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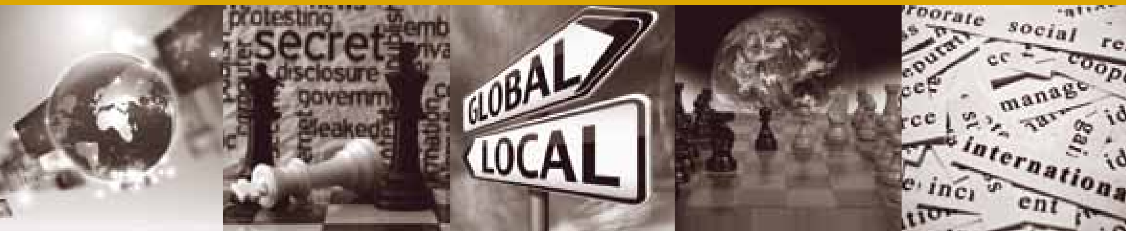

Diplomacy means business

Dr. Huub Ruël
Lectoraat International Business /
Professorship of International Business

Colofon

Dr. Huub Ruël

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Windesheim reeks Kennis en Onderzoek, nr. 46

In de Windesheimreeks Kennis en Onderzoek verschijnen publicaties over de uitkomsten van praktijkgericht onderzoek door onderzoekers, docenten en studenten van de Christelijke Hogeschool Windesheim. Voor de reeks gelden de gebruikelijke regels voor wetenschappelijk publiceren ten behoeve van een goede verankering van de theoretische, methodologische en empirische grondslagen van praktijkgericht onderzoek.

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Dr. Huub Ruël

Lectoraat International Business /

Professorship of International Business

Lectorale rede bij de aanvaarding van het lectoraat International Business
aan de Christelijke Hogeschool Windesheim te Zwolle op vrijdag 22 november 2013

Inauguration speech upon accepting the professorship of International Business at Windesheim
University of Applied Sciences in Zwolle (NL) on Friday, November 22, 2013

"Philips is al honderd jaar in Afrika aanwezig. Op het Afrikaanse hoofdkwartier in Johannesburg hangt nog de brief die Anton Philips in 1895 aan de consul stuurde, met de vraag of die hem kon helpen de gloeilamp in Zuid-Afrika te introduceren. Dat was vier jaar nadat het bedrijf in Eindhoven was opgericht." (Volkskrant, p. 4, dinsdag 7 mei 2013. "Philips ziet kansen in welvarender Afrika")

"Philips has been active in Africa for at least a hundred years. At its African headquarters in Johannesburg, the letter Anton Philips sent to the consul in 1895 still hangs on the wall, asking for the consul's help to introduce the light bulb in South Africa. That was four years after the firm's establishment" (Volkskrant, p. 4, May 7, 2013: "Philips sees opportunities in more prosperous Africa")

"Today, together, we must rethink the roles of business, government, and NGOs in the global economy. If we don't, then we'll all suffer-not just the communities that have long been poor and vulnerable, but also the companies that rely on their resources, their labor, and their consumption. These are the new facts of business. But if we start by understanding that, with increasing frequency, businesses, governments, and NGOs can share the same aims and aspirations, then we can continue building a world that's more just and equitable for the poor and, yes, more profitable for the private sector simultaneously." (Ray Offenheiser, President, Oxfam America, Reprise of: "Rethinking our Roles" Address to the Academy of International Business 2012 Annual Meeting - Opening Plenary. AIB Insights, 13, 1, pp. 22)

To Tanya, Yulia, Elena

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Samenvatting

De wereldeconomie is in verandering, de economische krachtsverhouding verschuift naar Azië en dit heeft zijn invloed op internationaal zakendoen. Als onderdeel van deze internationale economische krachtsverschuiving, verandert ook de rol en de relatie tussen overheden, internationale bedrijven, non-gouvernementele organisaties (NGO) en nationale en internationale belangengroeperingen. Manieren van en regels voor internationaal zakendoen zoals ontwikkelde economieën die gewend waren zullen niet zondermeer dominant zijn, en ontwikkelde economieën zullen ook hun internationaliseringsinspanningen moeten versterken om van de internationale economische krachtsverschuiving te kunnen profiteren. De vraag is echter: doen ze dit in voldoende mate? En hoe kunnen ze internationalisering versterken?

De Nederlandse economie is sterk internationaal georiënteerd, zo lijkt het. Echter, een nadere blik maakt zichtbaar dat slechts een klein segment van de Nederlandse bedrijven echt internationaal actief is. Ook is het aandeel van de handel met opkomende economieën, in vergelijking met andere EU landen, matig. Verder is van de Nederlandse export ruim 40% zogenaamde doorvoer, hetgeen slechts een kleine toegevoegde waarde heeft. Als de mate van internationalisering van de Nederlandse economie 'model' staat voor andere ontwikkelde economieën, dan is er nog werk aan de winkel.

Om succesvol te internationaliseren en te profiteren van de internationale economische verschuivingen is het van essentieel belang te onderkennen dat internationaal zakendoen in de komende jaren meer een zaak zal zijn van het begrijpen en kunnen omgaan met een sterkere verwevenheid tussen economie en internationale betrekkingen, tussen internationaal zakendoen en diplomatie.

Internationale bedrijven hebben diplomatie en diplomatieke competenties nodig om succesvol te kunnen opereren, ofwel via de 'klassieke' diplomatieke actoren zoals natiestaten of door internationale bedrijven zelf die zich meer en meer opwerken als diplomatieke actoren en zich zelfstandig gaan verhouden tot overheden en andere stakeholders. Bijvoorbeeld: overheidsvertegenwoordigers en bedrijven kunnen samenwerken om toegang te verkrijgen tot of uitbreiden in nieuwe buitenlandse markten, en internationale bedrijven werken aan hun diplomatieke competenties om relaties aan te gaan en te onderhouden met buitenlandse overheden, NGOs en andere stakeholders.

Commerciële en bedrijfsdiplomatie zullen sleutelwoorden zijn en aanvullende verklaringen leveren voor internationaal bedrijfssucces of -falen. Nu meer landen er aan werken om hun 'zaken op orde krijgen' voor wat betreft hun commerciële diplomatie, en de internationale bedrijfsomgeving sterk in beweging is en snel verandert, is het hoog tijd om commerciële en bedrijfsdiplomatie verder te professionaliseren en beleid, praktijken, instrumenten, en organisatie blijvend te innoveren. Kortom, '*diplomacy means business*'*!*

Het lectoraat International Business heeft tot doel om middels onderzoek bij te dragen aan de professionalisering en innovatie van commerciële en bedrijfsdiplomatie op subnationaal, nationaal en internationaal niveau.

Summary

The global economy is in transition, meaning a shift to the East, and this impacts the way of doing business globally. As part of the shifting global economic power balance, the role of and the relationship between governments, international business, non-governmental organizations (NGOs), and interest groups are changing as well. Advanced economies' management and business practices may no longer be dominant, and advanced economies will need to intensify their internationalization efforts to benefit from this new global economic power balance. The question is however: do they? And how can they?

In order to successfully adjust and benefit from this global economic power shift, it is crucial to realize that in the coming decade, doing international business in the global economy will be more a matter of understanding and being able to deal with the interwoven nature of the international economy and international relations, and thus of international business and diplomacy. International business needs diplomacy and diplomatic capabilities in order to operate successfully, provided either by 'classical' diplomatic actors such as governments or by international businesses themselves that are starting more and more to claim a position as diplomatic actors. For example: government representatives collaborating with national business leaders to gain access to or expand in new foreign markets and international business leaders working on their diplomatic capabilities to build relationships with foreign governments and NGOs and other stakeholders.

Commercial and business diplomacy will be key words and the additional explanation for international business success or failure. However, as more countries around the world are 'getting their acts together' regarding their commercial diplomacy, and as the international business environment is highly dynamic and rapidly evolving, it is high time to further professionalize commercial and business diplomacy and keep on innovating its policies, practices, its organization, and instruments.

Introduction: the global economy in transition

1

The global economy is in transition, the power of advanced economies is declining, while that of emerging economies such as China, Brazil, India, Russia, Indonesia, Turkey is increasing. In 2012 the economies of the United States, Japan and the European Union together accounted for at least 50% of the world's GDP (IMF, 2013). By 2020 China, India and Russia together will account for about 30% of the global GDP (in PPP[1] terms), with China leading as the world largest economy (again in PPP terms) (Euromonitor International, 2013).

Economic growth rates in emerging economies are much higher than those of advanced economies, and the days that emerging economies were mostly recipients of foreign investment are over. Emerging market multinationals are entering and investing in advanced markets, and their role in the world economy will keep on growing (Filippov, 2012; McKinsey, 2013).

In most emerging economies governments play a dominant economic role and are more often owners of businesses than in advanced economies. State-owned enterprises (SOEs) are a common phenomenon in emerging economies (The Economist, 2012). Doing business with emerging economy multinationals and in emerging economies means dealing with governments in many cases. This type of capitalism is often referred to as 'state capitalism', as an alternative to liberal capitalism (The Economist, 2012).

Furthermore, emerging economy multinationals do have intangible assets that traditional multinationals (read: advanced economy multinationals) do not possess. These new multinationals seem to apply an accelerated internationalization speed, have strong capabilities for dealing with unstable political environments, follow a so-called dual expansion path (which means simultaneously entering into developed and developing countries), and have a high organizational adaptability (Guillon & Garcia-Canal, 2009).

If we look at where the dominant consumer base will lie in the coming decades, then the current advanced economies have roughly 1 billion consumers, while just the BRIC countries (Brazil, Russia, India, China) have more than 2.5 billion consumers.

And finally, many emerging economies, such as China, Russia, the Emirates, Qatar, and Kuwait, possess huge sovereign wealth funds, state-owned investment funds, that have become major investors around the world.

How worrying is all this for the advanced economies? Does the rise of emerging economies mean a decline in prosperity for advanced economies? The answer is: not necessarily! The rise of emerging economies is not a 'zero-sum game', their rise does not have to come at the expense of advanced economies. On the contrary, the rise of emerging economies and their growing prosperity can be the route for the future prosperity of advanced economies as well. But the advanced economies will have to adjust.

1 Purchasing Power Parity

The global economy is in transition, meaning a shift to the East, and this impacts the way of doing business globally. As part of the shifting global economic power balance, the role of and the relationship between governments, international business, non-governmental organizations (NGOs), and interest groups are changing as well. Advanced economies' management and business practices may no longer be dominant, and advanced economies will need to intensify their internationalization efforts to benefit from this new global economic power balance. The question is however: do they? And how can they?

1.1 An example: The case of the Netherlands

Let us take, for example, the case of the Netherlands. The Netherlands ranks high on the globalization index (KOF globalization index, March 2013), especially on economic globalization. It is one of the largest exporters in the world, and ranks among the 10 largest foreign direct investors in the world (CBS, 2012). Furthermore, turnover generated by Dutch-controlled enterprises outside the EU is high compared to Germany, France and Belgium and equal to about 30% of turnover generated by all Dutch enterprises (CBS, 2012).

However, if we take a closer look, a more nuanced picture appears. Only 18% of Dutch businesses are involved in international business, and internationalization is concentrated, as only a small section of businesses in the Netherlands engage in international trade. And within this section an even smaller group, often foreign-controlled businesses, is highly active in international trade (CBS, 2012).

The Dutch economy relies heavily on trade with other EU partners, especially Germany (about 25% of total trade volume) and Belgium, and trade with the BRIC countries is growing, although it is lacking in volume behind most other EU countries. Around 43% of its exports consists of re-exports, which has low added value (CBS, 2012).

It is mostly Dutch medium-sized and large businesses that trade with the BRIC countries, especially those firms that import as well as export, that are in hands of foreign ownership (thus not 'native' Dutch businesses), and that are active in research and development.

According to Statistics Netherlands, firms that are active in the BRIC countries are more productive than those that are not. When it comes to services, the export of services in the Netherlands is about 20% of the total export volume, and services are mostly imported from the US.

The number of foreign businesses in the Netherlands is growing, and foreign firms account for about 15% of the GDP, or 800,000 jobs, and generally offer higher pay.

In 2009 the number of Dutch businesses abroad decreased, but now it is back at the pre-crisis level, although the number of jobs offered by Dutch firms abroad has kept on decreasing since 2009. Dutch firms' revenues mostly come from the US (CBS, 2012).

If this is the picture of a country like the Netherlands, which ranks high on the globalization index, then perhaps internationalization of other advanced economies that rank lower (for example, Germany, France, the US, the UK) is even 'bleaker' (although for a country like the US, economic internationalization may not be such an issue due to the size of its home country market).

1.2 Internationalization at the subnational level

If we look at the sub-national level, a more revealing picture arises. In a non-core province like Overijssel, a meager 1-2% of its businesses are foreign-owned. The number of pure exporters does not exceed 3% of its total number of firms, while firms that import and export make up at most 11.2% of the total number of firms for the region of Twente. Overall, the region of Twente looks more 'international' than North-Overijssel and South-West Overijssel (Table 1), perhaps due to its position on the border.

Region	Number of firms (total)	Foreign ownership	Exporters	Importers	Importers & Exporters
North-Overijssel	19 570	1.6%	1.8%	8.4%	8.3%
South-West Overijssel	7 420	2.2%	1.7%	8.3%	8.9%
Twente	33 010	1.8%	2.6%	9.9%	11.2%

Table 1: International business in Overijssel (CBS, 2012)

In general, border regions in the Netherlands have a higher number of internationally active firms, although the volumes of trade involved are relatively small (CBS, 2012). Overijssel ranks 4th among all provinces in terms of import volume and 5th in terms of export volumes (Limburg is the most international province, the province of Friesland the least internationalized). Overall, at the sub-national level in the Netherlands, for a medium-sized province such as Overijssel, the picture looks mediocre. In times of economic recession, there is a clear potential to regain economic growth via economic internationalization.

If we consider the Netherlands as a sample case for an average advanced economy, then I conclude that there is work to do in 'getting to terms' with the new global economic power balance and its business relationships with emerging economies.

1.3 Diplomacy as an instrument for advancing international business

In this paper I will argue that in the coming decade, doing international business in the global economy will be more a matter of understanding and being able to deal with the interwoven nature of the international economy and international relations, and thus of international business and diplomacy. International business needs diplomacy and diplomatic capabilities in order to operate successfully, provided either by 'classical' diplomatic actors such as governments or by international businesses themselves that are starting more and more to claim a position as diplomatic actors. For example: government representatives collaborating with national business leaders to gain access to or expand in new foreign markets and international business leaders working on their diplomatic capabilities to build relationships with foreign governments and NGOs and other stakeholders.

Diplomacy as such is not new of course, but bringing diplomacy as a concept to the field of international business is. It is high time for international business scholars and practitioners to fully recognize diplomacy as a concept, although the latter may have used the term diplomacy already colloquially.

Diplomacy to gain foreign market access and expansion, diplomacy to get foreign firms investing in your home country, and last but not least, diplomacy executed by businesses and business leaders to deal with foreign market environments, something that is crucial for survival in today's global business environment. Diplomacy may be a key word and the additional explanation for international business success or failure. However, as more countries around the world are 'getting their acts together' regarding their commercial diplomacy, and as the international business environment is highly dynamic and rapidly evolving, it is high time to professionalize commercial and business diplomacy and keep on innovating policies, practices, its organization, and instruments at the international, national, and sub-national level.

Or as the president of a large Dutch multinational said in our research project on business diplomacy:

"Business diplomacy is the bridging of the gap between the core business activities and having an understanding of the political social elements in all places within which the multinational company operates. The more global you get as a firm, the more important it is to tighten the relationships with governments and non-governmental stakeholders. Business diplomacy, at its best, safeguards corporate image and reputation."

In this paper I will address two types of diplomacy: commercial diplomacy and business diplomacy. Commercial diplomacy represents predominantly a government-driven approach to use the network of government and business representatives to promote home country business abroad using diplomatic channels and processes. Business diplomacy, a relatively new term, can be defined as an international business-driven approach to build and maintain positive relationships with foreign government representatives and non-government stakeholders. Therefore, a more public-driven side and a business-driven side of diplomacy will be presented, explained and illustrated in this paper. It will present the state of the art of the research on these types of diplomacy and an overview of the most recent research results of projects that I initiated and was involved in. A research agenda for commercial diplomacy as well as for business diplomacy will be presented.

The remainder of this introductory section will define international business and diplomacy before going ahead with explaining the two types of diplomacy mentioned.

1.4 Defining international business

Last year, the Academy of International Business, the largest community of international business scholars, started a debate on the domain of international business. Klaus Meyer (2013), the Vice-president of the AIB and chair for the AIB conference 2014 in Vancouver, opens his article in AIB Insights by asking the question: In the globalized, "flat" world, do we still need a special field of study called "international business" (IB)? (p. 10). And he answers clearly: "Yes, we do, and more than ever [...]. Opportunities to engage across national borders are rapidly growing in scope and complexity, while only marginally reducing the challenges of managing across borders. IB scholars explore how and why cross-national differences matter and how businesses are able to transcend national (and other) differences. To this end, we integrate context and general theory, which allows us to not only advance theories but also use our research to contribute to major debates in management practice and politics" (p. 10).

Local context matters, and I think quite recently we have come to realize this more and more. Our 'globalized world' may have resulted in converging management and business practices to some extent, but in my view it has made us only more aware of how diverse our world is. The fact that we have instant access to information from all corners of the world and that we can interact with people everywhere every moment of the day has only contributed to an awareness of diversity, of differences, of challenges. As I said, it made us conclude that local context matters. And for that reason I agree with Meyer (2013) who states that International Business is more than ever a relevant and necessary field of study. International Business scholars integrate general theory with local context, more specifically with cultural, behavioral, economic, political, juridical, and technological characteristics of the business environment. Meyer et al. (2011) refer to lay writers such as Friedman (2005) who claim that there is an ongoing process of global convergence, people around the world using the same set of goods, services, communication and interaction tools. However, there is a growing awareness in the international business literature that this is too simplistic and that 'knowledge of and embedding in local context remains a key success factor' (p. 236). Managing multinational enterprises is about managing differences rather than about creating homogeneity (Meyer et al., 2011, p. 236). Actors and entities become more interdependent and mutually aware, but not necessarily more similar.

To define the field of international business, I draw from the domain statement put forward in January 2013 as a result of a discussion in the AIB community:
International business is a field that studies *"phenomena, problems, and puzzles that arise from, or relate to, the activities of firms and other organizations that cross national borders or are undertaken in more than one country, and the economic, social, and political consequences of these activities. The field seeks a better understanding of the problems and opportunities that these activities and consequences create, drawing upon the full suite of disciplines that informs the strategies, structures, and processes within firms, institutions, and other organisations, their locations, and the motivations and behaviour of people working for them. To deliver on its research purpose, the field of international business is multidisciplinary in scope, interdisciplinary in content, and methodologically pluralistic. Through scholarly publication, teaching, consultancy, and advocacy, the AIB community reaches a global constituency to improve the performance of internationally active firms and other institutions, and the well-being of people affected by their activities." (Collinson et al., 2013, p. 7/8)*

1.5 Defining diplomacy

Diplomacy as a term is alien to the international business literature. It has been used by only a few scholars, but I will come back to that later. The term diplomacy stems from the field of international relations and political science and more specifically from the field of diplomatic studies. Pigman (2012) explains that "early modern usages of diplomacy were largely concerned with a process: the art of negotiation, and how to use negotiating effectively to achieve objectives of state"(p. 4). Later on, it became clear that the actors doing the negotiations, nation-states and their representatives, needed to be included as objects of the study of diplomacy (Pigman, 2012).

Until the 1980s diplomacy was most often viewed as a dialogue or the formal communication between states, a very general view and one that only recognizes states as diplomatic actors. That changed after the end of the Cold War, when the 'global economy' in today's meaning started to take off. Goods, technology, services, capital, labour, knowledge and culture flow across national borders in an unprecedented way and amount. New actors appeared on the 'diplomatic stage', such as supranational organizations (European Union), or multilateral organizations (United Nations, World Trade Organization, International Monetary Fund, World Bank), non-governmental organizations (Amnesty International, Human Right Watch, The Red Cross) and international business such as oil firms (Exxon, Royal Dutch Shell), financial firms (Deutsche Bank, JPMorgan), automobile firms (Toyota, Ford, General Motors, Volkswagen, Mercedes), technology firms (Microsoft, Samsung) and many others. Their sheer international size (Royal Dutch Shell), impact (Google) or public support (Red Cross) turns them into diplomatic actors in their own right. Even subnational actors such as provinces, municipalities and cities have now become diplomatic actors, representing themselves and communicating with the international system, a phenomenon also referred to as 'paradiplomacy' (Keating, 1999).

Assuming that diplomacy consists of two functions or activities, representation and communication (Pigman, 2012), I define diplomacy in today's international business context as follows:

Diplomacy is the dialogue via representation and communication between parties (nation-states, business, NGOs, supranational organizations, multilateral organizations, interest groups) that acknowledge each other's existence and accept each other's sovereignty and control over a territory (either in a physical sense or in non-material sense such as a knowledge domain, an interest domain or market) in order to achieve common objectives in a peaceful and sustainable way.

After having defined international business as a field of research and after having defined diplomacy in today's international business context, the first of two types of diplomacy will be explored in the next section.


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Commercial diplomacy: the network of government and international business

2

2.1. Defining commercial diplomacy

Commercial diplomacy is often considered to be the same as economic diplomacy (Mercier, 2007) or trade diplomacy or financial diplomacy (Okano-Heijmans, 2010; Okano-Heijmans & Ruël, 2011). However, economic diplomacy is concerned with general economic policy issues and trade agreements (Yiu & Saner, 2003). Commercial diplomacy is much more specific, even though both have an overarching economic objective (Potter, 2004). Commercial diplomacy is often used to cover two different types of activities (Mercier, 2007; Kostecki & Naray, 2007): policy-making and business support. But the core of commercial diplomacy focuses in particular on business support (Berridge & James, 2001; Kostecki & Naray, 2007; Mercier, 2007; Naray, 2008; Okano-Heijmans, 2010; Potter, 2004; Yiu & Saner, 2003), even though there are many different definitions (Zuidema & Ruël, 2012). Furthermore, commercial diplomacy is often considered to be a government representative- or diplomat-driven activity. However, as explained in the introduction, today's international political and economic stage presents and recognizes new diplomatic actors such as multilateral organizations, NGOs, international businesses and international interest groups. Lee's definition of commercial diplomacy incorporates this new diplomatic 'landscape' and defines commercial diplomacy as 'the work of a network of public and private actors who manage commercial relations using diplomatic channels and processes' (Lee 2004: 51). This statement is taken further in Lee & Ruël (2012), who add to it by specifying public actors like nation-states and private actors like businesses operating in domestic, regional and systemic environments to satisfy both public and private needs (Ruël et al., 2012, p. 15).

Collaboration between public and private actors using diplomatic means for commercial public and private objectives is not new. Trade and aspects of diplomacy have helped to turn civilizations into great economic powers. They have been closely related, from the time of the Mesopotamians employing trade as an aspect of diplomacy and the Romans using trade to spread their culture beyond the borders of the Roman Empire to medieval times when English trade with the German Hanseatic League was supported by continuous diplomatic bargaining. More recently, the Dutch established an embassy in China in 1655 with the specific purpose to improve trade. In summary, commercial diplomacy as a phenomenon has been around for some time, and the concept as such is not new (Ruël et al., 2012).

Successful commercial diplomacy gains access to new markets and serves the home country economy, and the idea that successful international business is just a matter of a clear business strategy and good business management is naive and outdated. International business is conducted together with governments and international and societal organizations (Lawton & McGuire, 2001). As 'the work of a network of public and private actors who manage commercial relations using diplomatic channels and processes'

(Lee, 2004: 51; Ruël et al. 2013a), commercial diplomacy combines the interests of both government and business by highlighting new markets and investment opportunities. In addition, it focuses on business support and promotion rather than economic issues, and as such, it entails more than trade and export promotion (Ruël & Visser, 2012).
An overview of possible activities within commercial diplomacy is presented in figure 1.

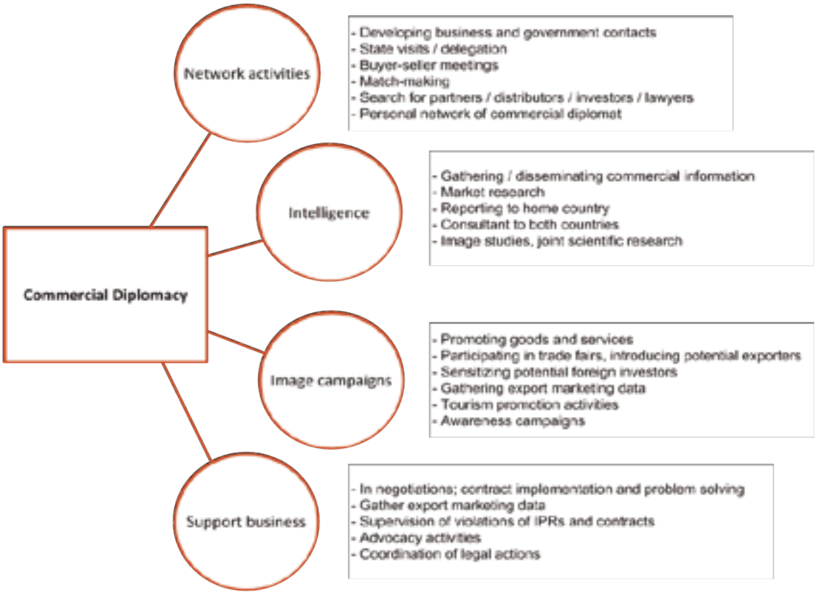

Figure 1: Possible activities within commercial diplomacy according to Reuvers & Ruël, 2012 (Kosters, 2013)

2.2 The reasons and need for conducting commercial diplomacy

Huge commercial deals such as the Tata purchase of Jaguar Land Rover or the América Móvil (Mexico) 'hunt' for a major stake in Dutch Telecom KPN touch on the economic and political interests of the nation-state as well as the reputation and economic development of the business. For these deals to succeed, businesses often rely on the nation-state to provide commercial intelligence (information gathering), support (lobby) and promote (advocacy) the business in both formal and informal negotiations in a variety of settings. In practice, this often involves ambassadors and foreign ministry staff organizing and hosting trade fairs, but also includes direct representation and communication on behalf of or accompanied by the CEOs or staff of businesses.

There are a number of reasons why public and private actors together can and should lead commercial diplomacy in new and unfamiliar markets and use diplomatic means and channels for commercial reasons. First, diplomatic networks generate economic intelligence that would have otherwise been unavailable. Second, diplomatic activities are usually more visible in the media and may thus draw attention (marketing) at a relatively low cost. Third, diplomatic networks usually have easier and influential access to high-level contacts than most businesses do individually, especially small and medium-sized firms. Fourth, diplomatic networks have a high 'trust factor' and that makes it easier to attract foreign direct investment. Fifth, intelligence gathered by foreign missions and diplomatic networks is centralized, and this creates efficiencies for the sector; it keeps businesses from reinventing the wheel (Ruël et al., 2012).

As the international business environment is becoming increasingly complex and global due to the rise of emerging economies, businesses are faced with many challenges in international trade and barriers in benefitting from the potential foreign markets have to offer. As a response, many governments have created a set of services, though differing significantly in professionalism and involving business actors, aimed at supporting businesses in internationalization that have seen a steady increase in use (Freixanet, 2012; Richardson, Yamin & Sinkovics, 2012; Lim, 2008; Seringhaus & Rosson, 1994; Coolsaet, 2004; Kotabe & Czinkota, 1992).

The 'need to expand and develop commercial diplomacy is all the more important' (Lee & Ruël, 2012: xiv) for four reasons. First, advanced economies' future prosperity depends to a significant extent on how successful advanced economies internationalize further. Second, emerging markets drive businesses from Western countries to venture into unknown territories where high-tech exports and innovations need to be marketed to maintain the advantage that Western businesses have. Third, many emerging markets are controlled to a considerable extent by their governments. Fourth, emerging market enterprises enter developed economies as well as other emerging markets. Governments and businesses in developed economies are observing this with mixed feelings. The example mentioned earlier of América Móvil targeting a major stake in Dutch Telecom firm KPN illustrates this perfectly. Many Dutch politicians and business actors suggest that the Dutch government should take measures to prevent KPN falling into foreign 'hands' because of its crucial role in the Dutch telecom infrastructure.

2.3 Research on commercial diplomacy: the state of the art

Research on commercial diplomacy started quite recently, especially from an international business perspective. International business scholars have hardly embraced commercial diplomacy, only international marketing scholars have a track record in research on trade missions, trade fairs and export promotion programs. But the field is still very limited and rather undeveloped, except for a few top scholars who have done some seminal work. This observation led me in collaboration with Robin Visser to conduct a structured literature review on commercial diplomacy research (Ruël & Visser, 2013). An earlier literature review was published in 2012 (Reuvers & Ruël, 2012).

We included all possible English commercial diplomacy publications in established journals from the last 60 years in the literature review. As we found only 14 publications with commercial diplomacy as a research topic, we widened our search to include related terms such as economic diplomacy, trade promotion, export promotion, trade fairs, trade shows and trade missions. In addition, we identified key words from publications found in this manner and entered them in research databases. By making use of forward and backward referencing, we identified 56 relevant publications in total: 14 deal with commercial diplomacy, 3 with economic diplomacy, 20 with public investment, export & trade programs, 11 with policy & governance and 8 with the business-government interface. Of all the papers, 7% are from before 2000, 29% from the 2000s decade and 64% from the 2010s decade, indicating that the subject is of rapidly increasing interest to researchers (Ruël & Visser, 2013).

Reuvers and Ruël (2012) created a framework (figure 2) that presents commercial diplomacy in an input–throughput–output (conversion) perspective. The rational behind this model is that commercial diplomacy is driven by goals (drivers and shapers) that provide the input for activities (throughput) aimed at achieving results (output). All this takes place in a context (globalization, technological change, home country institutions and host country institutions). Furthermore, the model differentiates between three levels: the national policy level, the organizational (meso) level, and the individual (micro/agency) level.

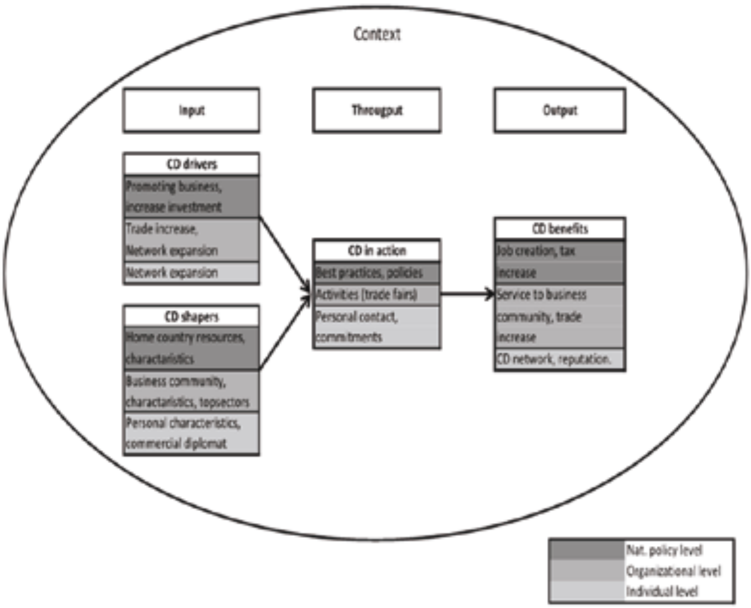

Figure 2: Commercial diplomacy framework: an input-throughput-output model (Reuvers & Ruël, 2012)

For a full overview of the results of the literature review, I refer to Reuvers and Ruël (2012) and Ruël and Visser (2013).

2.4 Commercial diplomacy research: an update

Since 2009 (when I was at the University of Twente, the Netherlands) I have been working on research on commercial diplomacy and international business, especially at the meso (organizational) and micro (individual) level, and laying the basis for the research agenda outlined in this paper. The focus has been on topics such as effectiveness, organization, structures, processes, and collaboration in commercial diplomacy. This has resulted in international publications that are getting more and more international recognition and attention. The fact that an article from my colleagues Donna Lee (University of Birmingham), Robin Visser and myself was published in the *Academy of International Business Insights* earlier this year was a recognition of the potential of the topic for international business studies. Also, the fact that a new journal, the *International Journal of Diplomacy and Economy*, was launched in 2012 is a step forward towards international recognition of the topic (I have guest edited a special issue on commercial diplomacy and international business for it). I consider the publication of a book in Emerald's Advanced Series in Management, entitled Commercial Diplomacy and International Business: a conceptual and empirical exploration, which I edited, and I co-authored many of the chapters, as a major achievement and further development of research on commercial diplomacy from a business perspective, rather than an international relations or economics perspective. And new submissions are in the 'pipeline'. The fact that I receive international invitations to contribute to debates on commercial diplomacy makes me conclude that there is a future for this research line. A call for papers for a new guest-edited special issue on diplomacy and social media has just been announced.

I will present some of the work that I initiated and supervised while I was at the University of Twente, starting with a study of how businesses, especially small and medium-sized firms, perceive the services offered by embassies and consulates, a study conducted in collaboration with Sander Busschers (Busschers & Ruël, 2012).

2.4.1 Commercial diplomacy from a small and medium-sized enterprises perspective

Support for small and medium-sized enterprises (SMEs) to internationalize via commercial diplomacy activities and instruments is of considerable relevance for two reasons. First, SMEs are engines of economic development and growth (OECD, 2009). For example, in the case of the Netherlands, a recent study showed that SMEs provide almost 30-40% of the country's export, but if we include indirect exports, this becomes a stunning 60% of the total export in the Netherlands (EIM Business and Policy Research, 2010). Second, although being crucial for the economic growth of a country, SMEs have a higher exposure to trade barriers in their internationalization endeavor, compared to the larger organizations.

The main barriers are information and financial limitations (Spence, 2003). A study by the OECD (2009) demonstrated that the top-ranked internationalization barriers of SMEs are (1) the shortage of working capital to finance exports, (2) limited information to locate/analyze markets, (3) the inability to contact potential overseas customers, and (4) the lack of managerial time, skills, and knowledge. The barriers addressed by the OECD (2009) refer largely to the resources and capabilities of an SME, firm-internal factors.

EIM Business and Policy Research (2010) also depicted external barriers and concluded that the lack of public support is one of the most important external barriers in the internationalization of SMEs.

The experience and knowledge of firms operating in foreign markets can be very helpful resources for the internationalization of other SMEs (Hessels, 2008). However, self-interest and the rationale of gaining competitive advantage as a private firm over others limit this so-called "knowledge spillover". Private firms will not provide, e.g., foreign market information (Lederman, Olarreaga, and Payton, 2009). For this reason it is important that governments step in and address information asymmetries and other market failures, and they should use taxpayers' money to support companies to internationalize, thereby creating a stronger and more competitive economy (Busschers & Ruël, 2012).

Commercial diplomacy (CD) generally focuses on SMEs (Kostecki & Naray, 2007; Mercier, 2007; Seringhaus & Rosson, 1989). Our study (based on a stratified sample of 450 SMEs) demonstrates that only a third of the SMEs use and value commercial diplomacy services in their internationalization endeavors (Busschers & Ruël, 2012). Most SMEs do not use commercial diplomacy services because they find their own way abroad (67%) and/or are unaware of its existence (40%). Interestingly, the study found that 43% of the SMEs that are unaware of CD still believed that CD would have potential value for their firm. Thus, a large percentage of SMEs do not make use of CD services although they recognize its potential value.

Moreover, the majority of SMEs who use CD also find it a valuable instrument which makes exporting/operating abroad easier, quicker and more effective in terms of export increase and results. The reasons for valuing CD are the lack of financial resources, of reliable information and of an existing business network. SMEs in our study most often use CD services for market information, trade-cultural information, and information about rules and regulations (intelligence services). Far fewer SMEs use CD for assistance with trade disputes, support at fairs and trade missions, or the presence of a diplomat at meetings and negotiations (relationship-based services).

We also looked into the perceived service quality of embassies by SMEs. We found that the service quality of CD is positively associated with the value SMEs attach to CD. So, better CD service quality and the perceived value of CD by SMEs are positively related. More specifically, the knowledge and courtesy of commercial diplomats (assurance) are the most important value-adding dimensions in addition to their ability to understand the firms' needs and deliver individualized attention (empathy). The study also found that the variation in quality among foreign posts is dependent on their business experience, the number of staff and the available business network.

We did not find support for the assumption that SMEs doing business in host countries with undeveloped institutions attach more value to CD than those doing business in countries with more developed institutions. We did find, however, that the group of SMEs using CD in developing countries with undeveloped institutions (70%) is larger than the group in developed countries with more favourable institutions (30%). The reasons for more frequent use in developing countries are related to unfavourable trade institutions (apart from a lack of experience), suggesting that market failures might be more of a problem in developing countries, thus increasing the rationale for SMEs to use CD in these countries.

The study also looked at the firm characteristics of the SMEs that use CD. The results showed that SMEs with more international experience attach less value to CD. In particular, those SMEs with more international experience attach less value to assistance with trade disputes. Also interesting is the observation that SMEs with many foreign public partners/customers attach more value to CD than those that have no foreign public customers/partners. SMEs with many foreign public partners/customers specifically attach more value to relationship-based services, stressing the importance of government-to-government contacts. The size of the business network of an SME is not linked to the overall value attached to CD. However, we found that SMEs with an undeveloped business network in the host country attach more value to partner search services than those with a developed network.
Finally, based on the findings, we came up with suggestions to increase the value of CD for SMEs: increasing the awareness of CD services, more professionalism within the foreign posts (business experience), more sector-specific information, and better collaboration with trade associations (Busschers & Ruël, 2012).
In a follow-up study, I developed a framework (together with Erwin Sinnige) that aims to identify an exhaustive set of options for CD services for entrepreneurs. In this study, capital theory is combined with an entrepreneurship lens.

2.4.2 Commercial diplomacy service quality of Dutch embassies

What is the level of CD service quality offered to business according to the commercial diplomats themselves, and what are the factors that explain the service quality? Zuidema and Ruël (2012) dealt with this question.

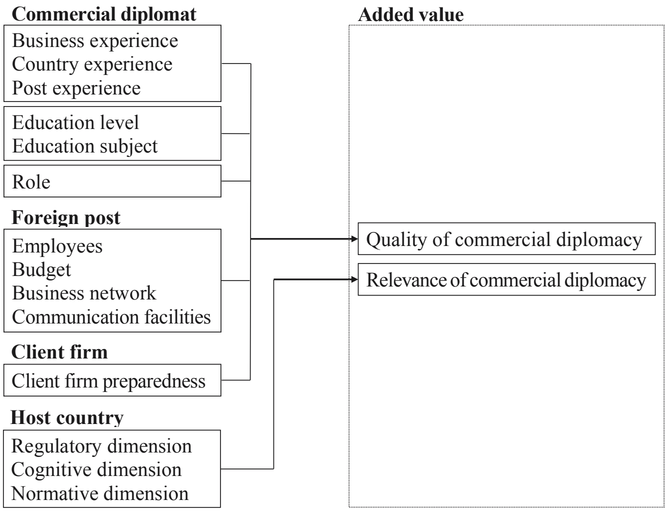

Figure 3: Determinants of commercial diplomacy quality provided by embassies (Zuidema & Ruël, 2012)

They surveyed commercial diplomats at Dutch embassies and consulates, based on a framework (figure 3) that consisted of a set of hypotheses drawn from the literature. The study supported the hypothesis that greater experience of commercial diplomats serving at foreign posts is linked to a higher quality of commercial diplomacy. Private sector experience or host country working experience seems to be less relevant for the quality of commercial diplomacy services. Field of study and level of education and the role perception of a commercial diplomat do not impact the quality of commercial diplomacy.

However, the size of the business network of a foreign post positively influences the quality of commercial diplomacy, as well as client firm preparedness to start doing business with a host country. Client firm preparedness was even marked as one of the key determinants of commercial diplomacy service quality. Thus, the better a client firm is prepared in terms of knowledge and abilities, the higher the quality of commercial diplomacy provided.

With regard to the institutional development of a host country, the Zuidema and Ruël (2012) study only confirmed that a less favourable cognitive institutional environment, for instance information availability, will lead to an increase in the relevance of commercial diplomacy. No significant evidence was found in support of the relationship between the regulatory institutional environment and the normative institutional environment and the relevance of commercial diplomacy. Finally, commercial diplomats who enact a business promoter style do tend to demonstrate more empathy than those enacting a civil servant style or generalist style. Locally hired commercial diplomats demonstrate a higher quality of commercial diplomacy.

2.4.3 IT-enabled commercial diplomacy (e-CD)

One of the major developments of the past few decades is the increased use of information and communication technology (ICT). The ways and speed of information exchange and communication have expanded via ICT-based applications. Concepts like e-business and e-government have become commonplace. The use of ICT has also impacted diplomacy, with all its pros and cons, and its usage can also facilitate commercial diplomacy services, or can be used to serve businesses via online channels in their internationalization endeavors. However, research in this area is almost non-existent, and for that reason I carried out a study on electronic commercial diplomacy (e-CD), together with Tobias Gesink.

My definition of e-CD is 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.

In this study, the embassy websites of the countries that rank the highest on e-government were assumed to have the best developed electronic commercial diplomacy services (compared to others). The website of the embassy in a country's most intensive trading partner was chosen as the unit of analysis. For example, for the Netherlands, the website of its embassy in Germany was included in our study. The ten countries (based on the United Nations Public Administration Network E-government ranking 2012) included in our study were: The Netherlands, the United Kingdom, Denmark, the United States, France, Sweden, Norway, Finland, Singapore, and Canada [Korea was not included as its website in China (its most important trading partner) could only be accessed in Korean or Chinese. Therefore, Canada (no. 11) was included instead (for a complete report of the study, see Gesink, 2012).

The overall conclusion of our study was that e-CD is still in its infancy, even among the countries that rank highest on e-government. None of the countries included in this study clearly exceeded the level of 'presenting', that is, the presentation of information on an embassy website, but without the option to respond ('interaction' level) to that information, for example by signing up to an activity. Figure 4 shows the e-CD scores for the Netherlands.

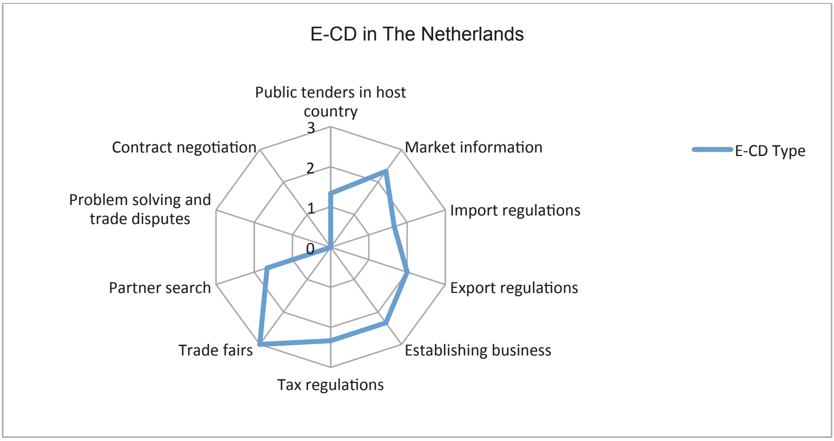

Figure 4: Electronic commercial diplomacy (E-CD) scores for The Netherlands (Gesink, 2012)

The UK scored highest on e-CD (1.9 on a 5-point scale), Canada comes in second, the Netherlands third, the United States fourth, and Sweden fifth (Figure 5).

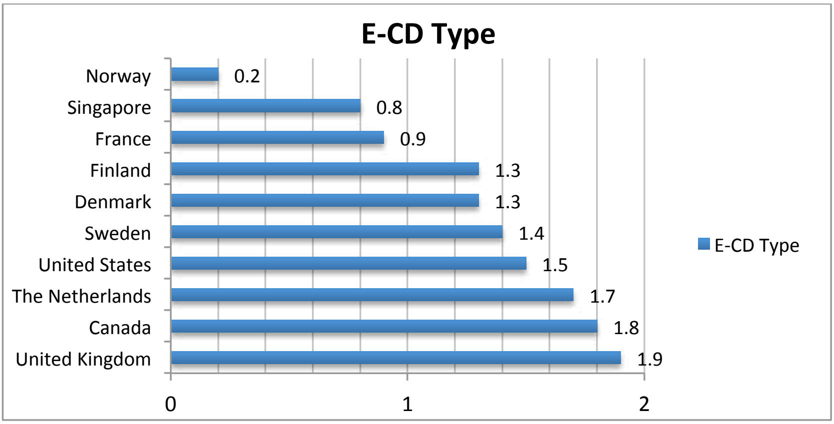

Figure 5: the Electronic commercial diplomacy (e-CD) scores for the ten countries included (Gesink, 2012)

Finally, the commercial diplomacy services provided best via embassy websites are information on trade fairs, how to establish a business in a host country, market information, export regulations, and import regulations. However, the level of advancedness of these services hardly scores more than 2 on a 5-point scale (Figure 6).

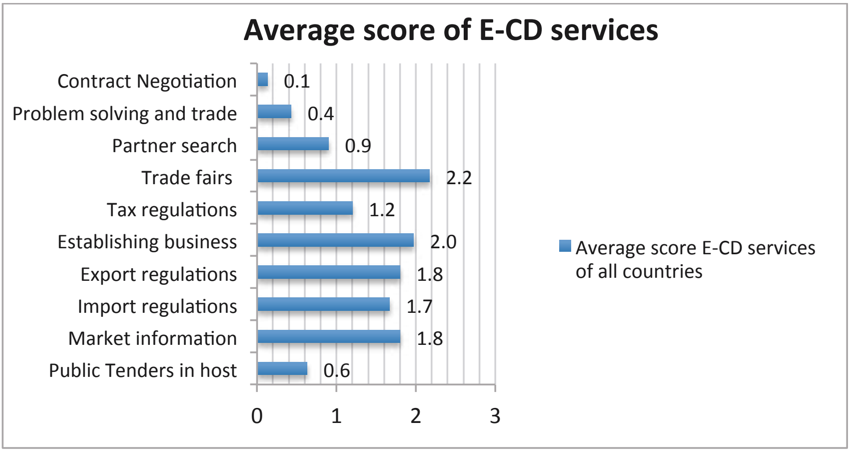

Figure 6: Average scores of e-CD services provided via embassy websites (Gesink, 2012)

The link ICT, internet, social media and commercial diplomacy is an open territory in terms of research and definitely needs more follow-up.

2.4.4 Ambassadors, commercial diplomacy efforts, and commercial diplomacy outcomes

The role of embassies and consulates is crucial for commercial diplomacy purposes, a role acknowledged for example by the chairman of the largest Dutch employers' association VNO-NCW, Mr. Bernard Wientjes (NOS.nl, 30 July 2013 "Wientjes: ambassades niet sluiten"). There is some, but very limited empirical research on the effect of embassies and consulates on a country's economy. Rose (2005) and Van Bergeijk et al. (2010) and Yakop and Van Bergeijk (2009) have done good work on the role of embassies in foreign trade promotion. But they do not clarify anything about the cause and effect, and do not 'open up' the so-called 'black box', the commercial diplomacy process at the meso- and micro-level. For that reason, together with Han Abbink, I conducted a study earlier this year on the extent to which ambassadors pay attention to commercial diplomacy in their day-to-day work, the importance given to commercial diplomacy activities, and the commercial diplomacy performance of the embassy and effects on trade volumes between the home country and the host country.

For this study, we contacted all foreign ambassadors in the Netherlands and invited them to participate in a survey. The findings are not yet available but will be made public later this year.

2.4.5 Trade missions and entrepreneur characteristics

A well-known and widely used commercial diplomacy instrument is the trade mission. It directly facilitates the internationalization process of companies and brings home country entrepreneurs and multinational corporations into contact with companies in potentially interesting markets. Commercial diplomats and export promotion professionals who organize trade missions help companies from their home country to overcome barriers to internationalization by introducing them to potential partners in foreign markets and by letting them observe those markets themselves. Trade missions are considered to be very helpful as networking events with 'match-making' opportunities that can result in both inward and outward increase in FDI, the recognition of export opportunities, and the potential of finding partners that can help you operate in the target market (Wild, 2013; Oudalov, 2013).

But what are trade missions exactly? What happens during such a trade mission, and how do commercial diplomats align business and government needs? What dynamics take place during a trade mission? How do the characteristics of the participants and the interaction among participants contribute to trade mission success? How can trade missions trigger innovative business ideas? Are trade missions organized in the same way for different countries? How do countries perceive the differences between home and host country, and how do these differences affect their approach? How can the trade missions' outcome measurement go beyond focusing on match-making, partner search and business deals? There are many questions, and so far there is ample research available on the specifics of trade missions and how countries go about organizing them (Seringhaus, 1989), even though the content of specific export promotion programs that government agencies offer has been researched only to a limited extent (Jaramillo, 1992). The effects of trade missions have also been previously examined (Seringhaus, 1987; Seringhaus and Mayer, 1988; Wilkinson and Brouthers, 2000a; Wilkinson and Brouthers, 2000b; Spence, 2003; Heuts and Poel, 2010). However, little is known about the processes that are involved in organizing trade missions and what factors influence how trade missions are organized and carried out. The processes and factors might vary depending on the approach that different countries have concerning this (Oudalov, 2013).

Oudalov (2013) conducted a study led by the questions: what processes are involved in organizing and executing trade missions, and what factors influence these processes? For this study, 19 interviews were conducted with commercial diplomats involved in the organization of trade missions, all based in Seoul, South Korea, but representing 18 different OECD countries.

The findings resulted in modeling trade missions as a sequential, stage-based instrument consisting of planning and objectives, activities, outcomes, and evaluation (Figure 7).
The study found that evaluating the effectiveness of trade missions is a complicated task. Available outcomes that were analysed suggest that participants receive a wide array of benefits from trade missions. However, expressing these outcomes in quantitative terms can be very difficult, let alone in concrete export data. The findings show that commercial diplomats try to present the success of trade missions in more objective terms, but the evaluation practice still mainly represents a rather subjective undertaking. This also highlights the main problem of trade missions, their evaluation and follow-up process.

Commercial diplomats often do not have the resources to actively monitor the activities that companies undertake after trade missions and follow their progress (Oudalov, 2013).

Suggestions on how to innovate the trade mission instrument are: seeking strategic partnerships, organizing trade missions on neutral ground, and looking for ways to organize joint trade missions (Oudalov, 2013).

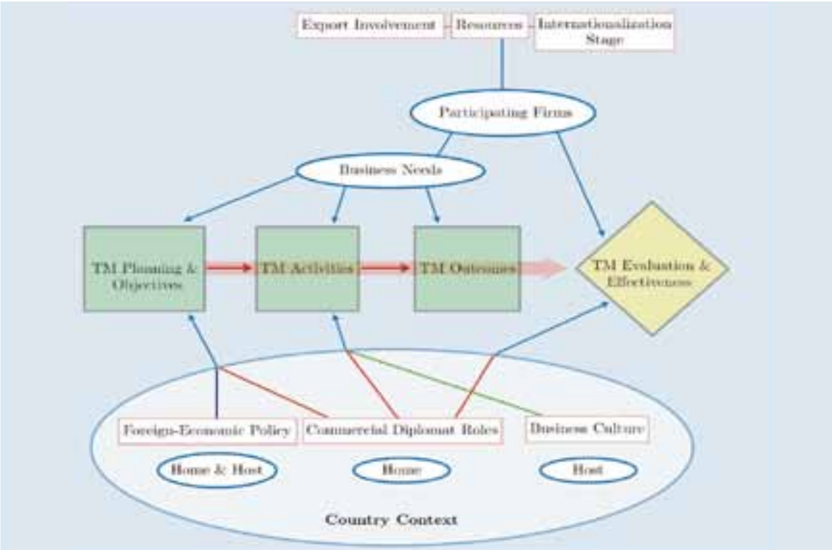

Figure 7 Trade mission, its main components, and factors influencing its process and outcomes (Oudalov, 2013).

Overall, the study showed the interactive and dynamic nature of the trade mission and the role of the participating firms as well as the role of the commercial diplomats involved.
This stimulated me to initiate a follow-up study aimed at the firm's and individual entrepreneur's characteristics that determine the effectiveness of a trade mission.

From the literature it was found that studies that have investigated the direct effects of trade missions report mixed results of the influence of these programs on economic measures on a state and country level (Wild, 2013). For example, trade missions are not related to an American state's export growth for high-tech exports (Wilkinson & Brouthers, 2000a) but seem to have an significant positive impact on inward FDI promotion (Wilkinson & Brouthers, 2000b). Further, American states' trade missions are targeted towards export destinations for which relatively higher export levels are found (Cassey, 2010), which points towards the trade missions' possible influence on bilateral trade flows.

But this view does not seem to fit with findings showing that trade missions are not a vehicle for increasing bilateral trade flows between Canada and its trading partners (Head & Ries, 2010).

Studies on trade mission effects on firms show that trade missions do not have an impact on intermediate economic export measures (Seringhaus, 1987; Wilkinson & Brouthers, 2006; Wilkinson et al., 2009; Durmuşoğlu et al. 2012), but increase long-term export sales and growth levels, as well as the exporting firms' employment levels (Beeman, Rosebrock, & Tran, 2007; Spence, 2003; Wilkinson, Brouthers, Salazar, & McNally, 2009).

Wild (2013) concluded that there is a clear need to get closer to the level of the firms that participate in trade missions. For the study, he identified 1273 firms (German, Dutch, Belgian, Irish) that had participated in a trade mission. Out of those, 117 returned a completed questionnaire (9.2% response rate). Among many other findings, it was interesting that our data revealed that the international knowledge of a firm increases trade mission effectiveness, but entrepreneurial orientation does not seem to affect it (Ruël et al., 2013b).

The results of the study are a very useful step in our understanding of the role and importance of the characteristics of participating firms and entrepreneurs in turning a trade mission into a success. But a lot more research needs to be done on the organization of trade missions and the role of participants in their outcomes.

2.4.6 The future of commercial diplomacy

All the work done over the past three years also raised the question of what the future of commercial diplomacy will look like in the coming 10 years? What will be the developments and issues that impact commercial diplomacy, and how will they impact commercial diplomacy actors and activities? Together with Martin Kosters, these questions were addressed in a study among commercial diplomats, using the Delphi technique.

Thirteen commercial diplomats from member countries of the G20 group (Argentina, Australia, Canada, France, Germany, Italy, United Kingdom and the United States), all residing in Ottawa, were willing to participate.

The results of our study indicate that the future of commercial diplomacy is challenging because of current and continuing sobriety of government budgets, and various measures will be taken to cope with these restrictions (Kosters, 2013). 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. Some actors such as trade promotion organisations (TPOs) are expected to become more important, but will also be assessed for their efficiency. In general, commercial diplomacy will most likely receive a higher priority from foreign ministers and other high-ranking diplomats. Interestingly, commercial diplomats based in host countries are expected to be substituted more and more by locally recruited personnel. The complete ranking list of future developments in commercial diplomacy that impact actors is presented in table 2 (Appendix 1).

When it comes to expectations regarding commercial diplomacy activities, the results show that activities are expected to be influenced by the austerity measures imposed by governments and by the shift towards prioritizing emerging economies. The demand for efficiency is expected to have a strong impact. The added value will be an important measure in assessing activities. It is expected that commercial diplomacy will have a stronger foothold in diplomatic activities. Fees are likely to be charged for these services, and among the commercial diplomatic activities, trade diplomacy is expected to remain the most important component. The complete ranking of future developments in commercial diplomacy activities is presented in table 3 (Appendix 2).

It would be useful to conduct a similar survey among other actors, such as businesses and NGOs, but the results of this study already provide a useful indication of what the future of commercial diplomacy is expected to look like.

I have initiated, supervised and collaborated in more work on commercial diplomacy and international business, for example on how to position commercial diplomacy services, privately funded, publicly funded, or in hybrid form of organization (with Frank Slooten), on the regionalization of commercial diplomacy (with Robert Menkhorst), on a comparison of commercial diplomacy policy and the practices of all EU member states (with Annette Stadman; Stadman & Ruël, 2012), on the perceived barriers for joint commercial diplomacy activities and practices by EU member states (with Jessica Hofmann), on commercial diplomacy and lobbying of EU commercial diplomats in emerging economies (with Elena Bondarouk (Bondarouk & Ruël, 2012), and with Wouter ten Haaf and Sirp de Boer (Ruël et al. 2013c), on getting access to the US federal public procurement market by foreign firms (Vehof et al., 2012), on commercial diplomacy and sustainability (Emiel Pross), and upcoming work on HRM policies for commercial diplomats (Thomas Binnenmars).

Despite all this, there is still a lot of work to do on commercial diplomacy from an international business perspective. Let me outline a research agenda for the near future.

2.4.7 A research agenda for commercial diplomacy and international business

First of all, there is a need for research that opens up the 'black box' of commercial diplomacy. We need to move away from the large-scale, survey-based, descriptive or evaluative type of studies. Economic diplomacy (the use of taxpayers' money to negotiate trade policies and trade agreements) seems to work *in general* (Moons & Van Bergeijk, 2013). What is needed is research that digs into commercial diplomacy, that looks at the meso- and micro-level: what is going on in commercial diplomacy activities such as intelligence, information gathering, partner search, advocacy, match-making, trade missions and nation-branding? How do these instruments actually work? I want to contribute to advancing commercial diplomacy, improving it, increasing its effectiveness and organizing it efficiently and innovating its policy and practices in order to generate value in the new global economy, perhaps specifically directed at emerging economies and a country's most important trading partner (in the case of the Netherlands, that would be Germany and Belgium).

Second, how can we conduct commercial diplomacy in order to target specific markets and countries? Commercial diplomacy instruments may need to be shaped for such specific markets. One such example is the bottom-of-the-pyramid (Prahalad, 2004) market, a market of about 3 to 4 billion people who do not have more to spend than about 1500 - 2000 USD per year. Its sheer size makes it very attractive to business, but that needs a tailor-made approach. The bottom-of-the-pyramid is stimulating innovation, too, as product and services targeted at that market need specific solutions due to the limited purchasing power, for example a cheap model smart phone, the 100 USD tablet, and smart clean water solutions.

Third, how to organize commercial diplomacy, what are effective structures in the division between public, semi-public and private partners? Each country organizes its commercial diplomacy differently (as our study into commercial diplomacy in the EU has shown; Stadman & Ruël, 2012), different mixtures of public and private partners can be involved. Just recently, a study was published by Frank Slooten (2013) on the publicness of commercial diplomacy.

Fourth, how to match commercial diplomacy actors and channels? Commercial diplomacy is a highly context-sensitive activity, and a highly dynamic global economic context requires stakeholders and actors to work on improving and innovating methods, instruments, processes and activities. For example, the use of advanced ICT greatly impacts the possibilities and commercial diplomacy activities. In close collaboration with commercial diplomacy actors and stakeholders, a core question is: how do we innovate commercial diplomacy to catch up in the social media age?

Finally, not only national governments and large firms find commercial diplomacy of growing importance, governments and businesses at the sub-national level do as well. Provinces, regions, cities have appeared on the international business stage and started to promote their regions and their businesses. However, this has hardly been a subject of scholarly attention so far. Leading questions for further research in the coming years should be: how can governments and businesses at the sub-national level shape their commercial diplomacy policies and instruments in such a way that sub-national public and commercial goals are achieved? What are commercial diplomacy policy characteristics and instruments that fit the sub-national economic level? And also, how can we organize joint cross-regional and cross-national commercial diplomacy, for example, the border regions in the Netherlands and Germany?

Having giving this overview of commercial diplomacy and international business research as a type of diplomacy with a long history and after the research agenda I presented, in the next section I will shed light on a new type of diplomacy that is emerging, namely business diplomacy.


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Business diplomacy: international business as diplomatic actors

3

3.1 Causes of the international business environment complexities

Doing business internationally means facing a complex international business environment; global companies, large, medium or small, need to manage and 'survive' in a rapidly changing political and economic business environment that requires them to interact with multiple stakeholders such as host governments and NGOs. These complexities are under the influence of a number of developments. First of all, the public has become more critical and demanding regarding business strategies, policies and practices, and has almost unlimited access to news, sources, communication channels and business information. Their opinion and voice have a strong influence and cannot be ignored by companies. Second, emerging markets such as China, India, Indonesia, Brazil, Turkey, and Russia pose challenges that international business should take into account, such as weak institutions and strong roles for governments and other economic and societal stakeholders. The third development refers to the emergence of all kinds of NGOs and communities. Working conditions, environmental standards and employment practices should all be taken into account to prevent conflicts that can destroy a company's reputation. Fourth, developing market multinationals have emerged and have started entering developed markets. This has incited fear among the governments and business actors in developed markets. Arguments such as 'national security' and protection of 'crown jewel' firms have increased the necessity for firms to build relationships, even in developed and so-called easy-to-access markets. Fifth, today's global challenges such as climate change, building sustainable economies, and reducing poverty require a closer collaboration between governments, NGOs and international business. To operate successfully among all these complexities, international business will need to develop diplomatic knowhow more than before, which I refer to as business diplomacy.

3.2 The emerging need for business diplomacy

Yet not many international companies recognize the importance of business diplomacy. Instead of training their managers in business diplomacy, most multinational corporations (MNCs) hire political diplomats and rely on their experience in managing complex relationships with host governments. MNCs need to anticipate stakeholder conflicts, communicate with non-business pressure and interest associations, influence host-government decision-making and maintain constructive relations with external constituencies (Ruël et al, 2013d). Therefore, they cannot rely on advisors only, but should develop their own business diplomacy competences. Knowhow regarding business diplomacy should be shared throughout the company by global managers. "In order to realize this core competence, global companies should create a business diplomacy management function consisting of a business diplomacy office, similar to the public affairs office but expanded to include diplomatic functions and placed under direct supervision of the CEO" (Saner et al., 2000). The function of such a business diplomacy office involves scanning the business environment, interacting with multiple stakeholders and engaging in diplomatic missions, under the supervision of the CEO.

Ordeix-Rigo and Duarte (2009) argued that by engaging in business diplomacy, corporations can increase their power and legitimacy. Firms that are involved in business diplomacy have chosen to satisfy a social public demand rather than only a market demand.

Saner and Yiu (2005) stressed the importance of business diplomacy management in today's business environment. They observed that MNCs are increasing their presence in many countries, and thereby face various local pressures and requirements. MNCs are exposed to different national laws and multilateral agreements, negotiated by the International Labour Organization, the World Trade Organization, and other international groupings. Business diplomats should negotiate, renegotiate and make compromises with local authorities (Saner & Yiu, 2005). They should also be sensitive to the demands and expectations of the increasing number of international and local NGOs that monitor global companies in conducting business. However, it is not clear how MNCs around the world should organize and structure their business diplomacy.

3.3 Business diplomacy and stakeholder view

Ordeix-Rigo and Duarte (2009) observed that businesses in today's global economy are moving from a shareholder model to a stakeholder view of firms. They emphasize that it is important for modern corporations to respond to the expectations of various stakeholders in order to obtain a "license to operate". This can be realized by engaging in what they call corporate diplomacy, which is seen as a process towards a state of engagement with the public. Corporate diplomacy entails that the corporation actively participates in society, which adds new dimensions to their role of creating wealth, quality products or services, and employment. By means of engaging in corporate diplomacy, corporations can increase their power and legitimacy. Suchman (1995) defines legitimacy as "a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions" (p. 574).

Corporations involved in corporate diplomacy decide to satisfy a social public demand, rather than solely a market demand (Ordeix-Rigo & Duarte, 2009).

In sum, business diplomacy is a need for international businesses in today's complex global business environment. The emergence of business diplomacy may be part of a move towards a stakeholder view of firms rather than a shareholder view.

3.4 Positioning business diplomacy within the existing literature

In the international management literature the term business diplomacy is not widely recognized and has received little scholarly attention (Ruël et al., 2013d; McNamara, 2011; Kesteleyn, 2013). Nor does the available literature provide a clear-cut definition. In order to be able to conduct further research, a definition is needed as well as a positioning within the existing literature on related concepts, such as corporate diplomacy (Ordeix-Rigo & Duarte, 2009), public diplomacy (Melissen, 2005; Melissen, 2011), corporate political activity (CPA) (Hillman et al., 2004; Hansen and Mitchell, 2000), corporate political strategy (CPS) (Baron, 1997; Hillman, 2003; Hillman et al., 1999; Keim & Baysinger, 1988), strategic political management (SPM) (Oliver & Holzinger, 2008), MNC global governance (Detomasi, 2007; Muldoon, 2005; Kourula & Laasonen, 2010), and MNC-host government relations (Boddewyn & Brewer, 1994; Luo, 2001).

A structured literature review carried out by Tim Wolters, Floris Betlem and me pushed us to consider corporate diplomacy as a synonym for business diplomacy; both concepts describe the same business process and associated elements. They differ from the concepts CPA, CPS and SPM, which are focused on influencing public policy makers (in the home country and increasingly in foreign countries) in favour of the firm. In contrast, business diplomacy is concerned with the creation of long-term, positive relationships with foreign government representatives and non-governmental stakeholders (economic and non-economic) in order to create legitimacy in a foreign business environment. Lobbying, which in Europe stands for "any proactive political strategy" (Hillman & Hitt, 1999, p. 834), is an essential element of CPA and serves here as a mechanism for influencing public policy outcomes. It has a short-term, specific purpose and therefore falls outside the definition of business diplomacy in this project. Corporate political activities, such as campaign contributions for the purpose of influencing home government officials, are also not part of business diplomacy in our view (Ruël et al., 2013d).

In conclusion, business diplomacy and CPA overlap in that they are both focused on influencing parties in the organization's external environment (figure 8). But that is also where the similarity ends. The keywords MNC-government relations and MNC global governance can be seen as important elements of business diplomacy. In order to gain legitimacy and create business opportunities around the world, it is necessary for a MNC to build up positive relationships with multiple host-government representatives and non-governmental stakeholders (economic and non-economic), such as NGOs. There is a growing importance in committing to and negotiating with a variety of stakeholders (such as NGOs) on social and environmental matters in the international business environment (Kourula & Laasonen, 2010).

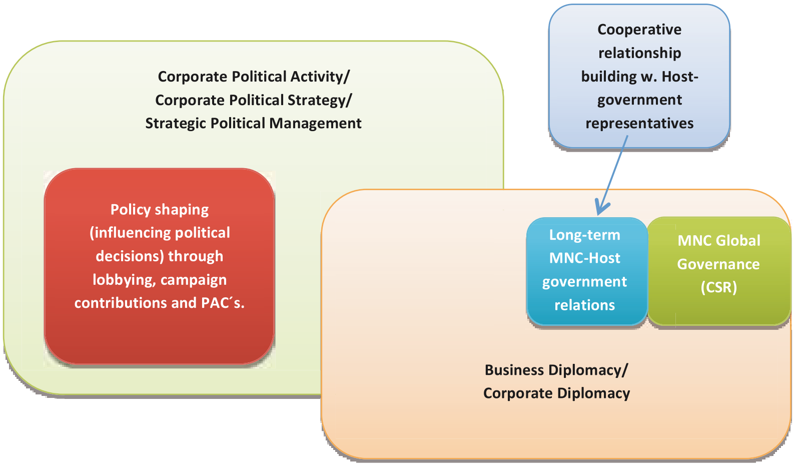

Figure 8: Business diplomacy and related concepts (Ruël et al., 2013)

3.5 Defining business diplomacy

The term "business diplomacy" is explained by Saner and Yiu (2005) as: "Business diplomacy pertains to the management of interfaces between the global company and its multiple non-business counterparts (such as NGOs, governments, political parties, media and other representatives of civil societies) and external constituencies." It differs from commercial diplomacy, which is focused on continuation and structural cohesion, as it is focused on the relationship with governments and other non-business stakeholders to be conducive to subsidiaries and to reduce uncertainties and risks (Saner & Yiu, 2005). The power or need of business diplomacy is greatest when there is disagreement or conflict with non-business counterparts; it provides the possibility for solutions by recognizing and valuing differences (London, 1999). There are also factors that intervene in business diplomacy. Muldoon (2005) stresses terms such as "corporate citizenship" and "corporate social responsibility" (CSR). The success of a company depends also on its capability to commit to a variety of stakeholders on social and environmental concerns (Muldoon, 2005).

As stated earlier, business diplomacy is considered to be similar to the concept of corporate diplomacy, but this needs to be nuanced. Corporate diplomacy is described as "a process to develop a corporation's power and legitimacy" (Ordeix-Rigo & Duarte, 2009). In this view a corporation is seen as a member within a network of stakeholders. The status of the corporation within this network ensures the influence it has directly (high level of influence) or indirectly (lower lever of influence) on the agenda of the stakeholders (Ordeix-Rigo & Duarte, 2009).

Business diplomacy is not about the power of an international business, but about legitimacy, a 'license to operate', and it is conducted between an international business and foreign governments and foreign non-government actors. For this reason the term international business diplomacy is more appropriate and will be used from now on. This implies that long-term relationships between national firms and their national government should be labeled as national business diplomacy. A final important aspect of international business diplomacy to be emphasized here is its long-term relationship-oriented nature, it is not one case or issue oriented.

In order to arrive at a clear and specific definition of international business diplomacy, therefore, I propose the following: international business diplomacy is the representation and communication activities deployed by international businesses with host government representatives and non-governmental representatives in order to establish and sustain a positive relationship to maintain legitimacy and a 'license to operate'.

Three key aspects distinguish international business diplomacy from concepts and phenomena that seem similar: its focus on foreign governments and foreign non-government actors, its focus on long-term, positive relationships ("...establishing and sustaining positive relationships..."), and its focus on MNC legitimacy and a 'license to operate' as the goal.

3.6 Operationalization of international business diplomacy

So far, no clear and structured operationalization of international business diplomacy exists. In order to advance the understanding of this phenomenon through research, a further operationalization is needed. This led me to initiate a research project that involved a structured literature review, developing a definition and an operationalization. Together with Tim Wolters and Floris Betlem we distinguished six business diplomacy dimensions: intensity, policy clarity, breadth, responsibility, means deployment and resource availability. For a complete explanation of the operationalization, I refer the reader to (Ruël et al., 2013d; Ruël et al., 2013e; Wolters, 2013; Betlem, 2013).

3.7 Research on business diplomacy so far

As mentioned, scholarly attention to business diplomacy is still scarce. In their research, Saner and Yiu (2005) investigated how business diplomacy is organized in four major Swiss MNCs. It can be argued that Swiss MNCs need to manage multiple business and non-business stakeholders in Europe, making business diplomacy a crucial factor for successfully doing business in Europe. Results showed that the organization of the business diplomacy function in the Swiss MNCs was very divergent. The business diplomacy function was conducted by different departments in different MNCs. Similarly, the diplomacy managers reported to a wide variety of departments: government affairs, public relations, product division, legal division, etc. Respondents of these Swiss firms indicated that the knowledge base of business diplomacy should be strengthened, especially in the field of international crisis and the ideological implications of non-Western models of business. All four Swiss MNCs stressed that in-house training was the best tool for the development of an in-house business diplomacy competence. Another tool, mentioned to a lesser extent, was partnering with MBA schools. Tools such as hiring former diplomats, partnering with diplomatic academies and outsourcing weren't mentioned at all. Although the study results showed a wide variety in how business diplomacy is organized, all respondents recognized its value; it helps with developing social networks and building upon good relationships with local authorities, and it can enlighten negative interactions with all stakeholders involved.

3.8 Business diplomacy in MNCs: new evidence

The Saner and Yiu (2005) study, lacking a clear definition and operationalization of the concept, motivated me to initiate another, more elaborate, exploratory study based on the given definition and operationalization. In a study on business diplomacy in MNCs, interviews were conducted with high-level representatives of eight large, Dutch MNCs (Ruël et al.,2013d).

The study found that seven out of the eight MNCs conducted business diplomacy intensively. None of them applied a clear and organization-wide business diplomacy policy. Instead, general guidelines existed in five MNCs. In all MNCs, the responsibility for business diplomacy was largely decentralized to the foreign subsidiaries. All MNCs deployed a wide range of business diplomacy means: direct stakeholder dialogues, events, forums, meetings, industry associations, social projects and social partnerships. The findings of this study suggest that industry-specific factors affect the business diplomacy intensity of MNCs and that companies operating in countries with weak institutions recognize the importance of business diplomacy more and hence implement it more intensively (Ruël et al., 2013d).

Following up on this exploratory study, Floris Betlem and Harry van der Kaap and I conducted a large-scale, international survey on business diplomacy, sending out invitations to participate and a questionnaire to over 1000 MNCs. The aim of the study was to investigate the determinants of business diplomacy in MNCs. Three groups of determinants (firm-level, industry-level, and institutional-level) were derived from the literature that were assumed to explain the variance in business diplomacy (intensity, policy clarity, breadth, means deployment, responsibility, means availability). The findings showed that larger firms have clearer business diplomacy policies, as do European subsidiaries and those with subsidiaries in Asia. No relationship was found between the development of the institutional environment and business diplomacy approach and responsibility (Ruël et al., 2013e; Betlem, 2012).

A paper on the exploratory study was presented at the Academy of International Business Meeting in Istanbul 2013 and was nominated for the best paper award, something that I consider to be a recognition of the concept.

A paper on business diplomacy with the results of the international survey was accepted as a competitor for the European International Business Academy conference in Bremen, Germany (December 2013).

In November 2012 at the Netherlands Institute for International Relations Clingendael in The Hague, Jan Melissen, Shaun Riordan, Jennifer Kesteleyn from Ghent University and I organized an international seminar on business diplomacy. A special issue for the Hague Journal of Diplomacy is scheduled for publication at the beginning of 2014.

3.9 A business diplomacy research agenda

What are the avenues for research on business diplomacy? As mentioned earlier, the scholarly literature is scarce, especially empirical research. The studies that I initiated in 2012 at least provided a definition and an operationalization, and therefore contribute to conceptual clarity. However, this debate is not yet over as more researchers are slowly addressing the international business field. I intend to follow on from the work already done.

First of all, we need to get much more in depth. The studies we have done and the limited literature available all stay at the surface level, their research designs based on either questionnaires and surveys or on single interviews with a business diplomacy actor talking in retrospect about how 'things are done around here'. However, we need research that explores much closer to where it really happens. Research will need to be much more in-depth, case study-based, multi-sourced, and longitudinal. In this way the existing operationalization can be validated further, context and content can be studied integratively, holistically and not separately. Business diplomacy is not a 'one size fits all', it is firm-specific, industry-specific, and requires different approaches in different institutional settings, as our 2012 studies suggest. In this way, transferable knowledge can be generated as well as skill sets for international business diplomacy, formats for business diplomacy policies and business diplomacy function/departments, and specific practices can be developed. All this is meant to support international businesses to be successful in today's dynamic and complex business environment. Theory can be created to consolidate our knowledge and contribute to the general public's understanding of the phenomenon.
Second, business diplomacy is associated mostly with large, multinational firms. But what about small and medium-sized international firms or 'born globals'? They face a similar international business environment to larger firms and need diplomatic leverage in order to deal with foreign business environments. Leading questions in this direction will be: how do small and medium-sized firms and young international start-ups deal with foreign governments and societal and economic stakeholders? What are the challenges they face? And how do they improve their business diplomacy capabilities?

Third, our studies suggest that business diplomacy is growing in importance in order to face today's global challenges, such as climate change, building sustainable economies, and poverty reduction. International business, governments, and NGOs will need each other in order to find sustainable solutions, but this is not as easy as it may sound. Future research will focus on specific cases and conditions for successful collaboration between international business and foreign governments and NGOs.

Fourth, international business diplomacy is not without risks. Operating in the international business environment confronts actors with phenomena such as bribery (to get market access), corruption (to pay civil servants or the well-connected informally for business favours), violations of basic human rights and needs (extreme working hours and conditions, extreme low pay), and conflict zones. International business diplomacy assumes and implies that actors act within the boundaries of international treaties and regulations. Leading future research questions will be: where are the boundaries between business diplomacy and unethical and unlawful business behaviors? How do business representatives deal with potential bribery situations? How does business diplomacy differ in different cultural and institutional settings?

Finally, hardly anything is known about the antecedents and outcomes of business diplomacy. Betlem (2012) already investigated whether these antecedents of CPA also apply to business diplomacy, but more empirical research is required. The MNC respondents in this study indicated that the conduct of business diplomacy will depend on the country concerned and its institutional setting. The research findings also suggest that the type of industry in which an MNC operates is decisive for the degree of business diplomacy intensity. In order to verify whether these relationships really exist, further quantitative examination is necessary.

Conclusions

4

This paper started out with the observation that the global economy is in transition, meaning a shift to the East, and this impacts the way of doing business globally. As part of the shifting global economic power balance, the role of and relationship between governments, international business, non-governmental organizations (NGOs), and interest groups are changing. Advanced economies' management and business practices may no longer be dominant, and advanced economies will need to intensify their efforts to benefit from this new global economic power balance. The question is however: do they? And how can they? If the picture of a country like the Netherlands, which ranks high on the globalization index, is still rather mediocre in terms of internationalization, then perhaps the internationalization of other advanced economies that rank lower (for example, Germany, France, the US, the UK) is even 'bleaker'.

In order to successfully adjust and benefit from this global economic power shift, it is crucial to realize that in the coming decade, doing international business in the global economy will be more a matter of understanding and being able to deal with the interwoven nature of the international economy and international relations, and thus of international business and diplomacy. International business needs diplomacy and diplomatic capabilities in order to operate successfully, provided either by 'classical' diplomatic actors such as governments or by international businesses themselves that are starting more and more to claim a position as diplomatic actors.

Diplomacy may be a key word and the additional explanation for international business success or failure. However, as more countries around the world are 'getting their acts together' regarding their commercial diplomacy, and as the international business environment is highly dynamic and rapidly evolving, it is high time to professionalize commercial and business diplomacy and keep on innovating policies, practices, its organization, and instruments at the international, national, and sub-national level.

This paper addressed two types of diplomacy: commercial diplomacy and business diplomacy. Commercial diplomacy, often confused with economic diplomacy, represents the work of a network of government and business representatives to promote home country business abroad using diplomatic channels and processes. Business diplomacy, a relatively new term, can be defined as an international business-driven approach to build and maintain positive relationships with foreign government representatives and non-government stakeholders.

This paper presented a summary of recent research outcomes on commercial diplomacy. It appears that only a third of the small and medium-sized firms (SMEs) use and value commercial diplomacy services in their internationalization endeavors. Some find their own way abroad, but many SMEs are unaware of its existence. The majority of SMEs that do use commercial diplomacy services find it valuable, and SMEs that are unaware believe that these services would have potential value.

The service quality of commercial diplomacy services offered to SMEs impacts the perceived value SMEs attach to these services, especially the knowledge, courtesy, ability to understand firms' needs, and individualized attention of commercial diplomats.

With regard to the commercial diplomats themselves, greater experience in serving at foreign posts is linked to higher service quality, but private sector experience seems not to be related to higher service quality. Interestingly, the better a firm is prepared to start doing business in a host country, the higher the quality of commercial diplomacy services provided. Commercial diplomats enacting a business promotor style tend to demonstrate more empathy for business needs than those acting in a civil servant style or generalist style. Commercial diplomats originating from the host country demonstrate a higher quality of commercial diplomacy.

Electronic (e-)commercial diplomacy, defined as the deployment of information and communication technologies to enhance the access to and delivery of activities conducted by the network of public and private actors 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, is still in its infancy, even among the countries that rank highest on e-government.

Trade missions are a well-known and widely used commercial diplomacy instrument. Existing research indicates that trade missions do not have an impact on intermediate economic export measures but increase long-term export sales, growth levels, and employment levels. But evaluating their effectiveness is a complicated task, and the available research also suggests that participants receive a wide array of benefits and experiences. Expressing them in quantitative terms is difficult though, and a major problem according to commercial diplomats, as is actively monitoring and taking care of the follow-up.

For the coming decade commercial diplomacy is expected to become more important, but also more efficient, professional and innovative. Emerging economies will be given a higher priority, trade promotion organizations are expected to become more important, and home country commercial diplomats are expected to be replaced by locally hired personnel.

The research agenda for the coming years on commercial diplomacy will focus on (1) opening up the ´black box´ of commercial diplomacy at the meso- and micro-level in order to advance and innovate, (2) the shaping of commercial diplomacy instruments for markets such as the bottom-of-the-pyramid, (3) the organization of commercial diplomacy with public, semi-public, and private partners, (4) the matching of commercial diplomacy actors and channels, for example the dynamics between the actors and social media, and (5) commercial diplomacy at the sub-national level.

Doing business internationally means facing a complex international business environment; global companies, large, medium or small, need to manage and ´survive´ in a rapidly changing, political and economic business environment that requires them to interact with multiple stakeholders such as host governments and NGOs. To operate successfully among these complexities, international business will need to develop diplomatic knowhow and skills more than before, a capability referred to as business diplomacy. In the international business literature the term business diplomacy is not widely recognized and has received little scholarly attention.

This paper proposes separating national business diplomacy from international business diplomacy and defines it as the representation and communication activities deployed by international businesses with host government representatives and non-governmental representatives in order to establish and sustain a positive relationship to maintain legitimacy and a ´license to operate´.

A recent exploratory study among eight multinationals (MNCs) on international business diplomacy showed that seven of them conduct business diplomacy intensively, but none of them applied a clear and organization-wide business diplomacy policy. General guidelines existed in five MNCs. In all MNCs, the responsibility for business diplomacy was largely decentralized to the foreign subsidiaries, and they deployed a wide range of means. The findings suggest that industry-specific and institutional factors affect the business diplomacy intensity of MNCs. Companies operating in countries with weak institutions are recognizing the importance of business diplomacy more and therefore conduct it more intensively.

The first international survey-based study on business diplomacy revealed that larger firms have clearer policies. However, the findings of this study suggested that no relationship exists between institutional environment development and business diplomacy approach and responsibility.

The research agenda for the coming years on business diplomacy will focus on in-depth, case study-based, multi-sourced, and longitudinal research in order to validate existing operationalizations and to study the business diplomacy context and content holistically rather than separately. Business diplomacy is not a ´one size fits all´. Further, research in the coming years will investigate how medium-sized firms, as well as small firms and ´born globals´, deal with multiple stakeholders abroad and establish positive long-term relationships with them, specific cases and conditions for successful collaboration between international business and foreign governments and NGOs, risks of international business diplomacy, and antecedents and outcomes of business diplomacy.

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Appendices

Development	Mean score	Standard deviation	Rank
Commercial diplomacy will play a more central role in diplomatic policy and practice.	4.55	0.52	1
Because companies will be charged for services, services are also expected to have higher standards.	4.55	0.87	2
Some activities in diplomatic missions will be judged more in terms of potential commercial benefit.	4.45	0.52	3
Asia as a region of interest for countries is becoming more important than before. This newer focus brings new challenges as well, i.e. culture and language.	4.45	0.67	4
The crisis will push diplomatic missions towards an increasing focus on commercial activities, with the degree depending on the severity of the crisis. Commercial diplomacy will therefore become a more important part of diplomacy.	4.45	0.69	5
The regional priorities that countries have will shift to other regions: currently, developed regions like Europe and North America are priorities for many countries, but these will not be growing as fast in the foreseeable future as other (emerging) regions (i.e. China, India, South-East Asia, South America).	4.36	0.52	6
Diversification of trading partners remains a must, as well as 'buying from those that buy from us'.	4.36	0.79	7
The same number or more activities will have to be done with fewer staff because of lower budgets.	4.27	0.79	8
The question will arise more and more about how commercial diplomacy adds value, and its activities will have to prove over and over again how the information that is offered is more valuable than what you can find through other sources.	4.27	0.92	9
Smaller budgets will be a driver for innovation, efficiency and improved productivity, and the budgets will be reallocated.	4.27	0.93	10

Development	Mean score	Standard deviation	Rank
Trade promotion will remain an important factor and basis of activities in commercial diplomacy.	4.27	0.98	11
More influence by governments could occur, governments will try to protect their economies with more influence. The prospects of a long recession may enhance the protectionism of domestic markets everywhere.	4.18	0.87	12
Commercial diplomacy will look for more cooperation between public & private and private funding of activities in order to increase the success rate of the undertakings. Some activities might even be outsourced to companies.	4.09	0.63	13
The influence of emerging/developing countries, especially the BRICS, on the world economy will grow even larger.	4.09	0.93	14
A trend that will receive more attention is that it is not just companies that invest, states are getting involved in business through large wealth funds. Of course, this could mean that political interests will be involved, not just commercial.	4.09	1.12	15
Creating employment in the home country will become the main goal of commercial diplomacy activities, so attracting investments and trade promotion activities will become more important.	4.00	0.79	16
The role of science and innovation will grow stronger, and cooperation at the international level will be enhanced. However, this will have to be done in a more commercial way, linked to business feasibility.	4.00	0.90	17
There will be less funding from the government for all operations.	4.00	1.00	18
New technological developments in communication could change the playing field of commercial diplomacy and its importance.	4.00	1.08	19

Appendices

Development	Mean Score	Standard deviation	Rank
Austerity measures are happening everywhere. A drive for more efficiency, faster, more professionally and efficiently working actors will become very important.	4.73	0.47	1
Trade missions to countries where governments have a strong influence will be headed by prominent political figures (PM, Minister) more often because of the perceived importance/priority assigned by the host country.	4.64	0.65	2
The foreign services will move towards using more locally engaged staff instead of diplomats as a cost-saving measure.	4.45	0.52	3
The interest of foreign ministers in commercial diplomacy will increase, and more generally that of all higher-level diplomats such as ambassadors, because of a perceived greater importance of commercial diplomacy.	4.45	0.52	4
Asia as a region of interest for countries is becoming more important than before. This newer focus brings new challenges as well, i.e. culture and language.	4.45	0.67	5
The regional priorities that countries have will shift to other regions: currently, developed regions like Europe and North America are priorities for many countries, but they will not be growing as fast in the foreseeable future as other (emerging) regions (i.e. China, India, South-East Asia, South America).	4.36	0.52	6
Instead of having different clusters in embassies, the departments will operate in a more integrated manner, commercial diplomacy will be a more embassy-wide activity.	4.27	0.47	7
The actors will need to work together more than ever to leverage each other to the best of their ability. Cooperation between ministries will therefore be sought more than before.	4.27	0.92	8
Smaller budgets will be a driver for innovation, efficiency and improved productivity, and the budgets will be reallocated.	4.27	0.93	9

Development	Mean Score	Standard deviation	Rank
Government departments will cooperate more with each other in order to enhance the effectivity of commercial diplomacy.	4.18	0.60	10
More influence by governments could occur, governments will try to protect their economies with more influence. The prospects of a long recession may enhance protectionism of domestic markets everywhere.	4.18	0.87	11
Countries will have to decide on how to cope with 'Trade Promotion Agencies' and 'Investment Promotion Agencies'; will they be separate or combined into one organisation?	4.09	0.77	12
There are major regional differences in the developments for actors between countries in which governments have more transparency. In countries where there is less transparency, commercial diplomacy will need more assistance and manpower.	4.09	0.92	13
The influence of emerging/developing countries, especially the BRICS, on the world economy will grow even larger.	4.09	0.93	14
A trend that will receive more attention is that companies are not the only ones that invest, states are getting involved in business through large wealth funds. Of course this could mean that political interests will be involved, not just commercial.	4.09	1.12	15
Countries will become more interested in investment attraction, and therefore investment promotion agencies will become more important.	4.00	0.52	16
The role of science and innovation will grow stronger, and cooperation at the international level will be enhanced. However, this will have to be done in a more commercial way, linked to business feasibility.	4.00	0.90	17
There will be less funding from the government into all operations.	4.00	1.00	18
New technological developments in communication could change the playing field of commercial diplomacy and its importance.	4.00	1.08	19

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5 Burger, buurt en bondgenoten, dr. Jaap Timmer, 2006
6 De wijsheid op straat..., prof.dr. Ruard Ganzevoort, 2007
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11 'Verbinden in de zorg', een neerslag van het gelijknamige symposium op 30 mei 2008, dr. Jan Jurriëns, 2008
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WINDESHEIMREEKS KENNIS EN ONDERZOEK

LECTORAAT INTERNATIONAL BUSINESS / PROFESSORSHIP OF INTERNATIONAL BUSINESS

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Huub Ruël was tot 1 maart 2013 als universitair docent International Management verbonden aan de Universtiteit Twente, faculteit Management & Bestuur. Vanaf 2009 werkt hij aan onderzoek op het gebied van de relatie internationaal zakendoen en diplomatie en heeft een reeks van publicaties op dit terrein. Ook heeft hij wetenschappelijke en praktijkgerichte lezingen, seminars en workshops verzorgd. Huub Ruël heeft voor business schools gewerkt in Koeweit en Libanon en was eerder werkzaam bij de Universiteit Utrecht.

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