

An exploration of commercial diplomacy as a set of facilities to support international business to and from emergent markets

Abstract

In a globalized world where emerging markets are more important than ever, there is increasing pressure on international businesses and governments to work together. The set of facilities known as commercial diplomacy combines the interests of both by highlighting new markets and investment opportunities. In this paper, we present a literature review based on 56 relevant publications to assess what we currently know of this important activity. The results indicate that research on commercial diplomacy consists of many subtopics, resulting in a patchy understanding of the topic as a whole. We discuss why integrative research focussing on the business-government relationship, the organisation and the value of commercial diplomacy is needed from an international business perspective.

Keywords: commercial diplomacy, trade and export promotion, literature review, research agenda, international business

1. Introduction

Globalisation has become the leading mantra for the state of the economy, with both international trade and foreign direct investment (FDI) increasing exponentially in the last few decades (Sethi, Guisinger, Ford & Phelan, 2002). The rise in cross-border business activities has led to increasing economic interdependencies (Narula & Dunning, 1995) that create opportunities for new political and economic powers to surge. Recently, the developing economies of Brazil, China and India have been exemplary, reflecting the positive effects of the modern-day global economy (Salmi & Scott-Kennel, 2012). Such emergent economies and markets are redefining trade flows and power relations (Levy, 2007) while they are still ‘fraught with political, economic, and social instabilities’ (Doh & Teegen, 2002, 666). The distinctly different environmental, economical, institutional and relational aspects of emergent markets, in which the business-government relationship is often strong, render businesses of such economies in better shape to deal with networking and entry processes in other emerging markets (Lee, Abosag & Kwak, 2012).

As their environment becomes increasingly complex and global due to the rise of emerging economies, businesses are faced with many challenges in international trade and do not benefit from what potential foreign markets have to offer. As a response, most governments have created a set of services aimed at assisting businesses with internationalisation which have seen a steady increase in use (Freixanet, 2012; Richardson, Yamin & Sinkovics, 2012; Lim, 2008; Seringhaus & Rosson, 1994; Coolsaet, 2004; Kotabe & Czinkota, 1992).

A substantial amount of research has gone into such programs and the context they are used in, yet we still do not understand how these inputs and outputs are connected. This connection is the intersection of business and government, and it is important because ‘the foreign firm is anxious to avoid the deleterious effects of changes in government policy; to seek the assistance of the government to address any difficulties it experiences in the host country; and to build up a web of contacts and influences that would immunize it from hostility from host country firms and other interested groups’ (Sanyai & Guvenli, 2000, 119-120). International business is not just an activity between businesses, it is conducted together with governments and international and societal organisations (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), 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).

The ‘need to expand and develop commercial diplomacy is all the more important’ (Lee & Ruël, 2012: xiv) for two reasons. First, 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. Second, many emerging markets are controlled to a considerable extent by their governments. Successful commercial diplomacy gains access to them, and the idea that successful international business is just a matter of a clear business strategy and good business management is naive and outdated. Benard's (2012) illustration of China's success in employing diplomatic means to secure a prime position in foreign markets for its businesses as opposed to the lack thereof by the USA is a recent and practical example of how diplomacy and business go hand in hand in this new political and economic environment.

The connection between international business, international relations and diplomacy is as old as the existence of international trade. It is time to incorporate the poorly understood international business-diplomacy relationship in the study of international business. Our purpose is to indicate directions for future research on commercial diplomacy from an international business point of view.

In the next section we will conduct a literature review to clarify what we currently know of commercial diplomacy. In the subsequent section we will analyse the literature review to present our findings on the state of research on commercial diplomacy. We will then present a research agenda that addresses the key issues. We wrap up with a conclusion.

2. Literature review

2.1. A methodology to identify relevant publications

We include all possible English commercial diplomacy publications in established journals written in the last 60 years. As there are 14 publications with commercial diplomacy as a research topic, we widened our search to include relevant related terms such as economic diplomacy, trade promotion, export promotion, trade fairs, trade shows and trade missions. Additionally, we identified key words from publications found in this manner and ran them through several databases. By making use of forward and backward referencing, we identified 56 relevant publications. A categorization shows that 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.

2.2. The context and antecedents of commercial diplomacy

The policy of commercial diplomacy and the actual activities pertaining to it can be established once (1) the objectives and rationales behind commercial diplomacy are clear, (2) the resources of the home country and the business are defined, and (3) the contextual setting is explored and clarified (Reuvers & Ruël, 2012).

The objectives and rationales for the implementation of commercial diplomacy as a policy mainly consist of business-economic reasons such as increased trade and export flows,

increased competitiveness of firms in the host country, and increased intelligence through networking, as well as macro-economic reasons such as job creation and improvement of the national economy (Kotabe & Czinkota, 1992; Wilkinson & Brouthers, 2000b; Lee & Hudson, 2004; Saner, Yiu & Sondergaard, 2000; Wilkinson & Brouthers, 2000a; Yannopoulos, 2010). It thus deals with objectives on the national and organisational levels. The rationale of governments conducting commercial diplomacy as opposed to private agencies is that governments look beyond profit and adopt a view of what is beneficial to the public (Hibbert, 1998) and the economic environment (Naray, 2011; Rose, 2005) and are often more influential than businesses (Ozdem, 2009; Rose, 2005).

Numerous publications deal with home country resources such as the institutional organisation (Naray, 2011; Ozdem, 2009; Coolsaet, 2004; Sridharan, 2002; Sherman & Eliasson, 2006; Sherman & Eliasson, 2007; Rana, 2007; Potter, 2004; Muller, 2002; Garten, 1997; Hillman & Keim, 1995; Sethi et al., 2002; Udovic, 2011; Wu, Li & Samsell, 2012), the nation's political position (Morrow, Siverson & Tabares, 1998; Sridharan, 2002; Lee & Hudson, 2004; Van Bergeijk, 1992; Li & Samsell, 2009) and its country image (Yang, Shin, Lee & Wrigley, 2008; Muller, 2002) as determinant factors in the development of commercial diplomacy.

Alongside the international setup of diplomatic efforts, the organisation of commercial diplomacy in the home country is a major factor in the national policy on commercial diplomacy. National policies need to be and have been shaped to implement and make optimal use of such programs (Levy, 2007; Sethi, Guisinger, Ford, & Phelan, 2002; Lawton & McGuire, 2001; Naidu, Cavusgil, Murthy & Sarkar, 1997; Coolsaet, 2004; Muller, 2002; Page, 1902).

Usually, most of the resources are allocated for economic and political purposes rather than commercial ones (Rana, 2007; Muller, 2002). As Neumayer (2007: 288) succinctly puts it: the 'global pattern of diplomatic representation is significantly determined by geographical distance between countries, the power of both sending and recipient countries and by the degree of their ideological affinity'. Naray (2011) distinguishes five organisational arrangements. In the first one, trade promotion is a part of the trade policy and may thus fall under any ministry that actors are a part of. In the second one, the Ministry of Foreign Affairs (MFA) and Ministry of Trade (MT) jointly coordinate national policy. In the third one, there is a separate office for activities of commercial diplomacy which is centralized and coordinated by the MFA and the MT. In the fourth one, the MFA is solely responsible for commercial diplomacy, and in the fifth one, commercial diplomacy is essentially delegated to public or semi-private agencies with no hierarchical constraints. Moreover, the organisation of individual public actors depends on the national structural arrangement, the effect of which is reflected in the role of the commercial diplomat in terms of the activities performed and his/her personal background (Herbst, 1969; Naray, 2011; Ruël & Visser, 2012).

All this takes place within a context consisting of factors that entail both positive and negative effects on commercial diplomacy. These factors include globalisation, technological advances (Henrikson, 2005), changes in the domestic and international formal institutional setting (Lee, 2004; Henrikson, 2005; Potter, 2004; Lee & Hudson, 2004; Sherman & Eliasson, 2007; Muller, 2002; Neumayer, 2007) and the influence of supranational entities (Lawton & McGuire, 2001; Levy, 2007).

2.3. Commercial diplomacy in action

The activity of commercial diplomacy pertains to (1) activities and practices and (2) bilateral and multilateral interactions between business and government (Reuvers & Ruël, 2012).

Research in this regard includes identifying business- and agency-level activities as sets of programs (Herbst, 1969; Lee & Hudson, 2004; Naray, 2011; Sridharan, 2002, Wilkinson & Brouthers, 2000b). Furthermore, numerous publications describe specific activities such as export promotion (Czinkota, 2002; Kotabe & Czinkota, 1992), trade shows (Richardson et al., 2012; Seringhaus & Rosson, 1994) and trade missions (Schuler, Schnietz & Baggett, 2011), as well as the individual actors performing such activities (Ruël & Visser, 2012; Bondarouk & Ruël, 2012). The number of studies in this regard implies that there are myriad ways of looking at the types of activities in commercial diplomacy. Indeed, categorizations exist that distinguish between the gathering and dissemination of information and market research, the development of business and government contacts, and the promotion of products and services (Lee, 2004); between trade promotion, protection of intellectual property rights, cooperation in science and technology, promotion of ‘made-in’ and promotion of FDI (Naray, 2011); and between production planning and support, export information, advice to prospective/inexperienced exporters, marketing support, finance and guarantees, and education and training (Naidu et al., 1997). Other authors employ more encompassing aspects such as export promotion and investment promotion (Ozdem, 2009; Coolsaet, 2004). Reuvers and Ruël (2012) present an integration of the activities put forward by the authors we describe here, and Table 1 presents an overview of their assessment.

Table 1: Typical activities of commercial diplomacy

Network activities	Intelligence	Image campaigns	Business support
Developing business and government contacts	Gathering/disseminating commercial information	Promoting goods and services	In negotiations; contract implementation and problem-solving
State visits	Market research	Participating in trade fairs, introducing potential exporters	Gathering export marketing data
Buyer-seller meetings	Reporting to home country	Sensitizing potential foreign investors	Supervision of violations of Intellectual Property and contracts
Matchmaking	Consultant to both countries	Gathering export marketing data	Advocacy activities
Search for partners/distributors/investors/lawyers	Image studies, joint scientific research	Tourism promotion activities	Coordination of legal actions
Personal network		Awareness campaigns	

On a grander level, several authors describe commercial diplomacy as a set of activities in a national policy setting (Naidu et al., 1997; Narula & Dunning, 1998; Stadman & Ruël, 2012; Rana, 2001). A considerable shift in policy is needed to implement commercial diplomacy (Muller, 2002; Udovic, 2011; Coolsaet, 2004; Lee, 2004; Saner et al., 2000; Wu et al., 2012), and the existence of bilateral or multilateral trade agreements is more a rule than an exception (Rana, 2007; Van Bergeijk, 1992).

Regarding business-government interaction, several authors describe how businesses can effectively interact with governments and what is needed to this end (Hillman, Keim & Schuler, 2004; Luo, 2001), how to gain foreign market access, e.g. by means of networking (Lee et al., 2012; Sanyai & Guvenli, 2000; Vehof, Ruël & Telgen, 2012), and how such interaction inadvertently changes policies on commercial diplomacy (Lee, 2004). Corporate political activity is seen as an effective method in the business-government interaction process (Hillman et al., 2004; Saner et al., 2000).

2.4. The value and effectiveness of commercial diplomacy

Research into the value and effectiveness of export promotion programs, trade fairs and trade promotion is extensive and points to the benefits for businesses in various stages of exporting as well as domestic benefits such as an increase in trade figures (Alvarez, 2004; Freixanet,

2012; Lim, 2008; Wilkinson & Brouthers, 2006; Kotabe & Czinkota, 1992; Yannopoulos, 2010; Wilkinson & Brouthers, 2000a; Wilkinson & Brouthers, 2000b). In a study of the direct effects of export promotion efforts in the foreign market, Rose (2005) shows that bilateral exports rise by 6% - 10% for each government agency. This should not be surprising; trade fairs have been successful for hundreds of years (Seringhaus & Rosson, 1994), and throughout history there have been many nations that tied trade efforts to diplomatic ones (Edens, 1992; Lloyd, 1991; Rahusen-de Bruyn Kops, 2002; Griffiths, 1970).

The alignment of resources and objectives with certain activities and interaction patterns leads commercial diplomacy to be effective to varying degrees for both governments and businesses, creating value for these actors in the process (Reuvers & Ruël, 2012; Zuidema & Ruël, 2012). Correct alignment leads to economic benefits such as an increase in wealth, knowledge creation, job creation and improved trade, export and investment performance (Czinkota, 2002; Rose, 2005; Alvarez, 2004; Freixanet, 2012; Wilkinson & Brouthers, 2000a; Wilkinson & Brouthers, 2006; Lim, 2008; Kotabe & Czinkota, 1992), though this also depends on the international experience and networking capabilities of businesses (Busschers & Ruël, 2012; Spence & Crick, 2004; Yannopoulos, 2010; Zuidema & Ruël, 2012), the organisation and alignment between business and government (Freixanet, 2012) and the type of activity performed by governments (Alvarez, 2004; Wilkinson & Brouthers, 2000a). These factors are strongly reliant, however, on the international political context as Van Bergeijk (1992) points out.

From a government point of view, correct alignment may lead to increased economic means to be used for political benefits (Neumayer, 2007), and positive effects on the country image which, in turn, may lead to an increase in trade (Yang, Shin, Lee & Wrigley, 2008). All in all, positive effects exist on the national and organisational levels (Potter, 2004; Yang et al., 2008).

Several publications address the outcomes of commercial diplomacy. Wilkinson and Brouthers (2006: 243) show by means of statistical analysis that 'both trade shows and programs identifying agents and distributors are positively related with (...) export performance'. Illustrative of this statement is Spence and Crick's (2004: 290) finding that 'just under half (...) would not have visited the markets without the trade missions'. Furthermore, the use of investment promotion is revealed by Lim's (2008: 49-50) results, which find that 'promotion effectiveness (...) has a positive influence on attracting FDI by mediation effect between a host country's FDI environment and FDI inflows'. That not all programs are always effective is shown by Alvarez (2004: 399), who finds that 'trade shows and trade missions do not affect the probability of exporting permanently, but exporter committees show a positive and significant impact', a statement that is supported by Wilkinson and Brouthers (2000a). Overall, Rose's (2005: 13) empirical evidence shows that 'bilateral exports rise by approximately 6-10% for each additional consulate abroad'. These

studies confirm that commercial diplomacy is a value-creating activity for both business and government.

3. Findings

3.1. Three disciplinary perspectives and myriad subtopics

We observe that most publications revolve around either an international business, international relations or a political/economy viewpoint and that international business is underrepresented in terms of topical diversity and scope of research. This is largely in accordance with what Naray (2011) and Lee and Hudson (2004) put forward. They recognize approaches in international relations and diplomacy, the political economy of commercial diplomacy and international trade promotion (Naray, 2011) and international relations and political economy (Lee & Hudson, 2004). Integrating the findings of these authors with what the publications we investigated show, we confirm that 22 studies adopt an international business approach, 20 studies adopt an international relations approach, and 14 studies adopt a political/economy approach.

Studies that take up an international business approach usually discuss the promotion of trade and investment ‘from the point of view of international business firms and countries’ promotional efforts’ (Naray, 2011: 128). The activities of commercial diplomacy (see Table 1) are often described in the literature. Studies mainly describe the effectiveness of FDI attraction programs (Lim, 2008; Sethi et al., 2002), the effectiveness of trade and export promotion programs (Yannopoulos, 2010; Kotabe & Czinkota, 1992; Alvarez, 2004; Freixanet, 2012; Wilkinson & Brouthers, 2006), the organisation of trade shows, trade fairs and foreign missions (Seringhaus & Rosson, 1994; Rose, 2005; Alvarez, 2004; Richardson et al., 2012; Spence & Crick, 2004; Wilkinson & Brouthers, 2000a), the value of commercial diplomacy (Busschers & Ruël, 2012) and networking activities (Lawton & McGuire, 2001; Lee et al., 2012; Sanyai & Guvenli, 2000; Saner et al., 2000). However, the positive effect of trade and export programs is not ubiquitous as Alvarez (2004), Narula and Dunning (1998), Richardson et al. (2012), Spence and Crick (2004), Wilkinson and Brouthers (2000a) and Yannopoulos (2010) show.

Studies that take up an international relations perspective are still quite limited (Lee and Hudson, 2004). Reuvers and Ruël (2012: 9) counter this by saying that many of these studies ‘use the international relations perspective to look at all commercial aspects within the broader sense of diplomacy between governments’. This is true for many publications (Coolsaet, 2004; Herbst, 1969; Lee, 2004; Morrow et al., 1998; Muller, 2002; Neumayer, 2007; Rana, 2007; Sherman & Eliasson, 2006; Naray, 2011). The problem that Lee and Hudson (2004: 360) recognize in this line of studies is that most of these studies adopt ‘an approach that is based largely on a statist reading of international relations’ such as Wu et al.’s (2012) assessment of the governance environment. Hillman et al. (2004), in their conceptual assessment of the business-government relationship, address this issue and call for continuous checks to counter this approach. Some studies do alleviate this problem by

accounting for the changing institutional environment that the business-government relationship is subject to (Zuidema & Ruël, 2012; Hillman & Keim, 1995) or by presenting a mathematical model that collects data over several years and thus employs a longitudinal approach (Hibbert, 1998). Furthermore, most studies focus solely on a government point of view, with three publications incorporating elements of a business perspective (Hillman & Keim, 1995; Levy, 2007; Schuler et al., 2011). Three authors adopt only a business point of view (Hillman et al., 2004) or the point of view of individual actors (Ruël & Visser, 2012; Bondarouk & Ruël, 2012).

Studies that take up a political/economy approach have a unique double advantage as they add to ‘the theoretical and empirical utility of diplomatic studies as well as international political economy’ (Lee and Hudson, 2004: 359). Consequently, the publications discuss the home country resources needed for commercial diplomacy in terms of specific programs that are to be implemented (Czinkota, 2002; Wilkinson & Brouthers, 2000b), the institutional implications (Sridharan, 2002; Sherman & Eliasson, 2007; Garten, 1997), agency structure (Ozdem, 2009; Potter, 2004) and whether commercial diplomacy should even be performed by the government (Czinkota, 2002; Sridharan, 2002; Ozdem, 2009; Wilkinson & Brouthers, 2000b; Henrikson, 2005; Potter, 2004; Rose, 2005; Garten, 1997) or at least be left partly to private organisations (Hocking, 2004; Henrikson, 2005; Sherman & Eliasson, 2007). These publications stress the importance and influence of economics on diplomacy, and describe how they are intertwined. Any study with a political/economy approach integrates ‘market relations with political relations and thus conceptualizes diplomacy as a continuous political-economic dialogue’ (Lee and Hudson, 2004: 360). Perhaps not surprisingly, all of the studies employ a government point of view. Only Hocking (2004) includes a marginal business point of view.

The current body of work on commercial diplomacy is rather patchy and revolves around subtopics such as the commercial diplomat (Naray, 2011; Ruël & Visser, 2012), government involvement in export promotion (Kotabe & Czinkota, 1992; Wilkinson & Brouthers, 2000a; Wilkinson & Brouthers, 2000b), the context of commercial diplomacy (Muller, 2002; Potter, 2004), the national commercial policy (Hibbert, 1998; Naray, 2011), the activities of commercial diplomacy (Coolsaet, 2004; Lee, 2004), the rationale of commercial diplomacy (Hibbert, 1998; Naray, 2011; Rose, 2005; Ozdem, 2009) and the effectiveness of export and trade promotion (Rose, 2005; Alvarez, 2004; Freixanet, 2012).

3.2.Diversity in methodological approaches

A total of 20 studies make use of a conceptual or literature study approach while 36 employ some form of empirical research. Of the empirical studies, 14 adopt a (multiple) case study approach, 18 employ statistical analysis of either historical (8) or survey-based (10) data, 2 employ surveys and interviews, and 2 more add a statistical analysis to the data gathered through means of surveys and interviews.

Of the 56 publications in our literature review, we distinguish four different levels of analysis: (1) a national or supranational level, (2) an organisational (i.e. businesses and government agencies) level, (3) an individual actor level and (4) a literature review or conceptual model. Of all the authors, 31 adopt a national level, 10 adopt an organisational level, 3 adopt an individual actor level, and 7 conduct a literature review. Only 5 authors employ multiple levels of analysis in their empirical studies. Narula and Dunning (1998), Levy (2007) and Luo (2001) use both the national and organisational levels, Zuidema and Ruël (2012) use both the national and individual actor levels, but only Naray (2011) uses the national, organisational and individual actor levels. In only two cases (Narula & Dunning, 1998; Naray, 2011) does it become clear why the authors choose their specific multi-level analyses.

3.3. International business as an underrepresented viewpoint

Research into commercial diplomacy focuses on an international relations, a political/economic or an international business viewpoint. While the first two feature multi-level research from the vantage point of both government and business, research from an international business viewpoint is underrepresented. Moreover, within the viewpoints of international relations and political economy we discern a wide variety of topics ranging from macro-level national policy to micro-level individual actor research, while the international business research deals mostly with effectiveness studies. The current status of research on commercial diplomacy is one in which core issues have not yet been addressed in a full and proper manner. Therefore, in section 4 we present a research agenda for commercial diplomacy that addresses these core issues in a way that we believe will resolve this problem.

4. A research agenda for commercial diplomacy and international business

There is a dire need for more integrative research on the topic of commercial diplomacy as several aspects are severely underrepresented. In this section we will suggest what type of perspective would benefit commercial diplomacy the most. We will give a more detailed description of the specific topics that need attention and present an indication of the manner in which future research should be undertaken.

4.1. Future research and the necessity of a disciplinary approach

While research on commercial diplomacy has been performed from an international relations perspective so far, Reuvers and Ruël (2012) indicate that commercial elements are largely neglected. In this light, research in the field of international relations would do well to conduct studies in which businesses and governments are examined simultaneously as currently international business is largely neglected in studies on e.g. national policy, although it is directly affected by it. A coming together of the national macro-level and the (businesses and government agencies) meso-level is needed. The same goes for political economy even though an inherent characteristic of the political economy point of view is that it is only concerned with government issues.

Naray's (2011: 128) observation that most international business studies are undertaken 'from the point of view of international business firms and countries' promotional efforts' echoes in our findings; both national macro-level and organisational meso-level studies exist, yet we found very few crossovers between the two. This area could be greatly improved by more studies that take a look simultaneously at the national and business levels.

4.2.Relevant topics in the commercial diplomacy – international business interplay

4.2.1. Improving commercial diplomacy using topics of international business

Research into the context, antecedents, activities, value and effectiveness of commercial diplomacy is widespread and deals with numerous topics. However, the number of subjects they address results in an understanding that is patchy at best. When it comes to context and antecedents, the focus of attention is on national institutional developments rather than contextual ones. The actual activities of commercial diplomacy are quite well defined, but an overview of national policy is lacking along with an evaluation of the activities inherent to the practice of commercial diplomacy. This coincides with the limited knowledge on the value of commercial diplomacy as a whole, where the focus is still on the usefulness of specific types of programs for businesses. A broader type of research is needed that incorporates the value of commercial diplomacy as a set of activities and programs and its usefulness on the national and organisational levels.

Considering how the concept of commercial diplomacy is heavily reliant on an international relations perspective, broadening the perspective using specific topics from international business would greatly advance our understanding of the subject. We believe that based on what the literature review has shown us, three areas of this perspective are of particular interest: (1) the international business-government relationship, (2) the organisation of commercial diplomacy and (3) value creation. First of all, commercial diplomacy being subject to the interplay between governments and businesses, the context of the international business-government relationship is a crucial topic (Luo, 2001) which has hardly received any attention from a commercial diplomacy point of view (Reuvers & Ruël, 2012). Secondly, the organisational arrangement of commercial diplomacy affects both governments and businesses on the meso- and micro-levels, yet research into this topic from a business perspective is scarce while it may prove highly insightful. Lastly, a lot of research has been performed into the benefits of export promotion, yet commercial diplomacy lacks such analyses even though value and value creation are key aspects of the international management perspective (Porter, 1980).

4.2.2. Commercial diplomacy and the business-government relationship

So far, studies on commercial diplomacy have only scratched the surface of issues in international business-government relations with connotations on their organisation (Naray, 2011), the interplay between the national policy on commercial diplomacy and enterprise preferences (Udovic, 2011) and the role of globalisation in the formulation of a national

policy on commercial diplomacy (Potter, 2004). In order to understand the role of the international business-government relationship in commercial diplomacy, further investigation is needed in terms of expectation management between representatives from both business and government. In addition, such research should be conducted within the context of business-government relationship building by means of certain interaction channels and patterns based on a meso- and micro-level perspective. Specific theoretical concepts that could be adopted include business diplomacy, corporate political activity and both formal and informal institutionalism, as they are all concepts that revolve around the interaction between actors.

4.2.3. The organisation of commercial diplomacy

The macro-level perspective dominates the discussion of organisational issues in commercial diplomacy, focussing on national and supranational policies. Only Naray (2011) approaches commercial diplomacy from a meso- and micro-level even though the academic literature on organisation is abundant. The most urgent topics of relevance to commercial diplomacy are an exploration of the organisational arrangements that actors most benefit from, a comparison of the organisation of commercial diplomacy at the macro-, meso- and micro-levels as well as the inter-level influence. Specific theoretical concepts that could be adopted include network theory, agency theory, contingency theory and knowledge management, as they are all concepts that address organisation from a multi-level and individual-actor level.

4.2.4. The value of commercial diplomacy

While research into the subtopics of the value and effectiveness of commercial diplomacy is abundant, we know very little of the value creation process in commercial diplomacy and the factors that determine it. Once these issues are solved, further analysis may also clarify the relative impact of macro-, meso- and micro-level factors on the value of commercial diplomacy and thus reveal the origin of its added value. Specific theoretical concepts that could be adopted include value creation, exchange value, transaction cost and resource management, as they are all concepts that deal with the origin, translation or capture of value.

4.3. Methodological recommendations for future research

To foster the development of theories on commercial diplomacy, future research should use a wider variety of methods. We observe that studies dealing with commercial diplomacy or a related topic such as export or trade promotion mostly employ either a conceptual study, a statistical analysis or a case study approach. Only Naray (2011), Sanyai and Guvenli (2000), Kotabe and Czinkota (1992) and Luo (2001) employ multiple methods, involving a combination of surveys, interviews and statistical analysis.

In addition, virtually all publications we found are cross-sectional, and where respondents are needed, the studies rely on single sources, either commercial diplomats or businessmen. In order to add to the empirical findings and to substantiate future research, multi-method studies are needed that (1) deal with commercial diplomacy on the macro-, meso- and micro-levels at the same time, (2) utilize multiple sources such as commercial diplomats, businessmen and

the institutions they are a part of in one study, as well as (3) employ multiple methods for data collection such as surveys, database research, historical research, statistical analysis and case studies.

5. Three paths to the reconciliation of commercial diplomacy and international business

At an increasingly faster pace, global economic interdependencies brought about by globalisation and the rise of emergent markets are redefining global trade flows and power relations. As a consequence, international business is conducted together with governments and other societal organisations, rendering it no longer just a matter of a clear business strategy and good business management. Commercial diplomacy takes up a crucial role at this intersection of international relations and international business by providing governments and businesses with a means to interact and facilitate economic development. Our literature review shows that research on commercial diplomacy exists in all forms and on many subtopics, yet the combined understanding of the topic is still rather patchy. Therefore, we conclude that there is a dire need for more integrative research. Based on our findings, we contend that future research should focus on three specific areas of international business (the business-government relationship, organisation and value) in order to alleviate the problem of patchiness on the one hand and to strengthen the bond between commercial diplomacy and international business on the other as the two areas are inherently intertwined. Table 2 provides a concise summary of where we believe research into commercial diplomacy should go to reach this goal, as well as how and why.

Table 2: Three research areas as key directions of future research into commercial diplomacy

	International business-government relations & commercial diplomacy	Organization & commercial diplomacy	Value creation & commercial diplomacy
Key issues	(1) The context of international business-government relationship building, (2) identification of channels and patterns in this process and (3) expectation management between individual actors.	(1) The organizational arrangements that actors most benefit from, (2) macro-, meso- and micro-level organizations of commercial diplomacy and (3) the inter-level influence between the macro-, meso and micro-levels.	(1) The value creation process in commercial diplomacy, (2) the factors that determine value creation and (3) the relative impact of macro-, meso- and micro-level factors.
Methodology	Exploratory qualitative and quantitative, multiple-case studies and statistical analysis of interaction pattern correlation employing business diplomacy, corporate political activity and institutionalism.	Comparative qualitative & descriptive, multiple-case study analysis research of different countries and instruments, employing network theory, agency theory, contingency theory and knowledge management.	Meso- and micro-level explanatory studies employing quantitative methods using value creation, exchange value, transaction cost and resource management.
Output	Insight into how governments and businesses benefit from interaction patterns & channels.	Insight into the effective organization of commercial diplomacy.	Insight into the value chain process and the relative impact of macro-, meso- and micro-level factors.

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