1 and 2 with the year of publication.

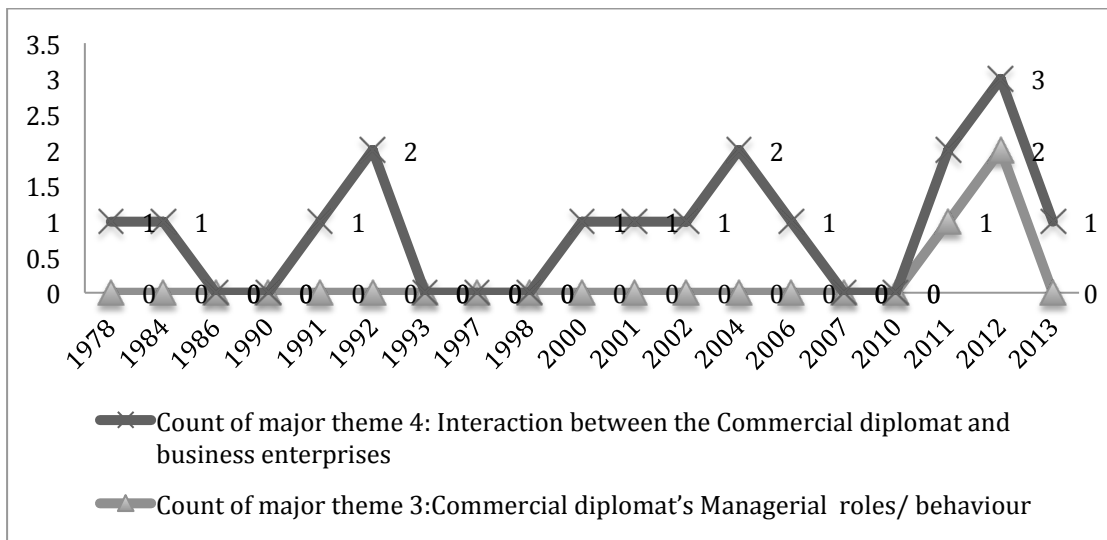
Chart 2.3: Number of articles found per year per major theme 1 and 2



Major themes 1 emerged first in 1978 and major theme 2 in 1986. They are both relatively constant both over time and in quantities i.e. low in number of articles until a relative boom that started in 2004. Altogether major theme 1 covers 17 articles while major them 2 has 15 articles.

Chart 2.4 provides more details combining the number of articles per major theme 3 and 4 with the year of publication.

Chart 2.4: Number of articles found per year per major theme 3 and 4



Major theme 4, emerged in 1978, seems to have been relatively constant over time and counts altogether 14 articles published. In contrast, major theme 3 only emerged recently in 2010 and has covered very few articles (3) altogether: this is, as mentioned, the clearly under-researched, yet interesting theme.

2.4. DISCUSSION AND FURTHER RESEARCH

Commercial diplomacy has been emerging from the 1990s onwards as a promising research field in management studies with an increasing number of publications in the first decennia of the 21st century. However, our findings point to the relative scarcity of management aspects in existing literature confirmed by several. The following section therefore traces down suggestions for further research focusing on the management dimension, the questions of efficiency along with the need of further investigating the impact of modern technologies.

All major themes, but particularly major theme 3 i.e. managerial roles and behaviour deserve to attract further research. The commercial diplomats and their impact on foreign market entry success for home country business gain relevance. Consequently, the role of commercial diplomats – as the intermediates between foreign governments and their home country business – needs more research attention. The question of managing effectively and efficiently remain crucial given the need for transparency, and stakeholders' high expectations (firms, taxpayers, government ministries, trade promotion organisations). This is why and where the rigorous study of the managerial dimension comes in whether public or private owned entities are considered. In order to achieve it business researchers need to consider the commercial diplomat as a unit of analysis as they would consider “the manager” or “the consultant” or another service provider. A second unit of analysis to consider is the organisation hosting the commercial diplomat as a business unit with an organisation, a strategy and management functions.

Theories and frameworks from the management literature could be used to analyse those units. Several promising examples are provided below. Research in international marketing could focus on the country image/brand and promotion aspects from the commercial diplomacy standpoint. ‘Made-in’ aspects – meaning promoting a product’s country of origin – linked to the corporate image constitute an important managerial concern for newcomers to foreign markets.

Consequently, the CD's support in that context could be further researched. This issue is particularly important in distant, i.e. non-traditional, markets and for SMEs. The export potential of such newcomers depends on the image of the company, which – unless it is internationally established – may be difficult to achieve without the benefit of a strong and positive 'made-in' image, such as the image that German cars, Swiss watches and Italian designs possess (Kostecki et al., 1994).

Mainstream business studies could further examine the interaction between the commercial diplomat and business going beyond the client-provider dimension and address in detail the advocacy, lobbying and informal mutual (business-government) influencing process. Customer relationship management theories may be used to characterise and optimise the relationship between the commercial diplomat and his/her organisation with their client/beneficiary companies. Service research could focus on the quality of the service provided from client/beneficiary perspective. Human resource management studies certainly possess the tools to further research individual features, ideal profiles and efficient recruitment practices. According to Reuvers and Ruël (2012) in-depth research is lacking in relation to the role of technological advances, the blurring of barriers, the development of e-government, and the increasing number of actors involved in commercial diplomacy.

Exogenous factors (to the academic community) and endogenous factors will both play a significant part in the future research agenda. Regulations, in particular the potential multiplication bilateral and regional free trade agreements between countries will frame the intensity of trade between nations, and thus the intensity and relevance of commercial diplomats. In addition, as mentioned above, the evolution of Internet use in business internationalisation and trade processes will further influence the expected roles of commercial diplomacy. Endogenous factors to research such as funding, research institutes' positioning and agenda will play a role, too. It seems that the topic in general has received more attention over time and that a dialogue emerges between practitioners and academia. By the same token, there will be a point of saturation given the confidential – if sometimes not secret – nature of the job of the commercial diplomat. Research is also potentially exposed to the risk of being used increasingly in political and ideological debates regarding the relevance, funding/cost and forms of commercial diplomacy.

Finally, the research field on commercial diplomacy might continue to attract further empirical research in the management/business studies disciplines given that the "bang for the buck" mind-

set i.e. pressure for efficiency and effectiveness in government sponsored agencies, international organisations is likely to remain.

Other themes / sub-themes outside the four defined major themes in this chapter could be further researched. For instance the relationship of commercial diplomats with various types/ size of enterprises in particular with large established multinational enterprises would deserve further investigation, since the focus has been on small and medium business for the moment. For instance one could examine to what extent large MNEs are treated differently by CDs – if at all and why and what large MNEs seek, this would probably link up with existing research on business advocacy / business –government relations and lobbying.

2.5. CONCLUSION

This paper traced down the evolution of commercial diplomacy related publications during the period of 1960-2013 highlighting the emergence of articles during the 1970s and a rising trend thereafter. Major themes were identified in management/business related commercial diplomacy literature, and major authors' contribution were studied qualitatively complemented by a quantitative study. This also allowed to identify gaps in current literature and present suggestions for further research. It intended to offer a complementary approach to existing commercial diplomacy literature review by focusing on the managerial dimension presenting both a qualitative and quantitative survey.

The findings confirm the scarcity of the managerial dimension of commercial diplomacy in previous research. Our findings have shown the dominance of the government's export/trade promotion function of commercial diplomacy in current literature. The managerial dimension as well as organisational arrangements or dynamics and business-CD interaction have been only marginally addressed. Therefore, there is big potential for further research in those areas.

There are a few limitations to this study. First, the authors focused only on scientific journals (excluding books and theses and conference proceedings) for the purpose of the quantitative analysis, because it provides a systematic procedure to analyse the literature quantitatively. However, it implies that the quantitative analysis is not comprehensive. In addition, the search included publications in English to a large extent, whereby publications in other languages may have tackled the topic too. This, however, resulted in a focus on journal article publications,

which nowadays probably constitute a solid reflection of the actual state of research on the topic. Moreover, the number of articles that appeared between 1960 and 2013 is very limited (49). Thus, the highlighted trends are only directional.

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Chapter 3: Commercial Diplomats in the Context of Business Promotion and Support*

* The content of this chapter was published in a previous version: Kostecki, M. and O. Naray (2007). *Commercial diplomacy and international business*, The Hague: Clingendael Institute. (41 pages). Even though the data dates back to before 2007, it was important to keep this chapter with the original text in order to illustrate the evolution of theory building and conceptualisation.

ABSTRACT

Commercial diplomacy plays a significant role in global trade, promotion of investments and R&D activities, yet has remained virtually unexplored as a factor of international business development. This chapter examines the issue from a managerial perspective. The emphasis is on the value chain of commercial diplomacy and on leading management issues such as service profile, its positioning, client-provider gap, management style, organisational matrix, as well as service fees, motivation, the evidence concerning improved performance and good practice. It identifies three dominant types of commercial diplomats: civil servant, generalist and business promoter. The chapter shows how commercial diplomacy contributes to the promotion of international trade and corporate partnership, to the resolution of business conflicts and the marketing of a country as a location for foreign investments, R&D activities or tourist destination and “made-in”. The chapter concludes with a number of suggestions on how to improve performance given the growing willingness of governments to emphasize the business promotion approach. Empirical data has been collected through in-depth interviews, a panel of experts and questionnaire-based research.

Keywords: commercial diplomat; commercial diplomacy; economic diplomacy; trade promotion; export promotion; investment promotion; international business.

3.1. INTRODUCTION: DEFINITIONS AND LITERATURE

Diplomacy is usually described as the main instrument of foreign policy enabling the management of external relations of a state by communication with foreign authorities and publics, as well as through the process of negotiations and networking. Diplomatic activities may take place on the international level (bilateral, regional or multilateral) or within the host state (for example, relations with government departments, civil servants, parliament, NGOs, business organisations, corporations and so on). Commercial diplomacy is a government service to the business community, which aims at the development of socially beneficial international business ventures. Commercial diplomats perform their main activities in the host country and are usually

staff members of a diplomatic mission or a trade promotion organisation (TPO) / investment promotion agency (IPA).

The term *commercial diplomacy* is frequently used to cover two somewhat different types of activities: (i) activities relating to trade policy-making (for example, multilateral trade negotiations, trade consultations and dispute settlement) and (ii) business-support activities (Curzon, 1965; Saner and Yiu, 2003). The first category is also referred to as *trade diplomacy* and is designed to influence foreign government policy and regulatory decisions that affect global trade and investment. This paper deals with the second form of diplomacy and opts for the use of the term *commercial diplomacy* for the following reasons. First, the term *commercial diplomacy* is commonly employed within numerous foreign services and in the literature to describe business support functions performed by the members of diplomatic missions, their staff and the related agencies. Second, the alternative term *business diplomacy* is ambiguous since it is often used in reference to corporate activities widely known as public relations, public affairs or corporate-government affairs. Finally, the term *commerce* is broad enough to cover not only issues related to trade but also those related to investment, tourism or intellectual property. With globalization and greater government attention paid to corporate performance, job creation, and research and development (R&D), the role of commercial diplomacy tends to change. Table 3.1 below presents the main features of commercial diplomacy viewed as a service and briefly describes their managerial implications.

Table 3.1 The nature of commercial diplomacy services and their managerial implications

| The nature of commercial diplomacy | Managerial implications |
|---|--|
| 1. Service | Performance – being intangible – is difficult to evaluate. It is highly dependent on the skills and motivation of the providing individual and/or team and on the quality of the relationship between the commercial diplomats and their beneficiary. |
| 2. Government service | Government providers and business beneficiaries are involved in creating value to fulfil social expectations concerning business relations between the home and the host country. Government services, strongly influenced by politics and bureaucracy, often suffer from inefficiencies. |
| 3. Diplomatic service | The commercial diplomacy's service has to fit into the context of the home country's foreign policy, its export promotion programs and wider economic policy objectives. The resulting subordination to several forms of authority may bring confusion and reduce accountability. Moreover, diplomats are frequently criticized for their limited understanding of business, lack of entrepreneurship and abuse of the diplomat's power for personal benefit or that of their cronies. |
| 4. Public service | The business beneficiary does not pay for certain commercial diplomacy (public) services, which means that 'ownership' may be a critical issue in determining what the content and quality of the service should be and how it should be evaluated. |
| 5. Commercial service | The business beneficiaries pay for certain other services, which raises the issue of what is the rationale for having the services provided by diplomatic missions rather than private consultants, intermediaries or self-help business organisations. |
| 6. Networking service | A service in which the value is largely created through relationships that give access to new information not publicly available and forge business contacts is particularly intangible and difficult to assess. The skills, standing and the right motivation of the individuals involved in such activity is a [condition] <i>sine qua non</i> of success. |

The spectrum of actors in commercial diplomacy ranges from (i) the high-policy level (head of state, prime minister, minister or a member of parliament) to (ii) ambassador and the lower level of specialized diplomatic envoy known as trade representative, commercial attaché, or commercial diplomat. The activities of the latter take place within a network of specialised,

government-sponsored organisations charged with trade promotion or attracting foreign direct investments such as the TPOs or IPAs. It is this particular form of commercial diplomacy that is the focus of this paper.

This chapter is based on in-depth interviews. The list of used interviews (organisation and date) is to be found in Appendix – chapters 3 to 5: List of interviews.

3.1.1. Review of the literature

There are relatively few academic publications on commercial diplomacy and there is an even greater shortage of management science studies of the issue. Useful reviews of the status and functions of the commercial diplomat are offered by Carron de la Carrière (1998), Rana (2001), Saner and Yiu (2003), and Kopp (2004). Rana's study is an experience-based account by a former diplomat. These publications offer useful descriptions of the commercial diplomat's functions and numerous conceptual insights but are based on scarce empirical evidence.

Commercial diplomacy is also dealt with in a number of studies providing multi-faceted analyses of particular foreign services. A French study group (Commissariat du Plan, 1994) addresses commercial diplomacy in the context of competitive intelligence and business intelligence. A paper by Garten et al. (1998) considers the role of US commercial diplomats in Asia in the mid-1990s and evaluates its benefits for the US Administration and business community. A study by Potter (2004) concentrates on the Canadian experience and focuses on the added value of the commercial diplomat's functions. Quantitative evidence contained in the study by Rose (2005) suggests that export development is encouraged by diplomatic representations abroad. Using a cross-section of data covering twenty-two large exporters and two hundred import destinations, the author shows that bilateral exports rise by approximately 6-10 per cent for each additional consulate abroad.

Commercial diplomacy is perceived as an integral part of a trade promotion program in a study by Rothkopf (1998). The study evaluates the program's beneficiaries and deals with the controversies surrounding the benefit-sharing within the business community. Finally, commercial diplomacy is marginally addressed in a number of broader publications dealing with export promotion (e.g. Hibbert, 1990a, 1990b; Kotler et al., 1997). The Hibbert model suggests that the role of the 'commercial representation abroad' depends on the home country's

institutional settings and organisational constraints and, in particular, on the relative position of the TPO, ministry of commerce and ministry of foreign affairs in the organisational matrix.

There is a tendency for diplomatic missions to undertake more and more technical and specialized business-assistance functions (Rose, 2005; Rana, 2001) and diplomatic staff are increasingly required to engage in partner search, promotion of investments and technology transfer or business advocacy (Kostecki, 2005). The trend is encouraged by developments in Information Technology (IT) and low-cost transportation which naturally shift many specialized policy matters away from host country-based diplomats and towards experts located in the capitals of their home countries.

This paper concentrates on the role of commercial diplomacy in international business. Its objective is: (i) to assist managers and government in considering how to better use and improve commercial diplomacy and (ii) to provide researchers with a foundation for future systematic investigation. With reference to the latter objective we devised a model that explains the commercial diplomat's role in the process of business internationalisation. This is based on the observation that the value added of commercial diplomacy is dependent on a set of variables specified in the path diagram shown in Appendix 2 and discussed in the main body of this paper.

3.1.2. Quantitative importance

We estimate, based on an extrapolation of the data collected through interviews, that the total number of commercial diplomats across the world is no fewer than 20,000 and that the costs of commercial diplomacy operations – including salaries plus social charges and the operating costs related to the performance of commercial diplomacy functions – exceed half a billion US dollars per year. Those figures do not comprise diplomatic envoys, such as ambassadors, who engage in commercial diplomacy in addition to their other main tasks and the non-diplomatic staff of various trade promotion organisations and business organisations, which perform commercial diplomacy-related functions.

These data mentioned relate to the six largest trading nations and six smaller economies. The countries listed in table 3.2. – which account for about half of world trade – maintain 1,411 commercial diplomacy offices abroad as suggested in table 3.2. The figures in table 3.2. were communicated by representatives of the respective countries during the data collection process. The data in table 3.2. suggest that, on average, there are some 7.5 staff per office and that the countries considered might account for about 10,500 permanent commercial diplomacy staff

located in the host countries. The total commercial diplomacy staff for all trading nations may be expected, thus, to be in the range of 20,000 full-time commercial diplomacy employees, assuming a normal distribution of the commercial diplomacy activities. An estimate of \$ 250,000 is used – after consultations with three experts – to account for a salary of a diplomatic envoy, their relocation grants (plus related expenses) and the operational costs related to performing the commercial diplomacy duties abroad.

The scope and quality of commercial diplomacy depend on the number of people doing the job. Thus the first question asked concerned the number of commercial diplomats working abroad and of local professional staff assisting them. Questionnaire-based responses by government ministries from twelve countries provided the data included in table 3.2. The share of world trade per country at the date of data collection is included to emphasise the respective country effort to engage commercial diplomats. The table presents the number of trade representation offices abroad that employ commercial diplomats.

Table 3.2: Number of trade representation offices by country of origin

| Country of origin | Share of world trade (in%) | Number of commercial diplomacy units abroad |
|--------------------------|-----------------------------------|--|
| Germany | 10.0 | 220 |
| United States | 9.6 | 150 |
| Japan | 6.3 | 80 |
| China | 5.8 | 50 (1) |
| France | 5.2 | 156 |
| United Kingdom | 4.1 | 200 |
| Canada | 3.6 | 100 |
| South Korea | 2.6 | 141 |
| Sweden | 1.3 | 40 (2) |
| Switzerland | 1.3 | 140 (3) |
| Brazil | 1.0 | 57 |
| Poland | 0.7 | 77 |

Notes: (1) Estimate. (2) Corresponds to commercial diplomats integrated in TPO offices abroad since the embassy does not perform export promotion. (3) Comprises 15 Swiss Business Hubs (TPO), which are not counted in our estimates

Source: Trade data refer to the 2003 WTO statistics. Numbers in column 3 are based on questionnaire research.

3.1.3. The value chain

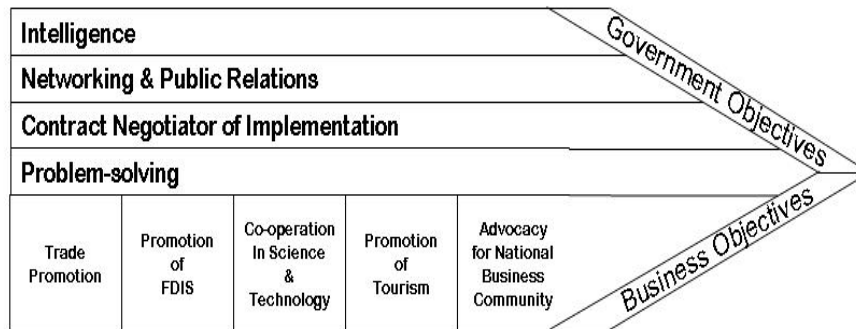
Commercial diplomacy is a value-creating activity. By value is meant the utility combination of benefits delivered to the beneficiaries minus the cost of those benefits to business and government (Porter, 1980). The commercial diplomacy's services may be thus presented as a value chain disaggregated into strategically relevant activities as shown in figure 3.1. Two types of activities are distinguished: (i) primary activities (relating to trade and FDIs, research and technology, tourism and business advocacy); and (ii) support activities which provide the inputs needed for the primary activities to occur (intelligence, networking, involvement in the 'made-in' image campaigns, support for business negotiations, contract implementation and problem-solving).

The primary activities of a commercial diplomat are essentially marketing-related. When asked to define his job, an experienced commercial diplomat from New Zealand described it as 'managing the relationship between sellers and buyers'.* Trade promotion covers such duties as involvement in trade fairs, exhibitions, trade missions, conferences or seminars and 'made-in' promotion campaigns. Commercial diplomats also become involved in the promotion of tourism and other services such as banking or education. In doing so, they often co-operate with TPOs / IPAs or bilateral chambers of commerce. Commercial diplomats often have a double mandate as TPO / IPA directors and as commercial counsellors of the embassy. In countries such as South Korea, Taiwan or Japan, commercial diplomacy is delegated to the TPO's foreign offices and therefore the director of the branch in the host country is the 'commercial diplomat' in our understanding. Figure 3.1. presents the value chain of commercial diplomacy distinguishing between primary activities (business objectives) and support activities (government objectives).

* In the following parts direct quotations from interviews have been italicised.

Figure 3.1

Value Chain of Commercial Diplomacy



The attraction of FDI is a growing activity because they stimulate the home country's economic growth and employment in priority sectors or regions, as well as complementing co-operation in science and technology. Advocacy in favour of the national business community means the commercial diplomat's involvement in public affairs for the benefit of national companies and business associations in their dealings with the host country government, parliament or main publics (Kostecki, 2005). It also signifies that commercial diplomats react to host country proposals for regulations and international trade agreements.

The main support activity of commercial diplomacy is intelligence, which includes information search and dealing with business enquiries from the home and host country firms. A Central American commercial diplomat considers that 'about 95% of clients do not ask for elaborate services but mainly for basic information on legal issues, political situation, etc.' A typical question might be: 'is there a market for product X in country Z?' Such simple activities mainly provide benefits for SMEs rather than larger firms. In Switzerland, economic reports of embassies follow standards set by the Secretariat for the Economy "Seco" (belonging to the ministry of economy) and are prepared in co-operation with bilateral chambers of commerce. 'In small embassies the basic service may be even assumed by such chambers'.

Intelligence from commercial diplomats most frequently concerns reporting on opportunities resulting from calls for tenders, development projects or the needs of leading industrial customers, information on changes in regulations affecting exporters and so on. Information-

gathering is progressively changing its character due to the improved transparency brought about by the WTO and Internet based information systems such as the EU centralized database <http://ec.europa.eu>. 'Trade promotion experts invite commercial diplomats to suggest business solutions instead of providing information'. Reporting becomes more business specific. 'One finds today business information on the Internet and in the Financial Times. Companies hate reports; reports should be short and to the point'. As a consequence, commercial diplomats may focus more on searching out more specific information on 'real-life' issues. Such 'tailor-made' information is often presented in confidential reports. 'The ambassador receives all the information and decides with whom to share it. Staff distribute the information accordingly thereafter'.

An illustrative list of comments on business-support functions of commercial diplomats is set out below:

- Business is conducted by companies but governments may open doors (Australian industrialist).
- We introduce business people but we stop there. Doing business is not our responsibility (commercial diplomat, South America).
- It (commercial diplomacy) is largely about personal relationships and networking (commercial diplomat, Anglo-Saxon country).
- Commercial Diplomacy is essentially about selling consulting services. Companies should be charged for it. (Trade promotion expert).
- Mostly manufacturing SMEs used trade promotion services. We deal with a number of Fortune 500 companies mainly to provide advocacy services. (commercial diplomat from an Anglo-Saxon country).
- A trade representative needs time to become a player and to be taken seriously; at least 18 months (former commercial diplomat from New Zealand).
- Our ambassadors and commercial diplomats are in regular contacts with multinational corporations in order to encourage them to invest in our country (commercial diplomat from Central Europe).
- Commercial diplomatic services are particularly useful for newcomers to a given market or for SMEs with no experience in exporting (business person from France).

Networking is needed to bring together high tech start-ups with venture capitalists or other partners. Public relations are strategic for FDI promotion and may involve ambassador's contacts with CEOs of large companies and attendance at business forums in the host country. Assistance in 'match making' is particularly frequent for the commercial diplomats from the UK, Brazil, Canada, China and Switzerland. Such activities refer both to trade issues and foreign direct investments. In the latter case the partner search may be also conducted on behalf of a particular region in the home country.

Support for national firms involved in negotiations with the authorities or corporations from the host country are an important form of support by commercial diplomacy services, which favour a hands-on approach to business. A commercial diplomat's public relations activities essentially aim at maintaining good contacts with business leaders and authorities and cover advocacy efforts aimed at the protection of the home country's business interests in public hearings or consultations in the host country's legislative process. The representatives of some Anglo-Saxon countries suggest that such activities are particularly frequent in the case of Fortune 500 companies. As noted by a former ambassador 'hierarchy may be very important. The trade representative is not always received, when alone, by managers of large corporations and the Ambassador has to go along as well to gain access to top management'. In the UK, Australia, Canada and the European Union commercial diplomats are only too well aware of the important influence that an ambassador's contacts may have for promoting foreign direct investments. As an Australian businessman puts it, 'certain investments would have never taken place without a close contact between our ambassador and a CEO of a major foreign company'.

The commercial diplomats also act as advisers in contract negotiations, provide support for problem-solving in business or in corporate-government relations, and become involved in dispute settlement cases. The problem-solving activities frequently refer to the protection of intellectual property rights (Kostecki, 2006), tax issues, assistance to national companies which have suffered losses and wish to obtain compensation as well as various forms of support provided as diplomatic protection. Many of these kinds of problems are discussed during periodic bilateral consultations with government of the host country. Support for problem-solving is well illustrated by Asian commercial diplomats' efforts to deal with the European health authorities 'when a food product suffered from export ban to Europe's market'. Commercial diplomats also assist in the finding of a "friendly" solution without judicial procedures when business conflicts arise'.

With the notable exception of Germany and the UK, responding to requests for information on the part of the home and host country companies accounts for an average of 43 per cent of a commercial diplomat's time. A UK diplomat considers that the traditional intelligence function of a commercial diplomat is decreasing due to easier e-data access and improved transparency in business. Another significant activity is the involvement in trade fairs, trade missions and other trade promotion events which take, on average, more than 23 per cent of the time of the commercial diplomacy units. There are, however, notable deviations from this pattern. Germany, China and Brazil place significant emphasis on relations with the host country government rather than on dealing with enquiries for information. According to an Anglo-Saxon commercial diplomat, 'traditional trade work decreases to the advantage of promotion of services, science and technology and investments'. A similar tendency is confirmed by commercial diplomat interviewees from Japan and Canada. (See Appendix – chapters 3 to 5: List of interviews.)

The United States focuses on trade promotion activities (FDI issues being left to particular states), whereas the United Kingdom concentrates its efforts on the attraction of foreign direct investments, as well as scientific and technological skills and underlines the importance of public relations (especially at the ambassador level) in business support. Particularly intimate links between high level diplomacy and commercial diplomacy exist in the British Foreign Service where 'even the ambassador deals approximately 30% of his time with trade and investment issues'. Almost all commercial diplomats dealing with promotion of FDIs wish they had more time for that activity since it is increasing in importance to the national economy.

Table 3.3 presents some quantitative indicators of the relative importance of the various functions emerging from the value chain in terms of work load and time allocation by the commercial diplomat's staff. Business intelligence and participation in trade fairs and other trade promotion events tend to account for the major share of commercial diplomacy activities.

Table 3.3: Allocation of commercial diplomat time between various business-support activities (as a percentage of the questioned commercial diplomat's total work time)

| Commercial diplomat's home country | Trade fairs | Promotion of FDIs | Government relations | Business intelligence & partner search | Support in business negotiations | Support in business disputes | Tourism |
|------------------------------------|-------------|-------------------|----------------------|--|----------------------------------|------------------------------|------------|
| Germany | 5 | 30 | 65 | - | - | - | |
| United States | 60 | | | 40 | | | |
| Japan | 20 | 70 | | 10 | | | |
| China | 15 | 10 | 40 | 25 | | 10 | |
| France | 10 | 10 | 15 | 60 | | 5 | |
| United Kingdom | | | | | | | |
| Canada | 30 | 20 | | 50 | | | Ambassador |
| South Korea | 25 | 25 | | 50 | | | |
| Sweden | 30 | | | 50 | 10 | 10 | |
| Switzerland | 10 | | | 40 | 40 | 10 | |
| Austria | 30 | | | 50 | | 20 | |
| Brazil | | | 60-70 | | | | |
| Poland | 25 | 13 | 12 | 50 | | | |
| Hungary | 20 | 25 | 25 | 25 | | 5 | |
| Venezuela | 10 | 10 | 20 | 60 | | | |
| Ireland | 10 | | | 50 | 40 | 10 | |
| El Salvador | 50 | | | 50 | | | |
| Portugal * | 20 (est.) | 15 | | 20 (est.) | 20 (est.) | | 25 |

Notes: Questionnaire-based research.

**60 per cent for all export promotion activities, the allocation '3 times 20%' (trade fairs, intelligence and support) is an estimate.*

Source: Questionnaire-based research, details in Appendix Chapter 3, sub appendix 1.

What determines the weight of the various commercial diplomacy activities? Here a number of variables are at play, variables which are both exogenous and endogenous to the national service of commercial diplomacy. The exogenous variables include: host country characteristics such as

market size and potential, the location of a particular centre of gravity (if any), business style and governance, home country characteristics (such as the level of economic development, mobility of managers, IT use and attitudes towards business), and the nature of bilateral relations between the home and the host country.

The next two sections deal with the exogenous variables while endogenous variables are considered at a later stage.

3.2. HOST COUNTRY CHARACTERISTICS

The host country's market size and market potential is the most significant determinant of the investment in commercial diplomacy. Indeed, target countries with large and rapidly growing markets, such as Brazil, China, India, Russia or Eastern Central Europe tend to attract more commercial diplomacy activities than countries with small markets and limited growth.

Such markets are to be found largely in culturally distant countries where market penetration is a progressive process of learning by doing. 'Established companies need commercial diplomacy services particularly in new markets' (Swedish Manager). The recent experience with the Swiss Business Hub (SBH) suggests that 'business support is perhaps less urgently needed in neighbouring countries than in major distant markets'. Several European and US managers refer to cultural problems in China, Japan or other Asian countries and recognize that 'commercial diplomacy may facilitate interaction'. The market-entry function of commercial diplomacy is particularly critical for small and medium-sized enterprises that are newcomers to a particular region.

The gravity centre is also, at times, important. No one may truly encourage their national financial industry without being present in London, New York or Singapore. Specialized trade fairs which, take place in certain locations may also require commercial diplomacy presence. For example, the Basel watch exhibition in Switzerland is essential for many foreign watch producers whilst for textiles and clothing numerous promotion activities are centred in Paris, Milan or London. The commercial diplomats from textile-exporting nations have to be there.

Various polity variables such as an unreliable legal environment, the inability to obtain satisfaction in courts or widespread corruption in the host country affect the nature of commercial diplomacy. Such an environment gears commercial diplomacy activities towards assisting the national firms that have been injured by acts contrary to law, the slow process of jurisdiction and so on. If such problems cannot be solved through normal channels, commercial diplomats may be instrumental using the diplomatic channel *

The relative importance of various commercial diplomat's activities depends on the host country's business regime. The business regime is defined by the rules and processes which guide the country's business relations. The role of a commercial diplomat's support in corporate-government relations tends to be particularly critical when local government or the governmental elite play a role due to state-trading, public ownership, production subsidies, or informal influence over local business. The business regime is clearly influenced by culture and tradition. The greater are the differences, the less reassuring it is for a newcomer to enter a market and the more important the commercial diplomat's role in providing business support, at least at the initial stage.

3.3. COMMERCIAL DIPLOMACY AND THE HOME COUNTRY

Commercial diplomats often refer to the image problem of their economy abroad as an issue of true concern. Particularly for developing economies, the 'made-in' image, which relies on stereotypes, is difficult to modify. Commercial diplomats are involved in 'made-in' promotion, tourist campaigns, and meetings with potential investors to explain policy reforms that attract foreign business. For example, Venezuela's commercial diplomat noted that very little is known in Europe about her country's business community, including the country's leading energy sector and the role it plays in OPEC. Another commercial diplomat from a transition economy based in Europe noted that 'his main challenge is to give his national business an image of a credible trading partner'. Even in the case of Japan one of the commercial diplomat's tasks 'is to maintain

* This is the act by which a State, espousing the cause of its subject as the injured party, intervenes in its own name when it feels that a rule of international law has been violated.

“Japan Brand” i.e. the image of quality and precision of the Japanese products’. For a Canadian commercial diplomat his country suffers from an out-dated image since it is ‘identified mainly as an exporter of commodities and not of high tech. Canada also stands in the US shadow as a trading partner’.

Commercial diplomats provide support for visits of the home country business people and politicians to the host country and offer assistance to encourage the participation of business people in various fairs, exhibitions, calls for tender and so on. In the case of certain developing countries such assistance may also comprise arranging for visas or temporary work permits.

The government approach towards business varies considerably between countries and strongly influences commercial diplomacy. In Switzerland and the United States, where government intervention has been traditionally low, exporting firms have fewer expectations regarding export promotion than firms coming from countries where government traditionally has been more present, as in Canada or Scandinavian countries. There are also substantial differences in the propensity of business to maintain contacts with national embassies when doing business abroad. For certain nationalities it is normal to contact host country diplomats, whilst others tend to act alone. A European businessman noted that ‘the Swiss doing business abroad don’t go to their embassies. They do this only when and if they have a major problem. Swiss businesses are used to dealing with challenges alone and do not feel the need to be watched by government’. French business people ‘automatically go to the embassy once abroad, just to say “we are here” and meet and get to know the embassy staff’. The reason for this disparity might include such factors as managerial expectations concerning what can be obtained from a commercial diplomat, perception of the role of the state in business development, and cultural considerations. Every country and culture has its habits in business-government interaction and commercial diplomacy is not immune to that tradition.

The environment for bilateral business is another factor shaping the commercial diplomat’s role. The commercial diplomat’s activities depend on the climate of bilateral relations influenced by history, perhaps a colonial past, political proximity, the importance of the aid program, military alliances, and so on. A commercial diplomat’s job may be facilitated by bilateral agreements (for example, on tax or FDI matters) and/or participation in common regional groupings such as a free trade area or customs union. As noted by an experienced diplomat ‘the increasing interest in investments partly reflects a lack of a multilateral agreement on the matter which creates more work for commercial diplomats’. There is evidence that the EU commercial diplomats operating

in other European countries have considerably modified their duties as regional integration has progressed over the years. Within EU countries, for instance, the classical export promotion tasks of the embassy have become obsolete, since trade barriers do not exist anymore and market information is passed via the Internet.

In the case of small countries or non-mature trade relationships, commercial diplomats are sometimes involved in setting up a bilateral chamber of commerce. On the other hand, when trade relations are mature commercial diplomats tend to rely on inputs provided by bilateral chambers and operate in a symbiotic relationship with them. For example, some Anglo-Saxon commercial diplomats stress that they draw on the expertise of local bilateral chambers of commerce, and that there 'links with such chambers are generally informal and mutually useful'. Nevertheless, the role of certain bilateral chambers is not free of ambiguity. As noted by another commercial diplomat from a small European country, 'the chamber is usually a place where businesses meet in the foreign country to network with each other and to make deals and it is not clear why they should offer support to newcomers who are likely to become their competitor's.

There is a trend to close down small embassies and to reinforce larger multilateral embassies at the UN and elsewhere. Such developments modify the role that commercial diplomats may play for the private sector. For example, 'the meetings of the World Economic Forum in Davos, facilitate advocacy conducted against the background of multilateral economic negotiations', and can be considered the new arenas for commercial diplomacy. Certain authors talk about a modern form of multilateral commercial diplomacy where a direct interaction between ambassadors, politicians, business leaders and NGOs creates a new dynamic against which multilateral economic negotiations are conducted (Naray, 2001).

Increased mobility and the Internet obviously affect the way in which commercial diplomats work. 'Speed brings dramatic change. In the past one month used to be a normal time, now one has to act immediately, within a few days or a week'. Location is another issue. 'Today's commercial diplomat can work for a part of a continent from a business capital, for instance from Warsaw for central-eastern Europe. A commercial diplomat does not even really need an office anymore: a mobile phone and a lap-top PC should be enough for a traveling commercial diplomat to meet his clients'. The commercial diplomat's work is increasingly done where the business is, on the spot.

3.4. RATIONALES FOR COMMERCIAL DIPLOMACY

Since many commercial diplomat activities may be well performed by private firms or associations that are free of such shortcomings, the rationale for maintaining commercial diplomats abroad has to be considered. There are several reasons why being part of public administration may have advantages over private representation of business interests abroad, the following are derived from interview research (see Appendix Chapter 3):

Economic intelligence: intelligence is better gathered thanks to the embassy's contacts. Moreover, diplomatic immunity encourages commercial diplomats to take risks in intelligence activities since *legati iure gentium sancti sunt* (diplomats are untouchable under international law).

Visibility in the mass media: a diplomat – especially an ambassador – attracts greater attention from journalists than a business person; they may stage promotion events at relatively low cost.

Access to decision-makers: high ranking diplomats have better access to the chief executive officers (CEO) of large corporations, policy-makers, bureaucracies and elites in the host country.

Credibility: diplomats enjoy more credibility when making promises and commitments during their efforts to attract foreign investors than private actors. They have greater weight when dealing with the host country's public administration and state-owned enterprises.

Economies of scale and scope: centralizing support to a national business community abroad permits the benefits of economies of scale and scope which diminish the cost of the promotion efforts that no private organisation could reach.

Instrument of government policy: commercial diplomacy appears to be an essential component of state-sponsored export promotion activities. In certain cases it is motivated by the conviction that the state has a role to play as a business facilitator and a catalyst of entrepreneurship. In others, it is based on the assumption that certain objectives of business promotion abroad can be best accomplished by the commercial diplomats due to the synergies between government and business organisations.

Commercial diplomacy, being a government service, is, at the same time, accused of certain shortcomings (for details see table 3.1). In certain cases such ‘criticism may be encountered because of the stereotypes regarding government agencies’. In others, it is a reaction to an unsatisfactory experience, exemplified in the list below:

- ‘(There is) no need for commercial diplomats: they only take advantage of diplomatic privileges; one cannot measure their performance in export promotion at all’ (confidential source).
- ‘Exporters do not use the same language as diplomats’ (an export promotion expert).
- ‘A diplomat’s social life is often very unproductive’ (an export promotion expert).
- ‘Diplomats are most of the time generalists and do not understand business concerns’.
- ‘Commercial attachés are bureaucratic and ineffective’ (an Australian businessman).
- ‘Diplomats are most of the time overloaded with issues other than trade and investment so they have no time to do their job correctly as trade representatives and do not have the sense of priority to assist business people’.

In certain cases such criticism may be encountered because of the stereotypes regarding government agencies. This list of comments is to show that commercial diplomacy as other government services has to bear the pressure of an unsatisfied segment of the public.

3.5. BENEFICIARIES OF COMMERCIAL DIPLOMACY

The main users of the commercial diplomat’s services varies depending on the countries and circumstances concerned. The client characteristics which influence the nature of commercial diplomacy services are: (i) the fit with the filtering criteria established by the home country government, and (ii) the readiness to pay for the service. Most commercial diplomacy services focus on SMEs. To put it in the words of a South American commercial attaché, ‘large

companies don't need us'. US commercial diplomats also consider that their services are 'mainly used by manufacturing SMEs; more than 93,000 such US firms used the services in 2004'. Other Anglo-Saxon commercial diplomats state they assist both SMEs and larger corporations but the profile of the support differs between the two categories. While in the case of big business the emphasis is on public relations involving the host country government and private sector personalities, the services offered to SMEs are more technical and diversified and less relationship-based.

A particular set of problems concerns the filtering criteria that are used to allocate the commercial diplomat's services between the various firms. The issue is particularly important for the commercial diplomacy services offered free of charge and where the diplomats are sometimes accused of 'servicing their friends' or providing support to business in unjustified cases. Most commercial diplomats maintain they use government-imposed filtering criteria to ensure that their efforts are targeted at the right businesses. Within the SME category UK commercial diplomats operating in developed countries 'prioritize service firms and high tech start-ups'. In most cases special attention is paid to newcomers and to the priority business that is to the areas of business which have been targeted by the government as being particularly promising in terms of job creation, regional development or R&D.

A Europe-based commercial diplomat from South America stresses that, in her country, many small entrepreneurs try to initiate new ventures abroad. This is encouraged by domestic unemployment, the prestige attached to international activities and the desire to innovate. Unfortunately, most such initiatives are not well prepared. 'We are not able to assist everybody especially when the people concerned lack education and experience and expect us to do their exporting job. Priority is given to those that have the best chances to succeed'. The criteria is a paraphrase of the old marketing rule that 'nothing succeeds like success' but it is doubtful whether it can be objectively applied given the *ad hoc* filtering practice in the commercial diplomat's office itself.

In the US, 'filtering and pre-advising, i.e. eliminating the companies that are not "export ready", essentially takes place at home, via export assistance'. A commercial diplomat from Latin America complains about the extent of 'waste' in his country's diplomacy resulting from a poor filtering system. In the judgment of an experienced commercial diplomat, 'we are not able to respond to every request ... only those who satisfy the criteria should be assisted. For example, our exporters of meat and poultry use our embassy in their dealings with the local sanitary

authorities or to initiate a new business project'. Commenting on the prioritization of her clients, a South American commercial diplomat notes: 'we serve those companies in the host country that want to import our products. Secondly, we provide services to our exporters who are serious and wish to export to our host country market'.

In many instances embassies do not charge for their commercial services but this approach is being increasingly questioned. In the opinion of most interviewees, clients should be charged 'for the service'. 'They' should be charged 'not to maximize revenue but for prestige and to ensure service quality'. Others believe that commercial diplomats should charge, at least for some of their services and offer them to those who are willing to pay. 'If a company believes in its product and in its internationalisation strategy it will pay'. Many commercial diplomacy systems already follow this practice. 'It is the principle of the US commercial diplomacy to charge for services such as market research and involvement in trade fairs'. The Irish, Swiss and French commercial diplomats 'charge for a range of commercial diplomacy services' especially when 'the requests are demanding'. In particular, 'services such as market research and other forms of consulting are provided against a fee'.

Such an approach, says an experienced commercial diplomat, prevents commercial diplomats from 'helping their private friends and encouraging corruption'. Charging for commercial diplomacy services – even if only to cover a fraction of the expense – might also reduce the ineffective allocation of public funds. As noted by a trade promotion expert: 'the best exporters do not use the service and providing the service to the worst exporters is a waste of time and resources'.

The level of the fees charged depends on the circumstances and the country concerned. 'Fees vary from country to country between 140 and 160 dollars/hour (2006 data) to 450 euro/half a day'. Many commercial diplomacy services are sub-contracted if an embassy does not have the resources to carry them out and the market determines the fee level. A commercial diplomat from Europe noted that 'embassies have no time for market research' and services are frequently sub-contracted.

Measurement of performance, although difficult, is important. There is a rising conviction that commercial diplomats should have their performance evaluated both by business managers and by government. Performance can be measured by industry's feedback, the number of clients, client loyalty and the revenue generated. The indices might also include: service fees earned,

export growth by the commercial diplomat's clients, a listing of business transactions (or problems) concluded (or solved) with the commercial diplomat's assistance, business' view of the commercial diplomat's relevance, analysis of compliments and complaints by beneficiaries, the degree of respect for government rules or filtering criteria, the commercial diplomat's contribution to the fulfilment of government objectives and so on. Quality management certification might also be used to enhance performance.

In most cases, commercial diplomats state that they have no shortage of customers to serve. Requests for assistance originate from both home and host country companies, business organisations and professional associations whilst commercial diplomats manage their network of relations to obtain data, gain influence, offer services and charge fees. Priority is given to 'home business firms' willing to enter the host country's market. The best source of new clients for commercial diplomats is referrals. Some Anglo-Saxon commercial diplomats say they use referrals to acquire new companies. Japan's JETRO (Japan External Trade Organisation) employs the cases of successful activities in its PR campaign among Japanese firms both 'to attract quality clients and to build positive image in the business community'. Most offices collect the opinions of the companies served to evaluate performance, gain recognition and to put in place the necessary corrective measures.

3.6. STYLE OF COMMERCIAL DIPLOMACY

Our research has shown striking differences in style and approaches to commercial diplomacy among countries. Three basic types of commercial diplomats can be suggested: (i) business promoter, (ii) civil servant and (iii) generalist commercial diplomat.

A **business promoter** may be described as a business-oriented, pro-active commercial diplomat that seeks the satisfaction of companies served (rather than that of the ministry). Their major role is to provide the consultancy-like services requested by business firms. Knowing business, they are close to managers, have a solid technical know-how and entrepreneurial approach. Usually located in the economic capital of a host country, possibly with branches in the main industrial regions, they have a hands-on vision of support activities. Most of the consultancy services they

offer are provided against payment. To put it in the words of an Irish expert, the most successful commercial diplomats 'are those who work mainly for the clients'.

A **civil servant** commercial diplomat has a behaviour pattern of an employee in the ministry of trade. These commercial diplomats tend to be reactive rather than pro-active and keep their distance from business deals (an arms-length approach). A civil servant commercial diplomat typically emphasizes policy implementation rather than business support and is more responsive to government instructions than client needs. Their strength is to provide a link between business and the ministry rather than to stimulate business operations.

A **generalist** commercial diplomat is a career diplomat assuming business support functions on an *ad hoc* basis or in addition to other diplomatic duties. Typically, they tend to be less technical than the two former types. However, they may offer good contacts (especially at ambassador level) and place commercial diplomacy activities within a broader context of the foreign aid programs and national diplomacy.

No doubt, the commercial diplomat's place within the organisational matrix influences their style and motivation. The commercial diplomat's predominant subordination to (i) foreign affairs favours their diplomatic functions, (ii) subordination to the trade ministry encourages their role of a civil servant and (iii) their strong links with TPOs emphasize their role of a business promoter.

There are divergent views on the extent to which commercial diplomats should become involved in hands-on business operations. 'A commercial diplomat may be useful but he cannot substitute himself for a business firm in international market. Managers should themselves do what is needed to succeed', comments a Brazilian diplomat. 'Commercial diplomacy should be export policy-focused rather than focused on providing support to specific individual firms'. The commercial diplomat should assist a larger range of companies rather than provide business-support to individual firms. The commercial diplomats from the United States, the UK, Korea, Japan and Canada opt for a more company-specific approach even though the latter may be carefully selected according to government criteria. In the case of Switzerland many hands-on commercial diplomat functions 'have been delegated to the Swiss TPO which maintains more than a dozen of Swiss Business Hubs (SBH) in major markets that are staffed by Ministry of Trade and Ministry of Foreign Affairs diplomats alike'. Thus the Swiss diplomats operating from

the SBHs tend to perform more hands-on business activities than those located in the Swiss embassies.

Table 3.4 summarises the essential features of the particular styles of commercial diplomacy and suggests how the countries considered might be associated with various styles of commercial diplomacy.

Table 3.4: Tendency of a typical commercial diplomat by country

| Type of commercial diplomat | Business promoter | Civil servant | Generalist |
|---|---|--|--|
| Approach | Commercial issues are understood mainly as business issues. | Commercial issues are seen as an integral part of international relations. | Commercial issues are perceived in a broader diplomatic and political perspective. |
| Leading concern | Focus on client satisfaction. | Focus on satisfaction of the Ministry of Trade. | Focus on satisfaction of the Ministry of Foreign Affairs. |
| Country ranking according to the commercial diplomat type | Ireland Canada United States Sweden Finland New Zealand Austria Portugal UK Switzerland Hungary Japan Korea | Germany France Poland China Cuba | Brazil El Salvador Venezuela |

Note: Country name shifted to the right signifies that the commercial diplomat style is a hybrid involving certain aspects described in the next column.

The results of table 3.4. are based on thirty five in-depth interviews with commercial diplomats, government officials, experts and managers. For the methodology of the classification see sub-appendix 4, in Appendix – chapter 3.

3.6.1. Skills and experience

Depending on the role attributed to them and their place in the organisational matrix, commercial diplomats tend to have different educational backgrounds and professional experience. Business providers are expected not only to have business training and education but also direct experience in the private sector. In Ireland, the most successful commercial diplomats are those with a business background and at least five years experience in senior management, if possible in marketing.

It has been also suggested that after several years of diplomatic service commercial diplomats should return to the private sector so as not to lose touch with the world of business. For example, in Ireland, ‘it is most useful if commercial diplomats go back to private sector after 3 to 4 years’ in diplomatic activity.

A civil servant commercial diplomat typically has trade ministry rather than business experience. They often have some economic or commercial school training but little direct business know-how. For example in Poland or Germany the counsellors tend to have a background in economics but very limited first-hand business experience. In the Swiss foreign service *most attachés are generalists learning on the spot*. For local market expertise Swiss Business Hubs (SBH) hire local assistants or subcontract to local consultants. A generalist diplomat also rarely has direct business experience or business education and tends to learn by doing. The commercial diplomat type is often interested in policy issues which may facilitate their work with other ministries and in dealing with trade regulation and advocacy. Clearly, the basic business-support function is not very popular with that type of commercial diplomat. Countries like Japan or Korea encourage their commercial diplomats ‘to remain for a longer period of time in the same posting to ensure good local contacts and expertise’.

3.7. ORGANISATIONAL MATRIX

An important determinant of the nature of commercial diplomacy is the organisational matrix: the commercial diplomat's behaviour varies depending on whether they are primarily integrated within the country's foreign service, trade ministry or a TPO / IPA (investment promotion agency). The most frequent rank of a commercial diplomacy office is one based on a dual supervision involving foreign affairs and the trade sector (represented by ministry of trade or TPO). Several examples may illustrate the diversity involved.

Australia, Canada and Sweden combine foreign affairs and trade in a single ministry and maintain a separate commercial diplomacy service distinct from their diplomatic service, though the heads of the diplomatic missions are responsible for both activities. UK Trade and Investment (UKTI) is subordinated both to Foreign Office and the Department of Trade and Industry. The UK trade representatives are career diplomats but commercial activities take the lion's share of UK diplomatic resources. In the case of the UK Rana (2001) talks of a matrix of 'part unification' since the two ministries have created two special units in the Foreign Office to handle trade and investments by a unified diplomatic service.

The US commercial service is a part of the Department of Commerce but it also reports to ambassadors and, through them, to the Department of State. The dependence on the Department of State was considerably reduced in the 1980s and, in the view of a US commercial diplomat, it worked out well, stimulating both entrepreneurial and business-like attitudes. The US trade representative works in close co-operation with Global Trade Promotion (a TPO belonging to the Department of Commerce) but it also co-ordinates its activities with another twelve trade promotion agencies on the federal level. The greatest proportion of the staff in the US commercial service is formed by people with business training and experience.

In the Hungarian system TPO/IPA directors, who are in charge of trade and investment promotion, tend to have diplomatic status, and report both to the ministry of economy and to the ministry of foreign affairs. Hungary's ambassadors often 'assume important commercial functions especially to attract FDIs'. In the Polish foreign service too a commercial diplomat has two superiors: the ministry of foreign affairs and the ministry of economy. In Chinese embassies the office for economic and commercial affairs reports to 'the ministry of commerce but it also

works with the relevant ambassadors'. The French *Mission économique* stationed abroad reports both to the ministry of foreign affairs and to the ministry of trade.

A different model of organisational structure for commercial diplomacy is that adopted by Japan and South Korea. Commercial diplomats of the two countries are essentially civil servants working for JETRO and KOTRA (Korea Trade Investment Promotion Agency) respectively. The commercial diplomats report, in the first instance, to the ministry of commerce but work in close collaboration with their ambassadors and the ministry of foreign affairs in high policy-related matters. In Germany and China the ministry of foreign affairs is not directly involved in commercial diplomacy and the activity is the responsibility of another ministry.

The problem with a two-headed structure is that it results in tensions affecting the commercial diplomat's operations: turf disputes based on overlapping mandates, confusing messages coming out of various government agencies, distorted motivation of commercial staffs that have to satisfy too many publics. This ambiguity of rank has at times created problems in the commercial diplomats' relations with their ambassadors. As expressed by an experienced commercial diplomat 'the best strategy is to avoid my ambassador in order to escape the "kiss of death" therefore a silent relationship with ambassador is a good relationship'. On the other hand, the relationship with the ambassador may be essential in the business-focused foreign services where the head of the diplomatic mission may assume important commercial diplomat functions such as lobbying and public relations.

The French solution of dealing with bureaucracy and ambiguous hierarchy is to have the economic missions certified ISO 9001; they are thus expected to follow the ISO 9001 procedures and are supposed to be controlled on a regular basis by their clients. Also, it is useful to build good relationships with other commercial diplomats (in the host country). The relationship should be informal and personal: 'It is OK to ask for data if one is not competing'.

Our research confirms Hibbert's (1990a) suggestion that the differences in the organisational structure have implications for the objectives and professional style of commercial diplomats. Those commercial diplomats that are strongly integrated into foreign affairs tend to be more policy-oriented, less business-focused and more reluctant to follow a 'hands-on' approach in business support. To put it in the words of a Brazilian commercial diplomat who is part of the country's foreign service, 'we may introduce the fiancée but we don't get involved in the terms of the engagement. We might get involved if there are problems but there is no regular follow-

up. Companies keep us informed if they wish but there is no responsibility on our part'. In contrast trade-oriented commercial diplomats such as the Koreans or Japanese focus on products rather than general policy objectives. For example, Korean commercial diplomats concentrate on electronic products and spend most of their time working with specific companies rather than implementing broader export promotion objectives. The hands-on approach is also favoured by JETRO in Japan.

Separating steering from rowing (Osborne and Gaebler, 1993) is probably the most promising approach. As noted by Drucker (1977), successful organisations separate top management from operations, so as to allow top management to concentrate on strategic decision-making. Business promotion policy-making and in the field commercial diplomacy should be run by separate staffs each with their own mission and goals.

3.7.1. The client-provider gap in commercial diplomacy

There is a striking gap between what business needs and what is offered by commercial diplomacy. When summarizing the situation in table 3.5 we focus on the cases of the generalist and civil servant commercial diplomat where the gap is the most visible.

It may be easily seen that what business people want is commercial diplomats of the 'business promoter' type. This means a more business-orientated and hands-on approach, more experienced personnel and a more pro-active entrepreneurial vision in guiding the commercial diplomat's activities. commercial diplomats are expected by business to engage more actively in business advocacy and to contribute to deal-making. It is the conviction of most of our interviewees that such demands on the part of the business community will force important reforms in commercial diplomacy systems. Table 3.5. presents the client-provider gap in commercial diplomacy.

Table 3.5: The client-provider gap in commercial diplomacy

| | Commercial Diplomacy Offers | Companies Needs |
|----------------------------------|---|--|
| Partner search | <ul style="list-style-type: none"> - Standard lists of importers and distributors and information from the Internet web pages. - Relatively slow reaction to enquiries. - Too little sense of the market and knowledge of how it is moving. - No pro-active partner search. | <ul style="list-style-type: none"> - Insight knowledge of the importer /distributor and potential clients and ‘ranking’ of the priority targets. - Rapid responses to enquiries. - Pragmatic evaluation of who needs the product and how it should be adapted. |
| Market information search | <ul style="list-style-type: none"> - Emphasis on macro-economic statistics and reports. - General information on trade barriers and agreements. | <ul style="list-style-type: none"> - Sector specific brief notes listing tender opportunities and other attractive projects. - ‘Real life’ analysis of market access and potential threats. - Sense of decision-making affecting development of the regulatory environment. |
| Investment facilitation | <ul style="list-style-type: none"> - Promotion of a country’s image on the level of host government authorities and large MNEs to build trust and a good reputation (public diplomacy) for inward FDI. | <ul style="list-style-type: none"> - Guidance on what type of attractive conditions can be truly obtained in the case of investment. How does it compare to what is offered elsewhere. - Commitment, credible promises of support on the part of the authorities. |
| Trade fairs | <ul style="list-style-type: none"> - National stand to present the country. - Support for national companies that participate in the fair. - General patronage of the diplomatic mission (ambassador’s visits, etc.). | <ul style="list-style-type: none"> - Find distributors or partners for joint ventures prospect new customers. - Targeted approach and follow-up. A fair makes sense only as an element in a broader strategy, otherwise it is waste of resources |

| | | |
|---|--|---|
| Contract negotiation | - Introduction of potential partners but no involvement in contract negotiations or providing technical support. | - Preparing the ground for negotiations, involvement in organizing technical support locally (e.g. legal advice, tax expertise, bank contacts). - Public relations to ensure that the national company is perceived as a credible partner. |
| Problem-solving and trade disputes | - Lists of local lawyers. | - Expression of concern to the local authorities when needed. Pro-active attitude in problem-solving. |

Source: Based on forty in-depth interviews with commercial diplomats, government officials, experts and managers.

3.8. CONCLUSIONS AND RECOMMENDATIONS

Commercial diplomacy continues to play a leading role in international business development; there are some 20,000 commercial diplomats and their staff across the world and no fewer than 500 million US dollars are spent on such activities annually. The value chain analysis indicates that among the primary activities of commercial diplomacy the most important are trade promotion and – for a cluster of economies strongly prioritizing foreign direct investments – FDI-related functions. Among the secondary activities most time is spent by the commercial diplomats on information search and analysis and on responding to requests for information made by companies.

The coverage and nature of the commercial diplomat activities has been evolving over the last two decades in response to shifting government priorities, technological change and developments in the trading system. The change in coverage signifies, in particular, an increasingly active attitude of governments and their commercial diplomats in attracting FDIs. It also means a growing role in the promotion of research and development (R&D), country image or country branding ('made-in') and tourism.

E-business and e-government have redefined the *modus operandi* of commercial diplomacy and the added value of its various secondary activities. Since certain types of information (e.g. on

tariffs and import regulations, legislative proposals or calls for tender) are easily available from public sources through the Internet, more emphasis is being put on discovering 'hidden' information, as well as on public relations, business advocacy and support in deal-making or contract implementation. This trend is particularly pronounced in servicing the larger business companies while more classic commercial diplomacy services dominate in the support of SMEs.

The rise of market-orientation over the last two/three decades has reinforced the pressure towards business-promoting commercial diplomacy, which requires commercial diplomat's proximity to companies and greater emphasis on business support, rather than civil servant or foreign policy functions. This in turn also brings pressures to reduce the client-provider gap in commercial diplomacy and more attention is now being paid to business development rather than policy or regulatory issues. The business promoter type of commercial diplomat is gaining in popularity and this shift has important implications for human resource management, organisational structure and the use of the modern techniques of performance enhancement. To be effective, a commercial diplomat needs extensive managerial experience, as well as interpersonal skills and contacts. This is more easily said than done because people with excellent relational skills in business are usually reluctant to accept public service salaries or bureaucratic constraints. One option is to hire business persons on a temporary (3-5 year) basis and to let them go back to the private sector after an *intermezzo*. In such circumstances it may be possible to attract highly skilled individuals through a result-based motivation and reward system (e.g. participation in the service fee), diplomatic status, flexible terms of reference which fit into their carrier objectives, emphasis on the social role of the commercial diplomat's function (the charm of benevolence) and the opportunity to gain experience in government and new markets.

In terms of the organisational structure, what is probably needed is a hybrid arrangement which combines a quasi entrepreneurial freedom with supervision by the head of a diplomatic mission to ensure consistency with foreign policy goals including export and investment promotion policies in particular. The extent to which the commercial diplomat should contribute to political affairs such as business-government projects in the areas of technical assistance, review of inter-governmental trade agreements, dispute settlement and so on has to be reviewed. This often signifies a shift away from a structure dominated by the ministry of foreign affairs or ministry of trade towards a TPO-lead network comprising the ministries but – at the same time – empowering the commercial diplomat to perform according to well-defined and measurable

criteria. The correct choice of evaluation and motivation is a key issue since, if it fails to reward an effective service, it will probably reward failure.

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Chapter 4: Commercial Diplomacy: An Integrative Framework *

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ABSTRACT

The author aims to undertake exploratory theory building by suggesting a framework in which relationships between input-process-output may be further researched and studied. The approach is inspired by the resource-based view and introduces a framework composed of input – process – output. The approach serves as a tool to understand value creation by commercial diplomacy. Research interest in understanding commercial diplomacy in terms of management i.e. effectiveness and efficiency and process has been growing, but still remains scarce when it comes to creating an integrative framework to analyse commercial diplomacy's performance. First, the author traces back the origins and the rationale of commercial diplomacy and introduces relevant definitions. Then, the literature (managerial concerns, roles and activities) concepts and theories are reviewed. Managerial concerns such as organisational arrangements, developmental factors and the commercial diplomat's individual features are integrated in an input-process-output framework inspired from the resources based-view. Inputs are divided into capabilities and resources such as organisational arrangements, geographic localisation of the foreign post and the commercial diplomat's individual features, such as education and business experience. The roles performed (the process) are identified as facilitation, advisory and representation – “FAR” – creating value for stakeholders (outputs), such as relationship capital and networks, knowledge and influence. The input-process-output framework containing the above mentioned set of factors (resources, capabilities, etc.) paves the way for the development of constructs and variables in addition to allowing testing relationships between variables. The suggested framework helps to better understand and further research organisational structure, design, human resource and talent management as well as questions related to effectiveness and efficiency from a resource-based perspective.

Keywords: commercial diplomat; commercial diplomacy; economic diplomacy; trade promotion; export promotion; investment promotion; country image; country brand; role of commercial diplomat

4.1. INTRODUCTION

There has been growing research interest about commercial diplomacy as a business, trade and investment promotion activity led by governments. Governments invest considerable amounts of public contributions in order to support businesses expanding internationally. In turn, these efforts are supposed to engender increased international economic integration, growth, thus increase employment in the home country, as well as lead to generally good bilateral business relations. Almost all developed and emerging countries review their budgets and policies regularly to rethink and reorganise their commercial diplomacy, trade, and ministries related to investment promotion (mostly led by the head of the commercial diplomat networks) and other relevant organisations (Mercier, 2007). Reorganisation, increasing the yield, and improving efficiency are recurring items of discussion (Naray, 2011).

Scientific research has been increasingly emerging on various aspects of commercial diplomacy, such as its effectiveness and efficiency as noted in previous chapter 2 of this thesis. Nevertheless, only marginal attempts have been so far employed to develop an integrative framework in order to categorise key factors in the value creation process and analyse possible relationships between factors, such as resources used, the processes and outputs (Reuvers, 2012; Ruël and Visser, 2012). Such research would contribute to linking the dots by addressing the following essential questions: what resources are used, which process they go through and what outputs they produce. This paper aims to fill this gap by conceptualising commercial diplomacy as a value creation process.

The question of value creation is essential. What value is created and how is that value provided by commercial diplomats for their stakeholders? By addressing these questions and offering an understandable framework, research on commercial diplomacy's effectiveness and performance will be enriched. The concepts in this chapter were derived from both literature and empirical research containing in-depth interviews, that helped creating the concepts and frameworks in this chapter. The list interviews (organisation and date) is to be found in Appendix – chapters 3 to 5: List of interviews.

4.2. DEFINITION

The aim of this chapter is to introduce certain key concepts from the literature and build a framework to analyse commercial diplomacy as a value creating activity and thereby enhance research tools for further research on the topic.

Commercial diplomats' work has been addressed by various disciplines (international relations /diplomacy, political science, international economics, international marketing), while elaborating a framework from a management studies perspective and focusing on the commercial diplomat's managerial roles so far has attracted limited attention. The following paragraphs discuss the general definitions and rationales for commercial diplomacy as identified in the literature.

Commercial diplomats (CDs) located abroad undertake activities related to the promotion (in a broad sense) of trade, investment, tourism, cooperation in science and technology (S&T) and the protection of intellectual property rights (IPR). We call "home country" the country that sends his/her diplomat to represent his/her home country's interest in a "host country". The host country is the country receiving the diplomat, where the embassy / representation / mission is located. Commercial diplomats are usually staff members of a diplomatic mission or heads of a 'commercial representation' abroad with a diplomatic status. The term commercial diplomat covers various terms such as 'commercial counsellor', 'commercial attaché', 'trade representative', 'commercial representative', etc. Certain business promotion tasks that CDs undertake may be simultaneously or separately assigned to other diplomatic institutions such as consular diplomats, particularly honorary consuls. Furthermore, non-diplomatic institutions, such as most trade promotion organisations (TPOs), chambers of commerce and other trade support institutions form the broader context of business support around commercial diplomacy (Naray, 2011). The approach taken by Carron de la Carrière (1998), Saner and Yiu (2003), Ögütçü and Saner (2008), Lee (2004), Lee and Hudson (2004), Borer-Fielding (2003), Rana (2000; 2001), and Kopp (2004) focuses on the commercial aspects of diplomacy as the relations between states or governments. Commercial diplomacy is mainly addressed as a part of diplomacy and from a government point of view.

4.3. RATIONALE AND VALUE CREATION

The objectives of governments in business promotion (including trade, investment, and tourism) – although differing from country to country – are ultimately job creation, increasing tax revenue and economic growth (Kotabe and Czinkota, 1992). Governments seek economic competitiveness by engaging in various business promotion programmes. On the other hand, business beneficiaries ultimately seek profitability; for them engaging in international operations constitutes a risk. Businesses are generally satisfied with commercial diplomacy service if they can thereby reduce the risk of entering a foreign market and obtain a service at a competitive price or for “free” i.e., financed by tax revenue.

Commercial diplomats work for their governments to fulfil economic and business objectives and constitute at the same time a governmental, public, commercial and diplomatic service. The following stakeholders may be distinguished in this interaction process. Government: the executive and legislative branch having a political nature, in charge of regulations and power. Not for profit organisations: Business Support Organisations (BSOs) and Trade Promotion Organisations (TPOs) responsible for the implementation of trade promotion policies. For profit organisations: Private business who are facing business competition in global markets with a national starting point.

The *missing markets theory* (Harris and Li, 2005) is the point of departure to explain the very existence of commercial diplomats from a political economy standpoint. The focus is on the supply of intelligence since ‘some types of information have the nature of public goods, which markets cannot supply – these include unique, reliable and impartial access to information (such as through the *global embassy network* and other government channels and contacts), which become available through the government’s very long term and non-commercial attachment to foreign markets. Moreover, diffusion of such information is likely to have a beneficial spill-over (externality) through demonstration effects that lead to domestic enterprises being encouraged to internationalise their business.

We understand the nature of public good as free access to neutral information when requested by national businesses and individuals from the respective government official. This refers typically to basic market information such as trade statistics, lists of operators in a given sector, “how to do business in ...” reports, etc. This nuance is important since some intelligence gathered by

embassies/governments will not necessarily be shared with any small business or individual requesting it. We do not, therefore, pretend that commercial diplomacy is overall to be considered as a public good, but rather the point of departure for government service for enterprises that might need this certain type of information.

In a special issue of the Hague Journal of Diplomacy, “Economic Diplomacy”, Okano-Heijmans (2011) builds a conceptual framework in which commercial diplomacy is categorised (contrary to other types of economic diplomacy) as a political tool with a primarily economic goal. At the ‘business end’, commercial diplomacy seems to be an activity pursuing prosperity rather than the ‘power play’ end (Okano-Heijmans, 2011). Lee and Hudson (2004) insist on the increasing importance of business-government, private-public partnerships; Lee argues that this aspect has only been marginally addressed. These works place the topic in the context of international diplomatic relations as relevant for the relationship between states, the representation of a state’s interests abroad where the commercial work of diplomats are included. As such, commercial diplomacy is necessary for the national interest.

The value created by commercial diplomats is addressed in the literature only partially, and without integrating concepts into input –process –output approach. This is probably due to the fact the value creation was not the main focus of previous research. The existing relevant literature is reviewed in the sections below.

4.3.1. Effectiveness and efficiency

Rose (2007), as well as Yakop and Van Bergeijk (2009) conclude that commercial diplomacy does have an impact on trade figures and exports do increase due to embassies and consulates’ efforts. In particular, Yakop and Van Bergeijk argue that diplomatic representation is significant in bilateral relationships with developing countries rather than with OECD member countries. Van Bergeijk et al. (2011) undertook empirical quantitative research on commercial diplomacy’s effectiveness (they call it ‘economic diplomacy’) by breaking down the various types of representations in the host country into embassies, career consulates, honorary consulates, trade offices, embassy branches and other representative offices. They conclude that ‘outward economic diplomacy and inward economic diplomacy are relevant (from a trade expanding point of view) with outward economic diplomacy being more effective. Positive significant estimates have consistently been obtained for the impact of the number of embassies, career consulates and embassy branches on export flows.

Busschers (2012) undertook empirical research on the interaction between SMEs and the commercial diplomat. These findings demonstrate that there is no *'one size fits all'* strategy for the service that the commercial diplomat has to provide. Busschers (2012) concludes that understanding the needs of SMEs is imperative. Ruël and Zuidema (2012) find that the amount of experience that a commercial diplomat has *at foreign posts*, the business network of a foreign post, and client preparedness in terms of knowledge and abilities are the most important factors that explain the quality of commercial diplomacy.

4.3.2. Export promotion agent

In the following paragraphs, certain aspects of the promotion of exports by commercial diplomats are addressed to some extent. By reviewing the literature and various national evaluation papers, it becomes clear that many firms are discouraged from exporting due to the costs of high import barriers. Governments can offer large numbers of exporters the benefits of scale and scope. Businesses use and expect help from CDs: Quantitative evidence in the study by Rose (2007) suggests that diplomatic representations abroad encourage export development. Export promotion programmes' shortcomings include bureaucracy, corruption, politicisation, rewarding political friends at trade missions, poor service, insufficient budgets and a poor understanding of the private sector (Czinkota, 2002).

Busschers's (2012) empirical findings on Dutch small and middle sized enterprises (SMEs) using or not using commercial diplomacy services show that 'merely a third of the internationally active SMEs used commercial diplomacy within the last two years'. The main reason for SMEs not using commercial diplomacy was that these SMEs find their own way abroad, which is due to 'the existing experience within the host country, favourable trade-institutions, transparent industries and having highly complex products'. Further, the second most important reason for not capitalizing on commercial diplomacy was the 'unawareness of commercial diplomacy by SMEs' (Busschers, 2012).

4.3.3. Country image and promotion

Certain aspects of home country promotion to attract foreign direct investments (FDIs) and tourism, as well as the increase of newcomers' poor credibility and image in foreign markets are addressed in the following.

Commercial diplomats often refer to their economy's image problem abroad as an issue of true concern as stereotypes of the home country are difficult to modify (Lee, 2004). 'Made-in' aspects – meaning promoting a product's country of origin – constitute an important managerial concern for newcomers to foreign markets. Consequently, the CD's support may be crucial. This issue is particularly important in distant, i.e. non-traditional, markets and for SMEs. The export potential of such newcomers depends on the image of the company, which – unless it is internationally established – may be difficult to achieve without the benefit of a strong and positive 'made-in' image, such as the image that German cars, Swiss watches and Italian designs have (Kostecki et al., 1994). A CD can therefore help by enforcing a country's business reputation or contributing to the company's credibility by recommending it to the host country's businesses and government.

The growing importance of country brands is generally addressed by Olins (1999), who shows that countries use modern marketing tools to promote strong country brands with regard to their exports, inward investment and tourism promotion. Potter (2004) focuses on the Canadian experience and emphasises the value added of commercial diplomacy's various functions.

Attracting FDIs is a growing activity because they stimulate the home country's economic growth and employment in priority sectors or regions, as well as complement co-operation in science and technology (Kostecki and Naray, 2007). Promoting the home country abroad is recommended if the objective is to attract FDIs from large multinational enterprises as well as small and middle-sized ones. Almost all CDs who have to promote FDIs wish they had more time to spend on this, due to its increasing importance for the national economy (Kostecki and Naray, 2007). In a study mandated by the World Bank, Morisset and Andrews-Johnson (2004) take the same viewpoint. The main challenge seems to lie in attracting FDIs to the home country in order to develop various aspects of the home economy (depending on the level of development) such as new jobs, talents and knowledge, tax revenues and production with a view on exports.

4.3.4. Conflict handling

Aspects concerning problem-solving during business to business (B2B) or business to government (B2G) conflicts are addressed. Commercial diplomats are involved in business conciliation and dispute settlement. CDs may be able to directly help firms in the host country experiencing business disputes, non-payments etc. (Kopp, 2004). Commercial diplomats also act

as advisers during contract negotiations. Problem-solving activities frequently concern the protection of intellectual property rights, tax issues, offering assistance to national companies having suffered losses and wishing to obtain compensation, as well as various other forms of support provided via diplomatic protection. A number of these concerns are discussed during periodic bilateral consultations with the government of the host country (Kostecki and Naray 2007).

4.3.5. Support of delegations and visits

The following aspects concern the activities of government officials' often accompanying business people during state visits. Commercial diplomats provide support when the home country's business people and politicians visit the host country and offer various forms of assistance to encourage the participation of business. Empirical evidence provided by Nitsch (2007), who examined the effect of state visits on international trade, attests to the importance of visits for the enhancement of international trade. He concludes that state and official visits are 'indeed positively correlated with exports'. Ambassadors, together with commercial diplomats and embassy staff, actively support and prepare home government visits, as well as provide inputs for trade negotiations with the host country. Commercial diplomats also assist the organisation of trade missions and business visits. CDs typically undertake 'scrupulous programming and pre-arrival arrangements to identify serious interests among business communities' on both sides (Lee, 2004).

This literature review shows that research on specific aspects such as business perceptions regarding commercial diplomacy and even service quality has recently multiplied. Still, no attempt has as yet been made to integrate a framework that would conceptualise and include the roles and their organisational and individual factors from a management perspective. The current paper contributes to filling this gap.

4.4. FRAMEWORK BUILDING

It is intended to create a framework that will help establishing relationships between inputs-process-output. This framework suggested assumes that organisations are complex, dynamic and goal-oriented processes. For the purpose of framework building, we particularly draw on the resource-based view of the firm as inspiration. Such inspiration is considered suitable since – consistent with the literature reviewed above – we consider the commercial diplomat's work a value creation process. Kostecki and Naray (2007) state that commercial diplomacy is a value-creating activity. By value is meant the utility combination of benefits delivered to the beneficiaries minus the cost of those benefits to business and government (Porter, 1980).

The resource-based view fundamentally relates resources as important antecedents to products and services, and ultimately a firm's performance and hence effectiveness' (Priem and Butler, 2001). These authors also mention 'a basic assumption of resource-based view is that if a firm's resources are both rare and valuable (contribute to firm efficiency or effectiveness), it can produce competitive advantage (Barney, 1991)'. Caves (1980; as cited in Priem and Butler, 2001) defined resources as 'those assets which are tied semi-permanently to the firm'. Barney (1991) includes 'all assets, capabilities, organisational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness'.

The introduction of the CD's managerial roles (Naray, 2011) as the process part of the framework constitute a step in linking roles as a process to inputs and outputs. A firm's competitive advantage lies primarily in the application of the bundle of valuable resources at the firm's disposal. Since commercial diplomacy is also to be understood as a public service (Kostecki and Naray, 2007), the resource based view of the firm – meant for the study of profit-making business – will serve only as inspiration for theory building. It is to be born in mind that it is not to be applied to private business firms the same way: ultimately the value created is not measured as competitive advantage and profit. This suggested approach will help to better understand and provide solutions to challenges related to resource management, work processes and value created for stakeholders, thus performance and effectiveness.

Other researchers agree that the resource-based view is useful for the study of commercial diplomacy from a managerial perspective. Examining the commercial diplomat's effectiveness, Ruël and Zuidema (2012) point out: 'The *resource-based view* of the firm can provide useful insights. We agree with Ruël and Zuidema (2012) that *commercial diplomacy does not per se aim for sustained competitive advantage* and that it is key for public organisations to identify and build strategic capacities to produce value for stakeholders (Bryson, Ackermann and Eden, 2007). Yet, these pieces of research do not attempt to link the commercial diplomat's managerial roles and initiative as "process" (detailed in following sections) to inputs and outputs. We suggest a framework that could be used to examine relationships between the particular inputs, process and outputs presented and summed up in table 4.1. Table 4.1 sums up the key concepts in the analytical framework to be developed in this paper in term of input-process-output.

Table 4.1: Key overall concepts in the analytical framework

| Input | Process | Output |
|---------------------|-----------------------------------|------------------------|
| Capabilities | Performance of Roles & Initiative | Value for stakeholders |
| Resources | | |

A useful distinction is adopted throughout the resource-based view approach (Makadok, 2001; Barney et al., 2001). According to Makadok (2001), capabilities are 'a special type of resource, specifically an organisationally embedded non-transferable firm-specific resource whose purpose is to improve the productivity of the other resources possessed by the firm.' Makadok (2001) further maintains that 'resources are stocks of available factors that are owned or controlled by the organisation, and capabilities are an organisation's capacity *to deploy resources*'. Essentially, it is the bundling of the resources that builds capabilities.

4.4.1. Process: Roles performed and initiative

We suggest that roles played by the commercial diplomat create value; the roles constitute the process part of the framework. A theoretical distinction can be made between the value created by distinguishing between value created at the collective ‘national economy’ level, which also includes intangible value such as country brand, image and reputation; and the value created at the individual firm level that enhances competitiveness of companies in foreign markets.

When analysing the nature of CDs’ activities, their *role concept* becomes essential. Katz and Kahn define a role as ‘the set of behaviours and activities to be performed by the person occupying that position’ (Katz and Kahn, 1978). The role is defined by the expectations, demands and pressures communicated to employees by individuals, for example, top managers, immediate supervisors and customers who have a vested interest in how employees perform their jobs (Katz and Kahn, 1978).

The theoretical basis for our concepts comes from the study of managerial roles (Mintzberg, 1973; 2009) and specifically from an analogy to business consultants’ roles as reviewed by Williams and Woodward (1994). Naray (2011) started conceptualising commercial diplomats’ managerial roles drawing on Mintzberg’s approach of identifying and categorising managers’ roles (Mintzberg, 1973; 2009). This process is supported by previous research results by KostECKI and Naray (2007). As a starting point, we take the definition of a role as used by Mintzberg (1973:54) on quoting Sarbin and Allen: “[a role is] an organised set of behaviours belonging to an identifiable office or position”. In the CD’s context, we see a role as referring to the underlying nature of the activity carried out in various areas (the promotion of trade, protection of IP rights, etc.).

In order to capture the nature of the commercial diplomat’s work, Naray (2011) addresses and describes the importance of their managerial roles. Three sets of roles are presented: facilitation (F), advisory (A) and representation (R) or by acronym “FAR”. These three roles crosscut the relevant activity areas such as the promotion of trade, investments, the made-in and corporate images, cooperation in science and technology, and protection of intellectual property. Facilitation (F) includes particular roles relating to referral, coordination and logistics. Advisory (A) comprises intelligence gathering and internal communication. Representation (R) includes advocacy and external communication. **Facilitation** means that CDs bring together business

and/or government stakeholders with a view to future cooperation or transaction; it particularly comprises coordination and referral. The **advisory role** occurs when the CD ‘advises’ stakeholders (very often IB) either externally or internally in terms of providing information relating to the host country and target markets). The **representation role** is typical of the diplomatic function in terms of representing the home country’s economic and business interests and communicating them.

Mintzberg (2009) reminds us that effective managers “do not act like victims; they are agent of change, not target of change, they go with the flow, but they also make the flow” (Mintzberg, 2009). Pro-activeness is fundamentally social (Mintzberg, 2009) and it means that the CD takes the initiative instead of “just responding to what happens and taking steps to circumvent obstacles ...” (Boyatzis, 1982 quoted in Mintzberg, 2009). To better understand concepts such as ‘CD initiative’ one can draw on the theory of corporate entrepreneurship, which offers useful insights. As noted by Ruël and Visser (2012), Sharma and Chrisman say that corporate entrepreneurship is “the process where by an individual or group of individuals, in association with an existing organisation, create a new organisation or instigate renewal or innovation within that organisation”. The concept of initiative could be developed to measure to what extent the roles are performed in terms of own pro-active initiative coming from the CD. One may elaborate further (in research and/or practice) on the various measures of the CD’s own initiative to measure action and its intensity.

4.4.2. Inputs: capabilities

Organisational arrangements

Certain researchers have discussed organisational arrangements and structures (Lee and Hudson, 2004; Rana, 2001; Naray, 2011; Potter, 2004). A criterion such as the trade promotion organisation’s (TPO) relative independence – i.e. its decentralisation from ministries, its position in the trade promotion structure and the responsible ministry for commercial diplomacy – is one of the most important criteria. This became apparent from our preliminary interview research and from specialised literature such as contributions by ITC (2004), Rana (2000; 2001) and Mercier (2007).

Organisational arrangements matter and stem from a country’s institutional traditions, culture as well as from current trends in public sector reforms. The CD’s unit position is at the centre of

organisational concerns. We define organisational arrangements as those in which a CD's unit – the 'foreign post' – is actually involved in terms of subordination, reporting and partnering. Mostly the headquarters, i.e. the Ministries of Foreign Affairs and Trade, is the supervisor of the CD. Governments play a major part, although the private sector and semi-public entities are also involved in commercial diplomacy (Mercier, 2007).

Government structures in terms of the responsible ministries seem particularly complex, i.e. the Ministry of Foreign Affairs (MFA) and/or the Ministry of Trade (MT) and the promotion agencies (mostly TPOs). Different configurations are possible: In some cases, the MFA dominates, in others the MT and sometimes there are even joint structures (in the UK). In addition, there is a difference in the TPO's position in the structure and its relationship with the CD. We surveyed the CD's status in terms of whether he/she is a CD, a MFA diplomat, a MFA consul (with diplomatic status), or a civil servant for a different ministry.

As pointed out by Mercier, the aspects of the organisational structure worth mentioning are threefold (Mercier, 2007; Seringhaus and Boetchen, 1991). First, the ownership character is public, private or mixed private-public. The tendency is to increasingly involve private sector actors (Mercier, 2007). According to Mercier (2007), a second structural aspect that needs attention is the level at which the trade promotion structure is conceived, i.e. is it national, regional or local. In spite of differences between countries, the central government is normally the coordinating body. A third structural aspect concerns whether the Ministry of Trade or Foreign Affairs work separately, are merged, or even create a body between the two ministries to coordinate trade promotion (Lee and Hudson, 2004; Rana, 2001). There is also a possibility to create a 'third agency' to deal with trade promotion (Rana, 2001). Rana (2001) emphasizes the advantages of the full integration of the 'commercial service', i.e. the commercial diplomat's organisational unit or the 'foreign trade representation', into the Foreign Service as opposed to separating it in favour of the Ministry of Trade.

Geographic localisation and developmental aspects

Countries with a great deal of growth potential can attract more interest towards commercial diplomacy. Strategic governmental decisions on where to open or close foreign posts need to take this element into consideration because the objectives of government are to increase jobs, increase tax revenues and stimulate economic integration (Ruël et al., 2012).

The market size and market potential of the host country are significant determinants of the investment in commercial diplomacy and are even more important than the current business flow (Rose, 2007). In their empirical quantitative investigation, Van Bergeijk et al. (2011) identify four country groupings (home-host), which are evaluated in terms of geographic efficiency and economic efficiency. For instance, Austria, Indonesia, Ireland, Israel and the Netherlands are efficient (as home countries) on both accounts: Their foreign representation is positively associated with their trade pattern (geographical efficiency) and their diplomatic representations are more effective at generating trade than that of a hypothetical average country (economic diplomatic efficiency).

4.4.3. Inputs: resources

Human factors

Some research has examined the importance of commercial diplomats' individual features, such as their background, business experience, education and skills. These factors also play an important role in career management, talent attraction and cross-fertilisation (career mobility) between the public and private sector. It is a challenge for governments to recruit potentially professional commercial diplomats in an ascending career phase even if they have in a system where commercial diplomacy is not limited to classical career diplomats (Kostecki and Naray, 2007). This is also acknowledged by Ruël and Zuidema (2012) and other authors who claim that the human resources (within a foreign posts) are, among others, crucial for the effective provision of services (Kostecki and Naray, 2007; Wilkinson and Brouthers, 2006).

Individual socio-demographic features

From an organisational perspective the commercial diplomat is the operating core, similarly in our research. Mintzberg (1989) defines the operating core as 'those people who perform the basic work of producing the products and rendering the services' (Mintzberg, 1989). Besides examining the organisational dimension, we also introduce the human and individual dimensions. We draw on the corporate entrepreneurship approach to study the importance of the relationship between individual 'resources' and CDs' execution of their roles. According to Ruël and Visser (2012) inspired by Ingram and Clay (2000), the individual dimension is emphasised in that commercial diplomats correspond to the normative and decentralised pillar in the value creating system. Busschers (2012) confirms that business knowledge and business experience are

indeed important for the commercial diplomat, such as the ability to understand the needs of the firm and give particular attention to the single business firm as well as the development and management of business networks.

Individual-cognitive characteristics

Corporate entrepreneurship involves ‘simultaneous opportunity-seeking and advantage-seeking behaviours ... by emphasising an opportunity-driven mind-set’ (Kuratko, 2007) and the concept of autonomous strategic behaviour, which states that entrepreneurial behaviour surfaces in a bottom-up and informal manner (Kuratko, 2007). Lippit and Lippit’s concept of the “role continuum of the problem-solving activity of the consultant (quoted in Williams and Woodward, 1994) can serve as inspiration to develop concepts of commercial diplomats’ attitudes, such as whether they are pro-active (“hands-on”) or reactive (“hands-off”). When examining how commercial diplomats shape their attitudes, focus should be laid on elements such as working habits, the immediate environment and personal experiences. There are divergent views on the extent to which commercial diplomats should become involved in hands-on business operations. Previous research (Kostecki and Naray, 2007) presents the following sometimes contradictory opinions:

- A commercial diplomat may be useful but he cannot substitute himself for a business firm in an international market.
- Commercial diplomacy should be export policy-focused rather than focused on providing support to specific individual firms. The commercial diplomat should assist a larger range of companies rather than provide business-support to individual firms.
- The commercial diplomats may opt for a more company-specific approach even though the latter may be carefully selected according to government criteria.

It is therefore relevant to reinforce individual-cognitive constructs measuring the above-mentioned aspects.

4.4.4. Output

Reuvers (2012) writes that the output of commercial diplomacy (i.e. the results and benefits) can be differentiated into three kinds: 1) economic benefits (Czinkota, 2002; Nitsch, 2007; Rose,

2007; Yakop and Van Bergeijk, 2009); ii) political benefits (Okano-Heijmans, 2011); and iii) nation branding (Potter, 2004). Reuvers adds that “economic benefits include wealth and knowledge creation and an increase in export and international trade”. The political benefits include developing aid, identifying economic ways of pursuing political goals and identifying the global pattern of diplomatic representation. Nation branding has a positive effect on both economics and politics (Potter, 2004).

The various stakeholders (government, business, and taxpayers) expect commercial diplomats to provide more or less concrete results and value. Each role of the commercial diplomat typically leads to a type of value created: The facilitation role (referral, coordination and logistics) leads to increased relationship capital and networks, i.e. networks of business people and enterprises as well as government decision-makers. The advisory role (gathering/disseminating and analysing intelligence and internal communication) contributes to increased knowledge, i.e. data that might be critical for decision-making on a business or government level (depending on the target). The representation role (external communication and advocacy) leads to increased influence on CDs’ relevant counterparts, i.e. the perception of the home country’s products and image, as well as to political influence. The facilitation (F) role leads to an increase in relationship capital and networks, while the advisory (A) role leads to an increase in knowledge capital, and finally the representation (R) role leads to an increase in the influencing of CDs’ counterparts (Naray, 2011).

Table 4.2 shows the suggested framework and concepts for the study of commercial diplomacy from a resource-based perspective (input-process-output). The elements emerged from the above explanations.

Table 4.2: Key concepts in suggested framework

| Input | Process | Output |
|--|--|--|
| Capability | Facilitation: referral, coordination. | Value for stakeholders |
| <i>Organisational arrangements:</i> e.g. Government and business support stakeholders | Advisory: intelligence, internal communication. | (business firms, government, business support organisations) |
| <i>Geographical localisation of CDs</i> | Representation: advocacy, external communication. | |
| Resource | | |
| <i>Individual socio-demographic features:</i> e.g. business experience; education | Initiative (Pro-activeness) | F: Relationship capital and networks |
| <i>Individual-cognitive features:</i> e.g. attitude | Activity Areas: Trade promotion, FDI promotion, Protection of IP, Image/country promotion. | A: Knowledge capital R: Influence |
| <i>Non-cognitive features:</i> E.g. emotions | | |

4.4.5. Relationship between input-process-output

Organisational arrangements constitute “capabilities” and the individual features represent “resources” according to the presented framework. These factors could further be developed, for instance as independent variables and constructs: organisational, developmental and individual and process as a dependent variable. Then, interrelationships may be further studied.

Mainstream organisation theory (Knights and Willmott, 2007) states that “The structure of organisations is seen largely to determine behaviour so that it is vital to ensure that it is designed, redesigned, or re-engineered to be compatible with its environment” and that “structures define roles and responsibilities but they reflect and reproduce existing organisational arrangements”.

Therefore, the relationships between organisational arrangements and the CD's roles / initiative and outputs may be examined.

To identify the relationship between inputs and process i.e. attitude and action –specified action as “initiative” and the FAR roles in the current paper – , we may refer to Fishbein and Ajzen's (1974; 1975) ‘reasoned action’ approach as a theoretical basis. Therefore, it is possible to further examine the relationship between CDs’ hands-on or hands-off attitudes (input) with their action – which we call their ‘initiative’ – and the intensity of their roles (process). Fishbein and Ajzen (1975) mentions that “behaviour is predicted by his/her attitude toward that behaviour and how he/she thinks other people would view them if they performed the behaviour. A person's attitude, combined with subjective norms, forms his/her behavioural intention”. The attitudes they have of their job will influence their choices leading to actions and outcomes (Fishbein and Ajzen, 1975). This is linked to Vroom's idea (1964) of ‘expectation’ born of past experience. In this context, we refer to CDs’ attitudes towards their job: What they expect from their activity will shape their action.

Efficiency and effectiveness are to be measured and elaborated upon by using the suggested framework i.e. effectiveness to what extent one reaches the sought outputs and efficiency how much was reached with the given resources.

4.5. CONCLUSION

The presented framework is called integrative, because it brings together essential elements to analyse, measure and capture the effectiveness and success of commercial diplomacy. The implications are both practical and theoretical (addressed under “further research”).

In practical terms and beyond research, the managerial approach suggested in this paper serves as a basis to make sensible decisions on processes, planning, restructuring and the delivery of the service, as well as on overall results and stakeholder satisfaction. An important question is to what extent commercial diplomats should focus on a reduced number of roles, activity areas and sectors and to what extent the areas covered should remain broad. Mainstream organisation theory (for a review, see Knights and Willmott, 2007) says that the structure of organisations is seen largely to determine behaviour. Therefore, it is vital to ensure that it is designed, redesigned

or re-engineered to be compatible with its environment. In this case, environment means trade flows, sector potential, clusters, etc. For instance, this implies decisions to be made on the number of offices abroad and their exact location: where does it make sense to have an office in the political capital and the business capital / or both; where to go for a regional approach and where for national in terms of areas covered by the CD's office? The framework helps to structure thinking along these lines.

A pragmatic approach and new decision-making processes could be justified when deciding on where to post commercial diplomats, in accordance with needs of home businesses and long term national trade/investment promotion policy. It becomes critical what the particular CD can bring in terms of facilitation i.e. relationship capital as value; advisory i.e. knowledge capital as value; and representation i.e. network and influence as value. The framework is helpful to analyse which of the three is most needed in a given context (posting location) and time (a posting is about four years on average). During such decision-making process, it is recommended to address in-depth the "resource" input regarding individual-cognitive features, such as attitude, style, and work culture as well as background, qualifications and experience.

4.6. FURTHER RESEARCH AND LIMITATIONS

Limitations include relatively scarce quantitative research involving the presented concepts in the framework. Moreover, the input component i.e. resources and capabilities categories of the framework would deserve more sophistication and detailed sub-categories (beyond those suggested) in order to test their influence on process and output. Also, efficiency would need to be measured so that in order for the framework to make practical sense.

We suggest that the commercial diplomat's value creation process be analysed in future research by developing concepts within our framework and by examining the relationships between the input-process-output. The type of framework that we introduced is widely used by *management and service quality management research*, such as found in classics such as Zeithaml et al.'s (1988) publication "Communication and Control Process in the Delivery of Service Quality" tackling the "way organisational processes affect service quality". Mintzberg (1973; 2009) uses a similar framework when analysing similar context variables that affect managers' effectiveness.

The framework is a tool for both research and practitioners. Therefore, the development of further concepts fitting in the framework is encouraged.

Further research could, therefore, be led in more detail on the influence of personal traits / personality of the commercial diplomat, which would fall under the category “resource” and individual-cognitive features in the presented framework. The related question is whether the organisational unit in charge (probably TPO or government ministry) is aware of these influences, and how to possibly consider in a systematic manner these traits in their human resource management system.

The question of *efficiency*, return on investment and similar issues also deserve further investigation. Ruël et al. (2012) mention that Japanese and Korean diplomats are encouraged to remain in one posting for over fifteen (15) years, in order to become more familiar with the local circumstances as this might increase their level of service. Most Western Ministry of Foreign Affairs / Trade have, however, a rotation schedule of usually four years, after which the diplomat moves to the next posting. As Ruël et al. (2012) suggest that every four (4) years the new commercial diplomat who is newly posted should try to maintain the network carefully built up in the past 4 years. Thus, the question of knowledge management could be addressed, and how to organise best postings of CDs and their teams.

Finally, it would be worthwhile examining with quantitative methods in further research whether the outward investment issue is more frequent in emerging/developing host countries such as South-East Asia, while the research and development issues are stronger in developed host countries.

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Chapter 5: The Commercial Diplomat in Interaction with International Business: Results of an Empirical Study *

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ABSTRACT

The objective of this chapter is to examine empirically and via with mixed methods (qualitative and quantitative) the interaction between CDs and business enterprises in terms of the provided service by the CD and how it is received and perceived by the business community.

While businesses are interested in receiving support for their international operations, CDs work towards both objectives: they are assisting individual firms and at the same time they are promoting the home country's national economy in general. Furthermore, business support organisations that are public or private or mixed – such as bilateral chambers of commerce, sector associations, investment promotion agencies and other self-help business organisations – complete the CD's offer participating directly and indirectly in the home country's trade promotion effort.

The nature of the CD's service to beneficiaries is highly people based. It contains both a consistent amount of government instruction and CD's own personal judgement and initiative in promoting various sectors/sub-sectors and spotting business opportunities. The “intermediary” function of the CD between the beneficiary business and its potential future business partner is of high importance. The interaction may start on either side: the business firm may approach the CD or vice-versa. To a large extent export issues remain the most important enquiries from business to CD vs. other issues such as FDI, joint venture, debt issues, etc.

From a business perspective, the main advantages to use the CD's service are threefold. First, the CD appears to business firms as the central platform, the starting point to promote bilateral business. Second, commercial diplomats enjoy trust as an institution: they are considered credible and neutral. Last but not least, CDs are found valuable in assisting firms in their first steps in entering foreign markets (not necessarily first exporters but for the firms to which the host country market only is new). The transaction between CD and beneficiary business firm has a material price: some services (such as market research) are for fee and are often subcontracted. Others being part of a “basic service” of diplomats are free of charge.

Keywords: commercial diplomat; commercial diplomacy; trade promotion; business promotion; business-government relations; trade representation; trade representative; FDI promotion; business internationalisation

5.1. INTRODUCTION

The central question that this chapter addresses is the following: who are the main stakeholders in commercial diplomacy by focusing on the commercial diplomat and also how these stakeholders interact in the context of international business.

The existing literature justifies commercial diplomats' activities by their usefulness in dealing with both business and governmental concerns. Government's aim in business promotion (including trade, investment, and tourism) – although differing country by country – are ultimately to create jobs, increase tax revenue and economic growth (Kotabe and Czinkota, 1992). Government ultimately seeks country competitiveness by engaging in various business promotion programmes. On the other hand, business beneficiaries ultimately seek profitability; for them engaging in international operations constitutes a risk. Businesses are generally satisfied with commercial diplomacy service if they can thereby reduce the risk of entering a foreign market and obtain a service at a competitive price or for “free” i.e. financed by tax revenue. This chapter will tackle the business perspective vis-à-vis commercial diplomats.

The *multi-stakeholder* element emerged as a key feature in our research. It demonstrates that commercial diplomacy cannot be reduced to a simple interaction/transaction with direct beneficiaries or as an advisory type of transaction only. Some of the relationships are better understood by seeing them as networks (Powell 1990, quoted in Knights and Willmott, 2007):

“In network modes of resource allocation, transactions occur neither through discrete exchanges nor by administrative fiat, but through networks of individuals or organisations engaged in reciprocal, preferential, mutually supportive actions the basic assumption of network relationship is that one party is dependent upon resources controlled by another and that there are gains to be had by the pooling of resources”.

Traditional diplomats and generally government officials are sometimes not perceived as very effective or business friendly enough by business managers in need of support in their international operations. The general criticism towards commercial diplomats in particular goes from accusing them to service their private friends, to the lack of effectiveness and efficiency and business understanding (Kostecki and Naray, 2007). While these criticisms may all be legitimate in single cases, we have observed a constant evolution into the direction of business orientation to meet business needs in commercial diplomacy in our and others' empirical research in the last decade (Kostecki and Naray, 2007; Ruël et al., 2012; Ruël and Zuidema, 2012).

Indeed, some companies working in specific areas addressing the CDs may face the inability of the respondent (diplomat) to provide useful information due to a general lack of knowledge of the industry. That is why some companies are working primarily with their own networks and with local and bilateral chambers of commerce. We note differences in judgments by various business people, as it is also confirmed by Ruël et al.'s (2012) recent empirical study of Dutch commercial diplomacy in Malaysia. It is argued throughout the findings of Ruël and Zuidema (2012) that there is a relationship between "the extent to which a client firm is prepared to do business internationally and the quality of commercial diplomacy". Furthermore, Ruël and Zuidema (2012) show that a "less favourable cognitive environment in a host country, for instance information availability, leads to an increase in the relevance of commercial diplomacy". Lee (2004) and Lee and Hudson (2004) acknowledge that Anglo-Saxon commercial diplomats assist both SMEs and LMNEs. For example, since the Foreign Service Organisation in the UK was reformed, the government–business partnerships have become a key organising principle in contemporary UK diplomacy to such an extent that public interest is increasingly conceptualised as a collective of private business interests (Lee, 2004).

Moreover, Sherman and Eliasson (2006) state that commercial diplomacy is undergoing a gradual process of privatisation. These institutional developments are generating a move towards private sector influence (Sherman and Eliasson, 2006) in the government's foreign policy. To impede this influence, commercial diplomats serving business beneficiaries (clients) should ensure that their activities are carried out according to pre-determined guidelines and codes of integrity to reduce conflicts of interest.

In this chapter, we will complete existing research by answering the following research questions:

- Who are the key stakeholders in business-government interaction and what are their interests?
- What is the nature of the service provided by the CD and the sequence?
- What are business firms' frequent demands to CDs?
- How do business firms use CDs and what are the advantages?
- How do CD's and the business community transact with each other and what are the implications?

5.2. METHODS

This chapter uses both qualitative and quantitative research methods, i.e. mixed methods. The mixed methods approach seemed suitable to help theory building followed by practical suggestions. While CDs remain the main unit of analysis, they received particular attention in that qualitative and quantitative methods were both used throughout this thesis. Since literature on perceptions and experience of CD-business interaction as such was highly scarce, the qualitative approach helped to pave the way and conceptualise issues from the business standpoint. The number of interviewed business executives has also some quantitative importance in relative terms, which adds to the credibility of the concepts and insights found. The quantitative data on the CD's side relating to the interaction with business could be used sensibly when building on the qualitative insights.

The current empirical material includes the results of in-depth interviews led with concerned business firms: 39 progressively semi-structured in-depth interviews were conducted with concerned business executives (export managers) and five semi-structured in-depth interviews with independent experts on commercial diplomacy, see Appendix – chapters 3 to 5: List of interviews. Data are also presented from a quantitative study via survey questionnaire on 146 commercial diplomats from Switzerland, Denmark, Austria, Finland, Spain and Taiwan (Republic of China). This survey questionnaire is the same as the one used in chapter 6 (see details in the appendix relating to chapter 6). A note of caution has to be added: the chosen six countries correspond to small and middle sized open economies. The reason for this choice was practical: these countries were those that accepted to participate fully in the questionnaire survey. This is important because they rely more on international trade than very large economies e.g.

USA, Russia or the People's Republic of China; this matter of fact may influence how CDs see the context of internationalisation of enterprises they support. In fact, the answers may be biased towards the importance of international trade promotion since the sample does not represent larger economies where outcomes may have been more balanced.

Semi-structured interviews were conducted (by using various versions of interview guides, increasingly focused) with concerned business firms i.e. CEOs, and export/investment managers. Export managers' experience with the commercial diplomat's service with a broader perspective on the interaction between business and the commercial diplomat's activities/ roles and their value added, quality of service was addressed. Moreover, a survey questionnaire (19 questions) on commercial diplomats in function at the time of the survey was conducted and some elements used for this research (but rather a reduced amount). The number of observations returned and process was 146 (i.e. filled in survey questionnaires returned). The questionnaires were sent to 234 commercial diplomats (39 host locations multiplied by 6 home countries) and finally 146 answered questionnaires (about 62 %) were returned, which provided the base of the further investigation as sample.

In the theory development approach from qualitative research that we used, patterns are expected to emerge from the empirical research (Eisenhardt, 1989; Eisenhardt, 2007). Data coding and codification were carried out according to the following categories:

- The nature of the activity performed by commercial diplomats;
- The value added of commercial diplomacy in various national foreign services from the client business perspective;
- The CD's relationship with their clients and other members of the network.

Not all research interviews were led personally by the author. Research teams were constituted by research groups participating in the Master's (MSc.) programme international Business Development (2006; 2009) as well as in the Management Bachelor (BSc., 2007) course at University of Neuchatel (Switzerland). These three research teams received training in commercial diplomacy and in interview techniques by the author and were supervised during the data collecting and drafting phase. The BSc. and MSc. papers being all empirical research provided insights and relevant interview quotes in some cases.

Research methods and procedures followed recommended guidelines for theory / concept development in exploratory qualitative research (Eisenhardt, 1989; Yin, 2003; Eisenhardt, 2007). Kvale's (1996) recommendations were used in interviewing techniques.

The structure of the findings is the following. Section 5.2. explains the methods used. Section 5.3. provides the reader with the economic environment. Section 5.4. introduces stakeholders in commercial diplomacy. By keeping the focus on the business-CD interaction aspects, sections 5.5., 5.6., 5.7. and 5.8. respectively capture the nature, the advantages and shortcomings, the price issue of commercial diplomacy, as well as the demands of the business community.

5.3. ECONOMIC ENVIRONMENT

Global or national business firms in an internationally competitive environment seek survival, performance, and reputation in global markets. For governments and their national economies – in particular in developed countries – an endless economic competition including a general pressure on prices and national reputation (country image) are at stake. For business firms their survival, innovation, sustainable profit making and reputation in global and regional markets are generally at stake.

Business firms operating internationally are submitted to pressure resulting from national and international market place constraints, such as rules and regulations, global competition, trends, etc. Commercial diplomacy responds to these challenges essentially in two ways: 1) general promotion of the business and economic interests of the *home country* (promotion of FDI, Tourism, and country image/ made-in); and 2) delivery of a particular service to a particular beneficiary *individual business firm*.

A series of typical concerns arise in the bilateral trade promotion context in which businesses evolve as beneficiaries of commercial diplomats' support.

From the government's point of view, commercial diplomacy is part of a broader "programme" in the implementation of various trade promotion policies in order to reach the governments' trade promotion objectives. Yet, the service dimension is clear for the government too: beneficiaries behave as clients and increasingly expect concrete results and solutions in exchange

of taxes and fees. The home country's economy, the home government as well as public institutions participating in bilateral partnerships all benefit in terms of country image and reputation.

Box 5.1. sums up constraints and concerns in the business / economic environment and context in which commercial diplomats are addressed by business firms. These are the following a) trade relationship as the framework for trade between the countries and firms; b) what could be at stake from the home country's economic characteristics; and c) the main demands of businesses on CDs. The content in box 5.1. stems from in-depth interviews with commercial diplomats in function, former high-ranking diplomats, as well as trade promotion experts from various home countries around the globe.

Box 5.1: Concerns in the bilateral trade promotion context

a) Trade relationships:

- Neighbouring, close and natural markets vs. market distance (cultural difference)
- Bilateral agreements on free trade, scientific cooperation, research and development etc. E.g. CH-EU
- Customs Union e.g. EU
- Regional trade agreements
- WTO rules and other relevant international agreements.

b) Home country's economic characteristics

- Abundance in raw materials
- Strategic goods and industries
- Natural resources (limited supply)
- Comparative advantages

c) Main demand on concerned businesses – according to the weight and size of enterprises:

- Small enterprise, sole trader, and medium enterprise: First steps in new markets, market information and networks for partnering
- Large multinational enterprise: intelligence and strategic information on large deals/tenders, lobbying, concerns government's interest too

Source: Own empirical research: synthesis of interviews contents with commercial diplomats and trade promotion experts, interviews no. 1 to 20; 36-37; 63 to 75, see Appendix chapter 3 to 5.

The effect of positive image works both ways: internationally successful companies offer the home country and its government “credit” in reputation and image. In turn, a generally attractive country as a destination for foreign direct investments (FDIs) tourism, research and development for instance assists home companies in their image building efforts and potential partnerships too (Naray, 2008). A commercial diplomat representing Brazil points out:

“Now for example, we are working on the matter of Biodiesel, an energy matrix in technology and knowledge we have and can offer to other

countries. Look at China, which has a huge market to explore for small airplanes or the chicken market for the Persian Gulf. Here in Switzerland, the focus is on leather or precious stones. In short, projects depend on the various situations and on the diversity of the various markets”.

Our qualitative research related to developed countries confirmed a tendency whereby efficiency and effectiveness matter increasingly. “The bang for the buck” approach dominates in most governments, which leads to increased professionalization and professionalism. For instance, governments increasingly offer trainings to their commercial diplomats in order to better understand and be up to date with business issues of supported sub-sectors (such as IT and life science). Box 5.2 illustrates the pressure on performance by governments.

Box 5.2: Illustration of pressure on performance by government

A retired CD from Ireland pointed out: “Measurement of performance can be carried out by industry’s feedback, number of clients, repetition of clients, revenue (if you charge)”.

An MFA Official Switzerland in charge of trade promotion and the foreign trade representation network says: "For example when participating in the fairs which can cost CHF10 000 often lack the means to help businesses. It would be the CHF 2000 final support that could make the difference and allow the company to participate. For example, a neighbouring country of us gives three times more money and has four times more staff for promotion, with poor results in exports! Their campaign on wine for instance is simply not worth it: spend CHF 25,000 for promoting sales of 500,000 is too much. Obviously this means also “selling “the country, so we could put a Swiss label on each Swiss cheese”.

Our interviewees confirm a trend towards more result based management, thus pro-activeness and initiative are encouraged in many developed countries as a Swiss MFA official expresses:

“The ‘agreement on objectives’ of each CD (embassies and hubs) measures effectiveness. The achievement of the objectives or not affects wages, for example, if performance is poor there is no compensation for inflation or the salary might even be reduced. KPIs (Key Performance Indicators) are also applied. The set objectives are quantifiable and measurable. The ambassador, however, must sign these adaptations”.

5.4. STAKEHOLDERS IN COMMERCIAL DIPLOMACY

From the business firm (beneficiary) point of view, commercial diplomacy is a service. In other words, commercial diplomats provide a service for the company in exchange of both regularly paid taxes and service fees on occasion. These firms may be small and middle-sized enterprises (SMEs) or large. The purpose might vary according to size:

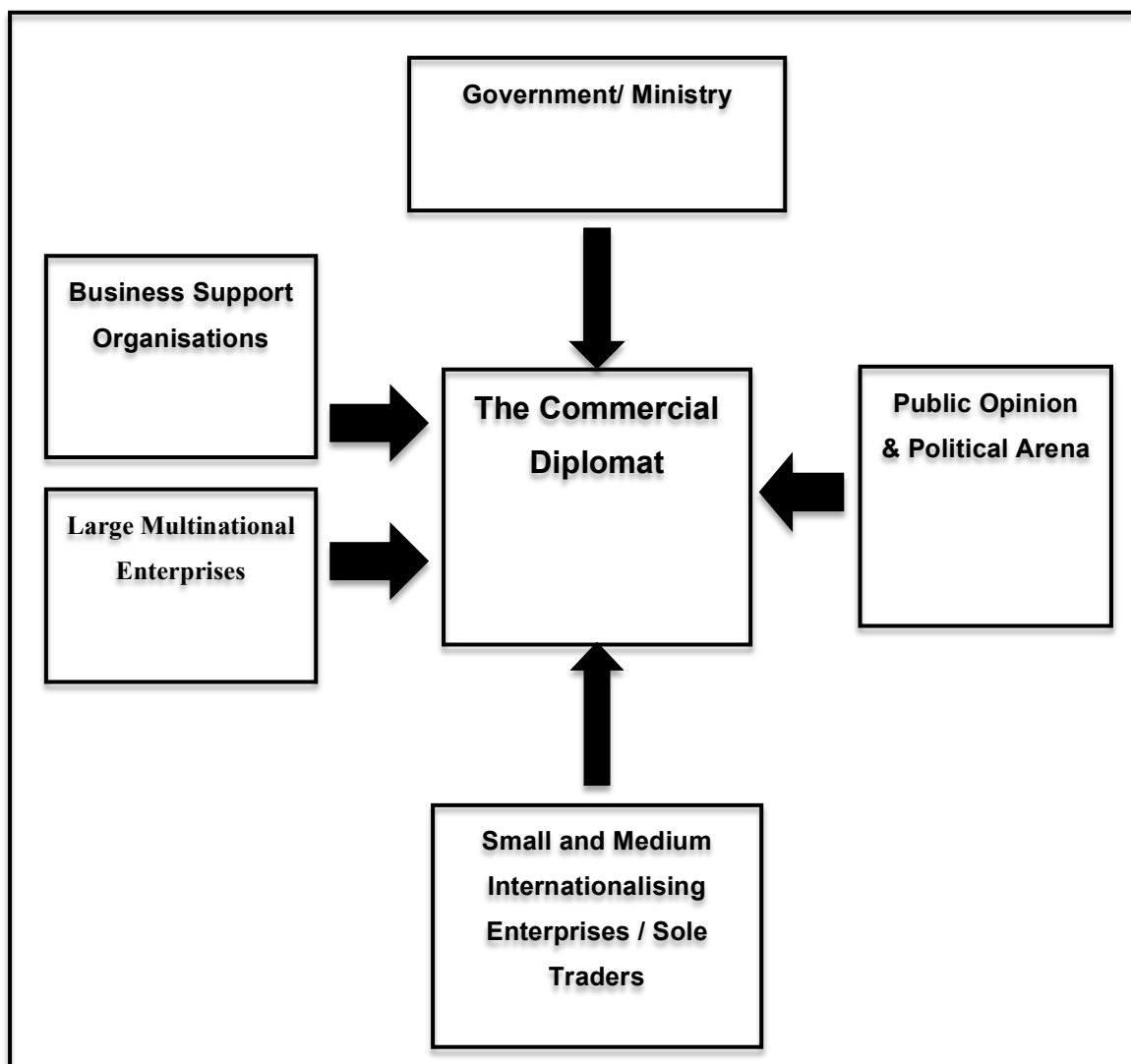
- SMEs and sole traders use commercial diplomacy in their first steps of internationalisation with the given target market: they seek market information, list of potential buyers, distributors, importers or simply contacts for more specific information. The service offered to SMEs is more technical and diversified and less relationship-based than with large multinational enterprises (LMNEs) (Ruël et al., 2012). The problem-solving function is also of importance: should businesses encounter legal issues, non-payments in the foreign markets, commercial diplomats may help to find a solution beneficial to all parties.
- Larger firms use the diplomatic channel at a higher level starting with ambassadors up to the government's ministerial level, mostly to gain advocacy support in international tenders, access strategic resources influence relevant policy-making and regulations in the host country (Kostecki and Naray, 2007; Kostecki, 2005). In the case of the LMNEs, the emphasis is also on public relations involving the host country government and private sector personalities. Support for LMNEs involved in negotiations with authorities or corporations from the host country are also an important form of support offered by commercial diplomacy services.

By the same token, commercial diplomats' work for their governments to fulfil economic and business objectives constitutes at the same time a government, public, commercial and diplomatic service. Government, BSOs, support services (banks, consultants, importer groups, etc.) and client business firms constitute the key actors involved in commercial diplomacy. While businesses are interested in receiving support in their international operations, CDs work towards both supporting individuals firms in their needs. They also promote the home country's national economy in general. Business support organisations public or private or mixed such as

bilateral chambers of commerce, sector associations, investment promotion agencies and other self-help business organisations complete the CD's offer. These collaborate, complete, cooperate with CDs and participate directly and indirectly in the home country's trade promotion effort.

Figure 5.1 sums up the main stakeholders formulating demands on the commercial diplomat and being by the same token the public.

Figure 5.1: The publics of the commercial diplomat



Source: Own empirical research.

A commercial diplomat representing Canada shows the ambiguous pressure:

“Home government instruction may be to write a report about the financial crisis consequences for next year -how on earth do I know? The commercial diplomat is pressured by both government and business because he/she is measured somehow by both: government checks on costs, and business clients evaluate the service via client surveys”.

(See Appendix - chapters 3 to 5: List of interviews.)

Further, a CD representing Canada notes: “Other examples of enquiries include custom duties, regulatory issues, EU/ non EU differences, free trade agreements, access to research, immigration /emigration free movement of labour, permits, tax issues”. Government demands on commercial diplomats has reached some limits as our interviews confirm:

“The commercial diplomat has to be the master of everything. Our hiring skills are very bad. Requirements are too large and various, the pressure is huge from both government and business beneficiaries. Clients are in my terminology anyone who has a demand: businesses, governments, and other institutions”.

Instead of talking about “clients” for anyone who has a demand or something at stake we use the term “stakeholder”. It becomes thus clear that tension might arise since various stakeholders have various and even contradictory demands.

It is thus clear that developed countries, in particular in European Union countries, commercial diplomacy remains under a certain pressure. Another commercial diplomat representing Hungary recognised the trend towards professionalization with business-like methods but does not agree with it. The kind of argument is perhaps representative of many commercial diplomats that were socialised in traditional diplomacy or as civil servants:

“One should separate CDs from the business promotion function. The latter is not compatible with the traditions of diplomacy. If business promotion is to be a public service, the concerned sectors should develop their networks. I wouldn't imagine government people doing that. Either the local chamber of commerce or sectorial business and professional associations. Moreover, the work process thinking such as at KPMG is not for me. They don't allow

individual creative thinking; they prepare schemes of thinking i.e. uniform processes to be followed by everyone. That's OK for industrial production but not for intellectual work Nowadays CDs get instruction from the home government; if enquiries come from outside, he/she has to justify why he/she responded, and be careful with time management (time sheet pressure). Just like at Price Waterhouse ...”

All these requirements do not make the work of the commercial diplomat easier, obviously.

The following stakeholders are distinguished, whereby we explain their key interests in table 5.1. These are the following:

- Government: the executive and legislative branch, thus political in nature and in charge of regulation and power.
- Not for profit organisations: BSOs and TPOs in charge of the implementation of Trade promotion policies.
- For profit organisations: Private business facing business competition in global markets with national starting point.

Table 5.1 presents addressed stakeholders, their characteristics and interests. Public opinion is not considered as a stakeholder but rather as the general public.

Table 5.1: Stakeholder characteristics and interests

| Stakeholder | CD's Relationship with stakeholder | Environment | Interest of the Stakeholder |
|---|---|--|--|
| The government ministries Ministry of Foreign Affairs / Ministry of Trade, Economy or equivalent | Home country: internal, superior in hierarchy. Vis-à-vis the host government authorities: official bilateral diplomatic relationship. | Trade promotion policy-making – government | Growth, prosperity, National economy & government's political motives: The CD is an implementing agent. |
| Actual business beneficiaries | External, Client | International Business – for profit | <p>Entering new markets at possibly low price and low risk.</p> <p>Business interests advocated and good business-government relationship.</p> <p>Developing mid-/long term relationship with the CD.</p> |
| Potential business beneficiaries | External, Potential client, network | International Business – for profit | <p>Enter new markets at possibly low price and low risk.</p> <p>Any support in internationalisation at better quality/price ratio than on the market.</p> <p>Commercial diplomats are one option among others.</p> |

| | | | |
|--|---|-------------------------------|---|
| Parallel business support organisations, chambers of commerce, sector associations, and trade promotion organisations, investment promotion agencies. | Internal or External; Affiliated organisation or part of Network | Business support – non profit | If government funded: Justify their existence if funded by public money and implement their mandate. If privately funded: satisfy their members' demands. BSOs activities complete the commercial diplomats', some overlap is possible. |
|--|---|-------------------------------|---|

Source: Conclusions of semi-structured interviews with CDs and trade promotion experts

5.5. NATURE OF THE SERVICE OFFERED BY THE COMMERCIAL DIPLOMAT

In the process of our empirical research, numerous managers of exporting firms (mainly export managers and CEOs) were interviewed helping to understand the nature of the service provided by CDs. We address characteristics of both the supply (CD) and demand side (business firm) of the service. Some tables, and boxes were established to sum up the key characteristics found. By the same token, we illustrate the findings with interview quotes. As already mentioned, both small and large firms may need the commercial diplomat. A TPO director dealing with CDs explains:

“The commercial attaché is not specialist but generalist. Our role is not to do everything, but to be a service platform and to give the right names and addresses of good lawyers, associations, representatives and specialists. On the private sector level this would be neither fundable nor profitable”.

The nature of the support service for business provided by the commercial diplomat is summed up in Box 5.3.

Box 5.3: Nature of the Support for Various Beneficiaries

| | |
|---|---|
| Beneficiary (recipient, client): | SME; large MNEs |
| Nature of support for SME: | Non-equal partners, SME needs CD more than the opposite. |
| Content of service: | First step in foreign markets; intelligence, sector, sub-sector information, contacts, networks. Business firms and public institutions involved in the bilateral relationship between home and host countries. |
| Nature of support for LMNE: | Mutual need for one another, equal partners. Strategic intelligence for large deals, procurement, business advocacy, equal partners. |
| Content of the service: | It is directed at intangible assets: knowledge, contacts, network and relationship building, etc. |

Source: Conclusions of semi-structured interviews with export managers and trade promotion experts

5.5.1. The supply side

We found that the nature of the supply side, i.e. the CD's service to beneficiaries is highly people based, and contains both a consistent amount of government instruction and CD's own personal judgement and initiative in promoting various sectors/sub-sectors and spotting business opportunities.

Nature of the offer: We learn from our semi-structured interviews that the commercial diplomat (CD) offers a platform. Notably, beneficiaries are often forwarded by the commercial diplomat to other agencies/companies for further help and support. This interaction may start on either side: the business firm may approach the CD or vice-versa. Therefore, it is an "intermediary" type of service: the beneficiary might benefit of the CDs relative objectivity when receiving referral. The leading concern is that CDs have to draw the line in how far they answer the business enquiry and how/when to delegate to other agencies / private consultants.

The "intermediary" function of the CD between the beneficiary business and its potential future business partner is of high importance. Box 5.4 sums up the characteristics of the CD as a provider.

Box 5.4: Characteristics of the CD as Provider

| | |
|--------------------------------|--|
| Public service: | Open to anyone funded by tax revenue, fees may be required for special and more labour and knowledge intensive services. |
| Delivery: | Might be both continuous and discrete transaction. Volatility in CD's delivery, performance and quality as perceived by IB. Importance of the individual, human factor. |
| Type of service: | Typical foreign market knowledge and facilitation. Some customisation possible e.g. country reports, general economic information, "how to do business in XYZ" country briefs. |
| Peculiarity of service: | CD's judgement is important in the interaction with the beneficiary since it expresses an official opinion. Tailor made service is the trend. |

Source: Conclusions of semi-structured interviews with export managers and trade promotion experts

5.5.2. The demand side

Our key finding is the volatility of expectations in the demand side context: businesses expect either too little or too much from the CD. This might in turn stem from by the experienced volatility in service provided by the CD. The latter will be dealt more in detail when addressing the question of fees. A company working in the telecommunications sector in Switzerland as well as another company working in the computer Software sector illustrate:

"There is a large discrepancy in the ability to help businesses. CDs should be closer to SMEs and help develop the home country's economy ... The services that I paid private consultants for I could also pay commercial diplomats working closer with the target market; that dialogue is simpler. So we said why not! "

Nature of the business firms' demand. We learned from our semi-structured interviews that demands are regular and permanent. They are specific to the economic sector, sub-sector in

which the firm operates, to the market as well as in relation to trade regulations. The service provided by the commercial diplomat (CD) is highly people based, usually constituted by a senior CD and his/her staff team composed of consultants and trade assistants. It is to be noted that facilities have less importance than people. A leading concern is the high volatility in the CD's attitude, quality and engagement for the business firm.

Furthermore, our qualitative research enabled the categorisation of users. Table 5.2 shows a possible categorisation. The cases in column 1 and 3 seem essential to be distinguished whether a firm becomes a user or not. The question is whether the firm has its own network in the *specific target market* and whether it has enough experience in international business. Especially, for inexperienced SMEs, one mistake abroad could be fatal as an interviewee ex Swiss Diplomat pointed out. The interviewed trade promotion experts insisted that the very first time the exporter should not use the CD and if filtering policy were consistent these would not be handled anyway. The reason being that the very first exporter with no export experience should first address the competent BSOs in the home country and make sure it becomes export ready.

Table 5.2: The service of commercial diplomats

| Kinds of users | Experience of foreign market | Own network in target market |
|-----------------------------------|-------------------------------------|-------------------------------------|
| 1/ Regular | Yes | Not necessarily |
| 2/ Random | Yes | Not necessarily |
| 3/ Typical first-time user | Should not be first time exporter | No |
| 4/ Potential | Should not be first time exporter | Yes or No |

Source: Conclusions of semi-structured interviews with export managers and trade promotion experts

5.5.3. Sequence of the interaction

In the organisation of commercial diplomacy, the service marketing function in the classical sense (Lovelock, 1991) – such as evaluating and selecting markets, service product characteristics, location, and communication to customers – works in a relatively loose way. Since government objectives and priorities are set (i.e. the service beneficiaries are per definition national firms and the national economy), the market is not as widely studied and considered as in case of a typical international service firm in the private sector.

The basic sequence of service delivery (see Lovelock, 1991) may be described in the three phases as follows:

1. The business firms are to be made aware: “Service organisation goes to the customer” or “word of mouth” (Lovelock, 1991). Firms discover the services, networks and information they may access through a commercial diplomat through the national trade promotion organisation, a business association or chamber of commerce. To illustrate an international firm in the telecommunications business says:

“We will use the service offered by TPO (at home) to gain a first impression. Thereafter and for a specific area, we will appeal to embassies and chambers of commerce involved”.

It is to be noted that the TPO headquarters, normally located in the business capital of the home country, is meant to support exporters in general, especially first time exporters. Commercial diplomats intervene at a second stage when the firm has chosen the host country as target market.

2. Business firm from home or host country contacts the commercial diplomat
“Customer goes to service organisation” (Lovelock, 1991).

Nowadays electronic communication facilitates the process of the first contact. Commercial diplomats posted abroad report directly to the responsible ministry and national trade promotion organisation – if the CD is located outside the Embassy he/she sometimes has a more or less close relationship with it. To illustrate this, a company in the watch industry says:

“If faced with exporting and encountering payment problems, we may address the diplomatic service. For exporting, the service is rather ‘technical’. Obviously, if the company opts for a direct investment then policy aspects are involved including the understanding of the tax rates”.

3. Interaction: “One-stop shopping” or Delegation to other BSO

Collaboration takes place either through a transaction between the CD and the business firm alone or in coordination and even cooperation with other business support organisations (BSOs), such as the bi-national (home-host) chamber of commerce. Special services are often subcontracted to specialists, such as specific market research, legal aspects, or even for public relations campaigns.

5.6. ADVANTAGES AND SHORTCOMINGS TO USE CDS FROM A BUSINESS PERSPECTIVE

5.6.1. Advantages

International business firms address commercial diplomats on a regular basis along with various levels of International Business Firms (IB) firms such as sole traders, SMEs, and large multinational enterprises (LMNEs). The main reasons are of both practical and symbolic nature. The specific reasons imply that business people trust the institution of commercial diplomacy. Thus, they consider commercial diplomacy as:

1. A central platform for international business to government relations;
2. Neutral and credible;
3. Support in the first steps to be made in foreign markets (good price/quality ratio).

(i) Central platform

Commercial diplomats offer a centralised platform with location in the host country (from a CD perspective) or “target market” (from a business perspective). The difference with other business

support institutions (BSOs) is this actual and physical presence in the host country and thus the general and specific knowledge about and connectedness with it.

Centralisation carries the advantage to work with many companies at the same time – these being independent from another but might send similar enquiries to the CD. The CD may thus work with various “portfolios” and accomplish assignments for a group of companies at the same time. A TPO director in charge of the trade representation network argues in favour of a government owned trade representation network in the world:

“A private service firm could not afford to supply market studies of the whole world! ...Also in the long run we can gather the companies in clusters with linked products and mandate the CD to find new markets e.g. for micro-technical products, plastic”.

The same Swiss TPO Director follows:

“Some private firms are offering similar services, but to set up such a structure in the world (as the TPO) it is virtually impossible. A company cannot afford a market study of the world. So the role of the state, in the first phase is to dig, but then it must find a specialist”.

International business firms that interact with CDs also tend to recognise that commercial diplomats constitute a central platform from a bilateral standpoint. As a company points out:

"In fact, in almost all firms know commercial diplomats they know the basic organisation in Spain that is in charge i.e. ICEX is owned by the Ministry of Economy, it is an institute. So everyone knows them but I would still recommend them".

Specific knowledge may be available indirectly: CDs should possess an extensive address book with the relevant lawyers, experts, local authorities, politicians, etc. Being the government’s central diplomatic hub in the host country offers the advantage of centralisation and the resulting economies of scale, possibility of linking business with politics and dealing with government’s strategic concerns in the area of business, such as access to supplies of energy, strategic trade policy or technological leadership.

Access to decision-makers. High-ranking diplomats tend to have better access to executives of large corporations, policy-makers, bureaucracies and elites in the host country. Increasingly frequent business missions and visits of politicians may improve access of commercial diplomats to decision-makers or provide greater value to “door opening” aspects of their activities. Their diplomatic functions may be particularly important since access to business elite may be facilitated through political or cultural activities of diplomatic mission.

As one of our respondents noted, the *ambassador may step in to increase access and credibility*. A former ambassador that embraced a business career argues firmly and clearly that in commercial diplomacy as well as in the private sector *contacts are everything*. An Australian businessman says that:

“...certain investments would have never taken place without a close contact between our ambassador and a CEO of a major foreign company. A former ambassador argues that hierarchy may be very important. The trade representative (i.e. the commercial diplomat) is not always received, when alone, by managers of large corporations and the Ambassador has to go along as well to gain access to top management”.

Diplomatic immunity may also encourage CDs to take risks in collecting intelligence data since *legati iure gentium sancti sunt* (diplomats dispose of diplomatic immunities under international law).

Access to markets. CDs facilitate access to markets by providing relevant information and contacts in a relevant market for business and also by helping business becoming familiar with culturally distant markets. For instance, a Swedish business manager expresses that established companies need services by CDs particularly in new markets. Experience with the Swiss Business Hub (SBH) suggests that business support is perhaps less urgently needed in neighbouring countries than in major distant markets. Several European and US managers refer to cultural problems in China, Japan or other Asian countries and recognize that CD may facilitate interaction. The US Commercial Service “...aligns the ... resources to developing markets that are of growing importance to future U.S. business opportunities”. It is meant to move CDs and their teams from developed markets such as France and Canada to developing (emerging) markets such as India and China (see details on the US “Transformational Commercial Diplomacy Initiative” in Yager, 2011).

(ii) Neutrality and credibility

By neutrality we mean that firms are not discriminated or treated better or worse versus their competitors. A developed Western European trading nation's government ministry (confidential source) formulates the following in its guidelines for trade representations (diplomatic network) about competing companies both being from the home country:

“Two competing ... companies may enlist the guidance of the missions at the same time for the same matter. In principle, it is not up to the missions to work selectively. The companies must be treated equally, given the same information and be introduced in the same manner. This does not however mean that an undesirable situation cannot arise in which the two companies are played off against each other”.

Public or semi-public channels provide information and support too, such as bilateral chambers of commerce. Nevertheless, the role of certain bilateral chambers is not free of ambiguity. As noted by another CD representing a European country:

“The chamber is usually a place where businesses meet in the foreign country to network with each other and to make deals and it is not clear why they should offer support to newcomers who are likely to become their competitors”.

The issue of neutrality is important in intelligence, as by the CD sponsored business information may be more reliable. Another CD from Portugal adds: “We cannot know everything but we make an effort to provide credible information”. A CD from Brazil concludes:

“We also have a more secret side, we go beyond the information found in newspapers and statistics, and we have relevant political and macro-economic information”.

By credibility is meant that diplomats generally enjoy good reputation, and are considered to be well informed about the home and host country's political and economic affairs. Serving in a government administration and carrying the diplomatic status provide additional weight when it comes to the provision of information, referral or any recommendation, and generally trust between home and host country business and government actors. The idea of credibility clearly

emerges also in various comments and judgments made with reference to the interaction. A company producing cameras for the industry in Switzerland that paid for the service remembers that:

"...commercial diplomats are really able to imagine and also to quickly understand our needs and perform well".

Interestingly enough, firms recommend in general CDs to other firms, independently from the quality of their own experience (trust in the institution) as the following business firm illustrates:

"[CDs are] ...very helpful, the foreign trade representation in Japan ... recommend them rather in conversations with acquaintances or with people in the business who have the same interests".

(iii) Supporting the first steps in foreign markets

Commercial diplomats as government representatives and diplomats represent an important advantage particularly for smaller or less internationally known firms operating in new markets or in countries with strong government involvement in business sector. Examples include support in organising trade fairs, information needed to settle down in a new market. Moreover, diplomats also enjoy more credibility when making promises and commitments to foreign investors than private actors. They also have greater weight when dealing with public administration, state-owned enterprises and government procurement agencies. The market-entry function of CD is particularly critical for small and medium-sized enterprises (SMEs) that are newcomers to a particular region.

A developed Western European trading nation's government ministry (confidential source) formulates the following in its guidelines for trade representations (diplomatic network) saying that commercial diplomats:

"...may provide assistance when a company plans on setting up activities in a specific market. They may, for instance, introduce the company to authorities in the host country and other businesses. They may also give tips and advice about potential business partners (e.g. concerning their reputation). Missions will want to brainstorm with the company on how to best develop its activities".

A CD from an Eastern European country located in Switzerland says that also Swiss businesses need to be reassured that their information, in particular financial figures, is handled and labelled “confidential”, otherwise they do not provide relevant info. The advantages of various experiences of CD in IB are illustrated with further interview quotes in table 5.3.

Table 5.3: Leading quotes on advantages to use the CD from a business perspective

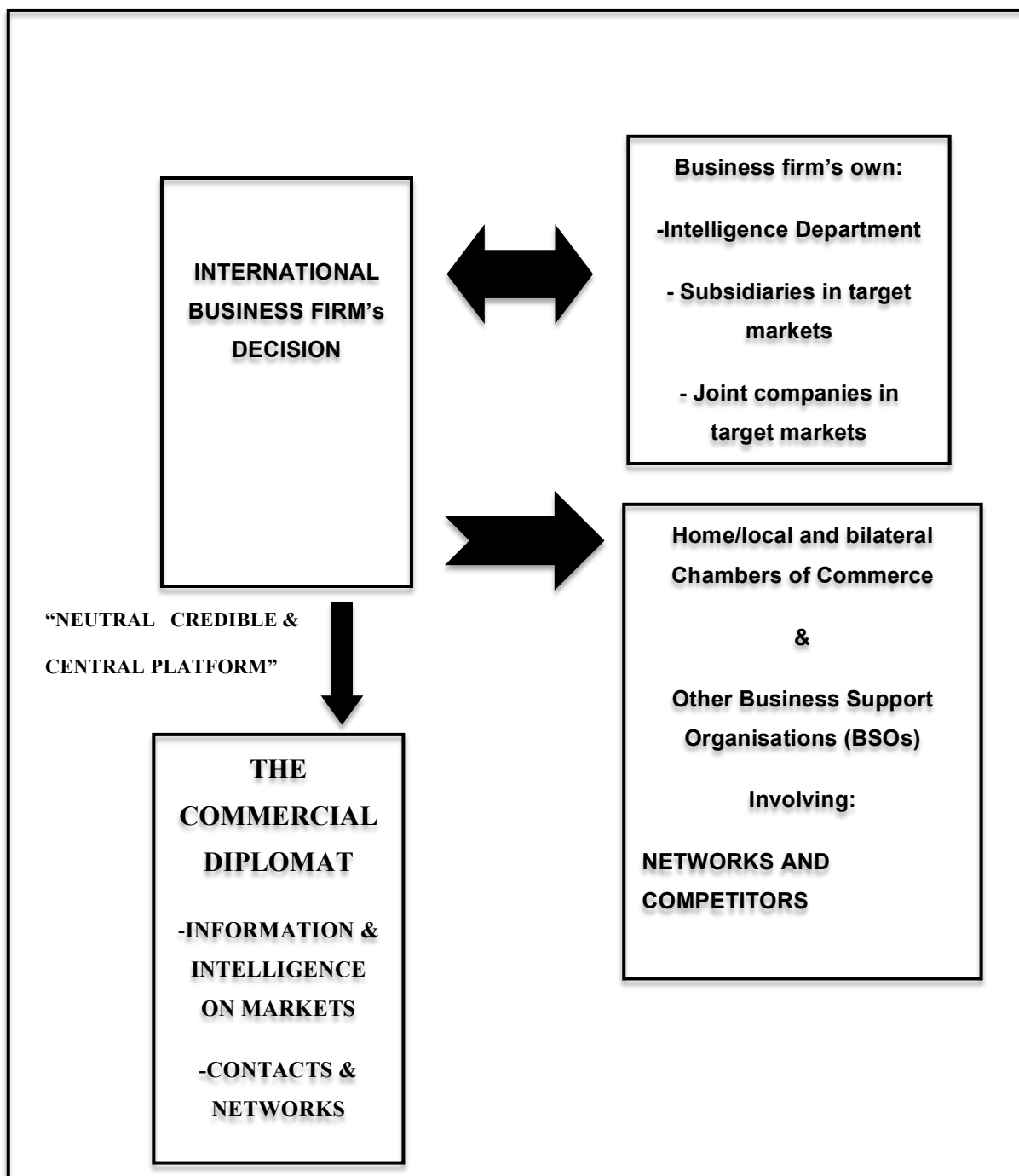
| Advantages from a business perspective | Leading quotes by export managers |
|--|--|
| Central platform for bilateral business | <p>"Well, I think that SMEs would not settle down in a country that is unfamiliar, etc. ...The SME would do if it already has an address of someone who knows the country".</p> <p>Company in the food sector, chocolate-country of origin: Belgium-Service for Free. "It is certain that the experience of these people on the ground (CDs) is non-negligible and it saves a lot of time. ...At first I did not think the proposed service could be so important. ...At first I started business negotiations without help, but soon my staff advised to contact CDs for help. Since I can't do without".</p> |
| Neutrality and Credibility | <p>"For us, it's good to have contact with commercial diplomats in Switzerland because they know the issues".</p> <p>Company in the Retail Trade and Food Country of origin: Switzerland, "We made positive experiences with their know-how, consultations, collaboration, best ... In any case, we are very satisfied, everything is great".</p> |
| Supporting first steps in foreign markets | <p>"The (collaboration) was very helpful". We can recommend it for everyone who enters a new foreign market".</p> <p>"I would recommend without a doubt. As a source of information about a country is the first thing we have. It's pretty basic, but enough to make the first steps ...".</p> <p>"So I have told some people that we addressed some countries and with this service, we have advanced more quickly than if we had done it alone".</p> |

Source: Empirical in-depth interview research with concerned business firms

Figure 5.2 sums up the determining elements that business firm consider before addressing a target market abroad. As explained: the CD is one counterpart feeding the decision making process in international operations of the firm along with chambers of commerce, other BSOs,

the firm's own subsidiaries and other networks.. The business firm in question can use both to expand abroad as the figure shows: its own intelligence department and/or commercial diplomacy services along with other complementary business support organisations.

Figure 5.2: The Advantages of Using CDs: A Business perspective



Legend: The double arrow shows that firms gather information and contacts within their own system, whereas the simple arrows mean that the firm addresses external organisations such as various BSOs and the commercial diplomat.

5.6.2. Shortcomings

Diplomats are criticised on several occasions, especially due to their lack of practice and for having a point of view considered “too general”. Some firms use only little or not use CDs at all and work instead with their personal networks. Others use “the service” provided mainly when exploring new markets or in view of exporting. Table 5.4 presents the observed shortcomings relating to the quality of the information received from CDs and alternative action.

Table 5.4: Shortcomings related to the quality of information – Quotes by export managers

| Leading concern related to quality of information | Leading interview quote by export managers |
|---|---|
| Not very quick | 1: "I would say that CDs are very friendly, ready to help you, who have many contacts, but they lack pragmatism in relation to SMEs ... They are not really concrete, while we as SMEs we need something very concrete, very quickly". |
| Double checking is needed | 2: Company in surgical appliances, country of origin: Switzerland: "Commercial attachés are not specialised, we asked for lists of companies and we had to check them, then we realized that some do not even working in our sector. Double-checking everything gave us even more work". |
| Does not meet the criteria requested | 3: Company in the automotive sector, country of origin: Spain Service: Free "In terms of the information is useful, but still many of the contacts they given us do not meet the criteria requested". |
| Lack of updating | 4: "In some cases, lack of updating ... It is normal, I would recommend them. Everyone recommends them". |
| Lack of commitment for business success | 5: "It helped me ... Subsequently, nobody helped us ...". Yes I would recommend, because there is still support. "The attachés have not bothered to see whether we had business opportunities thereafter". |
| Business firm has own department/network for international intelligence | 6: Businessman working for a company (Consortium) in Moldova "Generally speaking, our company prefers to have a department that deals with international issues that to use services of commercial diplomats. Our employees are more competent and professional in business techniques. Even with double taxation information we can find it easily at the finance ministry and is no need to contact commercial diplomats". 7: Business firm in the metal industry: "If our firm establishes in a new country, we do not use the diplomatic service, but rather by knowledge networks (other known companies based in the same country) to learn more about the political-economic conditions". 8: Swiss watch-making company: "We did a lot of things internally. Precisely, we have the chance to build on our 28 subsidiaries within people who are employed by us. In other countries, there are people who have knowledge, significant expertise in their country, their market and also give us the valuable business information: our agents and our subsidiaries are a major source of information and that we see regularly". |
| IB firm uses private consultant to follow up the changes in the business conditions or does not do it | 9: Company, country of origin: Belgium "For me there is no follow up. If they do this work and then on the other hand nobody does anything to see later, it is no use they do this work like before...". |

In addition, interviewed firms told us about the following problem: As a company, they do not know what commercial diplomats can bring, what the company can expect from them and how to contact “them”. This is not a lack of willingness to cooperate, but rather a misunderstanding of the services offered by commercial diplomacy and TPOs. Box 5.5 presents the shortcomings related to communication about the service.

Box 5.5: Shortcomings related to communication (publicity and advertising)

Quotes by concerned managers

10: Swiss surgical equipment company "We don't know much about them (CDs) and we do not know if we can call them for certain activities. ... It was actually not me who called on him it was he who came to me, I had never worked with them before".

11: "At the beginning when we started we wanted to know what they CDs have done before with other companies and ask for recommendations. And then we asked them if they are satisfied with the CDs. We move faster than if we had done it alone".

12: Swiss surgical equipment company: "I have not worked with the commercial attachés out of ignorance I suppose. I work with the Chamber of Commerce".

13: "I rather think that commercial attachés should be marketing themselves (instead of being recommended)".

Table 5.5 sums up the observed shortcomings from a business standpoint and presents alternative action. A certain ambiguity is noted that the general trust, credibility and neutrality may even push international business managers to recommend CDs and praise them even if their own experience was not good; in particular in case of service free of charge.

Table 5.5: Shortcomings and Alternatives from the Business Firm standpoint

| Aspects experienced as shortcomings from a business perspective | |
|--|---|
| A. Shortcomings related to the quality of information: | Alternatives for the firm: |
| <ul style="list-style-type: none"> – Lack of pragmatism – Not concrete – Not very quick (See quote 1 in table 5.4) – Not specialized – Double-checking is needed (See quote 2 in table 5.4) – Does not meet the criteria requested (See Quote 3, table 5.4) – Lack of updating (See Quote 4, table 5.4) – Lack of commitment for business success (See Quote 5, table 5.4) | <ul style="list-style-type: none"> – Business firm has own department/network for international intelligence (See Quote 6, 7 and 8, table 5.4) – IB firm uses private consultant to follow up the changes in the business conditions or does not do it (See Quote 9, table 5.4) |
| B. Shortcomings related to communication (publicity and advertising) on the support offered by CD | Alternatives for the business firm: |
| <ul style="list-style-type: none"> – - lack of knowledge on the support offered by CD as a possibility at all (See Quote 10) – - lack of knowledge on the types of support (See Quote 11) | <ul style="list-style-type: none"> – IB firm learns about commercial diplomacy (See Quote 12) – IB firm calls for more effective information on this activity from official bodies (See Quote 13) |

Source: own empirical research

5.7. PRICE OF THE TRANSACTION BETWEEN THE COMMERCIAL DIPLOMAT AND THE BENEFICIARY

The transaction between IB and the CD varies in nature. There may be simple interactions where only a discussion, a referral or basic economic information about the host country is at stake: no fees are asked generally in those cases. More specific and knowledge based services however have a price. Sometimes the requested research or market study is even subcontracted by the CD to TPOs or other relatively low price consultants. Borer-Fielding (2003) argues that services should be for free since companies already pay corporate tax and people pay taxes on an individual level too ; otherwise some potential businesses not being able to afford the fees would be de facto discriminated.

The main arguments put forward to a large extent by IB in favour of fees are that by paying one can expect and ask for higher quality and precision. The services free of charge carry the advantage of being accessible to all and constitute a good basis to start with when dealing with a foreign market.

Even that the necessity of both types of services are not questioned due to their different nature, the embassy / trade representation charges for consultancy services that requires specific knowledge required, such as market research for a particular product. At the same time the facilitation of contacts and recommendations take place for free. Our research led with concerned export managers from various European countries and commercial diplomats on an international level show that the fee issue is by far not unanimously interpreted among stakeholders.

As mentioned under various filtering criteria in the quantitative evidence, the willingness to pay is relatively rarely applied as a filtering criteria by CDs: about 26% of cases out of the 146 surveyed CDs. The data reflects the extent to which CDs filter business firms per suggested criteria.

5.7.1. Services free of charge

Our research interviews show that there are those who think that fees should not be charged because "it would be beneficial for SMEs with small budgets". At the same time, we find those who tell us that government service should not be paying because "it is already financed by taxes". And finally there are the interviewees who are of the opinion that the services not only benefit the company but the entire country in general. Therefore, the costs should not be borne solely by companies. When the service is for free, companies are quite satisfied; or rather they regard the service as "better than nothing". They consider it a good tool to make first steps into foreign markets. Companies often said, "We are happy with what they give us". Still, in most cases service for fees and for free co-exist. Box 5.6 contains cases where services are provided free of charge.

Box 5.6: Services free of charge

A CD representing Brazil points out: "It is up to us to promote efficient trade relations between countries, respecting their different interests. As for prices, there isn't a list, we do not sell services; we represent government action whose responsibility is to promote Brazilian interests".

A CD representing Moldova illustrates: "All the services are free because we are civil servants. Sometimes investors ask us what Moldovan wine is better "Milestii Mici" or "Cricova" or "Purcari" and we answer that our opinion is subjective because we are not connoisseurs of wines".

5.7.2. Services with fee

The rationale behind asking for and paying fees lies in the question of expectations in value and quality of the service received by IB users. For particular services – such as market research and in-depth consultancy and advisory – many interviewed export managers/CEOs declare that they are ready to pay, while CDs through their governments do not hesitate to charge. Box 5.7 contains explanations by companies on services with fee.

Box 5.7: Services with fee

Half of our sample of companies in our in-depth research interviews (qualitative) believes that to pay is not a bad idea because they can then expect a service, which is "more reliable", "more efficient" and "better monitored". Companies can then "require more of them". Even in countries where for the moment the service is free, we are told that "it does not matter paying more if we could expect more of the service provided by commercial attachés".

Average fees vary according to countries' trade promotion policies and lie between 100 and 150 euro per hour and move up to 450 euro per half a day. Also, many services are sub-contacted if an embassy does not have the resources to provide them and then the market determines the fee level. Most interviewed businesses seemed to be satisfied with services for fees and would continue paying and even recommend the service.

We were confronted with very opposite opinions about fees of commercial attachés, but eventually the vast majority of companies believe that by paying you will obtain better performance. In some countries, the image of a free service stands for work of poor quality and unreliable. In fact, billing the service encourages many businesses to become more demanding.

Table 5.6 sums up the favourable and unfavourable aspects of a service for and without fees.

Table 5.6: Summary of favourable and unfavourable aspects of service fees

| | Favourable aspects | Unfavourable aspects |
|-------------------------------|--|--|
| Service for fees | <ul style="list-style-type: none"> - More reliable service - Better follow up - Can expect more <p>1)</p> | <ul style="list-style-type: none"> - Price might be prohibitive for some SMEs - Commercial diplomacy is already financed by taxes – public money <p>2)</p> |
| Service free of charge | <ul style="list-style-type: none"> - Good basic service - Any firm can access - Part of country image <p>3)</p> | <ul style="list-style-type: none"> - May be low quality - Cannot expect high quality <p>4)</p> |

Source: In-depth interviews with 25 export managers and commercial diplomats

Box 5.8 contains some interview quotes illustrating the arguments for and against fees including both perspectives business and CD.

Box 5.8: Quotes illustrating arguments for and against fees relating to table 4.5

1) Company in the food sector, country: Spain Service: Free

"If they want to pay, they do ... Yes, but then they must produce results ... By paying, I think they will be more reliable, more efficient".

2) CD representing Canada *"Funding and service fees. The UK for instance has an absolute cost-recovering system, where every single step has to be justified. It is a big mistake. Moreover, they charge companies. As a diplomat one should not charge for services, except if I need to hire someone – which I do very rarely- for a task e.g. market research".*

3) Company, country of origin: Belgium Service: Free

"If I had to pay there would be a better track. But if it is for free it allows companies who can't afford this type of service otherwise".

4) Company in the food sector, country of origin: Switzerland-Service with fee.

"I also understand that one must pay for the service because what is for free is worth nothing at all. There are many risks, for example, that the services available are not useful".

5.8. BUSINESS FIRMS' FREQUENT ISSUES

5.8.1. Content of business enquiries

Our survey allowed us to present quantitative data on what type of enquiries commercial diplomats receive from business firms. Of course prudence is needed when interpreting the data, since the questions did not contain a high level of detail about firms' issues. Table 5.7 presents the answers by CDs to the question asked on the content and frequency of enquiries on a scale from 1 to 7 (whole numbers).

Table 5.7: The content and frequency of business enquiries (issues)

| Firm's issue | N | Mean | Standard deviation |
|------------------------|----------|-------------|---------------------------|
| Exports | 145 | 5.81 | 1.6 |
| Regulatory | 139 | 3.6 | 1.76 |
| Tax | 145 | 3.37 | 1.71 |
| Subsidiary | 145 | 3.36 | 1.51 |
| Human resources | 144 | 3.17 | 1.53 |
| Production | 143 | 3.14 | 1.52 |
| Outward investment | 145 | 3.01 | 1.49 |
| Authorities | 1 | 3.0 | . |
| Debt | 1 | 3.0 | . |
| Joint venture | 141 | 2.63 | 1.34 |
| Research & development | 143 | 2.52 | 1.31 |
| Other | 10 | 4.5 | 2.59 |

Notes: On the scale 1 means: weak interest or low frequency; 7 means: vivid interest or high frequency

Source: Quantitative research based on survey questionnaire

Exports issues and regulatory issues dominate the list. “Other issues” has a high mean but N=10 so it is a very small sample compared to the others. Further research might find out about the “other” element, which seems important on the scale and could not be captured precisely.

Thus, “export issues” are by far the most frequent enquiries that CDs receive and tackle. The following trends can be summarized.

- “Exports” dominate by far for CDs from all home countries have median above 5.
- The other business enquiries such as subsidiary issues, joint venture, production, R&D, and even regulatory issues (surprising!) do not reach very convincing results on the scale.

- Host location where CDs are located does not seem to influence the content of business enquiries.

It is to be examined in further research whether the outward investment issue is more frequent in emerging/developing host countries such as Poland, Hungary, Belgium, Vietnam; while the research and development issues is stronger in developed host countries such as France, Canada, Hungary and Sweden.

5.8.2. Filtering and priorities

The data reflects the extent to which CDs filter business firms per suggested criteria. *Filtering by nationality* is clearly the dominant criterion. Not even the half of “yes” answers is reached by “filtering by commitment to home country’s economy” as second in the list. This shows that commercial diplomats work in a relatively “mercantile” mind set. Criteria such as technology orientation, commitment to home country’s economy, firm’s size, and degree of internationalisation, economic sector, and willingness to pay are not applied by a majority of CDs. Table 5.8 presents the criteria according to which and to what extent CDs prioritise incoming enquiries from business firms.

Table 5.8: Prioritisation of business firms' enquiries per criteria

| Priorities when using filtering by | N | Percentage of CDs having answered yes |
|---|----------|--|
| Nationality | 146 | 73% |
| Commitment to home country's economy | 146 | 39% |
| Degree of internationalisation | 146 | 29% |
| Firm's willingness to pay | 146 | 27% |
| Firm size | 145 | 26% |
| Technology orientation | 146 | 19% |
| Economic sector | 146 | 8% |
| Time factor | 145 | 8% |
| Other criteria | 146 | 8% |
| Membership | 145 | 0 |
| N valid (list wise) | 144 | |

Source: Questionnaire survey on commercial diplomats (quantitative analysis)

There are only some exceptions worthwhile studying further: a slight majority of Denmark's CDs (home country) do filter degree of internationalisation and willingness to pay (as opposed to the mainstream, see box 5.9.). Further, Switzerland and Taiwan's CDs show only about half/half in terms filtering per "commitment to home country's economy". Box 5.9 presents general and particular comments on what was found regarding application of filtering.

Box 5.9: General and particular comments on findings on application of filtering

- Filtering by nationality seems to be an important criteria compared to all others.
- Many other criteria such as technology orientation, commitment to home country's economy, firm's size and degree of internationalisation, economic sector, and willingness to pay are not applied by a majority of CDs, quite clearly.
- The location of host country / markets do not influence much the prioritisation of enquiries per criteria—meaning no striking difference with the analysis according to the home country.
- The service seems to be "universal" in that a majority of CDs do not filter by "firms' willingness to pay" except in China where a majority of CDs does, and half/ half in India, Japan, Sweden, USA: the "large market" (host country) effect might be further tested perhaps.
- No majority filters by economic sector.

It is worthwhile noting that some of this is in contradiction with in-depth interviewees that were insisting on the importance of government instruction and sector policies, priorities: it does not seem to be implemented by the large majority of CDs of all surveyed home countries. We did not find a considerable number of CDs that filter by economic sector (nor any important variance according to host country), which might contradict what we heard in our in-depth research interviews many times that the government's trade promotion priorities and instructions had a great influence on the filtering.

5.9. DISCUSSION AND CONCLUSION

5.9.1. Discussion: target beneficiary

First, the following is to be suggested regarding filtering: the target group should be clearly defined that commercial diplomacy intends to serve. The following questions are to be examined in that context: Does this include non-home country based firms and to what extent is our commercial diplomacy to support them? We found a “mercantile” tendency in that the “nationality of the firm” was the filtering criterion most applied. Overall, the survey showed that criteria such as technology orientation, commitment to home country’s economy, firm’s size, degree of internationalisation, economic sector, willingness to pay are not applied by a majority surveyed CDs. As already noted, we found a certain level of contradiction with our in-depth CD interviewees (as opposed to the survey): they were insisting on the importance of filtering by sector and other priorities, however most of the surveyed CDs do not seem to implement the alleged filtering. There are only some exceptions to be worthwhile studying further: a slight majority of Denmark’s CDs do filter by degree of internationalisation and by willingness to pay. This seems in line with hands-on attitude and high CD initiative of Danish CDs. The second point is whether filtering at HQ level (in the home country capital) is enough (assumed it is done properly) or should the CD further filter.

5.9.2. Discussion: Service content and price/quality

Our research found that export promotion and export development remain the main concern of businesses when addressing the CD. Other issues such as regulation, tax, production, HR, etc. received an average score clearly below “export issues”, thereby clearly indicating the dominant issue in business enquiries. Though the question was not further detailed, these clear responses provide an indication where to specialise or at least expect demands.

The question of charging fees is a fundamental issue in relation to the concept of “public service”, diplomacy and their fundamental role in business support. A “purist” approach would strictly refer to the Vienna convention and not mix diplomacy with services that cost directly to the beneficiary and generally stay away from the business transaction. This option, in reality however, is only a formality: other government sponsored BSOs (chambers of commerce for instance) offer the needed service without the “diplomatic sponsor” for fees that concerned

businesses can afford meaning that they are below regular consultancy market prices. If fees are charged in most cases it is for various reasons: first, the trade representation office abroad is often also managed as a decentralised organisational unit that works to remain efficient and financially sustainable in order to stay in business. Second, extra costs are involved when firms ask for detailed advice involving for instance market research or a feasibility study, therefore CDs charge a fee. Consequently, the managerial decision on service is not about whether or not to charge but rather concerns a clear delineation and limitation of the service to be provided by the CD and on the division of labour among BSOs.

Shortcomings on service quality mentioned by concerned businesses such as “lack of pragmatism”, “inaccurate information” or not enough up to date information or even a too general (probably too macro-economic) perspective should trigger further discussion. In light of our aggregate findings, the following suggestions can be made: general improvements in terms of accuracy of information, commitment to help businesses, updated information and timeliness of responses are to be undertaken in any case and should be integrated, if not yet, into a basic quality control system. Regarding the content, not all shortcomings can be nor should be addressed. It was indicated more than once that the CD cannot become a specialist in various sub-sectors – but indeed trained to follow up on evolutions and trends – and should be used to refer to a database or even to a specialist that would be able to tackle the issue. The CD is not meant to substitute of any specialised consultancy to serve business firms that do not seem to obtain or afford advice and answers elsewhere for whatever reason. The idea of “central platform for bilateral business” is indeed about referring to specialists when and if needed. This is where good communication and publicity on scope and limits of commercial diplomacy comes in.

The question of advertising or at least making the CD well known to target beneficiaries emerged as well as part of the interaction between government and business. Once government invests considerable amount of funds in opening and maintaining trade representation offices abroad, it would make sense to inform potential key targets, once defined who these are, as suggested above. This does not prevent any business firm to use the service as an ordinary taxpayer also. Information campaigning may take place through the home country’s business support organisations where exporters and other internationalised firms gather.

5.9.3. Conclusion

We have seen that the nature of the CD's service to beneficiaries is highly people based. It also contains both a consistent amount of government instruction and CD's own personal judgement and initiative in promoting various sectors/sub-sectors and spotting business opportunities. The "intermediary" function of the CD between the beneficiary business and its potential future business partner is important. The interaction may start on either side: the business firm may approach the CD or vice-versa. To a large extent export issues remain the most important enquiries from business to CD vs. other issues such as FDI, joint venture, debt issues, among others. From a business perspective the main advantages to use the CD's service are threefold. First, the CD appears to business firms as the central platform, the starting point to promote bilateral business. Second, commercial diplomats enjoy trust as an institution: they are considered credible and neutral. Last but not least, CDs are found useful in helping out firms in their first steps in foreign markets (not necessarily first exporters but for the firms to which the host country market only is new). The transaction between CD and beneficiary business firm has a material price: some services such as market research are for fee and are often subcontracted. Others being part of a "basic service" relating to general information and "how to do business in (whatever country)" briefs in the host country remain "free of charge", meaning they are funded by national tax revenue. Business beneficiaries seem to appreciate both, yet, they expect higher quality as in the private sector once they pay for the service and seem more demanding.

Our research demonstrated that too often almost "everything" is expected from the commercial diplomat (by both government and business) at the same time without specifying the intensity. In concrete terms this means continuously maintaining an overview of business needs, become quickly familiar with a given complex sector (such as IT or bio-tech), provide the right networks and connections, and also know well enough local regulations, institutions, evolution of the economy and report about them, look for potentially new business areas, attract investments and promote positive corporate and country image, etc. One could fairly raise the question whether all these functions have to be included in one person's portfolio that often has limited resources. An important question is to what extent commercial diplomats should focus on a reduced number of roles, activity areas and sectors and to what extent remain broad in areas covered.

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Chapter 6: Quantitative Evidence on Commercial Diplomats' Time Allocation on Roles and Activity Areas

ABSTRACT

This chapter provides quantitative evidence on commercial diplomats' time allocation on their roles (facilitation, advisory and representation), activity areas (trade promotion, investment promotion etc.) and individual features. The study contributes to filling the gap in current literature focusing on the managerial dimension of commercial diplomacy. The results show that commercial diplomats spend more than half of their time on the activity area of trade promotion, which is thus considered core business. Overall, statistical tests show that CDs would want some change in their time allocation on activity areas in particular on the advisory and representation roles. On average, CDs wish to slightly diminish their time spent on the trade promotion activity area and slightly increase their time on FDI. Regarding managerial roles, CDs are satisfied with their actual time allocation on the facilitation role along with the intelligence gathering and analysis component (which is part of the advisory role) and spend almost half of their time on the advisory role, which they wish to diminish overall on average. In addition, a higher hands-on attitude is correlated with more time spent on the facilitation role and the trade promotion activity i.e. the CD's core business. By the same token, a higher hands-on attitude also tends to lead to a decrease in the time spent on the representation role and in actual and/or ideal time spent on science and technology, IP protection and tourism activity areas. It is concluded that CDs may have to tackle too many different technical activity areas such as S&T, IP and tourism. Therefore, CDs run the risk of losing focus of their core business. Implications relate to senior management in charge of designing, planning and managing commercial diplomacy. It is recommended to reconfirm trade promotion as the core business instead of overwhelming CDs with other technical areas such as R&D and S&T. The question also arises to what extent the heavy advisory role is still recommendable while private business firms provide services that could partially replace this function.

Keywords: commercial diplomats' managerial roles; commercial diplomats' activities; time allocation; commercial diplomacy; trade promotion; export promotion; business promotion.

6.1. INTRODUCTION

Commercial diplomacy is gaining importance in both emerging economies and in Western countries as well as part of the global economic power shift to ‘the East’ whereby the latter increasing employ economic internationalisation efforts to regain economic growth. This power shift to the “East” is well confirmed: looking at single countries only, China is the top world exporter in 2012. In terms of regions, the Asia Pacific region also tops the same list followed by Europe and North America (www.wto.org). It goes without saying that commercial diplomacy is indeed effective and important for Asian top world trade leading countries too and form part of their global trade strategy. Yet, established Western countries also seem ready, more than ever, to put efforts in commercial diplomacy to further compete with Asia.

Research on the effectiveness of export promotion programmes and government initiated international business support and commercial diplomacy in particular has gained interest recently. Commercial diplomats are expected to assist home country business in their efforts to do business in a host country. Commercial diplomats aim at encouraging bilateral business through a series of roles performed by commercial diplomats in various activity areas, such as trade promotion, investment promotion, and cooperation in science and technology (Naray 2011).

Despite the recent increase of research interest in the topic, literature is still relatively scarce on the individual features of commercial diplomats from a managerial angle. The gap in the research on roles and activities has been quantitative and empirical. While roles and activities have been defined and conceptualised, they have rarely been measured and compared. This chapter of the thesis fills the current gap in the literature in three ways: 1) it sheds light on the commercial diplomat’s time allocation; and investigates the potential difference between the actual and the ideal time allocations relating to roles and activities; 2) it examines the relationship between attitude and time allocation; 3) managerial implications are addressed since they might be useful for the strategic decision making procedures concerning commercial diplomacy.

This chapter draws on concepts and findings published in previous articles (Kostecki and Naray 2007; Naray, 2011; Naray 2012 a; Naray 2012 b) providing quantitative evidence regarding time allocation on the roles and activity areas covered by CDs as well as individual features. The current chapter addresses time allocation of commercial diplomats on managerial roles and typical activity areas, as well as how this is influenced by their own perception of the job. It contributes to research as a consequence of its quantitative approach towards the managerial dimension (time allocation on various activities) of commercial diplomats; and to the elaboration of concepts addressing the commercial diplomat's individual drive rather than focusing on institutional settings and policies.

In order to present the implications above, the chapter is structured as follows. First, it tracks down the existing literature review highlighting the relative scarcity of current research on managerial roles and activities of commercial diplomats. Second, it provides an overview of the methods used. Next, quantitative findings on time allocation of roles and activity areas as well as on attitudes and their impact on time allocation are presented. The chapter concludes by summarising managerial implications of the quantitative results. Further research is suggested on topics such as effectiveness and efficiency on national level as well further in-depth study on commercial diplomacy's business-like orientation.

6.2. LITERATURE REVIEW AND CONCEPTS

6.2.1. Literature review

We note that there has been considerable increase in the literature on the commercial diplomat's services for international business, rationale and service quality. Nevertheless, writings have been so far scarce on managerial roles and activities, and particularly on the time allocation thereof. Despite the recent increase of research interest in commercial diplomats (e.g. Naray, 2011; Naray 2012 a, 2012b; Ruël and Visser, 2012; Ruël and Zuidema, 2012), research on the CD's individual features and individual drive (as opposed to government instruction and institutional settings) have only been marginally addressed.

Lee and Ruël (2012 p. xvi) note the further need for management studies to examine the individual level i.e. the commercial diplomat's behaviour and interaction with business

counterparts. They further point to the general topics of existing research: “The business conversation in the field of commercial diplomacy up to date has focused mostly on the role of trade shows and trade missions in export increase and FDI. Further, there is a substantial body of work on corporate political activity and the business– government interface”.

Possible reasons for the relatively scarce scientific literature to date might include the confidential nature of the job, the competition between nations, diplomatic services and governments, and the very fact that commercial diplomacy as a profession is not yet sufficiently organised or professionalised to considerably invest in research. This, however, might change sooner than expected. It would be fair to say that it is emerging as a promising research field in management/ international business studies.

Authors generally agree on activity areas tackled by commercial diplomats (Reuvers and Ruël, 2012; Rana 2000, 2001; Kostecki and Naray 2007; Kopp, 2004; Lee 2004; Lee and Hudson 2004; Mercier, 2007; Carron de la Carrière 1998). There are five activity areas that were considered and identified in previous research (Kostecki and Naray, 2007; Naray, 2011). These classical activity areas are the following: (i) Trade promotion often with the main focus on export promotion (including goods and services, but tourism is tackled separately); (ii) Promotion of investments – particularly foreign direct investments – has become part of CDs’ mandates in most countries; (iii) as well as the protection of intellectual property rights (IPR) in particular in the case of most developed nations; (iv) Promotion of made-in and corporate image have also been identified as activity areas; and finally (v) CDs also act in the field of cooperation in science and technology/research and development, which often happens in a “pre-business” or preparation phase with multiple stakeholders from government, parliament, private enterprises, research institutions and NGOs. Among all these identified areas, authors generally address the export and FDI promotion activity of commercial diplomats (ITC, 2004; Rana, 2000, 2001; Potter, 2004; de la Carrière, 1998; Harris and Li, 2005; Rose, 2007; Buschers and Ruël, 2012; Lee, 2004).

Recently, some research has examined commercial diplomats’ activities under a managerial role perspective. Naray (2011) captures the nature of the CD’s activities as managerial roles by finding three sets of roles in his ‘FAR’ conceptualisation: CDs essentially undertake facilitation (F), advisory (A) and representation (R) roles in interaction with stakeholders such as business firms, governments, business support organisations, and non-governmental organisations. These roles cut across the usual activity areas such as the promotion of trade, investments, the made-in

and corporate images, cooperation in S&T and protection of intellectual property. The facilitation role includes referral, coordination and logistics; the advisory role comprises intelligence gathering and internal communication; and representation role includes advocacy and external communication.

Individual attributes of commercial diplomats remain pertinent because they may explain how, to what extent and in what proportions the mentioned roles and activities are performed. In that context, the necessity of business experience for the commercial diplomat and proactivity are studied as significant factors coupled with questions arising in relation to career management. Busschers and Ruël (2012) state that business knowledge and business experience are indeed important for the commercial diplomat, such as the ability to understand the needs of the firm and give particular attention to the single business firm as well as the possession and management of business networks. Visser and Ruël (2012) fine-tune the three CD styles developed by Kostecki and Naray (2007) that identified them as “business promoter”, “civil servant” and “generalist”. Visser and Ruël (2012) assume that commercial diplomats’ behaviour is influenced by “informal institutions”. Their results show three different types of role behaviour and differences in proactivity per type. Informal institutions such as background, skills, experience, cultural differences, and the working environment explain the differences in levels of proactive international business support behaviour of commercial diplomats. Visser and Ruël (2012) insist on proactivity as the main determinant of the commercial diplomat’s role since it can be narrowly defined.

Examination of these individual features further involves the discussion on career management, talent attraction and cross-fertilisation (career mobility) between public and private sector. It is a challenge for governments to recruit potentially professional commercial diplomats who are in an ascending career phase – supposing a system that is not limited to classical career diplomats (Kostecki and Naray, 2007). This is also acknowledged by Zuidema and Ruël (2012) and other authors who claim that human resources among others (within a foreign post) are crucial for the effective provision of services (Kostecki and Naray, 2007; Wilkinson and Brouthers, 2006).

6.2.2. Concepts

When analysing the nature of CDs’ activities, their *role concept* becomes essential. Katz and Kahn define a role as “the set of behaviours and activities to be performed by the person occupying that position” (Katz and Kahn, 1978). The studies of managerial roles (Mintzberg,

1973; Mintzberg, 2009) form the theoretical basis of our concepts. Naray (2011) started conceptualising commercial diplomats' managerial roles drawing on Mintzberg's approach of identifying and categorising managers' roles (Mintzberg, 1973; Mintzberg, 2009). According to Naray (2012b), the roles performed (the process) are identified as facilitation, advisory and representation – 'FAR' – creating value for stakeholders (outputs) such as relationship capital and networks, knowledge and influence. In relation to the output of commercial diplomacy, Naray (2012b) highlights that each role typically leads to a type of value created: The facilitation (F) role (referral, coordination and logistics) leads to increased relationship capital and networks, i.e., networks of business people and enterprises as well as government decision-makers. The advisory (A) role (gathering/disseminating and analysing intelligence and internal communication) contributes to increased knowledge, i.e., data that might be critical for decision-making on a business or government level (depending on the target). The representation (R) role (external communication and advocacy) leads to increased influence on CDs' relevant counterparts, i.e. the perception of the home country's products and image, as well as to political influence.

Attitudes are predictors of behaviour (Ajzen and Fishbein 1980; Ajzen 1985). The attitudes people have on their job will influence their choices, which lead to actions and outcomes (Fishbein and Ajzen, 1975). This is linked to Vroom's idea (1964) of "expectation" born of past experience. In this context, we refer to CDs' attitudes towards their job: their expectations in relation to their activity will shape their action. Mintzberg (2009) reminds us that effective managers "do not act like victims; they are agents of change, not targets of change, they go with the flow, but they also make the flow" (Mintzberg, 2009). Thus the commercial diplomat also takes some initiative instead of "just responding to what happens and taking steps to circumvent obstacles..." (Boyatzis, 1982 quoted in Mintzberg, 2009).

6.3. METHODS

This research made use of surveying and quantitative methods. The unit of analysis and key respondent are the “commercial diplomats”; the home and host countries are among the variables to test. The survey addressed how senior commercial diplomats organise their time, activity areas and roles, what their priorities are and how much own initiative (pro-activeness) they take in business promotion activities. The survey results add to the qualitative findings presented so far i.e. concept and theory building (see Naray 2011; 2012a; 2012b).

The survey questionnaire’s concepts were based on existing literature (for a review see Kostecki and Naray 2007; Naray, 2011). The survey questions were derived from previous 78 in-depth interviews conducted with concerned diplomats, trade promotion experts and concerned business firms’ managers. We then pre-tested 10 commercial diplomats and adapted the first version of the questionnaire. Those preliminary steps ensured that the questionnaire is adapted to our participants’ realities.

The survey included two questionnaires. *Questionnaire 1* tackled descriptive features of commercial diplomats’ roles and activity areas by asking about proportions of time spent on various objectives and activities (roles). *Questionnaire 2* addressed opinions and attitudes on activities’, initiative and priorities. Commercial diplomats posted all over the world from selected home countries answered the questionnaire. The request was that CDs from all foreign posts should answer. The questionnaires are to be found in Appendix – chapter 6. Some results and analysis based on this survey are also used in chapter 5 of this thesis. The answers were collected throughout year 2009. Further details about the methods are to be found in the mentioned appendix.

6.3.1. Sampling (quantitative study)

The theoretical total population estimated is approx. 1170 commercial diplomats, which is an estimation of 39 commercial diplomats’ locations times 30 developed countries for commercial diplomats originating from developed countries in the world. The number 30 developed countries was chosen because the OECD had 30 members when the research project was designed and it was already clear that the survey’s universe be limited to developed countries of

origin, yet not formally to OECD countries. The number 39 for locations is an approximation on average of active trade representations of small and middle sized home countries emerging from previous empirical research, see chapter 3. Six (6) home countries were selected: Switzerland, Denmark, Austria, Finland, Spain, Taiwan (Republic of China). These six countries generously responded to the survey. They represent to a large extent developed and relatively small economies (OECD, plus Taiwan being the only country that might be considered emerging if not developed) as a population. Therefore, the results are to be interpreted carefully: they are likely to be generalised above all for commercial diplomats representing small, developed countries as home country.

The survey questionnaires were sent to 234 commercial diplomats (39 host locations multiplied by 6 home countries). The locations/host countries were representative/or almost comprehensive of the home country's commercial diplomacy in terms of presence abroad. The number of the commercial diplomats who sent back filled-in questionnaires used for the present study is $n = 145$ (62 % response rate). 35 questionnaires were incomplete, which reduces n to 110 in some cases (the incomplete questionnaires could still be used for most of the analysis). Descriptive statistics and testing of relationships between variables were carried out (see details in the appendix, under the methods section) and were analysed to describe typical patterns per organisational, national, and individual variables.

6.4. FINDINGS

This section presents quantitative findings emerging from the returned questionnaire surveys. First, it provides the findings related to time allocation on roles and activity areas. Next, the results of the survey on the individual features of the diplomat are shown. Finally, the relationship between time allocation and attitude is examined.

6.4.1. Time allocation

Measures

To measure roles, we take the time spent on it by adding up the share of time spent on the respective components within the role enquired in the questionnaire. Table 6.1 presents the questions posed in relation to roles in the questionnaire and explains how the facilitation, advisory and representation role were measured.

Table 6.1: Conceptualisation of roles

| Roles | Constructs | Question asked in survey to measure |
|----------------------------|--|--|
| Facilitation role | Actual time spent on referral, logistics, coordination | How much time on average per week do you spend on the following activities overall (Intelligence, internal communication, external communication, referral, advocacy, coordination, and logistics)? Please fill in the table by giving both: the “actual time” spent on the following objectives and the time you would wish as “ideal time”. Please give a rough estimation as a share in percentage out of 100 per cent. |
| | Ideal time spent on referral, logistics, coordination | |
| Advisory role | Actual time spent on internal communication and intelligence | |
| | Ideal time spent on internal communication and intelligence | |
| Representation role | Actual time spent on external communication and advocacy | |
| | Ideal time spent on external communication and advocacy | |

Source: Survey questionnaire sent to and returned by commercial diplomats

In the case of the *facilitation role*, the components of referral, coordination and logistics are added up to provide a proportion in percentage of total time. The ideal time spent is the time CDs wished they had for the given role/ activity. The facilitation role’s ideal time is calculated by adding up the share of time spent on referral, coordination and logistics in terms of percentage of total time. The same principles were applied for advisory and representation roles, respectively. The CD’s actual time spent on the *advisory role* means adding up intelligence gathering and analysis as well as internal communication share in time, in terms of percentage of total time. CD’s ideal time spent in advisory roles is calculated by adding up the respective ideal time for the same three items. The CD’s actual time spent on the *representation role* means adding up advocacy and external communication share in time, in terms of percentage of total time. The same applies for ideal time.

The same approach applies to activity areas that were researched via the survey, in a more simple version: the construct is more simple, there is no addition of different activities, and each

question corresponds to one activity left as such in the analysis. Table 6.2 presents the conceptualisation of activity areas.

Table 6.2: Conceptualisation of activity areas

| Activity | Construct | Question asked in survey to measure |
|---|--|--|
| Promotion of trade in goods and services | Actual time spent on Promotion of trade in goods and services | How much time on average per week do you overall spend on activities contributing to fulfil the following objectives? Please fill in the table by giving both: the “actual time” spent on the following objectives and the time you would wish as “ideal time”. Please give a rough estimation as a share in percentage out of 100 per cent. The total should end up to 100%. |
| | Ideal time spent on Promotion of trade in goods and services | |
| Protection of intellectual property rights (concerning business firms directly) | Actual time spent on Protection of intellectual property rights (concerning business firms directly) | |
| | Ideal time spent on Protection of intellectual property rights (concerning business firms directly) | |
| Cooperation in Science and Technology | Actual time spent on Cooperation in Science and Technology | |
| | Ideal time spent on Cooperation in Science and Technology | |
| Promotion of Made-in and corporate image | Actual time spent on Promotion of Made-in and corporate image | |
| | Ideal time spent on Promotion of Made-in and corporate image | |
| Promotion of Foreign Direct Investments (FDIs) | Actual time spent on Promotion of Foreign Direct Investments (FDIs) | |
| | Ideal time spent on Promotion of Foreign Direct Investments (FDIs) | |
| Promotion of tourism | Actual time spent on Promotion of tourism | |
| | Ideal time spent on Promotion of tourism | |

Results and discussion on time allocations

Proceeding

The actual and ideal time distribution on roles was tested in order to compare them rigorously and draw conclusions on potential differences and non-differences between actual and ideal time allocations on the commercial diplomat's managerial roles and activities. First, we tested whether the distribution is normal, or whether other known distributions could be observed. Distributions were found to be non-normal, see boxes 6.1. and 6.2. In addition, given the sample's relatively modest size, we used non-parametric tests. Since normality was not found, the hypothesis was to find a symmetrical distribution (H_0) by observing the skewness of the distribution curves (between -1 and +1 was considered to be symmetric). Then, we used the Wilcoxon test to observe the difference between the median of actual and ideal times. Furthermore, the Hodges-Lehman estimate was used to estimate the median for symmetric distributions. For non-symmetric distributions the Hodges-Lehmann estimator estimates a "pseudo-median", which is closely related to the population median (Everitt, 2002). If the Wilcoxon tests rejects H_0 i.e. "the median of differences equals 0", it means that there is a gap between the medians of the two distributions. If the Wilcoxon test does not reject i.e. H_0 is retained, it means that the two variables (actual and ideal) have similar distributions.

Distribution of roles and activities

The Wilcoxon test on roles provided us with two results worthwhile reporting in terms of difference between actual and ideal time allocations. The actual and ideal time spent on intelligence gathering and analysis (component of the advisory role) as well as the facilitation (aggregation of referral, coordination, and logistics) have similar distribution and the same median. This means that the difference of medians between the two variables actual and ideal time spent is zero i.e. the two variables have a similar distribution. The interpretation we suggest is that CDs are satisfied with their actual time allocation regarding the facilitation role along with the intelligence gathering and analysis component (which is part of the advisory role). For more details on the Wilcoxon test performed see box 6.1.

Box 6.1: Results of distribution tests on roles

Facilitation role (referral, coordination, logistics): distribution non- normal; **symmetric**. Wilcoxon: **H0 is retained**. "The median of differences equals 0" i.e. The two variables have similar distribution. Hodges Lehman – estimate = 0.000; 95% confidence interval: lower = 0.000 upper = 2,500.

Advisory role (intelligence, internal communication): distribution non- normal; **symmetric**. Wilcoxon: H0 rejected. H-L test: (related samples, median difference, ideal time – actual time) estimate = 2.500 ; 95% confidence interval: lower = 2.500 upper = 5.000.

Representation role (advocacy, external communication): distribution non- normal; **symmetric**. Wilcoxon: H0 rejected. H-L test: (related samples, median difference, ideal time – actual time) estimate = -5.000 ; 95% confidence interval: lower = -5.000 upper = -2.500

Components within roles:

Intelligence: distribution non- normal; **symmetric**. Wilcoxon: **H0 is retained**: "The median of differences equals 0" The two variables have similar distribution. Hodges Lehman estimate, confidence interval = (- 1). 95% confidence interval: lower = -2.500 ; upper = 0.000

External communication: distribution non- normal; **symmetric**. Wilcoxon: H0 rejected. H-L Estimate= -2,500; 95% confidence interval: lower = -5.000 upper = -2.500.

Referral: not normal; **symmetric**. Wilcoxon: H0 rejected. H-L test: (related samples, median difference, ideal time – actual time) estimate = 0.000 ; 95% confidence interval: lower = 0.000 upper = 0.000

The Wilcoxon tests rejected H0 i.e. "the median of differences equals 0" in every activity area. box 6.2 details the valid results of the distribution tests on activity areas.

Box 6.2: Results of distribution tests on activity areas

S&T: distribution non- normal; **symmetric**. Related sample: Wilcoxon test: H0 rejected. H-L test: (related samples, median difference, ideal time – actual time): estimate = 0,000; 95% confidence interval: lower = -1,500 upper = 0,000.

Made-in: distribution non- normal; **symmetric**. Related sample: Wilcoxon test: H0 rejected. H-L test: (related samples, median difference, ideal time – actual time) H-L test, estimate= 0,000 ; 95% confidence interval: lower = -2,500 upper = 0, 000.

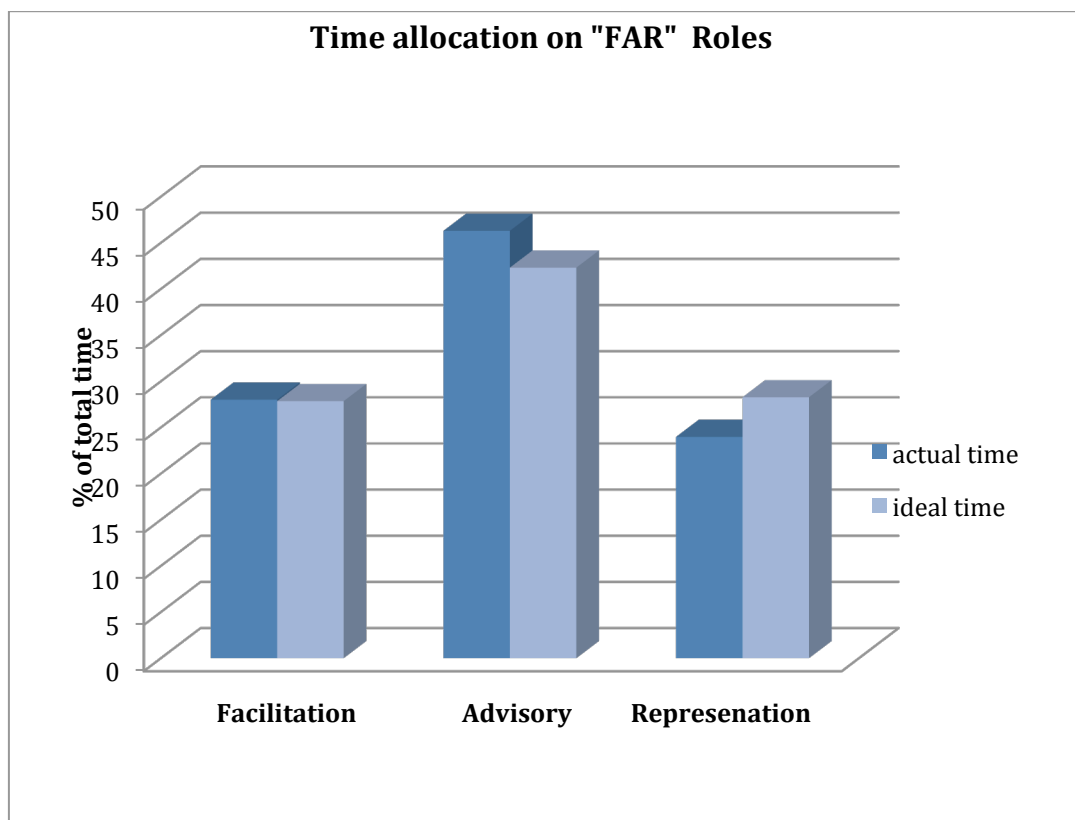
FDI: distribution non- normal; **symmetric**. Related sample Wilcoxon test: H0 rejected. H-L test: (related samples, median difference, ideal time – actual time) estimate= -2,000; 95% confidence interval: lower = -2,500 upper = 0, 000.

These results suggest that there is indeed a gap between the medians of the two distributions (actual versus ideal time spent) on activity areas. This in turn shows that, overall, CDs would prefer to modify their time allocation on activity areas, in particular regarding the advisory and representation roles.

Average time allocation on roles

The following data stem from returned surveys, where the time allocation percentages are averages (including all CDs having responded) per roles and activity areas accordingly. Figure 6.1 presents the actual/ideal time distribution percentages regarding all three managerial (facilitation, advisory, representation) roles. The percentages do not always add up to 100% because a very small share of role components did not correspond to the suggested items. Answers, however, did not point either to a coherent “other” category that would have been worthwhile to be reported.

Figure 6.1: Average time allocation on facilitation, advisory, representation roles



Source: Survey questionnaire sent to and returned by commercial diplomats

Regarding the facilitation role, our research showed that ideal and actual figures are very close: they constitute about one third of total time. Surveyed CDs seem to be satisfied with the actual time spent on this role while commercial diplomats surveyed clearly wish to increase the representation role from almost 24% (actual time) to above 28% (ideal time). Notably, this is the role that currently involves the least time of commercial diplomats.

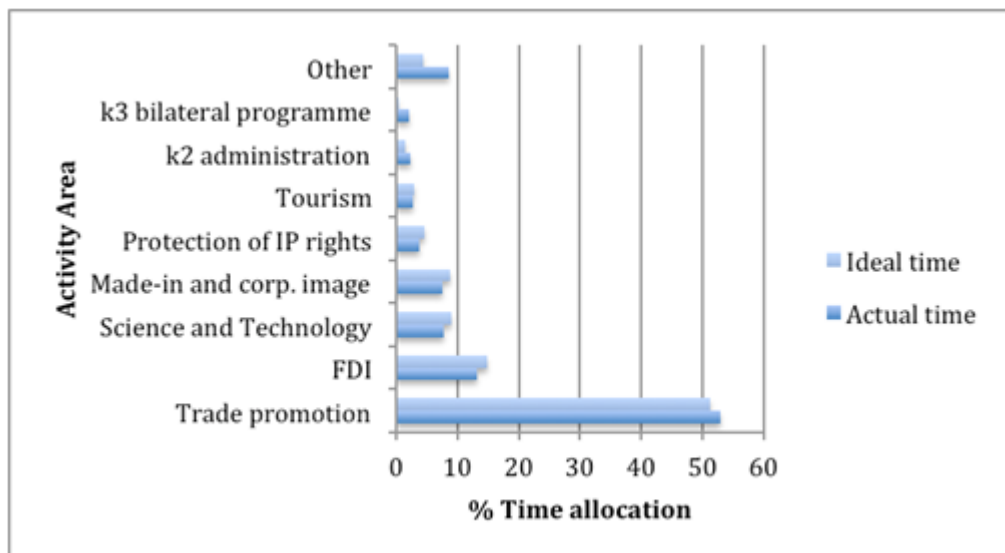
The figure for the advisory role is higher than the one for facilitation role and the representation role in both actual and ideal time spent. CDs on average wish to diminish the time spent on advisory role since they already seem to be spending nearly half of their total time on it. A reason might be that internal reporting is too intense and hinders pro-activity and out-going action. As pointed out in previous research (qualitative research, see Naray 2011 and Naray 2012a and Naray 2012b), some enterprises have their own department in charge of searching for competitive intelligence on an international level. Consequently, a certain level of professionalism in the advisory role is required if commercial diplomacy wants to compete with

private business. In addition, the advisory role requires some technical elaboration and technically competent staff.

Average time allocation on activity areas

Trade promotion is clearly first among activity areas with almost 53% of time spent on this particular activity. FDI promotion comes second (13%) but with a large difference. Science and Technology is at third place with 7.6% of time spent on this activity. Figure 6.2 shows both actual and ideal percentage time on average (summarised for the entire sample) spent on the suggested activity areas.

Figure 6.2: Percentage of time spent on activity areas (actual and ideal)



Source: Questionnaire survey results

Ideal time spent on trade promotion – about 51% – is a little lower than the actual time allocation, which reaches almost 53%. A similar difference is found within FDI but the other way around, where ideal time spent on FDI – almost 15% – is slightly higher than actual (13%). Interesting to note further, that less central activity areas (i.e. everything apart trade and FDI), are only very slightly higher in the ideal time results than in their actual correspondent (science and technology, made-in and corporate image, protection of IP, etc.).

Striking is the very clear lead of trade promotion (exports and imports) versus other activity areas. Therefore, we can call trade promotion the CD's core business.

6.4.2. The commercial diplomat's attitude

Measures

It was assumed in our research that CDs take on attitudes when it comes to their involvement in promoting/developing business as noted in previous research by Visser and Ruël 2012, Kostecki and Naray 2007, Naray 2011. The question of attitude concerns directly the CD's perception of their own job in relationship with the business beneficiary and their perception of it. The guiding proposition was that the four questions (see table 6.2) on the CD's own perception of his/her work measure the idea of hands on/off attitude. If the CD sees him/herself as a consultancy service understanding the marketing plan of clients, in addition the CD provides business solutions and concrete business development, they are considered indeed more "hands on" on the scale. The answers showed coherence. Table 6.3 presents the items constituting the constructs hands-on attitude and hands-off attitude.

Table 6.3: Construct hands-on/off attitude

| Theoretical construct | Dimensions | Question asked in survey to measure |
|------------------------------|---|--|
| Hands-on/off attitude | Perception of job as “consultancy service” | <i>My role as a commercial diplomat includes providing a consultancy service for beneficiary companies.</i> <i>Scale: strongly disagree to strongly agree from 1 to 7.</i> |
| | Perception of job as “understanding the marketing plan” of the business firm | <i>My role as a commercial diplomat includes understanding beneficiary companies’ marketing plan.</i> <i>Scale: strongly disagree to strongly agree from 1 to 7</i> |
| | Perception of job as providing general information as opposed to business solutions | My role as a commercial diplomat includes gathering general market related and economic information rather than providing beneficiary companies with specific business solutions. <i>Scale: strongly disagree to strongly agree from 1 to 7</i> |
| | Perception of job as opening doors as opposed to concrete business development | My role as a commercial diplomat is more about opening doors than supporting concrete business development. <i>Scale: strongly disagree to strongly agree from 1 to 7</i> |

Source: Survey questionnaire sent to and returned by commercial diplomats

It has to be noted also that the Likert scale was inversed for the two last items in table 6.3 (Perception of job as providing general information as opposed to business solutions; Perception of job as opening doors as opposed to concrete business development) so that the direction of hands-on and off attitude is the same for all four items. A reliability analysis determined the extent to which the items in the questionnaire are related to each other. Alpha Cronbach is a model of internal consistency, based on the average inter-item correlation. The Cronbach’s alpha test was performed on the four items relating to the hands on/off attitude. The result for

Cronbach's alpha in this case was 0.792 and 0.795 based on standardised items. Cronbach's alpha is above 0.7. We can, therefore, consider that the scale is reliable (see details in the appendix, under section "survey results").

Results and discussion on correlations between time allocation and attitude

We tested the correlations between the selected variables and attitude. Correlations measure how variables or rank orders are related. Spearman's rank correlation coefficient or Spearman's rho, is a nonparametric measure of statistical dependence between two variables (for details see Lehman, 2004). The Spearman correlation calculation does not assume normal distribution and is thus applicable to non-normal data distribution too.

Correlations that retained our attention were found between the hands on /off variable and

- Actual time allocation on facilitation role;
- Ideal time allocation on facilitation role;
- Actual time allocation on representation role;
- Actual time allocation on trade promotion;
- Ideal time allocation on trade promotion;
- Actual time allocation on tourism;
- Actual time allocation on science and technology;
- Ideal time allocation on science and technology;
- Ideal time allocation on IP protection.

Table 6.4. presents the correlations between time spent on managerial roles and attitude.

Table 6.4: Correlations time spent on managerial roles and attitude

| Correlations | | Actual time % on facilitation role | Ideal time % on facilitation role | Actual time % Representation role | Ideal Time% Representation role |
|---------------------|---|--|---|---|---------------------------------------|
| Hands_on_off | Spearman's rho Correlation coeff. | .244** | .237* | -.207* | -.153 |
| | Sig. (2-tailed) | .005 | .013 | .016 | .114 |
| | N | 134 | 108 | 134 | 108 |

There is positive significant correlation between attitude and actual as well as ideal time spent on the facilitation role. A more hands-on attitude is thus correlated with more time spent on the facilitation and the wish to spend more time on it. However, attitude is negatively correlated with the actual time spent on the representation role.

How are these results to be interpreted? We suggest that the hands-on pre-disposition of the CD has a tendency to go hand in hand with a tendency to spend more time on the facilitation role i.e. coordination, referral and logistics. Interesting is to see that the hands-on attitude involves seeking "business solutions" is now leveraged by the facilitation role and not the advisory role, which would have been more intuitive-e, at least theoretically. By contrast, an increased hands-on attitude brings along a tendency to spend less time on the representation role that might be interpreted as a logical consequence of a possible contradiction between perceiving commercial diplomacy as a task to bring business solutions and understand marketing plans of companies versus carrying out classical diplomatic advocacy and communications / public relations work.

Table 6.5. presents the correlations between time spent on activity area and attitude.

Table 6.5: Correlations time spent on activity area trade promotion and science and technology with attitude

| Correlations | | Actual Time % trade promotion | Ideal Time % trade promotion | Actual Time % science & technology | Ideal Time % science & technology |
|---------------------|--|-------------------------------------|------------------------------------|--|---|
| Hands_on_off | Spearman's rho Correlation coeff. | .469** | .457** | -.424** | -.443** |
| | Sig. (2- tailed) | .000 | .000 | .000 | .000 |
| | N | 135 | 115 | 133 | 112 |

There is a relatively important positive correlation between hands-on/off attitude and actual time spent as well as ideal time that would be spent on trade promotion (excluding tourism). One could cautiously deduce from these results that CDs with a rather hands-on attitude will spend more time on trade promotion than on other activity areas. That is also in line with the finding that the core activity area is trade promotion. It is to be further noted that a hands-on attitude is correlated with a decrease in both actual and ideal time on science and technology. The negative relationship between attitude and the time spent or that would be spent on science and technology issues might be interpreted as follows: technological and scientific issues (e.g. GMO, climate change, etc.) and certainly complex aspects of the subject constitute a no-go for further time allocation. We can also conclude that CDs might prefer to delegate this activity area to S&T attachés working in some representations resulting from our survey conducted among “trade generalist” commercial diplomats. Table 6.6 presents the correlations found between attitude and time spent on actual time tourism and ideal time IP protection.

Table 6.6: Correlations time spent on activity areas IP protection and tourism with attitude

| Correlations | | Actual Time % | Ideal time % |
|--------------|--------------------|---------------|---------------|
| | | Tourism | IP Protection |
| Hands_on_off | Spearman's rho | -.259** | -.260** |
| | Correlation coeff. | | |
| | Sig. (2-tailed) | .000 | .005 |
| | N | 134 | 114 |

** . Correlation is significant at the 0.01 level (2-tailed).

*. Correlation is significant at the 0.05 level (2-tailed).

Again, we find a negative correlation between attitude and ideal time that would be spent on IP protection and actual time spent on tourism (but slightly weaker than with S&T). The interpretation is similar to the previous one: hands-on CDs tend to focus on the core activity area of trade promotion, excluding tourism.

6.5. MANAGERIAL IMPLICATIONS

6.5.1. Management of the function

These results above suggest that CDs are satisfied with the current time allocation on the facilitation role and that they would wish less time to be spent on the advisory and more on the representation roles. The focus on the right role acquires an importance during the decision on posting the commercial diplomat, where the home-host country combination is considered. A fundamental question arises whether intelligence gathering and analysis (part of the advisory role) – even though CDs seem satisfied with the time allocation – can or should be provided by private business. Such possible privatisation, however, carries the risk of losing government access to some important trade intelligence. Key decision-making actors in charge of commercial

diplomacy may consider which roles and tasks are to be performed by partner business support organisations and which are to be still retained by the commercial diplomat.

Our survey confirms that trade promotion is clearly the first activity area (with almost 53%) and FDI promotion comes second with only 13%. Therefore, we note that in spite of a continuous trend of including FDI in CD's mandate, trade promotion/trade development remains the central activity area taking more than half of the CD's time. The proportions found might be client / target market driven and also due to HQ instruction. In any case, this is a good reality check showing that overall efforts still need to concentrate on trade i.e. export/import issues. To what extent other addressed activity areas (S&T, made-in and corporate image, protection of Intellectual Property and tourism) grow or decrease and why would need further research. According to the findings herein, we note however that S&T is not likely to grow in the portfolio of the classical commercial diplomat meant to be a "trade generalist".

6.5.2. Implications on corporate culture and talent management

A priori, governments are considered in the "process culture" characterised by bureaucracy (see in Knights and Willmott, 2007): emphasis is on properly executing processes. They are categorized as being status oriented and formal, there is a visible hierarchy with a low risk environment, work by the book, etc.

"Hands-on" CDs tend to work more on facilitation than representation, and to focus on trade promotion rather than other activity areas such as S&T, IP and tourism. This is in line with the finding that the core activity area is "still" trade promotion. It is however counter-intuitive at first why these CDs do not increase their time on the advisory role. Apparently, this hands-on CD would correspond to the business promoter type (see chapter 3). Our qualitative research so far suggested a strong case for a business-like, solution oriented hands-on CD that would rather advise companies in detail and in a more sophisticated way than the classical generalist or civil servant types of commercial diplomat would do. It seems that the advisory role involving market analysis and internal communication has its limits, probably due to its time-consuming nature, and heavy internal reporting requirements. Therefore, facilitation seems more realistic for business promoter CDs to increasingly focus on. This reinforces the idea that CDs may want to concentrate on their traditional core business of strict trade promotion, and non-questionable role of facilitators (this came out clearly in our qualitative research too). Therefore, one can say that the general tendency towards the business promoter type in commercial diplomacy is not

necessarily followed by more sophistication in managerial roles (advisory) or expanded/more complex activity areas (S&T, IP, and tourism). Further research could address whether this attitude is induced by the commercial diplomat personally or the organisation and to what extent by each.

Our findings and recent research addressing commercial diplomats show a subtle picture of corporate culture in commercial diplomacy that might, to some extent, contradict the stereotype of diplomacy/government corporate cultures. The pressure of efficiency “the bang for the buck” and return on investment is generally more than ever present in the field of government trade promotion/commercial diplomacy. Thus, the assumed dysfunctions of traditional government bureaucracy (see Robert Merton, quoted in Knights and Willmott, 2007) – when “following the rule” becomes the purpose over time rather than the effect of the rule – do not seem to correspond to our findings. Moreover, neither job security, nor typical and repetitive tasks – both supposedly characteristics of the “machine bureaucracy” (Mintzberg, 1989) – seem to apply to commercial diplomats. What remains of bureaucracy is the relatively rigid government ministry hierarchies and complex reporting lines. It is suggested that control through culture (shaping of attitudes and values) receives more attention from both a theoretical and practical perspective. Control through culture could probably be applied in flexible systems where cross-fertilisation happens between public and private sector raising the issues of performance and people management.

What kind of performance, and as a result what kind of people does the system want as commercial diplomats? Since commercial diplomats evolve in a government ministry or are related to it, we supposed throughout that an obvious and a first form of control comes *through rules/ procedures* (Knights and Willmott, 2007). Thus, CDs are evaluated among others on whether they follow rules and procedures. We have also seen that increasingly and additionally *control through performance* takes place. Therefore, CDs are evaluated on a service quality level as well. As a consequence, it is probably sensible to create stimulating and attractive compensation packages for CDs (fringe benefits, etc.) and to include performance related schemes. This will help avoid conflict of interest (not to say corruption) between business interests and government as well as attract talents from the business/private sector.

6.6. FURTHER RESEARCH AND LIMITATIONS

There are statistical limits to be considered. CDs of large countries and big players such as the US, China or Russia did not participate in the quantitative survey. This was compensated on insights gained by qualitative studies that were also large in the quantity of interviews conducted and countries considered, see the other chapters of this thesis. As a consequence, we limited the use of statistical analysis to correlations.

Based on our findings, one can suppose that the market demand and the day-to-day pressure by “the client” were in the foreground rather than the study of a particular national system. The unit of analysis was the commercial diplomat as an individual member of the organisation; yet the whole network of representation as a system was not assessed in the survey. Therefore, further research may be carried out on the national network of CDs by assessing in-depth the questions of efficiency, effectiveness and the impact of various organisational arrangements and structures on their behaviour. Subsequently, national systems might be compared, indeed as systems. How is the increased “business orientation” evolving and what are the limits of maximising the “bang for the buck” mentality in a government sponsored trade promotion system? These questions could also be further explored.

Another important question is to what extent commercial diplomats should focus on a reduced number of roles, activity areas and sectors and to what extent the areas covered should remain broad. Mainstream organisation theory (for a review see Knights and Willmott, 2007) says that the structure of organisations is seen largely to determine behaviour. Therefore, it is vital to ensure that it is designed, redesigned or re-engineered to be compatible with its environment. Further tests are to be carried out in future research in the context.

Among topics for further research, a fundamental aspect that could be studied concerns the overall financial resource management of diplomatic activities and other types of foreign representations abroad by government. The effectiveness of commercial diplomats has been addressed throughout, yet the question of *efficiency*, return on investment and similar issues also deserve further investigation. “Business orientation” of commercial diplomacy, even if appropriate, is to be carefully monitored and could be also further researched. Obviously, government trade promotion structures are reviewed and reorganised frequently. It seems we are

in a time where pressure in terms of efficiency, effectiveness and “bang for the buck” is not likely to decrease, thus it will further impact the corporate culture of commercial diplomacy.

6.7. CONCLUSION

The current chapter along with previous research demonstrated that too often a very broad scope of roles and activities is expected from the commercial diplomat (by both government and business) at the same time without specifying the intensity of the functions. In concrete terms this entails continuously maintaining an overview of business needs, becoming quickly familiar with a given complex sector (such as IT or bio-tech), providing the right networks and connections. It also necessitates becoming familiar with local regulations, institutions, a constant monitoring the evolution of the economy and reporting on them, seeking potentially new business areas, attracting investments and promoting positive corporate and country image, etc. One could fairly raise the question whether all these functions need to be included in one function's or person's portfolio that often has limited resources.

We found that commercial diplomats spend more than half of their time on the activity area of trade promotion, which is thus considered core business. At the same time, they spend almost half of their time on advisory type of roles. In addition, a rather hands-on attitude explains an increase in the actual and ideal time spent on trade promotion i.e. the CD's core business. Interestingly, CDs seem to be satisfied with their time allocation on the facilitation role. In addition we have seen that a rather hands-on attitude leads to a decrease in actual and ideal time spent on science and technology. We can conclude that CDs may have to tackle too many different technical activity areas such as S&T that risks losing focus of their core business. These findings should alert senior management in charge of designing, planning and managing commercial diplomacy. We recommend to reconfirm trade promotion as the core business instead of overwhelming CDs with other technical areas such as R&D and S&T. The question also arises to what extent the heavy advisory role is still recommendable while private business firms provide services that could partially replace this function.

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Chapter 7: Conclusions

7.1. Scientific contribution

7.1.1. Key contribution and key findings

This thesis showed that commercial diplomats fulfil an important function in government-sponsored promotion of international, and particularly bilateral business relations in today's globalised world economy. It has been highlighted that expectations are considerable originating from both the home country's government and the business community: small, new as well as large and advanced businesses in their internationalisation process expect various types of support from political advocacy to a simple question on a potential business partner. Governments in turn seek to promote – beyond the support for individual businesses – the “collective” in terms of increased overall exports but also the intangible elements, such as nation branding and country positioning for inward FDI, R&D, S&T and other economic benefits. This thesis examined in-depth the nature of commercial diplomats' work and the dynamics underlying its evolution in a complex multi-stakeholder business promotion environment from a managerial perspective.

The central contribution of this thesis is that it has offered exploratory theory building and conceptualisation, among others, by suggesting an integrative systemic framework explained explicitly in chapter 4. This framework is useful for the analysis of and research on commercial diplomacy as a value creating activity. It was built on contents of findings presented in chapters 2, chapter 3 and partially chapter 5. The framework was also partially tested in chapter 6.

The integrative framework presented potential relationships between input-process-output that articulate as follows:

- i) Systemic inputs are divided into capabilities i.e. organisational arrangements: geographic localisation of the foreign post and resources: the commercial diplomat's individual features such as education and business experience;
- ii) Roles and activities and their intensity constitute the process;
- iii) Each role typically leads to value creation i.e. the systemic output.

Roles as the process part of the framework were conceptualised and managerial roles and brought down to three “FAR” roles:

- Facilitation i.e. coordination, referral, logistics;
- Advisory i.e. intelligence gathering and analysis, internal communication;
- Representation i.e. advocacy and external communications.

These roles create value i.e. outputs in terms of network/relationship capital, knowledge capital and influence to the benefit of stakeholders. Inputs may have an influence on roles performed and their output: the commercial diplomat's individual features i.e. attitude, background, education are inputs being part of determinants of performance. Particularly, individual features have been only marginally addressed from a managerial angle in scientific literature so far, thus the current thesis contributes to filling a gap.

This integrative framework, its concepts as well as tests performed on relationships between input and process variables pave the way for the further tests and development of constructs. It also facilitates the testing of relationships between other variables. In addition, the framework helps to understand and induce further research in relation to organisational structure, planning, human resource and talent management as well as questions related to effectiveness and efficiency from a resource-based perspective.

Major findings of this thesis can be divided into conceptual/theoretical developments and empirical findings. Table 1 summarises the key theoretical and conceptual developments of this thesis and positions them within the relevant field of research.

Table 1: Conceptual and theoretical developments

| Major Theme in commercial diplomacy research | Conceptual and theoretical developments |
|---|---|
| Overall commercial diplomacy research | <p>Four major themes relating to management/marketing are elaborated based on the literature and were quantitatively researched:</p> <p>(1) Government's export/trade promotion function</p> <p>(2) Institutional/organisational arrangements</p> <p>(3) Managerial roles and behaviour</p> <p>(4) Interaction between the commercial diplomat and business firms.</p> |
| <p>Major theme 2 Institutional/organisational arrangements</p> <p>&</p> <p>Major theme 3 Managerial roles and behaviour</p> | <p>Commercial diplomats' managerial behaviour and performance are influenced by factors such as organisational arrangements as well as the commercial diplomat's individual features, notably their attitude/self-perception, business background and education.</p> <p>There are three types of commercial diplomats:</p> <p>(i) Generalist i.e. career diplomat;</p> <p>(ii) Civil servant i.e. typically a attaché/counsellor from the Ministry of Trade;</p> <p>(iii) Business promoter (often within a hybrid organisational arrangement).</p> |
| Major Theme 4 Interaction between the commercial diplomat and business firms. | <p>Commercial diplomacy is generally considered by the business community as a central platform offering various advantages such as</p> <ul style="list-style-type: none"> - Access to decision makers - Access to markets - Neutrality and credibility. - Thus, the "intermediary" or "agent" function of the CD between the beneficiary business and its potential future business partner is key. <p>Commercial diplomacy is a service complex in its</p> |

| | |
|--|---|
| | <p>nature, it corresponds to a:</p> <ul style="list-style-type: none">- Government service- Diplomatic service- Networking service- Public service- Commercial service <p>It is a heavily people based service operating to satisfy both government and business objectives in bilateral trade.</p> |
|--|---|

Table 2 summarises the key empirical findings of this thesis and positions them within the relevant field of research.

Table 2: Empirical and practical findings

| Major Theme and field in theory and conceptual framework | Empirical findings |
|---|---|
| Major theme 2 Institutional/organisational arrangements Management studies: - Organisational behaviour - Organisational theory | Commercial diplomats that are strongly integrated into foreign affairs tend to be <ul style="list-style-type: none"> - more policy-oriented, - less business-focused and - more reluctant to follow a ‘hands-on’ approach in business support. |
| Major Theme 4 Interaction between the commercial diplomat and business firms. International marketing: - Export promotion -Trade and investment promotion Services marketing: -Business-government relations | From business firms’s perspective: <ul style="list-style-type: none"> - Export promotion and export development remain the main concern of businesses when addressing the commercial diplomat. - Other issues such as regulation, tax, production, HR, etc. received an average score clearly below “export issues”. |
| Major theme 3 Managerial roles and behaviour Management studies: - Organisational behaviour - Organisational theory | CDs’ time allocation: <ul style="list-style-type: none"> - Most of their time is spent on the advisory role i.e. almost 50% (vs. facilitation and representation) and - on the trade promotion activity area (vs. promotion of FDI, S&T, Tourism or IP protection). Trade promotion can be thus defined as their core business. |
| Management studies: - Organisational behaviour - Organisational theory | Commercial diplomats are generally <ul style="list-style-type: none"> - overwhelmed with complex and various tasks and activity areas beyond their core business. - do not have the time to excel at all activity areas at a |

| | |
|---|--|
| | time. The remaining activity areas are complex such as IP and S&T. |
| <p>Major Theme 4 Interaction between the commercial diplomat and business firms</p> <p>Services marketing:</p> <ul style="list-style-type: none"> - Pricing - Public sector marketing <p>-Business-government relations</p> | <p>The question of charging fees for services to companies is a fundamental issue in relation to the concept of “public service”, diplomacy and their fundamental role in business support. However, the managerial decision on service should</p> <ul style="list-style-type: none"> - not be about whether or not to charge - involve a clear delineation and limitation of the service to be provided by the CD and on the division of labour among business support organisations. |

7.1.2. Discussion of key findings

While the government-sponsored export promotion, trade promotion and even investment promotion function of commercial diplomacy are addressed by various disciplines (international economics and international marketing), other themes still have further research potential. These encompass organisational and institutional arrangements, managerial roles and activities, as well as the interaction between the commercial diplomat and the business community. This thesis addressed these four themes throughout. The scarcest theme within the four major themes is managerial behaviour, roles and activities. It is exactly this topic, where the present thesis has considerably contributed to fill the gap in existing literature.

Three fundamental types of commercial diplomats (business promoter, civil servant and generalist) were identified, noting that the business promoter type of commercial diplomat has been gaining popularity. There is a growing and healthy pressure that commercial diplomats become increasingly pro-active business promoters rather than generalist diplomats or traditional civil servants. Our analysis showed that the rise of market-orientation at government level (i.e. New Public Management in 1990's and increased tendency towards measuring performance thereafter) over the last decades reinforced the pressure towards a more business-promoting type of commercial diplomacy, which requires commercial diplomat's proximity to companies, business trends, technology and greater emphasis on business support, rather than a civil servant and/or foreign policy type of reactive function. The current market orientation exerts pressure to reduce this client-provider gap in commercial

diplomacy and more attention is now being paid to business development and market penetration rather than policy or regulatory issues. Hibbert's (1990a) suggestion that the differences in the organisational structure have implications for the objectives and professional style of commercial diplomats was confirmed.

The approach used, addressing commercial diplomacy as a public-private sector interaction, was to a large extent a novelty, particularly at the start of the empirical research. Commercial diplomacy's value chain was first (chapter 3) understood in terms of primary and support activities, which were then conceptualised as activity areas in terms of trade and investment promotion, country origin promotion, cooperation in S&T, and protection of IP. Support activities were further detailed –such as intelligence, advocacy, etc. and then we redefined them as managerial roles that CDs perform in terms of facilitation, advisory and representation (the “FAR” managerial roles). Our findings revealed that these three FAR roles cut across all activity areas (those called “primary activities” in chapter 3). The roles performed create value for stakeholders (outputs) such as relationship capital and networks, knowledge and influence.

By the same token, key findings emerging from in-depth interview research also revealed the volatility and diversity of expectations as businesses expect either too little or, with increasing frequency, too much from the CD without specifying the intensity. The risk of confusion was spotted: CDs are overwhelmed with various and too complex expectations from both business and government. In concrete terms, diversity and volatility of expectations require continuously maintaining an overview of business needs, becoming quickly familiar with a given complex sector (such as IT or biotech), providing the right networks and connections, but also understanding local regulations, institutions, evolution of the economy, in addition to reporting, searching potentially new business areas, attracting investments and promoting positive corporate and country image etc. This is not always a realistic task, thus the serious issue of refocusing/weighting roles and activity areas was laid down.

The systemic integrated framework was tested using survey research and quantitative methods (chapter 6). Focus was put on the time allocation of roles and activity areas of commercial diplomats. We concluded that CDs might have to tackle too many different technical activity areas such as S&T and thereby run the risk of losing focus of their core business. Implications relate to senior management in charge of designing, planning and managing commercial diplomacy.

It is recommended to reconfirm trade promotion as the core business instead of overwhelming CDs with other technical and complex areas such as R&D and S&T cooperation. We came to this conclusion for the following reasons: Commercial diplomats spend more than half of their time on the activity area of trade promotion, which is thus considered core business. Commercial diplomats' attitudes were also included into the framework, considered as inputs/ individual resources. The results show that a higher hands-on attitude is correlated with an increase in the actual and ideal time spent on trade promotion i.e. the CD's core business. By the same token, a higher hands-on attitude tends to correlate with a decrease in time spent on science and technology and tourism.

It seems, thus, that once CDs adopt a hands-on attitude, which was defined in that they understand the company's marketing plan and want to bring about business solutions rather than "opening doors", they will focus on performing more in the core business. Hands-on, therefore, does not mean dispersion into S&T/R&D, IP activity areas, but rather focus on export/trade promotion. This is probably the right way to go: CDs should focus on the core activity area of trade promotion, however, with a good understanding of international business and marketing in order to accompany/advise business beneficiaries until concrete market penetration and client acquisition in the host country, which is the company's target market. This also clearly shows that the typical background, understanding or experience of civil servant or the career generalist type of diplomat would not be sufficient to fulfil what is suggested.

The question also arises to what extent the heavy and time consuming advisory role is still recommendable while private business firms provide services that could partially replace this function. In addition, internal reporting being part of the advisory role, which takes away lot of time from creative work, can be reduced with senior management's willingness.

Commercial diplomacy also contains both a consistent amount of government instruction along with the CD's own personal judgment and initiative in promoting various sectors/sub-sectors and identifying business opportunities. Our findings in chapter 5 examining the interaction with the business community highlight that commercial diplomacy is in general considered as a central platform offering various advantages (specific knowledge, access to decision makers and markets, diplomatic immunity, neutrality and credibility). Thus, the "intermediary" or "agent" function of the CD between the beneficiary business and its potential future business partner is confirmed. In this context, the CD appears to business firms as the central platform, the starting point to promote bilateral business. Nevertheless, a client-provider gap remains: several

shortcomings on service quality remain such as in some cases “lack of pragmatism”, “inaccurate information” or out-dated information provided. This means that improvements to reduce the client-provider gap should be on the agenda.

A quantitative analysis of business firms` inquiries further showed that – perhaps not surprisingly – export related issues are by far the most frequent enquiries that CDs receive and tackle.

In the context of services to companies, the price of the transaction between the commercial diplomat and the beneficiary was studied. Our analysis showed that simple interactions (discussion, a referral or basic economic information about the host country) are offered free of charge, whereas more specific and knowledge based services are priced. Most interviewed businesses seemed satisfied with services for fees and would continue paying or even recommend the service.

Interestingly enough, our findings show a subtle picture of corporate culture in commercial diplomacy that might, to some extent, contradict the stereotype of diplomacy/government corporate cultures. The pressure of efficiency and return on investment is generally increasingly present in the field of government trade promotion bodies, including commercial diplomacy. Thus, the assumed dysfunctions of traditional government bureaucracy do not seem to correspond to our findings. Moreover, neither job security, nor typical and repetitive tasks – both supposedly characteristics of the “machine bureaucracy”– seem to apply to commercial diplomats. The study also revealed that control through performance also takes place with a growing intensity. The fundamental questions arises what kind of performance, and as a result what kind of people does the system want as commercial diplomats.

7.1.3. Practical Implications of key findings

The fundamental question whether modern economies need commercial diplomats at all must be mentioned, although this thesis did not have the ambition to provide an answer. This thesis did not develop a normative stance for or against, but took it for granted that commercial diplomacy exists and analysed it for the purpose of further research and practical suggestions to help improve the function. The fundamental debate about the existence of or necessity for commercial diplomacy to exist, referring to the role of the State, is of philosophical, political, if not ideological nature, a discussion for which there was no room in this thesis in detail. The question, however, will come up in public and political debates as well as in future research. It is

worthwhile noting that none of private businesses or other independent expert interviewed in the research process said that commercial diplomats should not exist; in fact, businesses seemed particularly interested in giving suggestions to improve the service to obtain better value for money. This thesis also clearly demonstrated that no fundamentally new roles or functions are expected and that on the contrary, commercial diplomacy should focus on what it has been designed for: facilitation (role) and export/trade promotion (activity area).

Serious thought should be given to find ways how not to overwhelm CDs to become too generalist, whereby “doing a little bit of everything” ends up in “doing a lot of nothing”; trade promotion is general enough and will by definition include requests in various economic sectors. To expect the same commercial diplomat to understand and master regulatory and IP/legal issues and perform in-depth S&T cooperation between universities is simply not realistic for one function. As mentioned previously in this conclusion: the needed and appropriate skills might not be available at the moment among all typical civil servants or career diplomats. The organisation has to determine whether it prefers the “hands-on” attitude, which can be a case-by-case decision on which profile to recruit for which context. Recruitment policies could be adapted and cross-fertilisation by attracting talents from private international business may become standard practice, as some organisations already do in Northern Europe.

Performance evaluation but also training and recruiting policies should be oriented around setting standards in line with the three set of managerial roles and benchmarks for intensity to perform those roles. The bottom line is that a commercial diplomat has to be capable of producing for his/her organisation sustainable relationship capital (networks), knowledge capital in terms of data on markets and clients as well as influence on host government authorities, public opinion and industry bodies. Expectations should be set also according to individual dimensions of the integrative framework: hands off or hands-on attitudes in terms of recruited profiles. Regarding posting, management in charge should adopt a differentiated approach in terms of which profiles are needed in which host country, instead of automatic rotation; in other words, some more targeting may be needed. The integrative framework provides the key concepts and criteria for rigorous recruiting and talent management.

Time is for pragmatism and flexibility for the designers and planners of the system in which commercial diplomats evolve. In light of the above, and if commercial diplomacy is to remain a value creating activity for its stakeholders, commercial diplomats should remain alert and aware of evolution of markets, technology and trends in order to benefit the groups of beneficiary

businesses and also the collective country marketing effort. Life-time learning and training should be the norm. Ultimately, CDs work for their government and need to enrich long term institutional memory by producing sustainable results in term of relationship capital (networks), knowledge capital such as data on markets and clients as well as influence on host government authorities, public opinion and industry bodies. This is certainly not easy and not for everyone. Today's average career diplomat is probably not automatically fit for the job.

7.2. Limitations

Limitations are various. First the country coverage in the quantitative study is not complete in terms of economic importance and global trade flows. Large economies (US, China, Germany) are missing in the quantitative survey given that there was no willingness to participate in the survey (more extensive explanations are given in the methods sections of chapter 5 and chapter 6). Therefore in global terms, if one were to generalise from the quantitative study, there are statistical limits. This is, however, hedged by the qualitative studies – and thus the mixed methods – where large economies are indeed represented and by the overall approach that focuses more on management and organisational aspects that trade flows between nations.

Regarding the literature review (chapter 2) the authors focused only on scientific journals excluding books, theses and conference proceedings for the purpose of the quantitative analysis, in order to follow a systematic procedure to analyse the literature quantitatively. However, it implies that the quantitative analysis is not comprehensive. In addition, the search included publications in English to a large extent, whereby publications in other languages may have tackled the topic too. This, however, resulted in a focus on journal article publications, which nowadays probably constitute a solid reflection of the actual state of research on the topic. Moreover, the number of articles that appeared between 1960 and 2013 is very limited (49). Thus, the highlighted trends can only be directional.

Regarding the empirical and interview-based qualitative parts of the thesis (chapter 3 and chapter 5), there was a slight geographical bias in terms of host country even though the quantity of interviewed CDs and related respondents (business firms, trade promotion organisations, etc.) were numerous and very helpful (overall above 80 respondents). The author having researched in Switzerland, found better access to CDs and business firms located in Switzerland, even though interviews tackled the entire career of the respondents that included various locations outside Switzerland.

7.3. Further research

This piece of research analysed the work of commercial diplomats to a large extent in a context of market demand for their services and the day-to-day pressure by “the client” rather than studying national trade promotion / commercial diplomacy system per se. The unit of analysis was the commercial diplomat as an individual member of the organisation; yet the whole network of representation as a system was not assessed in the survey.

Further research may be divided into research with conceptual/ theoretical objectives as well as additional empirical testing of models including practical suggestions.

Conceptual / Theoretical Research

Researchers in management could elaborate on in the integrative framework’s capabilities dimension by carrying out studies on the national network of CDs by assessing in-depth the questions of efficiency, effectiveness and the impact of various institutional and organisational arrangements and structures on their behaviour. Subsequently, national systems might be compared, indeed as systems. How is the increased “business orientation” evolving and what are the limits of maximising the “bang for the buck” mentality in a government sponsored trade promotion system? These questions could also be further explored.

Ruël (2013) states in a recent inaugural speech, on an optimistic note, that:

“Commercial diplomacy actors and their organisations are expected to become more efficient, professional and innovative, and cooperate more with each other, on all levels from the foreign missions to the ministries in the home country. Emerging economies, i.e. the BRICS, will take a higher priority in most foreign policies, and commercial diplomacy actors will have to focus on these countries more ... In general, commercial diplomacy will most likely receive a higher priority from foreign ministers and other high-ranking diplomats”.

Hence, we see a significant potential to further elaborate on the latter with a business/management studies approach. Further research is strongly encouraged on the

management dimension, including the questions of efficiency along with the need to further investigate the impact of modern technologies. Research in international marketing could focus on the country image/brand and promotion aspects from the commercial diplomacy standpoint. 'Made-in' aspects – meaning promoting a product's country of origin – linked to the corporate image constitute an important managerial concern for newcomers to foreign markets. Consequently, the CD's support in that context could be further researched. This issue is particularly important in distant, i.e. non-traditional, markets and for SMEs. The role of commercial diplomats in and their impact on foreign market entry success for home country business gain relevance. Consequently, the role of commercial diplomats – as the intermediates between foreign governments and their home country business – needs more research attention.

Researchers in business/service research could address commercial diplomacy's value creation process by developing connected but new concepts within the suggested framework and by examining the relationships between the input-process-output. The type of framework that was introduced is widely used by management and service quality management research such as the classic by Zeithaml et al.'s (1988) publication 'Communication and control process in the delivery of service quality' in which they tackle the 'way organisational processes affect service quality'. Mintzberg (2009) uses a similar framework when analysing similar context variables that affect managers' effectiveness. The framework is a tool for both research and practitioners; development of further concepts fitting in the framework can only be encouraged. Customer relationship management theories may be used to characterise and optimise the relationship between the commercial diplomat and his/her organisation with their client/beneficiary companies. Service research could focus on the quality of the service provided from a client/beneficiary perspective. Human resource management studies certainly possess the tools to further research individual features, ideal profiles and efficient recruitment practices.

Electronic commercial diplomacy needs further exploration and theory building. Ruël (2013) defines e-commercial diplomacy as

“...the deployment of information and communication technologies (ICTs) to enhance the access to and delivery of activities conducted by the network of public and private actors, but with a diplomatic status, for the purpose of business promotion between a home and a host country, to serve public and private economic and commercial goals”.

According to Reuvers and Ruël (2012) in-depth research is lacking in relation to the role of technological advances, the blurring of barriers, the development of e-government, and the increasing number of actors involved in commercial diplomacy.

Empirical Research

Mainstream business studies could examine the interaction between the commercial diplomat and business going beyond the client-provider dimension and address in detail the advocacy, lobbying and informal mutual (business-government) influencing process. One could investigate how it is possible to measure the extent to which governmental objectives and beneficiary (business) satisfaction have been reached and thus address commercial diplomats' effectiveness. Further research is needed to refine and build on these concepts with quantitative methods, as well as qualitative case-study data, in order to formulate tangible and also quantitative-based recommendations to governments and business firms.

The question of managing effectively and efficiently remains crucial given the need for transparency, and stakeholders' high expectations (firms, taxpayers, government ministries, trade promotion organisations). Business researchers need to consider the commercial diplomat as a unit of analysis as they would consider "the manager" or "the consultant" or another service provider. A second unit of analysis to consider is the organisation hosting the commercial diplomat as a business unit with an organisation, a strategy and management functions. As Ruël et al. (2012) suggest every four years, the new CD who is installed should try to maintain the network carefully built up in the past four years. Thus, the question of knowledge management could be addressed, and how to organise best postings of CDs and their teams. A fundamental aspect that could be studied concerns the overall financial resource management of diplomatic activities and other types of foreign representations abroad by government. The effectiveness of commercial diplomats has been addressed throughout, yet the question of efficiency, return on investment and similar issues also deserve further investigation. "Business orientation" of commercial diplomacy, even if appropriate, is to be carefully monitored and could be also further researched. Obviously, government trade promotion structures are reviewed and reorganised frequently. It seems we are in a time where pressure in terms of efficiency, effectiveness and "bang for the buck" is not likely to decrease, thus it will further impact the corporate culture of commercial diplomacy.

An important question is to what extent CDs should focus on a reduced number of roles, activity areas and sectors and to what extent the areas covered should remain broad. Concerning the geographic posting of the commercial diplomat it would be worthwhile examining with quantitative methods in further research whether the outward investment issue is more frequent in emerging/developing host countries such as South-East Asia, while the research and development issues are stronger in developed host countries. The evolution of Internet use in business internationalisation and trade processes will further influence the expected roles of commercial diplomacy. Research has concentrated rather on various services of e-government, e-business and e-commerce, and to some extent on e-diplomacy so far, and the debate about e-commercial diplomacy will certainly develop further. In our electronic era of Internet, and electronic diplomacy – “e-diplomacy” – “e-commercial diplomacy” deserves increasing attention, which could be integrated into the “capabilities” dimension of the input side of the integrative framework. These are emerging topics for both practice and research.

Finally, endogenous factors to research such as funding, research institutes’ positioning and agenda play a role too. It seems that the topic in general has received more attention over time and that a dialogue emerges between practitioners and academia. There is, however, a point of saturation given the confidential – if sometimes not secret – nature of the job of the commercial diplomat. Research is also potentially exposed to the risk of being used increasingly in political and ideological debates regarding the relevance, funding/cost and forms of commercial diplomacy. National, regional and global trade related legal frameworks, in particular the potential proliferation of bilateral and regional free trade agreements between countries will frame the intensity of trade between nations and regions, and thus also the relevance of commercial diplomacy’s roles.

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Appendices

APPENDIX – CHAPTER 2:

LIST OF THE 49 CONSIDERED ARTICLES IN LITERATURE STUDY

| Author | Article title | Journal | Year | Major theme 1: Commercial diplomacy in Government's export/trade promotion function (G2B) – final with judge | Major theme 2: Commercial diplomacy's institutional /organisational arrangements -final with judge | Major theme 3:Commercial diplomat's Managerial roles/behaviour – final with judge | Major theme 4: Interaction between the Commercial diplomat and business enterprises (CD2B) – final with judge |
|------------------------------|---|----------------------|-------------|---|---|---|--|
| Volpe M. and Carballo J. | Export promotion: Bundled services work better | World Economy | 2010 | 1 | | | |
| Shermann R. and Eliasson J. | Trade disputes and non-state actors: New institutional arrangements and the privatisation of commercial diplomacy | WE | 2006 | | 1 | | |
| Rose A. | The foreign service and foreign trade: Embassies as export promotion | WE | 2007 | 1 | | | |
| Martincus CV and Carballo J. | Entering new country and product markets: does export promotion help? | RWE | 2010 | 1 | | | |

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|---|---|-------------|-------------|----------|
| Martincus C.V., Estevadeordal A., Gallo A., Luna J. | Information barriers, export promotion institutions, and the extensive margin of trade | RWE | 2010 | 1 |
| Lee D. and Hudson D. | The old and new significance of political economy in diplomacy | RIS | 2004 | 1 |
| Crick D. | UK export assistance: Are we supporting the best programmes? | JMM | 1992 | 1 |
| Gençtürk E.F. and Kotabe M. | The effect of export assistance program usage on export performance: A contingency explanation | JIM | 2001 | 1 |
| Walters P. | Government export promotion: A global perspective by F.H. Rolf Seringhaus, Philip J. Rosson | JIBS | 1990 | 1 |
| Seringhaus F.H.R. and Botschen G. | Cross-national comparison of export promotion services: The views of Canadian and Austrian companies | JIBS | 1991 | 1 |
| Kotabe M. and Czinkota M.R. | State government promotion of manufacturing exports: A gap analysis | JIBS | 1992 | 1 |

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|--|--|------------|-------------|----------|
| Seringhaus F.H.R. | Export promotion in developing countries: Status and prospects | JGM | 1993 | 1 |
| Wilkinson T., Thomas A. ; McNally M. | The impact of U.S.-sponsored foreign trade office activities | JGM | 2011 | 1 |
| Reid S. | Information acquisition and export entry decisions in small firms | JBR | 1984 | 1 |
| Goiri ME, Edigo A., Martinez J. | Consortia ferrex | JBR | 2000 | 1 |
| Wilkinson T. and Brouthers L. | An evaluation of state sponsored promotion programs | JBR | 2000 | 1 |
| Ahmed Z.U., Mohamed O., Johnson JP. | Export promotion programs of Malaysian firms: an international marketing perspective | JBR | 2002 | 1 |
| Hibbert E. | The management of international trade promotion | ITJ | 1990 | 1 |
| Schelburne R.C. | Government Export Promotion Expenditures: Some cost estimates and practical considerations | ITJ | 1997 | 1 |

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|--|---|------------|-------------|----------|
| Hibbert E. | Evaluating government export promotion: Some conceptual and empirical approaches | ITJ | 1998 | 1 |
| Rana K. | Economic diplomacy in India: A practitioner perspective | ISP | 2004 | 1 |
| Potter E.H. | Branding Canada: The Renaissance of Canada's commercial diplomacy | ISP | 2004 | 1 |
| Gillespie K. and Riddle L. | Export promotion organization emergence and development: A call to research | IMR | 2004 | 1 |
| Francis J. and Collins Dodd C. | Impact of export promotion programs on firm competencies, strategies and performance: The case of Canadian high-technology SMEs | IMR | 2004 | 1 |
| Dinnie K., Melewar T.C., Seidenfuss K.U. | Nation branding and integrated marketing communications: An ASEAN perspective | IMR | 2010 | 1 |
| O'Gorman C. and Evers N. | Network intermediaries in the internationalisation of new firms in | IMR | 2011 | 1 |

peripheral regions

| | | | | |
|-------------------------------------|--|--------------|-------------|----------|
| Justinek G. | Evaluation of the economic diplomacy model in the Republic of Slovenia | IJTGM | 2011 | 1 |
| Naray O. | Commercial diplomacy: an integrative framework | IJDE | 2012 | 1 |
| Ruël H. and Visser R. | Commercial diplomats as corporate entrepreneurs: Explaining role behaviour from an institutional perspective | IJDE | 2012 | 1 |
| Abebe Workneh | African commercial diplomacy and its challenges in the context of globalisation | IJDE | 2012 | 1 |
| Jones Bos R. , Raes S. and Kader R. | Value for money: a network approach to Dutch economic and commercial diplomacy in the USA | IJDE | 2012 | 1 |
| Moons S. | What are the effects of economic diplomacy on the margins of trade? | IJDE | 2012 | 1 |

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|---------------------------------------|--|-------------|-------------|----------|----------|
| Mudida R. | Emerging trends and concerns in the economic diplomacy of African states | IJDE | 2012 | 1 | |
| Justinek G. and Sedej T. | Measuring export support performance in Slovenia | IJDE | 2012 | 1 | |
| Ruël H. , De Boer S., and Ten Haaf W. | Commercial diplomacy in practice: Experiences of international business executives and representatives in Malaysia | IJDE | 2013 | | 1 |
| Rana K. | Economic diplomacy: What might best serve a developing country? | IJDE | 2013 | | 1 |
| Sun L. | The role of China's economic diplomacy in post-crisis | IJDE | 2013 | 1 | |
| Alvarez E. | Sources of export success in small- and medium-sized enterprises: The impact of public programs | IBR | 2004 | | 1 |
| Naray O. | Commercial diplomats in the context of international business | HJD | 2011 | | 1 |
| Bergeijk P. A.G., Okano-Heijmans | Economic diplomac | HJD | 2011 | 1 | |

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|---|--|-------------|-------------|----------|
| M., Melissen J. | y: The issues | | | |
| Van Bergeijk P. ; de Groot H and Yakop M. | The economic effectiveness of diplomatic representation: An economic analysis of its contribution to bilateral trade | HJD | 2011 | 1 |
| Kostecki M. | Kishan S. Rana and Bipul Chatterjee (eds.) (2011). Economic diplomacy: India's experience. Jaipur: Cuts International, | HJD | 2012 | 1 |
| Pointon T. | Measuring the gains from government export promotion. | EJM | 1978 | 1 |
| Diamantopoulos A. and Schlegelmilch BB. | Understanding the role of export marketing assistance: Empirical evidence and research needs | EJM | 1993 | 1 |
| Wilkinson T. and Brouthers L. | Trade promotion and SME export performance | EJM | 2006 | 1 |
| Manadato J., Skola T.J., Wyse K.L. | Counterpurchase sales in the German Democratic Republic | CJWB | 1978 | 1 |
| Kedia B. and Chhokar J. | An empirical investigation of export promotion programs | CJWB | 1986 | 1 |

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|---------|---|-----|------|----|---|----|--|
| Kang K. | Overseas network of export promotion agency and export performance: The Korean case | CEP | 2011 | 1 | | | |
| | Total (reviewed by judge 1 and ON) | 49 | | | | | |
| | | | 17 | 15 | 3 | 14 | |

APPENDIX – CHAPTER 3

Sub-appendix 1

Data Collection and Research Methodology

Research methods and procedures followed recommended guidelines for theory development in behaviourist research (Deshpande, 1983; Zaltman, LeMasters and Heffring, 1982). We began by collecting data through panel discussions and through 44 progressively structured, in-depth interviews. The interview transcripts were then analysed to reveal broader patterns. As opposed to the hypothetico-deductive approach – where an a priori theory is superimposed on the available information – in grounded theory development, patterns are expected to emerge from the empirical research. The interview questions referred to issues such as (i) the nature of the commercial diplomacy service, (ii) the status and place of the commercial diplomat in the organisation structure of their foreign service, (iii) the value chain of commercial diplomacy in various national foreign services, (iv) the commercial diplomat's relationship with their clients and other members of the network, (v) the managerial styles and performance evaluation of commercial diplomats, (vi) leading issues in management of commercial diplomacy, (vii) critical challenges and (viii) suggestions for improvements. In addition, a series of questionnaires was administered to foreign and trade ministries of selected trading nations to collect information about the number of commercial diplomats, their staff, status and their main activities.

In-depth face-to-face interviews proved to be a useful tool for the model development and testing of our research propositions. They were supplemented by two telephone interviews with business leaders and a panel discussion. The research team was encouraged to emphasize lateral thinking and insights rather than the mechanical sorting of ideas. Interviewed commercial diplomats, businessmen and experts were selected by a research panel involving the authors and one senior diplomat. The sampling was conducted in a manner so as to cover the major types of commercial diplomacy from developed, developing and transition economies, a variety of business sectors and type of expertise. The interviews were conducted with 22 commercial diplomats originating from Australia, Bolivia, Brazil, Canada, China, Cuba, El Salvador, Finland, France, Hungary, Ireland, Japan, Korea, New Zealand, Poland, Portugal, Switzerland, Sweden, the United Kingdom and the United States. The 16 business people interviewed represented companies from

Australia, Austria, Belgium, France, Hungary, Poland, Sweden, Switzerland, the United States and two business associations from Austria (Wirtschaftskammer) and Switzerland (OSEC). The six independent experts in commercial diplomacy were from Canada, Hungary, Switzerland, the United States and two international organisations. The panel discussions took place during an ITC expert meeting on commercial diplomacy in Geneva in December 8-10, 2004. Additionally, 30 questionnaires addressed to central administrations of foreign services in a chosen group of countries were sent out by e-mail and fax; 12 valid and useable answers were received from the set of countries listed in table 3.2.

We always tried to interview with a progressively more and more defined focus. The initial formulation of the research question was considered as tentative and the question shifted considerably as our qualitative research progressed. The interviewees were promised confidentiality to reduce their self-censorship. The initial design of our theory-building research was inspired by literature on commercial diplomacy, export promotion and the marketing of a country as a place for foreign direct investments and R&D activities.

The interview data was analysed to reveal broader patterns. The data enabled us to develop a systematic classification of the major business functions of commercial diplomats and to estimate their time allocation between the various activities. The Ishikawa framework was used to gain insights into the problems raised and to evaluate the relative importance of the various concerns.

Sub-appendix 2

What Determines the Service of Commercial Diplomacy?

Propositions of the Model

P1: A commercial diplomat may act as (i) business promoter (ii) civil servant or (iii) generalist diplomat.

P2: The CD's subordination to (i) Foreign Affairs favours their diplomatic functions, to (ii) Trade Ministry encourages civil servant approach and strong links with (iii) TPOs favour business promoter style of commercial diplomacy.

P3: The relative importance of various secondary CD activities depends on government priorities and business willingness to pay for the service rendered.

P4: The CD's hands-on involvement in business promotion depends on organisational structure, culture and the system of CD recruitment, motivation, control and reward.

P5: The greater the CD hands-on involvement in business support, the more attention is paid to the CD's business experience and effective links with the business community.

P6: CD may offer commercial services (which are paid for) and public services (offered free of charge). Public services are offered most frequently – in accordance with governments' filtering criteria – to SMEs, newcomers, priority sectors and firms which are 'ready for international business'.

P7: Commercial CD services are offered to companies that are willing to pay for them.

P8: CDs rely largely on referrals and loyalty to ensure their client base.

P9: CDs from developing countries are particularly concerned by the image of their country's 'made-in' and business community.

P10: Business-friendly governments tend to favour CD services, which emphasize business promotion.

P11: The lack of a reliable set of rules for business between the host and the home country creates additional challenges for commercial diplomacy (e.g. taxation or FDI agreements or visa arrangements).

P12: CD activities tend to be particularly developed in large and potentially attractive markets.

P13: The relative importance of various primary CD activities depends on the host country's importance as centre of gravity for that type of business (e.g. banking centre, fashion centre, specialized R&D cluster).

P14: With the convergence of business regimes in the home and the host country, the problem-solving function of commercial diplomacy tends to diminish.

P15: With the improved access to information through IT technology the CD has increasingly put emphasis on relationship-based intelligence and business support.

P16: Improved mobility and communication imply that numerous traditional CD functions are increasingly assumed directly by the business people concerned.

Sub-appendix 3

Estimating Quantitative Dimension of Commercial Diplomacy

The data obtained relate to the six largest trading nations and six smaller economies. The countries – which account for about half of the world trade – maintain 1,356 commercial diplomacy offices abroad. The data suggest that, on average, there are some 7.5 staff per office and that the countries considered might account for about 10,500 permanent commercial diplomacy staff located in the host countries. The total commercial diplomacy staff for all trading nations may be expected, thus, to be in the range of 20,000 full-time commercial diplomacy employees, assuming a normal distribution of the commercial diplomacy activities. An estimate of \$ 250,000 is used – after consultations with three experts – to account for a salary of a diplomatic envoy, their relocation grants (plus related expenses) and the operational costs related to performing the commercial diplomacy duties abroad.

Sub-appendix 4***Methodology used for table 3.4.: Country Classification of the Dominant Commercial Diplomacy Styles***

The classification of countries comprised in table 3.4 was suggested by a panel of three researchers. When coding differences between two independent evaluators could not be resolved (one case), one of the authors acted as arbitrator to finalize the classification.

APPENDIX – CHAPTERS 3 TO 5: LIST OF INTERVIEWS (QUALITATIVE RESEARCH)

The transcripts of the interviews listed are available on demand only for scientific purpose.

| Interview No. | Title, Organisation | Date and Place |
|---------------|--|------------------------------|
| 1 (a,b,c) | Workshop on Foreign Trade representation, with experts and diplomats/trade representatives | Geneva, 8-10 December, 2004. |
| 2 | Commercial Affaires Attaché, of Venezuela, in Vienna, Austria. | Geneva, 8-10 December, 2004. |
| 3 | General Director of the Centre for Export Promotion of Cuba | Geneva, 9 December 2004. |
| 4 | Counsellor, Permanent Mission of El Salvador to the UN, Geneva. | Geneva, 19 December 2004 |
| 5 | Senior Commercial Counsellor, US Commercial Service, Bern. | Bern 14 December 2004 |
| 6 | Chief Recruitment and Marketing, Département fédéral des affaires étrangères | Bern, 15 December 2004 |
| 7 | Director Marketing and Communications, US Commercial Service | E-mail, 6 January 2005 |
| 8 | Commercial Counsellor, Embassy of Germany. | Bern, January 7, 2005 |
| 9 | Director Trade and Investment, British Embassy | Bern, 7 January 2005 |
| 10 | Conseiller commercial, Adjoint Chef Mission Economique, Ambassade de France | Bern, 7 January 2005 |
| 11 | Senior Business Advisory Services Officer (former New Zealand commercial diplomat) | Geneva, 17 January 2005 |
| 12 | Département fédéral des Affaires étrangères | Bern, 19 January 2005 |
| 13 | Commercial Counsellor, Embassy of Poland | Bern, 7 March, 2005 |
| 14 | Adviser Trade and Investment, Japan External Trade | Geneva, 8 March, 2005. |

Organisation

| | | |
|--------|---|-----------------------------|
| 15 | Deputy Managing Director, Korea Trade and Investment Promotion Agency | Zurich, 15 March 2005 |
| 16 | Trade Commissioner, Embassy of Canada | Bern, 18 March 2005 |
| 17 | Counsellor, Embassy of Hungary; Director ITD Hungary, Zurich. | Bern, 18 March 2005 |
| 18 | Second Secretary, Embassy of China | Bern, 8 April, 2005 |
| 19 | Former Permanent Representative of Hungary to the UN | Geneva, 10 April 2005 |
| 20 (a) | Counsellor, Embassy of Brazil | Bern, 31 May, 2005 |
| 20 (b) | Commercial Attaché, Embassy of Brazil | Bern, 16 November 2005 |
| 21 | Directeur Commercial, Felco SA (Switzerland) | Neuchâtel, 16 August, 2005 |
| 22 | Sole Trader, Honey Export (Hungary) | Telephone, 24 August 2005 |
| 23 | Président Valsider SA (Switzerland) | Telephone, 28 October 2005 |
| 24 | Sales Manager, Belgomalt SA (Belgium) | Telephone, 28 October 2005 |
| 25 | Responsable OSEC Suisse romande | Lausanne, 3 November 2005 |
| 26 | Avel SA (France), Assistant Export Manager | Telephone, 7 November 2005 |
| 27 | Directeur Commercial, Abel Bonnex Sarl (France) | Telephone, 3 November 2005 |
| 28 | Dirigeant, ATPS, (France) | Telephone, 3 November 2005 |
| 29 | Secrétaire de Direction, Responsable Export, Vega (France) | Telephone, 3 Novembre 2005 |
| 30 | Manager, Rader AB (Sweden) | Telephone, 15 November 2005 |
| 31 | Export Manager, Lynson (Sweden) | Telephone, 15 November 2005 |
| 32 | Stellv. Handelsdelegierte, Austria | Budapest, 12 November 2005 |
| 33 | Counsellor, Embassy of Finland | Bern, 17 November, 2005 |
| 34 | Manager, Swedish Trade Council, Zurich. | Telephone, 21 November 2005 |
| 35 | Managing Director, Dr. Neubauer Sarl (France) | E-mail, 22 November 2005 |
| 36 | Consul General, Advisor, Ministry of Foreign Affairs, | E-mail, 19 November 2005 |

Hungary

| | | |
|----|---|---|
| 37 | Economic Consellor / Managing Director Portugal Office du commerce et du Tourisme | Zurich, November 2005 |
| 38 | Camille Bloch SA (Switzerland) | Telephone 13 December 2006 |
| 39 | Grupo Ybarra (Spain) | 13 December 2006 |
| 40 | Grupo Faiges (Spain) | 15 December 2006 |
| 41 | Pro Concept | Telephone, 27 December, 2006 |
| 42 | Hug AG (Switzerland) | Telephone 19 December 2006 |
| 43 | Tissupor AG (Switzerland) | Telephone 19 December 2006 |
| 44 | Chocolat Bernrain AG (Switzerland) | Telephone 8 December 2006 |
| 45 | Cosmart | Telephone 8 December 2006 |
| 46 | Elmo Leather AB (Sweden) | Telephone / Switzerland, 11 December 2006 |
| 47 | Farmi Forest | 13 December, 2006 |
| 48 | AJ Produkter | Telephone 19 December 2006 |
| 49 | Hermes Süsstoff AG | Telephone 11 December 2006 |
| 50 | Bien-air surgery SA (Switzerland) | Telephone 11 December 2006 |
| 51 | AOS Technologies AG (Switzerland) | Telephone / Switzerland, 11 December 2006 |
| 52 | Empresa Marques (Spain) | 13 December 2006 |
| 53 | Reglomat | Telephone 11 December 2006 |
| 54 | CPQP | Telephone 13 December 2006 |
| 55 | MAM (Austria) | Telephone 11 December 2006 |
| 56 | Nanosurf | Telephone 11 December 2006 |
| 57 | Wave biotech | Telephone 8 December 2006 |
| 58 | VP e-government and International Organisations, WISEkey (World Internet Secure Key) SA | Geneva, 11 May 2006 |

| | | |
|----|---|------------------------------|
| 59 | Director, AESA SA | Cortailod, 5 May 2006 |
| 60 | Tissot (Swatch Group) | Le Locle, 10 May 2006 |
| 61 | Head of Legal & Compliance Corporate Services, Metalor SA | Neuchâtel, 29 May 2006 |
| 62 | Ravine SA | E-mail, June 2006 |
| 63 | Ministre, représentant permanent adjoint, Ambassade de Hongrie | Bern, 6 November 2008 |
| 64 | Head of Economic Affairs Section, DFAE | Bern, 9 December 2008 |
| 65 | First Counsellor, Economic Affairs, Embassy of Poland | Bern, 30 September, 2009 |
| 66 | Senior Trade Commissioner, Embassy of Canada | Bern, 28 November 2008 |
| 67 | Former Ambassador of Switzerland to Germany; Renova Management AG | Zurich, 3 September 2009 |
| 68 | Commercial representative of the Republic of Moldova to PRC (China) | Skype, 10 March, 2009 |
| 69 | Commercial Representative of the Republic of Moldova to Switzerland | Geneva, 30 April, 2009 |
| 70 | Head of International Economic Relation Section of Ministry of Foreign Affairs | Telephone/e-mail, 6 May 2009 |
| 71 | Head of Commercial Division of "HORUS" consortium | Telephone, 7 May 2009 |
| 72 | First Secretary, Embassy of Lebanon | Muri b. Bern, 24 April 2009 |
| 73 | Head of sector trade promotion, Embassy of Brazil. | Bern, 27 May 2009 |
| 74 | Senior Advisor, International Trade Centre, former Trade Representative, New Zealand. | Geneva, 16 February 2012 |
| 75 | Senior Advisor Trade Representation, International Trade Centre | Geneva, 13 February 2012 |

The following interviews were not led personally by the author but were used in the following unpublished papers that contributed to this thesis by groups of students advised by the author:

Interviews 58 to 62 :

Université de Neuchâtel (2006) (not published) Diplomatie commerciale: promotion des exportations et des investissements- rôle des Ambassades et des organisation de promotion commerciale (par A-B.Ikele, C.Auberson, G.Ballmer, M. Shili, N. Heche) , Master in International Business Development, Travail pour le cours “Manager in the Trading System” sous la direction de Prof. Michel Kostecki, assistants Reza Etemad-Sajadi, Olivier Naray.

Interviews 38 to 57 :

Université de Neuchâtel (2007, not published) Promotion commerciale: performance des réseaux diplomatiques et des agences spécialisées (par V.Bao, N.Costoya, M.Wangler, C. Wernli, K.Yuan), Travail pour le cours Recherche en marketing, Bsc. en Management, sous la direction de Prof. Michel Kostecki, assistant Olivier Naray.

Interviews 68 to 73:

Université de Neuchâtel (2009): (not published) The professionalization of Commercial Diplomacy – Trade and Investment Promotion (by C. Sansonnens, K.Do Amparo de paula, S. Salame, H.Vu), workshop paper, Masters programme International Business Development, under the supervision of Prof. Michel Kostecki, and Advisor Olivier Naray.

APPENDIX – CHAPTER 6 (PART 1):
QUANTITATIVE EVIDENCE ON COMMERCIAL DIPLOMATS' TIME
ALLOCATION ON ROLES AND ACTIVITY AREAS

Methods

Procedure

The researcher approached selected commercial diplomats and – if necessary – their Ministry/ Headquarters and asked about participation in the study. The questionnaires included a cover letter explaining that the ultimate objective of the study is to formulate recommendations in order to improve trade representatives' working environment, the service and the institution of commercial diplomacy/trade representation. Each participant was asked to return the questionnaire in an envelope to the Enterprise Institute, University of Neuchâtel. No financial incentives were given for study participation.

It is important to note that diplomatic services were found to be generally sceptical about survey requests other than within their own headquarters, due to confidential contents of diplomatic activities. The researcher visited several selected embassies personally in Switzerland and convinced them to participate in the survey. The survey requests were then transferred to the Ministry /HQ for approval. A formal decision of the Ministry/HQ was made afterwards on whether to participate and sometimes restrictions on the distribution of the survey were imposed (number and choice of locations). In spite of these constraints, the response rate was eventually more than satisfactory.

Elaboration of the questionnaire directed towards commercial diplomats

The survey included two questionnaires. *Questionnaire 1* tackled descriptive features of commercial diplomats' roles and activity areas by asking about proportions of time spent on various objectives and activities (roles). *Questionnaire 2* addressed opinions and attitudes on activities' intensity, initiative and priorities. In questionnaire 2 respondents were to a large extent asked to express agreement or disagreement on a seven-point scale. Each degree of agreement is

given a numerical value from one to seven. Thus a total numerical value can be calculated from all these responses respectively. For example:

- How often do you apply filtering criteria when responding to business firms?
- If you think you apply them never or very rarely, circle a number towards the left; if you think you apply them often, circle a number towards the right. If you think it is somewhere in between, circle a number from the middle range that indicates your opinion.

Scores (Scale) : 1(never) ,2,3,4,5,6,7(always)

Sampling (quantitative study)

Via embassies in Switzerland, home countries to be surveyed in collaboration with their respective Ministry/Headquarters were asked to distribute the survey to their representatives (CDs) in all host OECD countries and in ten (10) emerging/developing country locations. The number of CDs per home country varies, since no country has the same number of representatives abroad; that is why the total population of 234 is only a reasonable estimate. Headquarters such as the Swiss MFA imposed restrictions and purposefully reduced the sample size and did not send out the questionnaire to all requested locations. Two additional home countries (Brazil and the Netherlands) of the 6, answered with only one (1) location, i.e. 1 returned questionnaire each.

App. table 1: The home country and host country of respondents

| Home country | No. of locations | Location of the posting in the host country | Comments |
|--------------|------------------|---|---|
| SWITZERLAND | 19 | NOR, ROM, POR, ITA, GER, MEX, CRC, CAN, FIN, PRC, USA, CRO, BRA, HUN, JOR, VIE, ARG, PAK, TUR | |
| DENMARK | 22 | SLO, ESP, UK, GRE, IRL, TUR, SWE, NOR, GER, AUS, MEX, CZE, PRC, SUI, ISL, JPN, VIE, KOR, HUN, RUS, ARG, INA, | |
| AUSTRIA | 11 | BEL, ESP, FIN, IND, GRE, IRL, MEX, NED, POL, RSA, UK | |
| SPAIN | 43 | TUR, GRE, THA, GER, SUI, BRA, BEL, SVK, HUN, ARG, CHIC, DEN, IRL, DÜSS, FIN, VIE, INA, NED, POR, MAS, RSA, UK, MEX, MIAM, MILA, RUS, MUMB, NEWD, NY, OTTA, PARI, BEIJ, CZE, ROME, KOR, SHAN, SWE, SY, JPN, TORO, POL, AUT, WASH. | In larger host countries, more than one representation (CD). |
| FINLAND | 24 | ARG, CAMB, CAN, SUI, DEN, FRA, BERL, HUN, NEWD, IRL, LUX, JPN, MAS, MEX, POL, POR, RUS, KOR, RSA, ESP, SWE, THL, UK, TUR. | In larger host countries, more than one representation (CD). See Remark |
| TAIWAN (ROC) | 24 | CHIC, MAS, ESP, NY, UK, NED, CAN, FIN, INA, KOR, SUI, FRA, HOU, ARG, AUT, IND, JPN, POL, ITA, SVK, RSA, THL, WASH, LA. | In larger host countries, more than one representation (CD). |
| NETHERLANDS | 1 | FRA | |
| BRAZIL | 1 | SWI | |
| TOTAL | 145 | | |

Source: Own.

Remark: Commercial diplomats in their responses often refer to the TPO branch of FINPRO as also being in charge of business promotion. Yet, the MFA preferred to have its employees respond to this survey (i.e. the Finnish foreign posts) probably because only these CDs have diplomatic status, which was our criteria to qualify.

Validation of findings and discussion/confrontation with experts and researchers

In order to further interpret and understand the quantitative and qualitative findings as well as their implications, final validation interviews were led with trade promotion experts (two at International Trade Centre), independent researchers and experts. A work session was held in the Netherlands in March 2012 to confront all final findings with other researchers at the University of Twente. In light of all discussions, the researcher could eventually select and confirm his findings and better argue the implications of those findings. The interview guide can be requested on demand.

App. survey results

Time allocation on roles:

Percentage actual time on components of facilitation role

| | N | Mean | Std. Deviation |
|--------------------------------|----------|-------------|-----------------------|
| Time % Activity- referral | 138 | 11.4819 | 10.88198 |
| Time % Activity – coordination | 138 | 9.8080 | 6.70013 |
| Time % Activity -logistics | 138 | 6.7138 | 6.56603 |
| N valid (listwise) | 138 | | |

Percentage ideal time on components of facilitation role

| | N | Mean | Std. deviation |
|--|----------|-------------|-----------------------|
| Ideal Time % Activity- referral | 110 | 13.5818 | 12.31422 |
| Ideal Time % Activity- coordination | 110 | 9.0091 | 5.71253 |
| Ideal Time % Activity- logistics | 109 | 5.2890 | 5.17754 |
| N valid (listwise) | 109 | | |

Percentage of actual and ideal time spent on advisory role

| | N | Mean | Std. Deviation |
|---|----------|-------------|-----------------------|
| %Time actual on advisory role (MEAN intelligence, internal communication) | 138 | 46.2971 | 16.46259 |
| %Time ideal on advisory role (MEAN intelligence, internal communication) | 110 | 42.3091 | 16.30486 |
| N valid (listwise) | 109 | | |

Percentage of actual time spent on advisory role components

| | N | Mean | Std deviation |
|---|----------|-------------|----------------------|
| Time % Activity – intelligence | 138 | 26.2681 | 14.98383 |
| Time % Activity – internal communication | 138 | 20.0290 | 10.60088 |
| N valid (listwise) | 138 | | |

Percentage of ideal time on advisory role components

| | N | Mean | Std deviation |
|---|----------|-------------|----------------------|
| Ideal Time % Activity- intelligence | 110 | 28.5182 | 14.98546 |
| Ideal Time % Activity- internal communication | 110 | 13.7909 | 8.14107 |
| N valid (listwise) | 110 | | |

Percentage time actual and ideal on the representation role

| | N | Mean | Std deviation |
|---|----------|-------------|----------------------|
| %Time ideal on representation (MEAN advocacy, external communication) | 110 | 28.2864 | 14.12858 |
| %Time actual on representation role (MEAN advocacy, external communication) | 138 | 23.9819 | 13.03916 |
| N valid (listwise) | 109 | | |

Percentage actual time spent on the components of the representation role

| | N | Mean | Std deviation |
|---|----------|-------------|----------------------|
| Time % Activity- external communication | 138 | 16.6014 | 11.34305 |
| Time % Activity – advocacy | 138 | 7.3804 | 6.77359 |
| N valid (listwise) | 138 | | |

Percentage ideal time on the components of the representation role

| | N | Minimum | Std deviation |
|---|----------|----------------|----------------------|
| Ideal Time % Activity- external communication | 110 | .00 | 12.55201 |
| Ideal Time % Activity- advocacy | 110 | .00 | 8.48467 |
| N valid (listwise) | 110 | | |

Hands on/off construct (4 questions):

Reliability statistics

| Cronbach's Alpha | Cronbach's Alpha Based on Standardized Items | N of Items |
|-------------------------|---|-------------------|
| ,792 | ,795 | 4 |

Item Statistics

| | Mean | Std. Deviation | N |
|---------------------------------------|-------------|-----------------------|----------|
| s2v1c_bso_INV | 3,1500 | 1,85024 | 140 |
| s2v1d_opd_INV | 3,1286 | 1,63524 | 140 |
| CD's role perception – consultant | 5,5357 | 1,68962 | 140 |
| CD's role perception – marketing plan | 4,6286 | 1,82052 | 140 |

APPENDIX – CHAPTER 6 (PART 2):
QUANTITATIVE EVIDENCE ON COMMERCIAL DIPLOMATS' TIME
ALLOCATION ON ROLES AND ACTIVITY AREAS

Survey questionnaire 1: Commercial diplomats' activities

Neuchâtel, February 2009

Dear Participant,

The present questionnaire is part of a broader research project of the Enterprise Institute, University of Neuchatel.

Your opinion is of great importance since you are among the key-players within commercial diplomacy. As a participant of the study you will receive an exclusive summary of the results before publication.

The ultimate objective of this research is to formulate recommendations in order to improve trade representatives' working environment, the service and the institution of commercial diplomacy /trade representation.

It will take you about ten minutes to fill in this questionnaire.

In this questionnaire you will find questions on

- How you apply filtering criteria
- Time allocation on your objectives and activities that go with them
- Home and host country data

Please consider the following points:

- There is no right or wrong answer
- It is possible that an answer does not perfectly match your situation /attitude/perception, then please choose the one that corresponds best to your situation /attitude /perception.
- Please answer all questions

The data analysis will be conducted on an international level and your answers will be handled confidentially and anonymously meaning that your name and your institution will not be mentioned.

If you have any questions, please contact Olivier Naray at the Enterprise Institute, University of Neuchâtel (Switzerland).

Tel.: +41 32 718 1427

E-mail: olivier.naray@unine.ch

Please send back the filled in questionnaire to:

Olivier Naray

Enterprise Institute (IENE)

University of Neuchatel

Rue A.-L. Breguet 1

CH-2000 Neuchatel

Per Fax:

0041 32 718 1361

Per e-scan:

olivier.naray@unine.ch

We kindly thank you in advance for your precious contribution.

Prof. Michel Kostecki

Research Director

Olivier Naray

Research Coordinator

Note: Explanation of used terms

“**Home country**” is the country of which you (the commercial diplomat) represent the commercial interests.

“**Host country**” is generally the country you are located in which you are promoting your “home country’s commercial interests.

When questions ask “you” you are meant as the senior commercial diplomat in charge of commercial affairs head of your team and office (meaning your staff supporting you in your work in the host country).

| |
|------------------|
| FILTERING |
|------------------|

1. On the basis of what criteria do you prioritise business firms’ incoming enquiries? Please tick all boxes, which apply.

- Firm’s size (e.g. SME)
- Firm’s nationality (i.e. headquarter being in the home country)
- Commitment to home country’s economy
- New technology orientation
- Degree of internationalisation (e.g. export readiness, export experience)
- Economic sector: _____
- Firms’ willingness to pay
- Other criteria: _____

2. How often do you apply filtering criteria when responding to business firms?

If you think you apply them never or very rarely circle a number towards left; if you think you apply them often circle a number towards the right. If you think it is somewhere in between, circle a number from the middle range that indicates your opinion.

Never

Always

1

2

3

4

5

6

7

| |
|----------------------------------|
| OBJECTIVES AND ACTIVITIES |
|----------------------------------|

We distinguish between broader *areas*, policy *objectives* such as export and investment promotion, and hands-on *activities* helping to reach these objectives such as partner search, etc. Specific events such as trade fairs and trade missions are NOT included.

3. Please indicate the areas you promote. *Tick all boxes, which apply.*

- Exports of goods and services
- Outward investments
- Inward foreign direct investment i.e. by host country firms to the home country
- Tourism (to the home country)
- Science and technology exchange
- Other (s): _____
- Other (s): _____
- Other (s): _____

4. How much time on average per week do you overall spend on activities contributing to fulfil the following *objectives*? Please fill in the table by giving both: the “actual time” spent on the following objectives and the time you would wish as “ideal time”. Please give a rough estimation as a share in percentage out of 100 per cent. The total should end up to 100%.

| Objective | Actual Time in % out of 100% | Ideal Time In % out of 100% | Remarks (optional) |
|---|---------------------------------|-----------------------------------|-----------------------|
| a. Promotion of trade in goods and services | | | |
| b. Protection of intellectual property rights (concerning business firms directly) | | | |
| c. Cooperation in Science and Technology | | | |
| d. Promotion of Made-in and corporate image | | | |
| e. Promotion of Foreign Direct Investments (FDIs) | | | |
| f. Promotion of tourism | | | |
| g. Other(s): _____ | | | |
| h. Other(s): _____ | | | |
| i. Other(s): _____ | | | |

| | | | |
|--------------------|--------------|-------------|--|
| j. Other(s): _____ | | | |
| TOTAL TIME | 100 % | 100% | |

5. **How much time on average per week do you overall spend on the following *activities*? Please fill in the table by giving both: the “actual time” spent on the following objectives and the time you would wish as “ideal time”. Please give a rough estimation as a share in percentage out of 100 per cent. The total should end up to 100%.**

Explanation of used terms:

Intelligence comprises both data collection and analysis for the home country business community and – to a lesser extent – foreign investors and traders.

Communication

- *Internal communication* includes reporting to the home ministry and communication within the CD’s office and the embassy.
- *External communication* includes the information of government counterparts in the host country, CD’s presentations, participation in conferences, preparation of business briefings, press articles, direct involvement in event marketing, etc.

Referral covers recommending companies to prospective clients and partners and vice versa and other forms of facilitation of direct contacts.

Advocacy consists of systematic and planned efforts to defend home country’s business interests in dealings with the home country governments and major publics with the objectives of improving the regulatory environment. It also comprises the CD assistance in conflict resolution and dispute settlement involving home country firms.

Co-ordination means encouraging social interaction between partners (businesses and/ or state authorities) where various processes are considered simultaneously and their evolution arranged for the benefit of all parties. Typically the organisation of meetings and networking sessions belong to this category of activity.

“Logistics” refers to activities that deal with all aspects of technical and facility support (e.g. translation, provision of rooms for business negotiations) for the actually or potentially involved parties.

| Activity | Actual Time in % out of 100% | Ideal Time In % out of 100% | Remarks (optional) |
|--|---|--|-------------------------------|
| a. Intelligence gathering | | | |
| b. Internal communication (office, embassy, ministry) | | | |
| c. External communication | | | |
| d. Referral | | | |
| e. Advocacy | | | |
| f. Coordination | | | |
| g. Logistics | | | |
| h. Other(s): _____ | | | |
| i. Other(s): _____ | | | |
| j. Other(s): _____ | | | |
| k. Other(s): _____ | | | |
| l. Other(s): _____ | | | |
| TOTAL TIME | 100 % | 100% | |

6. To what extent do the following issues come up in firms' enquiries?

If you think they come up very rarely (or never) circle a number towards left; if you think they come up often circle a number towards the right. If you think it is somewhere in between, circle a number from the middle range that indicates your opinion.

| Enquiries' content | Very Rarely | | | | | | Very Often |
|---|--------------------|----------|----------|----------|----------|----------|-------------------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| a. Home country company interested in export / sales in host country. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| b. Home country company interested in establishing a subsidiary company in the host country. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| c. Joint venture issues (in both home and host countries). | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| d. Home country company asking about production and operations management issues concerning host country (e.g. location decisions). | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| e. Home country companies interested in investing in the host country (outward FDI). | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| f. Home country company interested in fiscal and tax issues in host country. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| g. Research and Development issues (in both home and host countries). | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| h. Home company asks about human resources in host country (e.g. work permits, recruiting, etc.). | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| i. Regulatory issues (free trade agreements, custom unions, etc.). | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| f. Others(s): _____ | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| g. Other(s): _____ | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| h. Other(s): _____ | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

Survey questionnaire 2: Commercial diplomats' activities

Neuchâtel, February 2009

Dear Participant,

The present questionnaire is part of a broader research project of the Enterprise Institute, University of Neuchatel.

Your opinion is of great importance since you are among the key-players within commercial diplomacy. As a participant of the study you will receive an exclusive summary of the results before publication.

The ultimate objective of this research is to formulate recommendations in order to improve trade representatives' working environment, the service and the institution of commercial diplomacy /trade representation.

It will take you about ten minutes to fill in this questionnaire.

In this questionnaire you will find questions on

- The perception of your role as a commercial diplomat
- Your activities nature and intensity
- Your background
- Demographic information
- Home and host country data

Please consider the following points:

- There is no right or wrong answer.
- It is possible that an answer does not perfectly match your situation /attitude/perception, then please choose the one that corresponds best to your situation /attitude /perception.
- Please answer all questions if possible.

The data analysis will be conducted on an international level and your answers will be handled confidentially and anonymously meaning that your name and your institution will not be mentioned.

For more information on the research methods and procedures see the appendix.

If you have any questions, please contact Olivier Naray at the Enterprise Institute, University of Neuchâtel (Switzerland).

Tel.: +41 32 718 1427

E-mail: olivier.naray@unine.ch

Please send back the filled in questionnaire to:

Olivier Naray

Enterprise Institute (IENE)

University of Neuchatel

Rue A.-L. Breguet 1

CH-2000 Neuchatel

Per Fax:

0041 32 718 1361

Per e-scan:

olivier.naray@unine.ch

We kindly thank you in advance for your precious contribution.

Prof. Michel Kostecki

Research Director

Olivier Naray

Research Coordinator

Note: Explanation of used terms

“Home country” is the country of which you (the commercial diplomat) represent the commercial interests.

“**Host country**” is generally the country you are located in which you are promoting your “home country” ‘s commercial interests.

When questions ask “you” you are meant as the senior commercial diplomat in charge of commercial affairs head of your team and office (meaning your staff supporting you in your work in the host country).

Appendix available on Demand: Document on Research Methods

Note: The term “commercial diplomat” and “trade representative” are used as interchangeably as synonyms.

| |
|------------------------------------|
| COMMERCIAL DIPLOMACY’S ROLE |
|------------------------------------|

1. Several statements about your possible roles as a commercial diplomat are listed below. If you disagree circle a number towards left; if you agree circle one towards the right and if you think it is someplace in between, circle a number from the middle range that indicates your opinion.

- a. My role as a commercial diplomat includes providing a *consultancy service* for beneficiary companies.

| | | | | | | |
|------------------------------|----------|----------|----------|----------|----------|---------------------------|
| Strongly Disagree | | | | | | Strongly agree |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |

- b. My role as a commercial diplomat includes understanding beneficiary companies’ *marketing plan*.

| | | | | | | |
|------------------------------|----------|----------|----------|----------|----------|---------------------------|
| Strongly Disagree | | | | | | Strongly agree |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |

- c. My role as a commercial diplomat includes gathering *general* market related and economic information rather than providing beneficiary companies with *specific business solutions*.

| | | | | | | |
|------------------------------|----------|----------|----------|----------|----------|---------------------------|
| Strongly Disagree | | | | | | Strongly agree |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 |

- d. My role as a commercial diplomat is more about *opening doors* than supporting *concrete business development*.

| | | | | | | | |
|------------------------------|---|---|---|---|---|---|---------------------------|
| Strongly Disagree | | | | | | | Strongly agree |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | |

| |
|-------------------|
| ACTIVITIES |
|-------------------|

2. Several statements about your activities are listed below. If you think you do them almost never or very rarely circle a number towards left; if think you do them often circle a number towards the right. If you think it is somewhere in between, circle a number from the middle range that indicates your opinion.

- a. My office initiates partner search for potential beneficiary companies without prior company mandate.

| | | | | | | | |
|--------------|---|---|---|---|---|---|---------------|
| Never | | | | | | | Always |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | |

- b. My team and I spend on average about half of our/my time or more outside the office networking with business relevant counter-parts

| | | | | | | | |
|--------------|---|---|---|---|---|---|---------------|
| Never | | | | | | | Always |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | |

- c. My office searches for competitive intelligence without specific company or government mandate (e.g. in a non priority sector where market potential is recognised).

| | | | | | | | |
|--------------|---|---|---|---|---|---|---------------|
| Never | | | | | | | Always |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | |

- d. My office starts without specific mandate pre-business cooperation projects with the host country's various actors (business and/or government)

| | | | | | | | |
|--------------|---|---|---|---|---|---|---------------|
| Never | | | | | | | Always |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | |

BACKGROUND

3. What is your educational background and degree? Please tick the boxes which apply and fill in the corresponding space where necessary.

| University | Law | Business / Management | Economics | Social Sciences: | Humanities: | Other(s): |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Type of university degree (BA, MA, PhD) | _____ | _____ | _____ | _____ | _____ | _____ |

| Technical University (applied sciences) | Engineering | Business / Management | Other(s): | Other(s): | Other(s): |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Type of degree | _____ | _____ | _____ | _____ | _____ |

| | |
|--|----------------|
| Non-university diploma (vocational training, etc.) | Subject: _____ |
| Type of diploma | _____ |

4. Did you work in the private sector in a senior position relating to sales /marketing / finance for two years or more in the past?

Yes

No

If “yes”, please specify which sector and which country and for how long

| Sector | Time spent | Sector | Time spent |
|--------|------------|--------|------------|
| | | | |
| | | | |
| | | | |

| |
|-----------------------|
| HOME AND HOST COUNTRY |
|-----------------------|

5. What is your home country? : _____

6. In which host country are you currently located? _____

7. How many postings abroad have you had so far ? Please tick the box that applies and specify the number if more than 6.

| | | | | | | |
|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------|
| 1 | 2 | 3 | 4 | 5 | 6 | More than 6 |
| <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | Number: ____ |

8. In which host countries were you previously located? _____

9. Which –if any- other target markets (countries, regions) are you serving at the moment in addition to the country you are located in?

The following: _____

None

| |
|-------------------------|
| DEMOGRAPHIC INFORMATION |
|-------------------------|

10. Your (official) status among the following is (*Only One Answer possible*)

Diplomat for the Ministry of Foreign Affairs (or equivalent, please specify): _____

Civil servant with diplomatic status for another Ministry than Foreign Affairs (please specify): _____

Other with diplomatic status (please specify): _____

11. Please indicate the type and number of staff in the office working in commercial affairs (*Tick all boxes, which apply*).

