

The Effectiveness of Commercial Diplomacy

A Survey Among Dutch Embassies
and Consulates

Huub Ruël and Lennart Zuidema

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ABSTRACT

The global economic power shift towards the East has caused the governments of developed economies to support national businesses which are involved in the process of internationalizing and expanding across borders. Commercial diplomacy provides a means for governments to increase their international trade and to stimulate their national economies. Foreign posts play a crucial role in offering effective diplomatic support for international business. But what are the factors that can explain commercial diplomacy effectiveness at the foreign post level? This paper presents the results of a survey that was conducted among commercial diplomats stationed at foreign posts. It appears that the amount of experience that commercial diplomats acquired at these foreign posts, combined with their established business network form two of the most important factors which have a positive impact on the quality of commercial diplomacy. This extends further to include the importance of the client (business) preparedness in terms of knowledge and skills as well. Furthermore, the results indicate that the less favourable a cognitive institutional environment in a host country is, for instance in terms of information availability, then the more relevance commercial diplomacy will have. The results of this study promote the understanding of how commercial diplomacy works and show how the debate on the future of commercial diplomacy can be taken a step further. This study should also be seen as a starting point for an holistic framework of commercial diplomacy effectiveness.

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THE EFFECTIVENESS OF COMMERCIAL DIPLOMACY: A SURVEY AMONG DUTCH EMBASSIES AND CONSULATES

Huub Ruël and Lennart Zuidema

Introduction

Commercial diplomacy is important in today's global economy.¹ The global economic power has shifted from developed economies to emerging economies. This in turn has caused governments of developed economies to support national business which is involved in the process of internationalizing and expanding across borders. Commercial diplomacy is a means for governments to increase international trade and support their national economies. As emerging economies will most likely remain a fact, and as they will function as the economic growth engines in the coming decades, governments of developed economies need to strengthen the instruments they use such as commercial diplomacy, while at the same time they will have to deal with budget cuts at home. For instance, the United Kingdom and the Netherlands have rethought their strategies and prioritized commercial diplomacy.²

Although commercial diplomacy as such is not new, research on commercial diplomacy is relatively a recent phenomenon.³ Examples of studies that have investigated commercial diplomacy are those from Rose⁴ and Yakop and Bergeijk.⁵ They specifically studied the relationship between diplomatic representations abroad on trade volumes. However, explanatory studies on commercial diplomacy at the foreign post level are simply non-

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- 1) Michel Kostecki and Olivier Naray, 'Commercial diplomacy and international business', *Discussion Papers in Diplomacy*, No. 107 (The Hague: Netherlands Institute of International Relations 'Clingendael', 2007).
 - 2) *The Economist*, 'Rookies Abroad: the government's foreign missteps are multiplying', March, 10, 2011; 'Kabinet sluit negen ambassades en consulaat' (*Cabinet shuts down nine embassies and consulate*) *De Volkskrant, VK.nl*, April, 8, 2011.
 - 3) Kostecki & Naray (2007).
 - 4) Andrew Rose, 'The foreign service and the foreign trade: Embassies as export promotion', *The World Economy*, Vol. 30, No. 2, pp. 22-38.
 - 5) Mina Yakop and Peter van Bergeijk, 'The weight of economic and commercial diplomacy', *Working Paper International Institute of Social Studies*, No. 478 (The Hague: International Institute of Social Studies, 2009).

existent. This paper fills this void. It focuses on the characteristics that make commercial diplomacy successful. It aims to identify those characteristics of commercial diplomacy that can enhance commercial diplomacy effectiveness. The research presented in this paper stems from the following central research question: *To what extent do characteristics within the field of commercial diplomacy determine the effectiveness of commercial diplomacy?*

The remainder of this paper is structured as follows: In the first section commercial diplomacy will be defined. In the second section, the main objectives of commercial diplomacy are described in order to clarify commercial diplomacy effectiveness. The third section elaborates on the determinants of commercial diplomacy. This section is concluded with a theoretical framework. The fourth section presents and analyses empirical data to test the framework. The empirical data has been collected through questionnaires and semi-structured interviews. Finally, in the last section, the research is concluded and theoretical and practical implications are discussed.

Commercial diplomacy defined

Commercial diplomacy is often confused with economic diplomacy⁶ and other types of diplomacy such as trade diplomacy and financial diplomacy.⁷ Economic diplomacy is concerned with general economic policy issues and trade agreements⁸ Even though both have an overarching economic objective,⁹ commercial diplomacy is much more specific. Mercier (2007) and Kostecki & Naray¹⁰ (2007) both recognize that the term commercial diplomacy is often

6) Alexandre Mercier, 'Commercial diplomacy in advanced industrial states', *Discussion Papers in Diplomacy*, No. 108 (The Hague: Netherlands Institute of International Relations 'Clingendael', 2007).

7) Maaïke Okano-Heijmans, 'Hantering van het begrip economische diplomatie', *Internationale Spectator*, Vol. 64, No. 5 (2010), pp. 73-74; Maaïke Okano-Heijmans and Huub Ruel, 'Commerciële diplomatie en internationaal ondernemen', *Internationale Spectator*, Vol. 65, No. 9 (2011).

8) Lichia Yiu and Raymond Saner, International economic diplomacy: Mutations in post-modern times, *Discussion Papers in Diplomacy*, No. 84 (The Hague: Netherlands Institute of International Relations 'Clingendael', 2003).

9) Evan Potter, 'Branding Canada: The renaissance of Canada's commercial diplomacy', *International Studies Perspective*, Vol. 5, No. 5 (2004).

10) Michel Kostecki and Olivier Naray, Commercial diplomacy and international business, *Discussion Papers in Diplomacy*, No. 107. (The Hague: Netherlands Institute of International Relations 'Clingendael', 2007).

used to cover two different types of activities: policy-making and business-support. While many agree that the core of commercial diplomacy focuses on the specific business support,¹¹ many of the proposed definitions by various authors differ.

Potter, for instance, defines it as

“the application of tools of diplomacy to help bring out specific commercial gains through promoting exports, attracting inward investment, and preserving outward investment opportunities, and encouraging the benefits of technological transfer”.¹²

Lee¹³ defines it as “the work of a network of public and private actors who manage commercial relations using diplomatic channels and processes”. This definition suggests that both private and public actors conduct commercial diplomacy. Saner & Yiu¹⁴ have noted that when commercial diplomacy is conducted by private actors, it is called corporate or business diplomacy. Consequently, private actors should preferably be excluded from the definition of commercial diplomacy. Finally, Naray defines it as

“an activity conducted by public actors with diplomatic status in view of business promotion between a home and a host country. It aims at encouraging business development through a series of business promotion and facilitation activities”.¹⁵

These activities are performed by members of foreign diplomatic missions, their staff, and other related agencies.¹⁶ This notion slightly contradicts the definition offered by Naray, as it only focuses on those public actors who possess diplomatic status, whereas in our view the regular staff can also conduct commercial diplomacy. Having taken this consideration into

11) Geoffrey Berridge and Alan James, *A Dictionary of Diplomacy*, (Basingstoke: Palgrave, 2001); Kostecki and Naray (2007); Olivier Naray, *Commercial Diplomacy: A conceptual overview*. Paper presented at the 7th World Conference of TPOs, The Hague, The Netherlands (2008); Potter (2004); Saner and Yiu (2003); Mercier (2007).

12) Potter (2004), p. 3.

13) Donna Lee, ‘The growing influence of business in U.K. diplomacy’, *International Studies Perspective*, Vol. 5, No 1 (2004), pp. 50-54.

14) Saner and Yiu (2003).

15) Naray (2008), p. 2.

16) Kostecki and Naray, (2007).

account, (i.e. those actors without diplomatic status) Naray's definition will be used in this paper.

Commercial diplomacy centers around a series of activities in order to promote and facilitate international business. These activities have been identified and classified by numerous researchers. Naray distinguishes six types of activities: intelligence, referral, communication, advocacy, coordination, and logistics. He relates these activities to specific areas such as markets and goods or intellectual property rights. Country image building, export support services, marketing, and market research and publications are other activities that belong to commercial diplomacy, according to Lederman, Olarreaga and Payton.¹⁷ In contrast to the former activities identified by Naray, the ones identified by Lederman et al. are focused on a more general country level. Kostecki and Naray¹⁸ distinguish between support activities of commercial diplomacy and primary activities of commercial diplomacy. The support activities, which include intelligence, networking and public relations, contract negotiations, and problem solving, provide the input for primary activities: trade promotion, promotion of FDI, science and technology cooperation, promotion of tourism, and national business community advocacy.

Interestingly, Kotabe and Czinkota¹⁹ only distinguish between export service programs and market development programs. The former focuses on export counseling and advice. The latter identifies market opportunities. Potter²⁰ adds the distinction of broader-in and broader-out activities. Broader-in activities are carried out by domestic actors and aim at preparing firms to do business across borders. Broader-out activities are carried out by actors at foreign posts and focus on market development. It appears that broader-out activities deliver the most value since they are carried out in a host country. Preparing firms to do business in a foreign country can be achieved more easily by domestic actors. Lee²¹ divides the broader-out activities into three main categories. She distinguishes gathering and dissemination of market information, development and introduction of government relations, and

17) Daniel Lederman, Marcelo Olarreaga and Lucy Payton, 'Export Promotion Agencies: what works and what doesn't', *CEPR Discussion Papers*, August 2006, No. 5810.

18) Kostecki and Naray (2007).

19) Masaaki Kotabe and Michael Czinkota, 'State Government Promotion of Manufacturing Exports: A gap analysis', *Journal of International Business Studies*, Vol. 23, No. 4 (1992), p. 21.

20) Potter (2004).

21) Lee (2004).

promotion of home country products and services by means of trade fairs, lobbying, and organizing seminars.

As the aforementioned classifications differ, systematically clustering can lead to the following most important activities of commercial diplomacy: (1) intelligence, and (2) assistance with fairs, trade missions, and networking, (3) problem solving and assistance with trade disputes, and (4) partner search and negotiation. The first activity comprises information search and dealing with business inquiries, the second activity includes organizing business and export promotion events, the third activity is about advising in cases where businesses face problems with creditors, contract disputes, or market access issues, and the fourth activity deals with bringing together business partners from home and target countries.

Objectives and effectiveness

Commercial diplomacy aims at encouraging business development.²² Naray specifically indicates that firms which enter foreign markets need to have access to reliable and neutral information, they need to enhance their credibility and image, they must search for potential partners, and/or they need to be able to handle conflicts effectively. It appears that public actors can support these firms by means of commercial diplomacy, thus leading to increased international trade and economic growth. Ultimately, commercial diplomacy aims to create a prosperity-enhancing effect in the home country.²³

Interestingly, researchers have measured the extent to which some of the objectives are achieved. Rose²⁴ for example used a gravity model to estimate the effect of commercial diplomacy on international trade. Rose found that the presence of embassies and consulates had a significant effect (i.e. commercial diplomacy) on international trade. Yakop and Bergeijk²⁵ replicated their study and supported the findings. It was also found that firms which use state export promotion programs enjoyed greater export success.²⁶

22) Naray (2008).

23) Okano-Heijmans (2010).

24) Rose (2007).

25) Mina Yakop and Peter Bergeijk, 'The Weight of Economic and Commercial Diplomacy', *Working Paper*, No. 478 (The Hague: International Institute of Social Studies, 2009).

26) Timothy Wilkinson and Lance Eliot Brouters, 'Trade Promotion and SME Export Performance', *International Business Review*, Vol. 15, No. 1 (2006), pp. 233-252.

Another study revealed that the profitability of firms which made use of commercial diplomacy increased. However, these firms failed to increase sales.²⁷

The above suggests that commercial diplomacy can be effective in multiple ways (Figure 1). The objective that is most frequently referred to is increasing import, export, and international trade (e.g. Rose; Yakop and Bergeijk). Economic growth and prosperity are indirect and ultimate objectives. The direct objective seems to provide added value for those firms which make use of commercial diplomacy. But added value is not easy to monetize because it is hard to directly relate commercial diplomacy to monetary beneficiaries for firms.

Kostecki and Naray²⁸ composed an initial framework for value added commercial diplomacy that could be used as a starting point. In their framework, they situate activity profile and performance as value added commercial diplomacy. Kostecki and Naray further indicate that a good activity profile should include those activities that are relevant for a firm which does business in a specific country. The importance of relevance and performance, or quality, is also acknowledged by a commercial diplomat cited in a paper by Hogan, Keesing and Singer.²⁹ Essentially, these concepts reflect the relevance of the activities and the quality of the activities of commercial diplomacy. Both the relevance and the quality should be important to firms which wish to succeed in a foreign market and which ultimately achieve the more indirect objectives of commercial diplomacy, such as increasing international trade and economic growth.

In conclusion, relevance of commercial diplomacy is defined as the importance and applicability of business promotion support tools and means offered by public actors with a diplomatic status to home country firms which wish to succeed in a host country market. The quality of commercial diplomacy activities can be defined by using the definition of service quality: "The degree of discrepancy between customers' normative expectations for the service and their perceptions of the service performance".³⁰

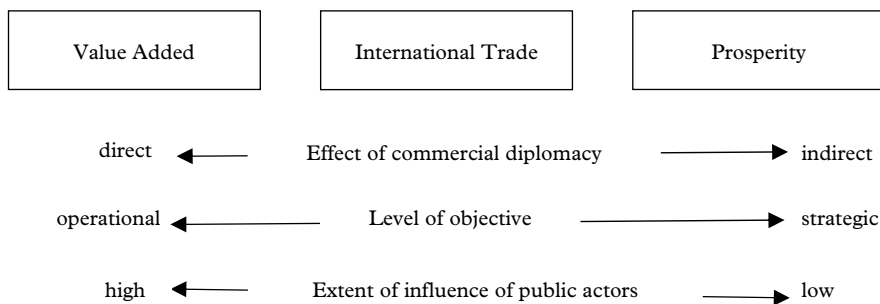
27) Gençtürk and Kotabe (2001).

28) Kostecki and Naray (2007).

29) Paul Hogan, Donald Keesing and Andrew Singer, 'The Role of Support Services in Expanding Manufactured Exports in Developing Countries', Vol. 053 (Washington, D.C.: Economic Development Institute, World Bank, 1991).

30) Parsu Parasuraman, Valerie Zeithaml and Leonard Berry, 'SERVQUAL: A Multiple-Item Scale for measuring Consumer Perceptions of Service Quality', *Journal of Retailing*, Vol. 64 (Spring 1988), pp. 12-40.

Figure 1: Objectives of Commercial Diplomacy



Determinants of Commercial Diplomacy Effectiveness

The previous section has suggested that commercial diplomacy should add value for client firms, by offering activities (or services) that are relevant and of high quality, but it is not clear how this value is added. The framework used by Kostecki and Naray introduces several determinants. They included the characteristics of the home and host country, the foreign post, the commercial diplomat, the client firm, and the global business environment. Other researchers, such as Lederman³¹ et al., Keesing and Singer,³² Yakop and Bergeijk,³³ and Hogan et al.,³⁴ also acknowledge the importance of the foreign post, commercial diplomat, client firm, and the host country.

Resource-based view and foreign post resources

Most of the aforementioned studies do not provide a generally accepted explanation for how characteristics of both the foreign post and the commercial diplomat influence commercial diplomacy effectiveness. The resource-based view of the firm can provide useful insights. The resource-

31) Lederman et al (2007).

32) Donald Keesing and Andrew Singer, 'Development Assistance Gone Wrong: failures in services to promote and support manufactured exports', in Paul Hogan, Donald Keesing and Andrew Singer (Eds.), *The Role of Support Services in Expanding Manufactured Exports in Developing Countries* (Washington D.C.: Economic Development Institute, World Bank, 1991).

33) Yakop en Bergeijk (2009).

34) Hogan et al. (1991).

based view fundamentally relates resources as important antecedents to products and services, and ultimately a firm's performance and hence, effectiveness.³⁵

A basic assumption of the resource-based view is that if a firm's resources are both rare and valuable (they contribute to firm efficiency or effectiveness), they can produce a competitive advantage.³⁶ Caves³⁷ defined resources as "those assets which are tied semi-permanently to the firm". Barney³⁸ includes "all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to conceive of and implement strategies that improve its efficiency and effectiveness". However, commercial diplomacy does not necessarily aim at obtaining a sustained competitive advantage. It is of key importance for public organizations to identify and build strategic capacities so as to produce the greatest public value for stakeholders.³⁹ A foreign post aims to satisfy the stakeholders of commercial diplomacy. From this perspective the resource-based view can provide a useful explanation in support of resources and their influence on commercial diplomacy. For instance, because a foreign post is embedded in the host country and has a local political and business network, it should have rare and valuable resources. A firm can make use of these rare and valuable resources which enable it to operate successfully during a foreign venture and to create a sustained competitive advantage. A foreign post's rare and valuable resources create value for the firm. In support of this application of the resource-based view, Wilkinson and Brouthers⁴⁰ and Gençtürk & Kotabe⁴¹ argue that commercial diplomacy services of foreign posts can complement the internal resources of firms, thereby enabling firms to become effective in the host country.

35) Richard Priem and John Butler, 'Is the Resource-based View a Useful Perspective for Strategic Management Research?', *The Academy of Management Review*, Vol. 26, No 1 (2001), pp. 22-40.

36) Jay Barney, 'Firm Resources and Sustained Competitive Advantage', *Journal of Management*, Vol. 17, No. 1 (1991), pp. 99-120.

37) Caves (1980), as cited in Priem and Butler (2001), p. 32.

38) Barney (1991), p. 101.

39) John Bryson, Fran Ackermann and Colin Eden, 'Putting the resource-based view of strategy and distinctive competencies to work in public organizations', *Public Administration Review*, Vol. 67, No 4 (2007), pp. 702-717.

40) Wilkinson and Brouthers (2006).

41) Gençtürk & Kotabe (2001).

Specific foreign post resources

Although resources are arguably one of the main determinants of commercial diplomacy effectiveness, it still remains unknown mystery in regard to which specific resources are important. The role of organizational arrangements has been discussed by several researchers.⁴² Naray summarizes and notes that criteria such as the independence of agencies, decentralization, the position in the structure, and the responsible ministry are the most important organizational arrangements.

Hogan et al.⁴³ propose specific key success factors such as autonomy, sufficient finance, and the experience and training of commercial diplomats. Commercial diplomats are even considered as being “the most important success factor for effective commercial diplomacy”.⁴⁴ They also elaborate on this by arguing that a combination of academic and practical training, and overseas experience should be the standard. It appears that having a thorough knowledge of subjects such as marketing, the local market, and commercial and financial techniques stands a commercial diplomat in good stead.⁴⁵

Commercial diplomats appear to have different styles.⁴⁶ Based on their approaches to commercial issues and their leading concerns, three types of commercial diplomats can be distinguished: business promoters, civil servants, or generalists.⁴⁷ Business promoters understand commercial issues mainly as business issues and their leading concern is client (firm) satisfaction. Civil servants understand how commercial issues play an integral role in international relations and their main concern is how they can please the Ministry of Trade. The generalist perceives commercial issues in a broader diplomatic and political sense and their main concern is how they can please the Ministry of Foreign Affairs.⁴⁸ Hogan et al.⁴⁹ note that in the past, commercial diplomats used to act as civil servants but they were not

42) Donna Lee and David Hudson, ‘The old and new significance of political economy in diplomacy’, *Review of International Studies*, Vol. 30, No. 1 (2004), pp. 343-360; Naray (2008); Potter (2004).

43) Hogan et al. (1991).

44) Hogan et al., (1991), p. 51.

45) Gabriel-Guy-Mari Carron De La Carriere (1998) ‘La Diplomatie Économique: la diplomate et le marché’, *Economica* (Paris:1998).

46) Kostecki and Naray (2007).

47) Kostecki and Naray (2007).

48) Naray (2008).

49) Hogan et al. (1991).

successful since they brought practices of government bureaucracy to foreign posts. This was not an effective way of dealing with business needs and inquiries. Business promoters tend to have solid technical know-how and they have an entrepreneurial approach. They are often considered as the most successful commercial diplomats.⁵⁰ Naray concludes that both business knowledge in international marketing and business experience appear to be the two most critical aspects which can make a commercial diplomat effective. Many of the commercial diplomats today have some background in economics, but they possess very little first-hand business experience as they seem to be learning on the spot.⁵¹

In conclusion, the resources that are assumed to be the most important determinants of commercial diplomacy effectiveness comprise the characteristics of the commercial diplomat (style and background) and characteristics of the foreign post (budget, business network, and communication facilities).

Client firm preparedness

The firm which makes use of commercial diplomacy, or the client firm, may also be an important determinant of commercial diplomacy effectiveness. Indeed, the “clients of service organizations have important roles to perform in creating services”.⁵² Clients have to acquire knowledge and skills to participate effectively in the service creation process. Bitner et al.⁵³ note that the required level of participation changes per type of service. For commercial diplomacy a moderate level of participation is needed. At times co-creation is also required since a client firm needs to participate during trade missions. According to Bitner et al., the service outcome is negatively influenced when a client participates less than what is required.

Based on this line of reasoning, it can be argued that the client firm can influence the outcomes of commercial diplomacy. It is often the case that

50) Naray (2008); Robin Visser (2011) ‘How Commercial Diplomats Work’, Master Thesis (Enschede: University of Twente, 2011).

51) Naray (2008).

52) Peter Mills and James Morris, “Clients as Partial Employees of Service Organizations: role development in client participation”, *Academy of Management Review*, Vol. 11, No. 4 (1986), pp. 726-735.

53) Mary Jo Bitner, William Faranda, Amy Hubbert and Valarie Zeithaml, ‘Customer contributions and roles in service delivery’, *International Journal of Service Industry Management*, Vol. 8, Nos. 3-4 (1997), pp. 193-205.

client firms do not positively participate in the service process, but instead they tend to be unprepared and their requests may be unspecific or unrealistic. Therefore, this research focuses on the extent to which client firms are prepared (have the knowledge and skills) to go abroad, in which preparedness is defined as “a state of readiness”.⁵⁴

Host country's institutional environment

Finally, the environment in which commercial diplomacy is conducted is the host country. Through its institutional environment the outcomes of commercial diplomacy can be better understood. Institutions are “the humanly devised constraints that shape human interaction”.⁵⁵ One of the basic principles of the institutional perspective is that organizations within the same institutional environment employ similar practices. Institutions can be classified as formal versus informal institutions,⁵⁶ or intangible versus tangible. However, Scott⁵⁷ introduced three interrelated pillars that reflect the regulatory, cognitive, and normative environment.

The regulatory dimension reflects “the existing laws and rules in a particular national environment that promote certain types of behaviors and restrict others”.⁵⁸ The cognitive dimension reflects “knowledge and skills possessed by the people in a country”.⁵⁹ The normative dimension reflects “the values, beliefs, norms, and assumptions about human nature and human behavior held by the individuals in a given country”.⁶⁰ These dimensions

54) John Simpson, Edmund Weiner and O. Press, *The Oxford English Dictionary* (2nd ed.), (New York: Clarendon Press; Oxford: Oxford University Press, 1989).

55) Douglass North, *Institutions, Institutional Change, and Economic Performance* (Cambridge, New York: Cambridge University Press 1990).

56) Geoffrey Hodgson, ‘What are Institutions?’, *Journal of Economic Issues*, Vol. 40, No 1 (2006): North (1990), p. 97.

57) Richard Scott, ‘Institutions and Organizations: ideas and interests’ (Sage Publications: 2008).

58) Tatiana Kostova, ‘Transnational Transfer of Strategic Organizational Practices: A contextual perspective’, *Academy of Management Review*, Vol. 24, No. 1 (1999), pp. 308-324.

59) Lowell Busenitz, Carolina Gómez and Jennifer Spencer, ‘Country institutional profiles: Unlocking entrepreneurial phenomena’, *The Academy of Management Journal*, Vol. 43, No. 5 (2000), pp. 994-1003.

60) Tatiana Kostova and K. Rott, ‘Adoption of an Organizational Practice by Subsidiaries of Multinational Corporations: institutional and relational effects’, *Academy of Management Journal*, Vol. 45, No. 1 (2002), pp. 215-233.

reflect different parts of a country's institutional environment. This institutional profile might exert pressure on a firm in order to adapt to the environment. Kostova, however, recognizes that foreign firms are buffered from the host country's institutional pressures and are not necessarily expected to become completely isomorphic.

In keeping with this argument it can be suggested that cross country differences in commercial diplomacy effectiveness rely partly on the set of institutions that guide and constrain foreign firms in the host country and that a country's institutional profile can serve as "a viable alternative for exploring broad country differences".⁶¹ Consequently, foreign firms that are exposed to unfavorable institutional environments may find it more difficult to adapt and to operate successfully in the host country than foreign firms which enter countries that have more favorable institutional environments. Firms that operate in unfavorable institutional environment may therefore have an increased need for commercial diplomacy.

Considering the aforementioned the following framework can be constructed. The determinants are classified into four groups: foreign post [resources], commercial diplomat [characteristics], client firm [preparedness], and the host country [institutional context]. It is assumed that these determinants determine the quality or relevance of commercial diplomacy. These relationships are based on the aforementioned literature review and are reflected by the following hypotheses:

H1: An increase in years of business, country, and post experience of the commercial diplomat increases the quality of commercial diplomacy.

H2a: An increase in level of tertiary education of the commercial diplomat increases the quality of commercial diplomacy.

H2b: Commercial diplomats with business education background demonstrate a greater quality of commercial diplomacy than commercial diplomats with other subjects of education.

H3: Commercial diplomats that act as business promoters demonstrate a greater quality of commercial diplomacy than commercial diplomats that act as civil servants and/or generalists.

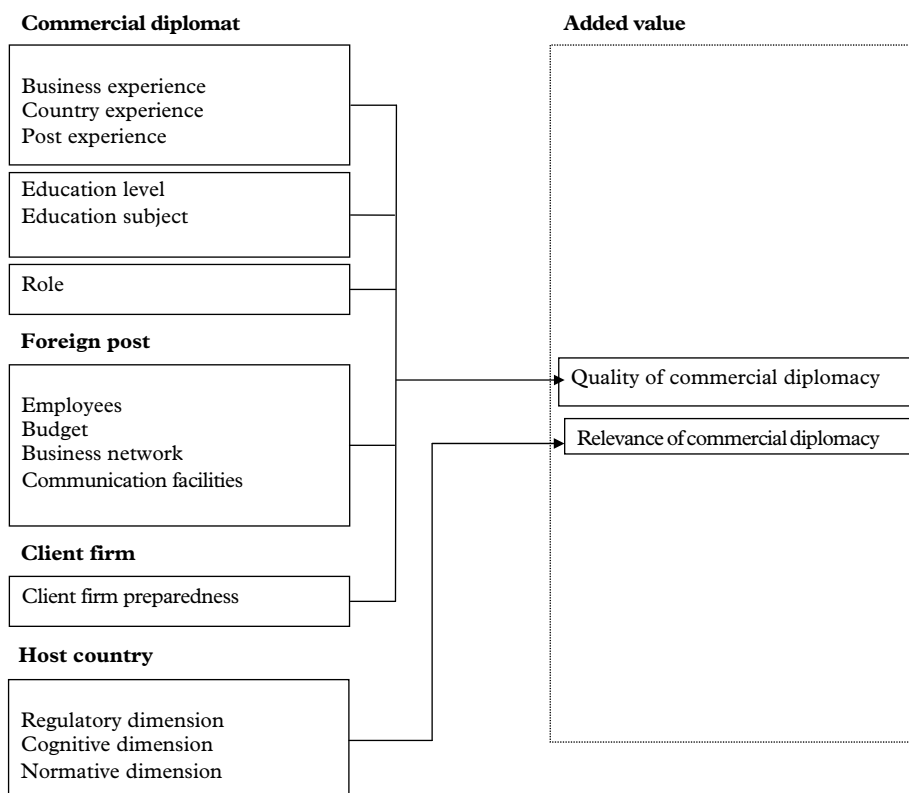
H4: An increase of the foreign post's resources (i.e. number of employees, budget, business network, and communication facilities) increases the quality of commercial diplomacy.

61) Busenitz et al. (2000), p. 1000.

H5: An increase in preparedness of client firms increases the quality of commercial diplomacy.

H6: A less favourable host country’s regulatory, cognitive, and normative environment for foreign firms increases the relevance of commercial diplomacy.

Figure 2: Research model



Methodology

Most of the literature on commercial diplomacy employs qualitative research techniques. Almost none of the current literature focuses on validating the findings quantitatively. This research builds on previous research and tests the hypotheses formulated. By means of a questionnaire, quantitative data was

collected in a survey. The unit of observation was those who work for Dutch foreign posts (e.g. embassies or consulates) and who carry out the activities of commercial diplomacy. The respondents all worked for economic and trade departments of Dutch foreign posts and performed the activities of commercial diplomacy. Invitations to fill out a questionnaire were sent to personal e-mail addresses. Not all personal e-mail addresses were publicly available. Therefore, snowball sampling techniques were employed. Respondents were asked to forward the invitation to other commercial diplomats. Additionally, the invitation was sent to general e-mail addresses of the economic and trade departments of foreign posts. A total of 140 respondents commenced filling out the questionnaire, whereas 110 respondents fully completed the questionnaire. Over 65 Dutch foreign posts are represented in the sample, which further include 62 male and 77 female commercial diplomats and has a mean age of 40 years. Almost 53% of the commercial diplomats in the sample have Dutch nationality. The Indian and Chinese nationalities are also significantly represented in the sample. The response rate (with a total of 270 invitations without the figures of the snowball samples techniques) was almost 41%, which is rather high. This allows the results at least to be generalized to all Dutch commercial diplomats at the foreign post level, but it also allows the results to be indicative for foreign post commercial diplomats of European countries, and perhaps even all developed economies.

In order to verify the results of the survey and to interpret the results, semi-structured face-to-face interviews were carried out. The interviewees selected worked at more strategic levels and were assumed to provide different perspectives on commercial diplomacy. Five semi-structured interviews were conducted with interviewees from an embassy, the Ministry of Foreign Affairs, the Ministry of Economy, Innovation, and Agriculture, the Network of International Entrepreneurship, and the Netherlands Institute of International Relations 'Clingendael'. The interviews allowed for a more in-depth discussion on the quantitative findings. The interview included questions that are deduced from the research model and hypotheses. There was room to deviate from the questions if other interesting, but relevant subjects came to the table. Detailed interview transcripts were generated and interviewees were invited to verify the transcripts to enhance reliability.

Measurement

Earlier in this paper it was explained that both the relevance and the quality of commercial diplomacy are the underlying concepts of value added

commercial diplomacy. The measuring of the quality of commercial diplomacy is based on the SERVPERF tool.⁶² The construct of the quality of commercial diplomacy thus consists of five dimensions: responsiveness, assurance, tangibles, empathy, and reliability. Consistent with other applications of SERVPERF,⁶³ a 7-point Likert scale is used to measure the commercial diplomat's perception of the dimensions. The reliability, assurance, tangibles, empathy, and responsiveness subscales consist of 5 ($\alpha = .84$), 4 ($\alpha = .77$), 5 ($\alpha = .71$), 4 ($\alpha = .81$), and 3 ($\alpha = .84$) items respectively. The scale reliability of the overall quality construct is rather high (21 items; $\alpha = .91$). The relevance of commercial diplomacy is composed of four items to enhance reliability.⁶⁴ Consistent with the quality construct, the relevance construct is measured on a 7-point Likert scale. The construct is found to be highly reliable (4 items; $\alpha = .85$). For a full operationalization of the independent construct the table in Appendix A can be consulted.

Analysis and results

The table below gives an overview of descriptive statistics for all variables that are included in this research. On average commercial diplomats perceived the quality of commercial diplomacy $M = 5.96$ on a scale of 1 to 7. The lowest score is 4.01. On average commercial diplomats rated the relevance of commercial diplomacy $M = 5.88$.

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- 62) The SERVPERF scale is a tool designed for measuring service quality; that is, the measurement of a specific long-term attitude at a single point in time, Joseph Cronin, Jr. and Steven Taylor, 'SERVPERF versus SERVQUAL: Reconciling performance-based and perceptions-minus-expectations measurement of service quality', *Journal of Marketing*, Vol. 58, No. 1 (1994), pp. 125-131, p. 126.
- 63) Cronin and Taylor (1994); Gerard Fogarty, Ralph Catts and Chris Forlin, 'Identifying Shortcomings in the Measurement of Service Quality', *Journal of Outcome Measurement*, Vol. 4, No. 1 (2000), pp. 425-447; Hollis Landrum, Victor Prybutok and Xiaoni Zhang, 'A Comparison of Magal's Service Quality Instrument with SERVPERF', *Information & Management*, Vol. 44, No. 1 (2007), pp. 104-113. Doi 10.1016/J.Im.2006.11.002.
- 64) Joan Ernst van Aken, Hans Berends and Hans van der Bij, (2009) *Problem-solving in Organizations: a methodological handbook for business students* (3 ed.), (Cambridge: Cambridge University Press, 2009).

Table 1: Descriptive statistics

Variable	N	Mean	Sd.	Min	Max	Scale reliability	No. of items	
Dependent variables	Reliability	113	5.85	0.72	3.40	7	0.838	5
	Assurance	113	6.12	0.62	4.25	7	0.772	4
	Tangibles	113	5.54	0.92	2.67	7	0.708	5
	Empathy	112	6.13	0.64	4.00	7	0.811	4
	Responsiveness	112	6.17	0.69	3.33	7	0.844	3
	Quality of CD	112	5.96	0.56	4.01	7	0.915	21
	Relevance of CD	112	5.88	0.78	3.25	7	0.854	4
	Relevance intelligence	108	6.01	1.02	2	7		
	Relevance fairs/missions	111	6.05	0.90	2	7		
	Relevance problem solv.	108	5.94	1.03	3	7		
Relevance partner search	112	6.26	0.84	2	7			
Independent variables	Experience business	133	4.72	6.36	0	33		
	Experience country	133	19.02	17.25	0	56		
	Experience post	133	7.80	7.86	0	38		
	Education level	134	3	1	1	5		
	Field of study	132	2*					
	Role	134	1*					
	Employees	125	4.72	1.68	1	7		
	Budget	120	4.02	1.65	1	7		
	Business network	123	5.10	1.370	1	7		
	Communication	125	5.06	1.526	1	7		
	Resources	125	4.7333	1.1697	2	6.75	0.751	4
	Client firm preparedness	110	4.64	0.91	1.25	6.50	0.792	4
	Regulatory	110	4.5756	1.2458	1.62	6.88	0.898	8
	Cognitive	110	4.1395	1.2771	1.00	6.40	0.901	5
Normative	110	3.7356	0.9988	1.00	7.00	0.480	4	
Institutional profile	110	4.1502	0.9789	1.25	6.69	0.813	17	

* Instead of means, modes are used (mode is a measure for the most frequently reported response)

Quality of commercial diplomacy

For testing the hypotheses, regression analyses were conducted. A regression analysis presents whether, and to what extent, an independent variable (characteristics of the commercial diplomat, characteristics of the foreign post, and client firm preparedness) explain the variance in a dependent variable (commercial diplomacy quality). Table 2 displays three regression models on the relationship between the independent variables and the quality of commercial diplomacy. The first model examines the impact of the characteristics of the commercial diplomats, such as business experience or level of education (*H1 – 3*). The second model includes the characteristics of the commercial diplomat and adds the characteristics of the foreign post, such as business network or budget (*H4*). The third model includes both types of characteristics and adds the extent to which the client firm is prepared (*H5*). Only significant results are included in Table 2 from all models.

The first model (Table 2) shows that only post experience, with an unstandardized coefficient of .02 ($t(105) = 3.18, p < .01$), is positively related to the quality of commercial diplomacy. This model is statistically significant at $p < .01$ ($F(105) = 10.127$) and has an explained variance of $R^2 = .08$. Country experience, business experience, educational level and field of study, and role are not significantly determining the quality of commercial diplomacy. Hence, from the characteristics of the commercial diplomat included in this study, only post experience of the commercial diplomat is a significant determinant of the quality of commercial diplomacy. This implies that the more post experience a commercial diplomat has, the higher the quality of commercial diplomacy.

The second regression model adds the characteristics of the foreign post. The hypothesis (*H4*) asserted positive relationships between the types of resources and the quality of commercial diplomacy. Results show that one resource has a significant impact: business network has a positive impact on the quality of commercial diplomacy, with an unstandardized coefficient of .13 ($t(104) = 3.688, p < .01$). This implies that the larger the business network of the foreign post, the higher the quality of commercial diplomacy. This model explains a significant proportion of variance in service quality ($R^2 = .19, F(104) = 12.303, p < .01$). The change in R^2 is significant .103 ($p < .01$). It implies that adding the business network variable improves the model and accounts for the quality of commercial diplomacy. Hypothesis 4 is thus partly supported. Other resources (i.e. employees, budget, and communication facilities) do not significantly determine the quality of commercial diplomacy.

Finally, it was hypothesized that client firm preparedness is positively related to the quality of commercial diplomacy (*H5*). Results reveal that client firm preparedness indeed significantly determines the quality of commercial diplomacy, $B = .16, t(103) = 11.153, p < .01$. Client firm preparedness accounts for a relatively high proportion of variance in the quality of commercial diplomacy, $R^2 = .11, F(103) = 11.153, p < .01$. The R^2 change is significant (R^2 change = .06, $p < .01$). This indicates that client firm preparedness improves the regression model used for explaining the quality of commercial diplomacy. Therefore, hypothesis 5, which asserted that client firm preparedness is positively related to the quality of commercial diplomacy, can be supported. The better client firms are prepared to start doing business with the host country, hence the higher the quality of commercial diplomacy.

Table 2: Quality of commercial diplomacy regression models

Dependent variable	Service quality (1)			Service quality (2)			Service quality (3)		
	B	SE	t-value	B	SE	t-value	B	SE	t-value
Constant	5.798	.071	81.601*	5.242	.194	27.070*	4.598	.269	17.095*
Post experience	.020	.006	3.182*	.018	.006	2.988*	.018	.006	2.975*
Business network				.131	.036	3.688*	.097	.037	2.640*
Client firm preparedness							.155	.055	2.819*
N	113			113			113		
R ²	.084			.187			.245		
F	10.127*			12.303*			11.153*		
R ² change				.103			.058		
F change				13.221*			7.947*		

* Coefficient is significant at the 0.01 level (1-tailed).

Relevance of commercial diplomacy

Table 3 displays the stepwise regression models for the relevance of commercial diplomacy. The model examines the impact of the institutional aspects of the host country, such as the regulatory or cognitive environment on the relevance of commercial diplomacy.

The sample is split into developed and developing countries since there is a considerable difference between their institutional environments. The cognitive environment is negatively related to the relevance of commercial diplomacy ($B = .29, p < .01$) for the subsample of developed countries. The regulatory and normative dimensions are not significant in this model. This model, which only includes the cognitive dimension, explains a significant proportion of variance in the relevance of commercial diplomacy ($R^2 = .22$) in developed countries. The regulatory, cognitive, and normative dimensions are not significant for the subsample of developing countries. Therefore, we can partly support hypothesis 7, which asserted a negative relationship between the regulatory, cognitive, and normative dimensions of the host country and the relevance of commercial diplomacy. The result implies that it is only in developed countries that the relevance of commercial diplomacy decreases when the cognitive institutions (knowledge and skills possessed by the people in a country) improve. This does not apply to developing countries.

Table 3: Relevance of commercial diplomacy regression models

Dependent variable	Service relevance		
	B	SE	t-value
Constant	7.204	.465	15.495*
Cognitive dimension	-.288	.097	-2.974*
N	110		
R ²	.222		
F	8.843*		

* Coefficient is significant at the 0.01 level (1-tailed).

Before proceeding to the perspectives shared by the interviewees, some other interesting results appeared. Previously, the statistical analysis did not indicate that business promoters demonstrate a higher quality of commercial diplomacy than the civil servants and generalists. However, the results indicated that *business promoters do demonstrate more empathy than civil servants and generalists*. Moreover, *locally hired commercial diplomats do demonstrate a higher quality of commercial diplomacy than expatriate commercial diplomats*.

The perspectives of the interviewees

The interviewees stressed the importance of the client firm in commercial diplomacy: A “good question from the company is very important”. They also noted that the client firm’s request is very often unrealistic or unspecific.

Another interviewee nuanced the importance of a business network by giving the following response: “I think this differs across countries. I can imagine that a business network is much more important in China [...] culture plays a major role”.

Statistics indicated that locally hired commercial diplomats were more successful than expatriate commercial diplomats. Although this might be the case, some responses gave some interesting insights. For instance, locally hired commercial diplomats are often more useful in trade missions, since they know the markets, culture, and language. They can also guide the expatriate commercial diplomats, who often rotate between foreign posts. Expatriates, on the other hand, are most useful to *open doors* and put pressure on government bodies within the host country.

Furthermore, a few of the interviewees stressed that commercial diplomacy is somewhat overrated. They mentioned that commercial diplomacy should not focus on assisting firms specifically, but that it should focus on general issues that arise (e.g. when a country closes its borders).

Summary of the findings

This research aimed to identify and test which factors determine commercial diplomacy effectiveness. The central research question was: *To what extent do characteristics within the field of commercial diplomacy determine the effectiveness of commercial diplomacy?* A research model was constructed which included the characteristics of the commercial diplomat, the foreign post, the client firm, and the host country as determinants of commercial diplomacy effectiveness. Commercial diplomacy effectiveness was further conceptualized as value added and composed of the quality and the relevance of commercial diplomacy.

The findings support the hypothesis that the amount of experience that a commercial diplomat has acquired while serving at foreign posts, such as embassies, is positively related to the quality of commercial diplomacy. Interestingly, the experience acquired while working in private firms or in the host country seems to be less relevant for a commercial diplomat. The particular field of study and level of education, and the style of a commercial diplomat, do not determine the quality of commercial diplomacy.

Furthermore, 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 can even be marked as one of the key determinants pertaining to the quality of commercial diplomacy. Thus, the better a client firm is prepared in terms of knowledge and abilities, the higher the quality of commercial diplomacy is.

The findings only confirm the negative relationship between the host country's cognitive environment and the relevance of commercial diplomacy for developed countries. This implies that a less favorable cognitive institutional environment, for instance information availability, will lead to an increase in the relevance of commercial diplomacy. There is no significant evidence 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 possess a business promoter-style do tend to demonstrate more empathy than civil

servants or generalists. Commercial diplomats who are locally hired also demonstrate a higher quality of commercial diplomacy.

Discussion of the findings

The conclusions reinforce, embellish and contradict the existing literature. First Naray,⁶⁵ Kostecki and Naray,⁶⁶ and Hogan et al.⁶⁷ conclude that business knowledge and business experience are critical characteristics of a successful and effective commercial diplomat. This research did not find any evidence in support of a relationship between business experience and business education and the quality of commercial diplomacy. Indeed, researchers have suggested that it is important for a commercial diplomat to have business affinity, but if the quantitative results are examined, this may not directly lead to achieving a greater quality of commercial diplomacy. Client firms might be more pleased with a commercial diplomat who displays empathy towards them, but this does not necessarily generate a greater quality of commercial diplomacy, nor does it increase international trade or stimulate economic growth. An explanation for this finding may be that essentially a commercial diplomat who has an affinity for business has similar capabilities as the client firm, since they both *act business*. In contrast, a commercial diplomat who has no affinity for business, but for instance, who has a political affinity, may use his or her capabilities in favor of the client firm, since these capabilities differ from those of the client firm. Therefore, a commercial diplomat who has less of an affinity for business can still be of added value to the client firm.

Commercial diplomats who interpret their role as business promoters display more empathy than those who consider themselves to be civil servants and generalists. This partly conforms to the existing body of literature. The most successful commercial diplomats are those who act as business promoters.⁶⁸ Visser notes that business promoters are proactive and rely on practical business skills. They are often less involved in politics than civil servants and generalists and therefore they can focus more on the client firm. This reasoning seems to fit together with the finding that business promoters display more empathy than civil servants and generalists do. The first

65) Naray (2008).

66) Kostecki and Naray (2007).

67) Hogan et al. (1991).

68) Kostecki and Naray (2007); Naray (2008); Visser (2011).

discussion of this section reasoned that commercial diplomats who have an affinity for business do not necessarily increase the quality of commercial diplomacy directly. The same holds true for the debate between business promoters versus civil servants and generalists. Civil servants and generalists may have their own strengths which can be used in favor of the client firm. Since the empirical findings are not conclusive, it appears that it would be difficult to argue which type of commercial diplomat is most successful and to what extent they contribute to the objectives of commercial diplomacy. However, the findings indicate that it may be more nuanced than Naray and KostECKI & Naray argue. Business promoters are not necessarily the most successful commercial diplomats since they do not directly demonstrate a greater quality, and consequently show effectiveness of commercial diplomacy.

The positive relationship between a foreign post's business network and the quality of commercial diplomacy is in alignment with the current body of literature. Up until now, little research has been done on the determinants of commercial diplomacy effectiveness, yet all of them suggest that resources, especially a business network, are indeed key success factors of commercial diplomacy.⁶⁹ Kotabe and Czinkota⁷⁰ and Wilkinson and Brouthers⁷¹ imply that foreign post's resources indeed increase the client firm's informational and experiential knowledge. This is in line with the application of the resource-based view. Resources do not produce a sustainable competitive advantage, but they do enhance commercial diplomacy effectiveness by enabling firms to make use of a foreign post's resources temporarily in order to enhance their competitiveness and successfully operate abroad. The results indicate that a business network is the most important resource. The importance of the other resources diminished after allowing for all other resources. This is indicative that the variables mutually relate. This does not imply that these resources are less important. It could be that these resources are a precondition for resources such as a business network. A business network cannot be sufficient without the presence of human resources, financial resources, and communication facilities. This indicates the presence of an "inut condition": "An insufficient but non-redundant part of an unnecessary but sufficient

69) Hogan et al. (1991); Keesing and Singer (1991); KostECKI and Naray (2007); Donna Lee and David Hudson, 'The old and new significance of political economy in diplomacy', *Review of International Studies*, Vol. 30, No 1 (2004), pp. 343-360; Naray (2008); Potter (2004).

70) Kotabe and Czinkota (1992).

71) Wilkinson and Brouthers (2006).

condition”.⁷² Thus, all resources are important, but not all resources may directly influence the quality of commercial diplomacy.

Many recognize the importance of clients in the service process.⁷³ Hogan et al.⁷⁴ specifically stresses the importance of client firms in commercial diplomacy. The empirical findings in this paper are in keeping with this line of thought. Client firms have an important role to fulfill in commercial diplomacy. The input of the client firm reflects the quality of the output of commercial diplomacy. Service output which has been based on inaccurate or insufficient information and unrealistic or unspecific requests can lead to less quality and effectiveness of commercial diplomacy.

Finally, a host country’s cognitive environment negatively influences the relevance of commercial diplomacy. The less favorable a host country’s cognitive environment for foreign firms is, the more relevant commercial diplomacy will be in that particular setting. This is in line with institutional theory and in accordance to empirical findings in other domains.⁷⁵ The host country’s institutional environment provides insight into the relevance of commercial diplomacy, particularly its cognitive environment. However, it would seem that the relevance of commercial diplomacy does not fully rely on a host country’s institutional environment since the regulatory and normative environment cannot explain the relevance of commercial diplomacy.

Practical implications

The conclusions present a few practical implications for commercial diplomats, for foreign posts and for commercial diplomacy policy makers. The current body of literature has stressed the importance of commercial diplomacy. It increases international trade and economic growth.⁷⁶ However,

72) William Shadish, Thomas Cook and Donald Campbell, *Experimental and quasi-experimental designs for generalized causal inference* (Boston, New York: Houghton Mifflin Company, 2002).

73) Lance Bettencourt, ‘Customer voluntary performance: Customers as partners in service delivery’, *Journal of Retailing*, Vol. 73, No 3 (1997), pp. 383-406; Peter Mills, Richard Chase and Newton Marguiles, ‘Motivating the client-employee system as a service production strategy’, *Academy of Management Review*, Vol. 8, No 2 (1983), pp. 301-310; Mills and Morris (1986).

74) Hogan et al. (1991).

75) Busenitz et al. (2000); Kostecki and Naray (2007); Kostova and Rott (2002).

76) Rose (2007); Yakop and Bergeijk (2009).

there may be also another side. Interviewees have suggested that commercial diplomacy is overestimated. It should focus on managing agreements instead of supporting firms specifically, especially since it is becoming increasingly more and more convenient to trade internationally, for instance within the European Union. They argue that government bodies should resolve problems when for instance borders are closed or import taxes are raised. Because economic diplomacy focuses on managing policies and agreements, the interviewees basically suggest that economic diplomacy should be prioritized over commercial diplomacy. This argument is subject to definitional issues. It is difficult to separate commercial diplomacy from economic diplomacy. Nevertheless, one should be careful when overestimating the power and importance of commercial diplomacy, especially in times when governments cannot spend money recklessly on such programs.

Since commercial diplomacy forms an important part of governmental programs, several noteworthy remarks should be made. First, government bodies should consider prioritizing business networks of foreign posts. Business networks yield increased commercial diplomacy effectiveness. The literature points to the importance of identifying potential partners and the facilitation of doing business with them is one of the key ingredients in successful commercial diplomacy. Business networks can only work successfully when a foreign post is present in the host country. Managing business networks cannot easily be done from within the home country.

Secondly, firms which make use of commercial diplomacy should also play an active role in the process. Many of the client firms' requests are often unspecific or unrealistic. Some instruments could help to improve the input of client firms. Fees or selection methods are good examples of this. The introduction of fees may, in effect, decrease the number of firms that make use of commercial diplomacy, but stimulate those firms that do contact commercial diplomats to prepare themselves better for doing business in a host country. Often these firms contact an embassy, but are not ready to trade internationally. Setting a minimum fee for the services of commercial diplomacy would make firms think twice before engaging in these services. This seems quite feasible as currently a number of countries are already successfully working with fees (e.g. Finland). Selection methods are comparable to the introduction of minimum fees. Instead of charging a minimum fee, a foreign post could screen client firms and their requests by using a set of criteria. Firms that prove to be unprepared, not serious, specific, realistic, etc. should be filtered out and they would be considered as not being entitled to receiving assistance from a commercial diplomat.

Thirdly, the current body of literature makes it clear that having an affinity for business is very important for a commercial diplomat.⁷⁷ While the findings of this paper are not conclusive, it does not necessarily mean that such a commercial diplomat might enhance commercial diplomacy effectiveness considerably more so than other commercial diplomats. Therefore, government bodies should not solely focus on hiring commercial diplomats who possess business experience or who have had a business education. Commercial diplomats who possess other backgrounds can also contribute to commercial diplomacy very much, for instance when a commercial diplomat knows the country's language or culture, or when a commercial diplomat can use his or her political influence.

Limitations

First, the sample of this study was taken from a single country, the Netherlands. This has implications on the generalizability of the conclusions. Results should hold for at least Western European countries that have similar arrangements in regard to commercial diplomacy. Nevertheless, a replication of this research study should elucidate on this.

Secondly, a response rate of almost 41% is above expectation. Questionnaires sent through email and Internet-mediated questionnaires normally achieve response rates of 11%. However, the response rate seems ambiguous since convenience and snowball sampling techniques were used. Due to this, the total number of respondents who were precisely invited is unclear since respondents may have forwarded the invitation to others who they thought might be eligible to fill out the questionnaire.

Thirdly, missing values could pose a minor issue, since a few respondents did not fully complete the questionnaire. These issues may exist and they may raise some concerns. Therefore, non-response bias may be present.

Fourthly, the unit of analysis is commercial diplomacy. The unit of observation was commercial diplomats who work for Dutch foreign posts across the globe. We asked the commercial diplomats to fill out a questionnaire. The questionnaire included self-assessment questions and respondents' perceptions. The respondents assessed how they thought about commercial diplomacy. This self-assessment is somewhat limited since it is subjective. The responses may be biased.

77) Naray (2007); Kostecki and Naray (2007); Hogan et al. (1991).

Finally, the sample size varied across the variables. The sample size had a minimum of $N = 110$ respondents. A relatively low sample size could have led to low statistical power. Lowered statistical power could have led to erroneously failing to reject the null hypotheses, and it could have led to Type II Error (). In particular, the coefficients of country experience,⁷⁸ employees, budget, and communication facilities were insignificant in the regression model whereas the initial results were indicative of significant relationships regarding service quality. Therefore, it is hoped that researchers might replicate (parts of) this study in order to clarify this issue.

Future research

This research should be seen as a starting point for a holistic framework of commercial diplomacy effectiveness. That is why other researchers are invited to extend and retest the framework. Determinants which could be included in future research are as follows: home country factors, the commercial diplomat's social competences in particular networking competences, client firm characteristics, and host country factors such as complexity and changeability of the regulatory environment, or economic factors such as GDP. Naray⁷⁹ classified different home country arrangements that can influence commercial diplomacy. He proposed several criteria such as independence of trade promotion agencies (e.g. foreign posts), decentralization, positioning, and the responsible ministry that affects the role of commercial diplomacy. Decentralization is also described by Mercier.⁸⁰ Gil, Llorca and Serrano⁸¹ distinguished central, regional, and local arrangements. These criteria and/or typologies can be included when examining the effect of home country arrangements on commercial diplomacy effectiveness. The commercial diplomat's social skills (competences) can also be examined. Up until now, there has not been any literature available that incorporates, or even suggests the importance of social competences for successful commercial diplomats. Only characteristics such as experience, education, or role have been suggested. In addition, client firm characteristics might also influence

78) Saunders et al. (2009).

79) Naray (2008).

80) Mercier (2007).

81) Salvador Gil, Rafael Llorca and Jose Serrano, 'Measuring the impact of regional trade promotion: The Spanish case', *Papers in Regional Science*, Vol. 87, No. 1 (2007), pp. 139-147.

the way commercial diplomacy is arranged. The size of a client firm does matter,⁸² whereas the industry might also be an important attribute of the client firm that could be included in the framework. Client firms with different sizes and industries have different needs and thus, the relevance of commercial diplomacy varies across firms with different sizes and in different industries. Furthermore, instead of examining the presence or quality of a host country's regulatory environment, researchers would be well advised to focus on the complexity and changeability of such an environment.

It appears that many have focused their attention on the role of the commercial diplomat.⁸³ Researchers have mainly focused on characterizing and describing the three roles. These studies have also stressed that business promoters are the most successful commercial diplomats. There seems to be some uncertainty about what a successful commercial diplomat is and what the outcomes are. This research study's findings suggest that business promoters do not necessarily contribute more to effective commercial diplomacy than civil servants and generalists do. Future studies could elaborate on the outcomes instead of characterizing and describing the three different roles. Sequentially, researchers could examine whether business promoters are truly more *successful* than civil servants and generalists. Instead of using the term *successful*, researchers should then be more clear concerning the specific outcomes of business promoters, civil servants, and generalists and their true contribution to commercial diplomacy.

Rose⁸⁴ and Yakop and Bergeijk⁸⁵ have all studied the effectiveness of commercial diplomacy on a macro-economic level. It also has been measured in terms of export success for firms specifically.⁸⁶ This research study observed the effectiveness on a micro (individual commercial diplomat-level) level and conceptualized commercial diplomacy effectiveness into quality and relevance which both are value added for client firms and serve as a basis for effective commercial diplomacy. While this may be satisfactory, future researchers should shift their focus to measure commercial diplomacy effectiveness on a lower operational level. Future research should indicate that these elements form a prerequisite for effective commercial diplomacy.

82) Hogan et al. (1991).

83) Kostecki and Naray (2007); Naray (2008); Visser (2011).

84) Rose (2007).

85) Yakop and Bergeijk (2009).

86) Wilkinson and Brouthers (2006).

The previous section stressed the relative (un)importance of commercial diplomacy as an instrument that can be used to achieve economic growth. Researchers should further investigate the importance of commercial diplomacy compared to other instruments such as economic diplomacy. The results might provide an answer to a public interest, since governments cannot spend money on these programs without considering the effect it will have on the economy. Sequentially from time to time, many governments rethink their economic and commercial diplomacy. Many have introduced fees to make use of commercial diplomacy. While experts believe that this boosts commercial diplomacy effectiveness, future researchers could investigate the effect that paying for commercial diplomacy has on the effectiveness. Client firms may have increased the expectations of commercial diplomacy, and they may be more serious, better prepared, provide more feedback, and participate more in the commercial diplomacy service process. Researchers could investigate the effect that making payments or requesting fees has on commercial diplomats. It would be interesting to see whether they can cope with higher expectancy levels.

Conclusion

Commercial diplomacy is important in that governments of developed countries are then in a better position to support their economies as the global economic power is shifting more and more towards the East. Foreign posts are at the very heart of commercial diplomacy and are crucial in providing effective support for home country businesses doing business in a host country. Up until now, it has been unclear which factors of commercial diplomacy provided by foreign posts determine its effectiveness. In this paper, the results of a survey conducted among Dutch foreign post commercial diplomats were presented. It appeared that the experience that a commercial diplomat acquired at the foreign post, a foreign post's established business network, and the client firm's preparedness to do business with a host country, all had a positive impact on the service quality of commercial diplomacy. Furthermore, the results indicate that a less favourable cognitive institutional environment increases the relevance of commercial diplomatic services. These findings are largely in line with the hypotheses drawn from the literature, but in certain instances they are contradictory. All in all, this study is the first of a kind to lay the foundation for a holistic framework for achieving commercial diplomacy effectiveness. That is why future research is needed to confirm and expand this framework.

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Table 4: Operationalization of the constructs and variables included in this research

Construct and/or variable	Dimension	Item/indicator	As in the questionnaire	Type, attributes, and level
Institutional profile: The humanly devised constraints that shape interaction (North, 1990).	Regulatory institutions: Existing laws and rules in a particular national environment, which promote certain types of behavior and restrict others (Kostova, 1999).	This country's government assists foreign firms in doing business in this country.	Think of the country you currently work in. The following statements apply to this host country. Please indicate the extent to which you agree with each of the following statements: [statements in the left column].	1-7 Likert scale (1 = strongly disagree, 2 = disagree, 3 = disagree somewhat, 4 = neutral, 5 = agree somewhat, 6 = agree, 7 = strongly agree, and 0 = unknown). Ordinal measurement level.
		This country's government sets and communicates clear rules regarding the entry of foreign firms in the country.		
		This country's government pays much attention to respecting the rules in regard to doing business with foreign firms.		
		This country's government sanctions foreign firms for not respecting the rules in the country.		
		Contracts with foreign firms are secure and respected in this country.		
		Intellectual property of foreign firms is secure and respected in this country.		
		A (commercial) court makes independent and unbiased decisions with regard to claims arising out of transactions of trade and commerce with foreign firms in this country.		
		Stability and freedom for foreign firms is created in this country due to its friendly legal environment.		

Cognitive institutions: Knowledge and skills possessed by the people in a country (Busenitz et al., 2001).	For foreign firms, it is easy to find reliable information about this country.	Think of the country you currently work in. The following statements apply to this host country. Please indicate the extent to which you agree with each of the following statements: [statements in the left column].	1-7 Likert scale (1 = strongly disagree, 2 = disagree, 3 = disagree somewhat, 4 = neutral, 5 = agree somewhat, 6 = agree, 7 = strongly agree, and 0 = unknown). Ordinal measurement level.
	Procedures for entering this country are clear and easy to find.		
Normative institutions: Social norms, values, and beliefs and assumptions that are socially shared and are carried by individuals (Kostova, 1997).	In this country potential partners can be easily be located by foreign firms.	Think of the country you currently work in. The following statements apply to this host country. Please indicate the extent to which you agree with each of the following statements: [statements in the left column].	1-7 Likert scale (1 = strongly disagree, 2 = disagree, 3 = disagree somewhat, 4 = neutral, 5 = agree somewhat, 6 = agree, 7 = strongly agree, and 0 = unknown). Ordinal measurement level.
	Information about procedures on the development of new businesses in the country is available for foreign firms.		
	Information about firms and quality of goods is widely available for foreign firms throughout this country.		
	Foreign firms and goods are greatly admired in this country.		
	The presence of government officials is greatly appreciated at business occasions in this country.		
	The government has a high informal influence over local business.		
In this country many companies are state-owned.	Think of the country you currently work in. The following statements apply to this host country. Please indicate the extent to which you agree with each of the following statements: [statements in the left column].	1-7 Likert scale (1 = strongly disagree, 2 = disagree, 3 = disagree somewhat, 4 = neutral, 5 = agree somewhat, 6 = agree, 7 = strongly agree, and 0 = unknown). Ordinal measurement level.	
Corruption is widely accepted in this country.			

Preparedness of client firm: A State of readiness. ⁸⁷	As in left column.	The client firm's request can easily be executed.	Please indicate the extent to which you agree with each of the following statements: [statements in the left column].	1-7 Likert scale (1 = strongly disagree, 2 = disagree, 3 = disagree somewhat, 4 = neutral, 5 = agree somewhat, 6 = agree, 7 = strongly agree, and 0 = unknown). Ordinal measurement level.
		The client firm's request is clearly defined. The client firm is prepared to go abroad. The client firm conducted prior research before requesting support.		
Resources: A stock or supply of money, materials, staff, and other assets that can be drawn on by a person or organization in order to function effectively.	Employees: Persons employed for wages or salary, especially at non-executive level.	There are enough employees to meet the demand of business support.	Please indicate the extent to which you agree with each of the following statements: [statements in the left column].	1-7 Likert scale (1 = very insufficient, 2 = insufficient, 3 = somewhat insufficient, 4 = neutral, 5 = somewhat sufficient, 6 = sufficient, 7 = very sufficient, 0 = unknown). Ordinal measurement level.
	Budget: Amount of money needed or available for a purpose.	Size of the budget is sufficient to meet the demand of business support.		
	Network: Group of people who exchange information and contacts for professional or social purposes.	Business network is sufficient to meet the demand of business support.		

87) If not indicated otherwise, the explanations of terms in this table are taken from the Oxford English Dictionary, 2011.

Experience of employee: Knowledge or skill acquired by a period of practical experience of something, especially that gained in a particular profession.	Communication facilities: Piece of equipment provided for sending or receiving information.	Communication facilities are sufficient to meet the demand of business support.		
Business experience	Number of years that the employee has worked in a private firm.	Number of years that the employee has worked in a private firm.	How many years have you worked in a private firm?	Natural logarithm. Ratio measurement level.
Host country experience	Number of years that the employee has worked in the host country.	Number of years that the employee has worked in the host country.	How many years have you lived in this country?	Natural logarithm. Ratio measurement level.
Commercial diplomatic experience	Number of years that the employee has worked at a foreign post.	Number of years that the employee has worked at a foreign post.	How many years have you worked at a foreign post (e.g. embassy)?	Natural logarithm. Ratio measurement level.
Level of education	Highest completed level of education of employee	Highest completed level of education of employee	What is your highest completed level of education?	Multiple choice (1 = secondary school, high school, or Associate degree, 2 = Bachelor degree, 3 = Master degree, 4 = Doctoral or Professional degree, and 0 = other). Ordinal measurement level.
Type of education	Subject area of the main completed education	Subject area of the main completed education	What field of study was your completed education?	Open. Nominal measurement level.

<p>Training of employee: The action of teaching a person a particular skill or type of behavior.</p>	<p>Amount of training</p>	<p>Hours of training per year of the employee</p>	<p>How many hours of business training do you receive per year?</p>	<p>Natural logarithm. Ratio measurement level.</p>
<p>Commercial diplomatic style of employee:</p>	<p>Approach: Deal with (a situation or problem) in a certain way.</p>	<p>Approach of the job</p>	<p>How do you approach the tasks belonging to your job?</p>	<p>Multiple choice (1 = focus on business issues, 2 = focus on international relations, and 3 = focus on diplomatic and political perspective). Nominal measurement level.</p>
<p>Goal: An aim or desired result.</p>	<p>Goal of the job</p>		<p>What is your goal of the tasks belonging to your job?</p>	<p>Multiple choice (1 = client firm satisfaction, 2 = Ministry of Trade satisfaction, 3 = Ministry of Foreign Affairs satisfaction). Nominal measurement level.</p>

<p>Quality: How well the service level delivered matches customer expectations.</p>	<p>Reliability of the service: Ability to perform the promised service dependably and accurately (Landrum et al., 2007).</p>	<p>This foreign post provides service as promised.</p> <p>Staff at this foreign post can handle client firm's problems.</p> <p>Staff at this foreign post performs the right service the first time.</p> <p>Staff at this foreign post provides service at the promised time.</p> <p>Client firms are informed when services will be performed.</p>	<p>Please indicate the extent to which you agree with each of the following statements: [statements in the left column].</p>	<p>1-7 Likert scale (1 = strongly disagree, 2 = disagree, 3 = disagree somewhat, 4 = neutral, 5 = agree somewhat, 6 = agree, 7 = strongly agree, and 0 = unknown). Ordinal measurement level.</p>
<p>Assurance of the employees: Knowledge and courtesy of employees and their ability to inspire trust and confidence (Landrum et al., 2007).</p>	<p>Staff at this foreign post is courteous.</p> <p>Staff at this foreign post instills confidence in client firms.</p> <p>Client firms feel secure in their transactions.</p> <p>Staff at this foreign post has the knowledge to answer client firm's questions.</p>	<p>Please indicate the extent to which you agree with each of the following statements: [statements in the left column].</p>	<p>1-7 Likert scale (1 = strongly disagree, 2 = disagree, 3 = disagree somewhat, 4 = neutral, 5 = agree somewhat, 6 = agree, 7 = strongly agree, and 0 = unknown). Ordinal measurement level.</p>	

	<p>Tangibles of the service: Physical representation of the service (Landrum et al., 2007).</p>	<p>This foreign post has modern equipment and facilities.</p> <p>This foreign post looks appealing.</p> <p>Staff at this foreign post looks and behaves neat and professional.</p> <p>Online and offline documentation of this foreign post is appealing.</p> <p>This foreign post provides convenient hours of operation.</p>	<p>Please indicate the extent to which you agree with each of the following statements: [statements in the left column].</p>	<p>1-7 Likert scale (1 = strongly disagree, 2 = disagree, 3 = disagree somewhat, 4 = neutral, 5 = agree somewhat, 6 = agree, 7 = strongly agree, and 0 = unknown). Ordinal measurement level.</p>
	<p>Empathy of employee: Caring individualized attention provided to clients (Landrum et al., 2007).</p>	<p>Staff at this foreign post provides individual attention to client firms.</p> <p>Staff at this foreign post has the client firm's best interests at heart.</p> <p>Staff at this foreign post deals with client firms in a caring fashion.</p> <p>Staff at this foreign post understands the needs of client firms.</p>	<p>Please indicate the extent to which you agree with each of the following statements: [statements in the left column].</p>	<p>1-7 Likert scale (1 = strongly disagree, 2 = disagree, 3 = disagree somewhat, 4 = neutral, 5 = agree somewhat, 6 = agree, 7 = strongly agree, and 0 = unknown). Ordinal measurement level.</p>

<p>Relevance: Important and applicable in a given context.</p>	<p>Responsiveness of employees: Willingness to help client firms and to provide prompt services (Landrum et al., 2007).</p>	<p>Staff at this foreign post provides prompt service to client firms.</p> <p>Staff at this foreign post is willing to help client firms.</p> <p>Staff at this foreign post is ready to respond to requests.</p>	<p>Please indicate the extent to which you agree with each of the following statements: [statements in the left column].</p>	<p>1-7 Likert scale (1 = strongly disagree, 2 = disagree, 3 = disagree somewhat, 4 = neutral, 5 = agree somewhat, 6 = agree, 7 = strongly agree, and 0 = unknown). Ordinal measurement level.</p>
<p>Relevance: Important and applicable in a given context.</p>	<p>Overall assessment of quality.</p> <p>Relevance of the service: Importance and applicability of the service in the host country.</p>	<p>Overall assessment of the services offered to support firms.</p> <p>Offered services are relevant for firms that want to do business in this country.</p> <p>The solution the services provide can be used to resolve problems or compensate for shortcomings in this country.</p> <p>This service is very useful in this country.</p>	<p>Please indicate your overall assessment of the services offered to support firms.</p> <p>Please indicate the extent to which you agree with each of the following statements: [statements in the left column].</p>	<p>1-7 Likert scale (1 = extremely poor, 2 = poor, 3 = insufficient, 4 = neutral, 5 = sufficient, 6 = good, and 7 = extremely good). Ordinal measurement level.</p> <p>1-7 Likert scale (1 = strongly disagree, 2 = disagree, 3 = disagree somewhat, 4 = neutral, 5 = agree somewhat, 6 = agree, 7 = strongly agree, and 0 = unknown). Ordinal measurement level.</p>

		<p>The solution this service offers is relevant for firms that want to do business in this country.</p>		
Overall assessment of relevance.	Overall assessment of the relevance of all services in this country.	<p>Please indicate your overall assessment of the relevance of all services in this country.</p>	1-7 Likert scale (1 = extremely irrelevant, 2 = irrelevant, 3 = somewhat irrelevant, 4 = neutral, 5 = somewhat relevant, 6 = relevant, and 7 = extremely relevant). Ordinal measurement level.	
Relevance per type of service.	<p>Services related to intelligence (e.g. market scans) are relevant for firms that want to do business in this country.</p> <p>Services related to assistance with fairs and trade missions are relevant for firms that want to do business in this country.</p> <p>Services related to problem solving and trade disputes are relevant for firms that want to do business in this country.</p> <p>Services related to partner search are relevant for firms that want to do business in this country.</p>	<p>Please indicate the extent to which you agree with each of the following statements: [statements in the left column].</p>	1-7 Likert scale (1 = strongly disagree, 2 = disagree, 3 = disagree somewhat, 4 = neutral, 5 = agree somewhat, 6 = agree, 7 = strongly agree, and 0 = unknown). Ordinal measurement level.	
Age	Age	Age of the respondent	What is your age?	Natural logarithm. Ratio measurement level.

Gender	Gender	Gender of the respondent	What is your gender?	Multiple choice (1 = male, 2 = female). Nominal measurement level.
Nationality	Nationality	Nationality of the respondent	What is your nationality?	Open. Nominal measurement level.
Foreign post location	Foreign post location	Location of the foreign post	In which country is this foreign post located?	Open. Nominal measurement level.
Linguistic skills	Languages	Languages the respondent can speak	With which languages can you communicate effectively?	Open. Nominal measurement level.

Appendix B

Table 5: Correlation matrix for most of the dependent and independent variables

Variable (N = 113)	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1 Reliability	1	.482**	.367**	.516**	.641**	.755**	-.115	.054	.253**	.276**	.175*	.349**	.382**	.381**	.313**
2 Assurance		1	.452**	.585**	.523**	.757**	.175*	.077	.079	.047	.103	.153	.106	.134	.141
3 Tangibles			1	.408**	.417**	.730**	.028	.244**	.218*	.286**	.287**	.239**	.323**	.374**	.256**
4 Empathy				1	.733**	.806**	.013	.050	.238**	.081	.115	.230**	.165*	.186*	.180*
5 Responsiveness					1	.832**	-.076	.166*	.315**	.297**	.122	.353**	.261**	.334**	.358**
6 Quality of CD						1	.002	.169*	.289**	.278**	.228**	.345**	.326**	.383**	.347**
7 Business experience							1	.172*	.130	-.244**	-.244**	-.239**	-.092	-.276**	-.044
8 Country experience								1	.243*	.121	-.186*	-.108	.038	-.041	.077
9 Post experience									1	.121	-.070	.086	.080	.072	.050
10 Employees										1	.534**	.496**	.321**	.791**	.425**
11 Budget											1	.345**	.276**	.729**	.308**
12 Net-work												1	.598**	.786**	.327**
13 Communication													1	.712**	.310**
14 Resources														1	.448**
15 Client firm															1

** . Correlation is significant at the 0.01 level (1-tailed).

* . Correlation is significant at the 0.05 level (1-tailed).

Table 6: Correlation matrix (Kendall's tau-b) for education and quality

Variable (N = 113)	1	2	3	4	5	6	7
1 Reliability	1	.355**	.315**	.383**	0.420**	0.544**	-.005
2 Assurance		1	.358**	.424**	0.413**	0.568**	-.029
3 Tangibles			1	.237**	.353**	.564**	-.020
4 Empathy				1	.609**	.588**	.063
5 Responsiveness					1	.685**	.023
6 Quality of CD						1	.013
7 Education level							1

** . Correlation is significant at the 0.01 level (1-tailed).

Table 7: Independent samples t-test for type of education on quality

Variable (N = 113)	N		Mean		Std. deviation		Significance (1-tailed)
	Business	Other	Business	Other	Business	Other	
Reliability	27	86	5.79	5.85	.938	.649	.303
Assurance	27	86	6.20	6.09	.709	.587	.205
Tangibles	27	86	5.65	5.50	.921	.922	.227
Empathy	27	85	6.13	6.13	.761	.601	.491
Responsiveness	27	85	6.14	6.17	.800	.663	.401
Quality of CD	27	86	5.98	5.95	.643	.531	.395

Table 8: Independent samples t-test for role on quality

Variable (N = 113)	N		Mean		Std. deviation		Significance (1-tailed)
	Business promoter	Other	Business promoter	Other	Business promoter	Other	
Reliability	70	43	5.86	5.85	.763	.666	.473
Assurance	70	43	6.12	6.11	.674	.518	.470
Tangibles	70	43	5.51	5.58	.960	.860	.333
Empathy	69	43	6.20	6.02	.660	.596	.076*
Responsiveness	69	43	6.19	6.13	.741	.618	.345
Quality of CD	70	43	5.97	5.94	.608	.447	.391

*. Correlation is significant at the 0.10 level (1-tailed).

Table 9: Correlation matrix for institutional profile and relevance

Variable (N = 110)	1	2	3	4	5
1 Relevance of CD	1	-.035	-.156*	.011	-.079
2 Regulatory		1	.666**	.540**	.898**
3 Cognitive			1	.384**	.848**
4 Normative				1	.736**
5 Institutional profile					1

** . Correlation is significant at the 0.01 level (1-tailed).

*. Correlation is significant at the 0.10 level (1-tailed).

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- 1 Jan Melissen (ed.), *The New Public Diplomacy: Soft Power in International Relations*, (Basingstoke: Palgrave-Macmillan, 2005) pp. 16-25.
 - 2 Melissen (2005), p. 24.
 - 3 Ingrid d'Hooghe, 'Public Diplomacy in the People's Republic of China', in Jan Melissen (ed), *The New Public Diplomacy: Soft Power in International Relations*, (Basingstoke: Palgrave-Macmillan, 2005) pp. 88-103.
 - 4 D'Hooghe (2005), p. 90.
 - 5 Ellen Huijgh, 'The Public Diplomacy of Federated Entities: Examining the Quebec Model', *The Hague Journal of Diplomacy*, Vol. 5, No. 1 (2010), pp. 125-150
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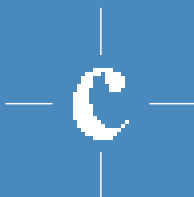
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