

UNIVERSITEIT TWENTE.

Commercial diplomacy and the role of embassies, 'From a target group perspective'

In the case of the Royal Netherlands Embassy in Malaysia



Royal Netherlands Embassy
Kuala Lumpur



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Acknowledgements

I am delighted to be able to welcome you as a reader of this Master Thesis Project. This report serves as the final assignment fulfilling the requirements for graduation as a Master of Science in Business Administration.

As a student of Business Administration at the University of Twente, I had chosen the track International Management, because I am very interested in the increasing integration of the global economy and the strategy decisions based on these international developments. Globalization cannot be stopped; the only way to survive as a company is to understand how to anticipate change in order to stay ahead of competitors around the world.

When applying for a graduation assignment with my first supervisor, H. Ruel, I mentioned to him that I was looking for a graduation assignment which could involve travelling abroad, though this was not necessarily a priority. In December 2009, he called me about an assignment. It had something to do with commercial diplomacy, and the intention was to be employed for a while at the Royal Netherlands Embassy in Kuala Lumpur, Malaysia.

I took some time to read articles about the topic and imagine what the assignment could look like, and finally I said an outspoken 'yes' to this project. Although my study is not directly related to political affairs, I assumed it would be quite interesting to investigate how the employees of an embassy can support Dutch companies interested in expanding abroad. And the idea was born to write this up as my master thesis project for the University of Twente.

Fortunately, the Royal Netherlands Embassy gave me the opportunity to study the subject in a practical situation. Little research has been done on the topic of commercial diplomacy, so it is less familiar than economic, military or political diplomacy. The focus of this study is how commercial diplomatic activities are executed and how they are perceived by the target group. The results of this study are published in this report.

This research and report could not have been realized without the help of many people. First, I want to thank the employees of the Royal Netherlands Embassy for giving me the opportunity to study the subject "Commercial Diplomacy". I especially want to thank the commercial diplomat Jacoba Bolderheij for her support and critical feedback on my draft versions.

I also want to thank the Head of Mission, ambassador Paul Bekkers and Deputy Jan Soer, for the freedom and support during my research, and keeping me involved/informed about policy issues made by the staff of the embassy and other activities. The varied activities during the 4 months were interesting and informative, which added an extra dimension to a traineeship.

To both supervisors, Dr. H.J.M. Ruel and Dr. ir. S.J. de Boer, many thanks for the feedback and ideas given during the research. They have taught me to conduct research and look at it more critically. Their instructions will also be useful for future "challenges". And of course, all participants who were willing to be subjected to my interviews. Without their help, it would have been impossible to finish this research successfully.

The 4 months of being employed in Malaysia were valuable and enriching on a personal as well as educational level.

Management summary

The traditional boundaries of our geopolitical-economic world maps are being challenged, a process referred to as globalization. Globalization may be defined as the broadening and deepening of linkages between national economies into a worldwide market for goods, services and especially capital. In recent decades the international business environment has undergone major changes, with the result that international trade and diplomatic relations have achieved a new dimension. Governments are recognizing the growing importance of commercial diplomatic activities.

Commercial diplomacy is a topic that changes slowly in the spotlight of scientific research. Current research is focused on the perspective of historical development and the increasing need for commercial diplomacy in the encroaching globalization. Less research has been conducted in the practical field, which is overshadowed by economic diplomacy. This master thesis project has been devoted to the practical side of commercial diplomatic activities, from a target group perspective. How are the policies translated into a toolkit of activities, how are they executed by embassies, and how are these activities perceived by the target group? The aim of this research is to answer the question: *What commercial diplomatic activities are executed and how are they perceived by the target groups?*

In order to study the objective and answer the research question, data was gathered in cooperation with one embassy. This information should deliver in-depth knowledge and describe how commercial diplomatic activities are executed by embassies and perceived by the target groups. This descriptive study was done in the Royal Netherlands Embassy in Malaysia.

The data for the research was collected by interviewing SME and MNE representatives in Kuala Lumpur via an interview protocol with questions about their experience and perception of the commercial diplomatic activities executed by diplomats. The results display that:

- According to the commercial diplomats, the embassy is willing to help, but the initiative for help or assistance should come from the company. The embassy is proactive towards sector promotion. The majority of time is spent on matchmaking activities and answering questions.
- Companies who are familiar with the Malaysian business environment apply less for embassy assistance, and support towards newcomers has been perceived as valuable.
- Embassy's approach towards support and assistance is reactive, companies have to ask the embassy. Embassy is willing to help each company.
- SMEs that are unfamiliar with the country are satisfied with the matchmaking facilities, and all companies who had applied for supporting facilities of the embassy feel comfortable in that situation.
- Information provided by the embassy is recognized as general information.
- It is acknowledged that the embassy has an extensive network in the private and public sector.
- The image of the Netherlands is largely built up by renowned MNEs and mainly has an influence on SMEs in the oil and gas industry.

After discussing the results, it became clear that the embassy could be very helpful towards newcomers and supported Dutch companies abroad. The target group of the embassy is not always aware what type of support the commercial diplomat can deliver. In addition, the perception of the commercial diplomatic activities depends on the personal characteristics of the ambassador (as figurehead) and the commercial diplomat.

Suggestions for topics for future research include the influence of the commercial diplomat/ ambassador's personal characteristics on the image of the embassy, the HR policy of the Ministry of Foreign Affairs in conjunction with the level of service, and the influence of trade missions accompanied by captains of industry.

Management Samenvatting

De traditionele grenzen van onze geopolitieke - economische wereld kaarten worden uitgedaagd, wat verwijst naar de globalisering. Globalisering kan worden gedefinieerd als het verbreden en verdiepen van verwevenheid van de nationale economieën in een wereldwijde markt voor goederen, diensten en vooral kapitaal. In de afgelopen decennia heeft het internationale bedrijfsleven ingrijpende wijzigingen ondergaan met als resultaat dat de internationale handel en diplomatieke betrekkingen een nieuwe dimensie bereikt. Overheden erkennen het belang van de oprukkende commerciële diplomatieke activiteiten.

Commerciële diplomatie is een onderwerp wat langzaam in het aandachtsgebied komt van het wetenschappelijk onderzoek. Het huidige onderzoek in het vakgebied commerciële diplomatie is voornamelijk gefocust op historische ontwikkeling en de opkomende noodzaak van deze diplomatie in een opkomende globalisatie.

Echter, er is weinig onderzoek verricht aan de praktische kant, wat is overschaduwt door economische diplomatie. Deze afstudeerscriptie is gewijd aan de praktische kant van de commerciële diplomatieke activiteiten, vanuit een perspectief van de doelgroep. Hoe is het beleid van de ambassade vertaald in een bundel van ondersteuningsactiviteiten, hoe worden deze uitgevoerd door de ambassade, maar ook hoe deze activiteiten worden ervaren door de doelgroep. Het doel van het onderzoek is het beantwoorden van de onderzoeksvraag: "Welke commerciële diplomatieke activiteiten worden uitgevoerd en hoe worden deze waargenomen door de doelgroep?"

Om de onderzoeksdoelen te bestuderen en een antwoord te kunnen formuleren op de onderzoeksvraag, is de data verzameld in samenwerking met de ambassade. Deze informatie zou een diepgaande kennis moeten opleveren en beschrijven hoe commerciële diplomatieke activiteiten zijn uitgevoerd en waargenomen door de doelgroep. De beschrijvende studie is uitgevoerd op de Nederlandse ambassade in Maleisië.

De data voor het onderzoek is verzameld door interviews gehouden onder vertegenwoordigers van midden en klein bedrijf en multinationals in Kuala Lumpur. Via een protocol gehouden interview werden de ondervraagde gevraagd naar hun perceptie over de diensten van de ambassade. De onderzoeksresultaten laten zien dat:

- Volgens de commerciële diplomaten is de ambassade bereid op te helpen en ondersteunen, alleen het verzoek moet komen van de bedrijven. De ambassade is pro actief in de richting van sector gerelateerde promotie. Merendeel van de tijd wordt gespendeerd aan kennismakingsactiviteiten en het beantwoorden van vragen
- Bedrijven die bekend zijn met de Maleisische markt minder vaak beroep doen op de hulp van de ambassade, en assistentie door nieuwkomers wordt waardevol wordt ervaren
- De houding van de ambassade naar hun doelgroep is reactief, bedrijven moeten met een initiatief komen. De ambassade is altijd bereid om te helpen.
- Midden en kleinbedrijf is erg tevreden over het kennismakingsprogramma, en bedrijven die hebben gevraagd om rugdekking van de ambassade voelden zich comfortabel in die situatie
- De informatie die wordt gegeven door de ambassade is vooral algemeen
- Het wordt erkend dat de ambassade een erg groot netwerk heeft in de private en publieke sector

- Het imago van Nederland is grotendeels opgebouwd door gerenommeerde multinationals uit Nederland in Maleisië. Alleen midden en kleinbedrijf in de gas- en olie-industrie hebben baat bij dit imago.

Na discussie van de uitkomsten, is het duidelijk dat de ambassade erg behulpzaam kan zijn richting nieuwkomers en ondersteunend naar Nederlandse bedrijven in het buitenland. De doelgroep is echter niet altijd op hoogte van de service die een ambassade kan leveren. Daarnaast verschilt de perceptie op commerciële diplomatieke activiteiten o.a. door de karaktereigenschappen van de commercieel diplomaat en de ambassadeur.

Suggesties voor vervolg onderzoek zijn de karaktereigenschappen van de commercieel diplomaat / ambassadeur op het imago van de ambassade, het HR beleid van het ministerie van Buitenlandse Zaken op het service level, en de invloed op handelsmissies vergezeld met kopstukken uit het bedrijfsleven.

Table of content

Acknowledgements	3
Management summary	4
Management Samenvatting	6
Table of content	8
List of Figures:.....	10
List of Tables:.....	10
Chapter 1: Introduction.....	11
1.1 Introduction.....	11
1.2 Background.....	11
1.3 Objective	12
1.4 Research question	13
1.5 Research strategy.....	13
1.6 Master thesis project control	13
Chapter 2: Literature review	15
2.1 Introduction.....	15
2.2 Linking the literature review to the research question.....	15
2.3 Commercial diplomacy.....	15
2.3.1 Definition of commercial diplomacy	15
2.3.2 Purpose and main activities	16
2.3.3 Effects and impact on host and home country	17
2.3.4 Characteristics of a commercial diplomat.....	17
2.3.5 Criticism and results of commercial diplomacy	18
2.4 Nation branding.....	19
2.4.1 Introduction.....	19
2.4.2 Urgency of nation branding.....	20
2.4.3 (Re)shaping an image	20
2.5 Embassy as partner in nation branding.....	21
2.6 Overlap of theoretical fields.....	22
2.7 Theoretical model	23
Chapter 3: Research Methodology.....	25

3.1 Introduction.....	25
3.2 Objective and strategy	25
3.3 Data sources	26
3.4 Primary data collection	26
3.4.1 Interviews	26
3.4.2 Preparing the interviews	26
3.4.3 Sample selection.....	26
3.5 Secondary data collection	27
3.6 Criteria for judging quality research.....	27
3.6.1. Scientific relevance.....	28
3.6.2 Practical relevance	28
Chapter 4: Findings.....	29
4.1 Introduction.....	29
4.2 Guidelines for foreign economic departments	29
4.3 Findings of interviews.....	30
4.4 Commercial diplomatic activities in action	31
4.4.1. Support of newcomers	31
4.4.2 Information process	36
4.4.3 Network of the embassy	38
4.4.4 Delegations and events	43
4.4.5 Nation branding.....	44
4.4.6 Other findings.....	46
4.5 Content overview	48
Chapter 5: Conclusion and discussions	49
5.1 Introduction.....	49
5.2 Conclusions.....	50
5.3 Discussion	52
5.4 Theoretical model	56
5.5 Future of commercial diplomacy	58
5.6 Reflections.....	59
5.7 Suggestions for future research	59
Literature.....	61
Websites.....	63
Institutions:	63

Appendix..... 64

 Appendix 1: Newspaper article: Criticism of commercial diplomacy 64

 Appendix 2: Value chain of commercial diplomacy 65

 Appendix 3: Activity/Area Matrix..... 66

 Appendix 4: Work style of commercial diplomat..... 67

 Appendix 5: Issues associated with successful interviews 68

 Appendix 6: List of companies 69

 Appendix 7: Interview summary 70

Annex 1: Time schedule 74

Annex 2: Interview Protocol..... 75

List of Figures:

Figure 1: Theoretical framework.....9

Figure 2: Theoretical descriptive model.....19

List of Tables:

Table 1: Research components.....18

Chapter 1: Introduction

1.1 Introduction

This chapter will give an introduction to the research project on the topic commercial diplomacy. Section 1.2 sketches the background of the history and increasing interest in commercial diplomacy. Section 1.3 is dedicated to the research objectives, section 1.4 will introduce the problem statement and the research question, followed by the research strategy that will be elaborated in section 1.5.

1.2 Background

The traditional boundaries of our geopolitical-economic world maps are being challenged (Simonin, 2008), a process referred to as globalization. Globalization is a domain that has been interpreted as both challenging the competitive pressure and expanding market opportunities on a global basis (Knight and Cavusgil, 2004; Porter, 2000). Globalization may be defined as the broadening and deepening of linkages between national economies into a worldwide market for goods, services and especially capital (Cho, 2001).

International trade is not a trend which has been established in recent decades; it can be traced back into the seventeenth century. The Dutch entrepreneurial spirit of searching for new markets and new distribution systems was already evident with the Dutch East India Company (Lee and Hudson, 2004). The industrial revolution that started in the mid-nineteenth century and its associated developments resulted in intensified trade and foreign direct investment (Potter, 2004). In recent decades the international business environment has undergone major changes, leading to a new dimension of international trade and relations.

Both government and companies are facing new challenges in new dimensions regarding internationalization. Expanding the domestic market can have mutually beneficial aspects for companies and government. Companies gain easier access abroad through a sustainable relationship with the government, and the government is interested in job creation, tax revenue increase and economic integration. This might explain why the government supports commercial internationalization by means of diplomatic¹ relations abroad. Irrespective of how diplomacy is defined, the consensus view is that it has a constitutive function; it is a means of ordering the relations between states, an ordering principle that can create balances of power (Lee and Hudson, 2004). Ambassadors have traditionally been their country's chief trade promotion officers. Today, with the forces of globalization ensuring greater and greater economic integration, the government's role in responding to and managing this process bears greater scrutiny (Potter, 2004). Diplomatic activities have become increasingly important for the ambassadors.

Far less attention has been devoted to the topic of commercial diplomacy, defined as the application of the tools of diplomacy to help bring about specific commercial gains through promoting exports, attracting inward investment and preserving outward investment opportunities, and encouraging the benefits of technology transfer (Potter, 2004). The spectrum of actors in commercial diplomacy ranges from the high-policy level (head of state or prime minister to ambassador) and the lower level

¹ Cambridge Dictionary: Diplomacy refers to the management of relationships between countries

of specialized diplomatic envoys like trade representative, commercial attaché or commercial diplomat.

Commercial diplomacy has an “invisible” status within diplomatic studies (Lee and Hudson, 2004), since it is not completely distinguishable from economic diplomacy, and there is overlap in several activities. Governments benefit from commercial diplomacy services because ‘image impact’ extends in both directions: successful companies may improve the country’s reputation, and ‘successful’ governments might have a positive impact on a business firm’s image (Naray, 2008).

The concept of country image and country branding through commercial diplomacy is addressed by Potter (2004) who concentrates on the Canadian experience and emphasizes the added value of commercial diplomacy’s various functions. Country image and country brand constitute an important managerial concern for newcomers to foreign markets, and the commercial diplomat’s support may be crucial. The issue is particularly important in distant, i.e. non-traditional, markets and for SMEs because the export potential of such newcomers depends on the image of a company, which may be difficult to achieve without the benefit of a strong and positive “made-in” image unless it is internationally established (Germany: decent cars, Switzerland: quality watches, Italian: design) (Kostecki, 2007). A commercial diplomat can therefore help by enforcing a country’s image or contributing to the company’s credibility by recommending it to the host country business and government (Rana, 2001; Harris and Li, 2005, in Kostecki and Naray, 2007).

1.3 Objective

Commercial diplomacy is a significant factor in the on-going process of globalization, yet there is a shortage of empirical research on this activity (Kostecki and Naray, 2007). Based on my own experience and investigation, in line with the research of Naray (2008), there are relatively few academic publications in the field of commercial diplomacy. A reason for a shortage of theoretical articles might be the newness of the field. There is widespread evidence of prioritization of commercial diplomacy in the international objectives of an increasing number of states (Lee and Hudson, 2004) and increased government spending in business support. Governments are reorganizing their diplomatic systems (Lee and Hudson, 2004; Potter, 2004; Naray, 2008) so that commercial activities are far more centralized. The commercial activities of diplomats are extended, whereby branding of the nation plays a more central role.

Governments are recognizing the importance of commercial diplomacy as a new area of activity. However, as the field is so new, there is a shortage of research about how governments interpret commercial diplomacy activities. What I am interested in is how this policy of more centrally coordinated commercial diplomacy activities is translated into action and how it is experienced in the field of diplomats and stakeholders. To explore this, I took on employment in the embassy of the Kingdom of the Netherlands in Kuala Lumpur, Malaysia, to research and describe how this process of commercial diplomatic activities is executed. In addition, I want to explore what kind of influence the brand “Holland” has on the efforts of commercial diplomacy.

The objective of the present study is to obtain insight into the interpretation the embassy of the Kingdom of the Netherlands in Malaysia has given to its commercial diplomatic activities.

1.4 Research question

All over the world international trade is becoming more and more important and an additional source of tax revenues for governments (Naray, 2008). It is hard to deny that economic integration is an on-going process that cannot be stopped. According to Potter (2004), for governments to keep a competitive advantage and play an important role in the international community, it is necessary for them to shape their foreign commercial activities so as to develop a sustainable international business network, to be attractive as an export partner, and to elicit inward investments and tourism.² This research will be conducted in the context of the international trade relation with Malaysia. In view of the objective, the resulting research question is:

What commercial diplomacy activities are executed and how are they perceived by the target groups?

The definitions for the terms used here are (Cambridge Dictionary, 2010):

- Diplomacy: the management of relationships between countries;
- Activities: the work of a group or organization to achieve an aim;
- Executed: to do or perform something, especially in a planned way;
- Perceived: to combine two or more things in order to become more effective;
- Target groups: a person or a particular group of people at whom something is directed, or for whom something is intended.

1.5 Research strategy

Executing the research activities and building a model are clearly connected with undertaking a research strategy. Saunders et al. (2007) state that a research strategy is a general plan of how research will go about addressing the research question that the study has framed. To assess the way the embassy of the Kingdom of the Netherlands in Malaysia has organized its commercial diplomacy activities, I formulated a research question and adopted a deductive approach. The deductive phase implies that a literature study will be carried out in order to identify suitable approaches and/or models. Based on these approaches and/or models, a research framework is designed. Next, the research method is developed to collect primary and secondary data in order to gather the knowledge needed for answering the research question and meeting the researching objectives (Saunders et al., 2007). Most of the fieldwork was conducted in Kuala Lumpur, Malaysia. The findings consist of data gathered by conducting document research and interviews.

Finally, an answer can be formulated to the research question. This answer describes how the Embassy of the Kingdom of the Netherlands executed their commercial diplomacy activities and how they are perceived by the target group.

1.6 Master thesis project control

An important part of my master thesis project involved periodic meetings with my supervisor(s) at every stage of the research. These meetings serve the purpose of generating ideas, tackling problems, ensuring the right direction of the research and last but not least clear communication.

Since I was in Malaysia for a large part of this research, face to face meetings with my first supervisor were not always feasible. In these cases modern communication technologies such as Skype,

² Appendix 1: There is an ongoing discussion about the relevance of commercial diplomacy

messenger and or email were used. Once every three weeks, a PPP report was sent to my supervisors, to keep them informed about my progress, my planning and which problems I was facing. Through this way of communicating, problems which arose could be discussed promptly, and the PPP report kept both supervisors aware of what I was up to.

Chapter 2: Literature review

2.1 Introduction

This chapter is devoted to what is available in the literature on the topic of 'commercial diplomacy' and the urgency and impact of 'nation branding'. There are relatively few academic publications on commercial diplomacy (Naray, 2008). The topic nation branding has been covered more in the literature. Section 2.2 starts with the link between the research question and the literature review. Section 2.3 contains a detailed review about commercial diplomacy. Section 2.4 follows with a review of the literature on nation branding. Section 2.5 continues with an elaboration of the role of the embassy in foreign countries. Finally, in section 2.6, the research model is introduced and derived from the literature.

2.2 Linking the literature review to the research question

This literature review that will be conducted in the upcoming section, in order to identify and manage the research question, should obtain insight how the embassy in Kuala Lumpur executed their commercial diplomacy activities. A complete review covers relevant literature and is not limited to one set of journals (Webster and Watson, 2002). The purpose of the literature review is to come up with a theoretical framework which gives insight in which factors influence the commercial diplomacy activities, and guide the researcher during his field research.

2.3 Commercial diplomacy

2.3.1 Definition of commercial diplomacy

Commercial diplomacy was introduced relatively late in the whole range of diplomatic activities led by state representatives. Better known activity fields are economic, military or political diplomacy. There are several different angles regarding the content and purpose of commercial diplomacy. For example, Potter (2004) argues that commercial diplomacy is a value-creating activity due to its usefulness in dealing with both managerial and government concerns, each disaggregated into strategically relevant activities (appendix 2). Two types of activities are distinguished: *primary activities* (relating to trade and FDIs, research and technology, tourism and business advocacy) and *support activities* which provide the inputs needed for the primary activities to take place (intelligence, networking, involvement in the 'made-in' image campaign, support for business negotiations, contract implementation and problem solving). According to Lee (2004) commercial diplomacy involves the promotion of inward and outward investment and of exports in trade and can be classified into three broad categories of activity. One is the gathering and disseminating of commercial information and market research, which is information on existing and potential markets on both a geographical and sectional basis. Secondly, developing business and government contacts in the host countries and introducing the home private sector to these contacts. Finally, there is the promotion of goods and new products in the host market through the organization of seminars, trade fairs, and direct lobbying.

Kostecki and Naray (2008) identified the following rationale for commercial diplomacy by way of an interdisciplinary literature search:

- (i) the need for access to reliable and neutral business information,
- (ii) support for the newcomer's weak credibility and image in foreign markets,
- (iii) partner search: encouragement of national firms (mainly SMEs) to internationalize,
- (iv) conflict handling,
- (v) support of home country delegations: ministers often are accompanied on state visits by business people, and
- (vi) strategic concerns, such as the government's desire to engage in strategic trade policies, support for R&D activities or improved access to supplies (energy).

2.3.2 Purpose and main activities

The Netherlands is a trading nation – even more so than in the past (Bergeijk and Melissen, 2010) – dependent on commercial partners throughout the world. Our foreign trade today employs millions of Dutch inhabitants. This means that its present and future prosperity and security depend to a decisive degree upon economic exchanges with our partners in Europe and overseas (Herbst, 1996). Naray (2008) identified that commercial diplomatic activities abroad can be divided into a range of activities. They can undertake business-facilitating activities and services in the field of trade, investments, tourism, country image and promotion of science and technology. Naray (2008) characterized these activities and made a clear overview within a matrix (appendix 3).

In summary, the major support activity of commercial diplomacy is gathering intelligence, which includes an information search and dealing with business enquiries from the home country and host country firms. A commercial diplomat's public relations activities essentially aim at maintaining good contacts with business leaders and authorities and cover advocacy efforts aimed at protection of the home country's business interests in public hearings or consultations in the host country's legislative process. Many of these kinds of issues are discussed during periodic bilateral consultations between the government and host country (Kostecki et al., 2007). Anglo-Saxon commercial diplomats (Lee and Hudson, 2004) state that they assist both SMEs and MNEs.³ In the case of the MNEs, the emphasis is on public relations involving the host country government and private sector personalities. The service offered to SMEs is more technical and diversified and less relationship-based. Support for MNEs involved in negotiations with authorities or corporations from the host country are also an important form of support offered by commercial diplomacy services.

There is a critical need for the government and companies to act together and realize mutual benefits. Due to globalization and the need to approach the world as one market, countries can no longer generate enough growth, jobs profits and savings from domestic sources (Garten, 1997). Government objectives in business promotion (commercial diplomacy) are ultimately to create jobs, increase tax revenue and stimulate economic growth (Kotabe and Czinkota, 1992). Dutch business depends on government help to liberalize trade, protect intellectual property, remove regulatory barriers, and encourage continued economic integration. For example, by reforming the Foreign Service Organization in the UK, government–business partnerships have become a key organizing principle in contemporary UK diplomacy, so much so that public interest is increasingly conceptualized as a collective of private business interests (Donna and Lee, 2004).

³ SME: Small and Medium Enterprises, MNE: Multinational Enterprises

2.3.3 Effects and impact on host and home country

Countries' efforts and impacts in commercial diplomatic activities depend on many factors in the home and host country. The host country's market size and market potential are the most significant determinants of the investment in commercial diplomacy, even more important than the current business flow (Rose, 2005). Countries with a lot of growth potential are able to attract more commercial diplomatic activities. That seems to be a logical step for strategic governmental decisions because the objectives of government are to increase jobs, increase tax revenues and stimulate economic integration. The most crucial markets are those where not only the opportunities but also the commercial and political risks are the greatest.

Commercial diplomats provide support for visits of the home country business people and politicians to the host country and offer assistance to encourage the participation of business people in various ways. Commercial diplomats often refer to the image problem of their economy abroad as an issue of true concern; stereotypes are difficult to modify (Lee, 2009). The next section contains an extended elaboration on the importance of a country's image.

2.3.4 Characteristics of a commercial diplomat

Ambassadors, commercial attachés, and other members of the diplomatic corps are said to play a key role in developing and maintaining export markets, attracting inward foreign investment and creating an image of the home country. Carron de la Carrière (1998) argues that business support is not a job for traditional diplomats; rather, the job finds its roots and challenges in marketing, market knowledge, commercial and financial techniques which are in general not expected from traditional career diplomats. Commercial diplomats are expected not only to have business training and education but also direct experience in the private sector. In Ireland, commercial diplomats are encouraged go back to the private sector after 3 to 4 years of diplomatic activity. In contrast, countries like Japan and Korea encourage their commercial diplomats to stay for a longer period of time in the same position to ensure good local networking and experience.

A large part of a commercial diplomat's work consists of reporting to the government on economic developments in the host country (Herbst, 1996). Potter (2004) stated, while investigating the reorganization in Canada's Foreign Service, that trade commissioners are Canada's eyes and ears in foreign markets.

Assistance in matchmaking with local or national companies/authorities is an important commercial diplomatic activity, but it usually involves no responsibilities concerning the outcome of transactions and no involvement in deal-making on the part of a commercial diplomat. Although a commercial diplomat may be useful, s/he cannot substitute for a business firm in international markets.⁴ A commercial diplomat should assist a large range of companies rather than support individual firms.

Important aspects of a commercial diplomat's work also consist of providing insights about investment opportunities and promoting business relations through advising and supporting both domestic and foreign companies in the implementation of their FDI projects (Saner and Yiu, 2003). The local knowledge of a commercial diplomat is particularly useful in helping business people to

⁴ In the Netherlands there is a law which provides a clear guideline for government intervention in the free market sector (Van Damme, 2002)

participate in trade fairs, trade displays, store promotions, social receptions for local leaders, trade and technical symposia, etc. (Carron de la Carrière, 1998). Given the growing role of the Internet, it is likely that commercial diplomats will increasingly assume a role in increasing the credibility of “virtual” business relations, which is a major business concern (Rana, 2001, in Naray, 2008).

Finally, Naray (2008) conducted an empirical study to find out what work style could be characterized as successful and what style of commercial diplomacy should be favored. A commercial diplomat's style depends on more than national parameters, and the approach to style can evolve quickly due to foreign influence, the diplomatic or commercial background and personality, for instance. Three different work styles have been elaborated: the business promoter, the civil servant and the generalist.⁵ A business promoter may be described as a business-oriented, proactive commercial diplomat who aims for the satisfaction of the companies served. A civil servant acts like an employee in the trade ministry. These commercial diplomats tend to be reactive rather than proactive and keep their distance from business deals. A generalist is a career diplomat assuming business support functions on an ad hoc basis or in addition to other diplomatic duties.

2.3.5 Criticism and results of commercial diplomacy

Commercial diplomacy, being a government service, is accused of certain shortcomings. There is an ongoing debate in the literature (Potter, 2004) and research institutes⁶ about whether the service and activities of diplomats are adequate in the current setting of globalization. In some cases, the criticism may reflect certain stereotypes about government agencies (Potter, 2004; Kostekci, 2008; Naray, 2007). Some of the criticisms are listed below:

- There is 'no need for commercial diplomats: they only take advantage of diplomatic privileges; one cannot measure their performance in export promotion at all' (confidential source)
- Diplomats are generalists most of the time and do not understand business concerns
- Commercial attachés are bureaucratic and ineffective (an Australian businessman)
- Commercial diplomats will only help their private friends and will therefore only encourage corruption within the diplomatic services.
- Diplomats are overloaded most of the time with issues other than trade and investment so they do not have time to do their work correctly as trade representative and do not have the sense of priority to assist business people.
- There is no need for commercial diplomat activities in a free market economy. Buyers and sellers can meet without assistance.
- Performance – being intangible – is difficult to measure. The quality of the relationship between commercial diplomats and their beneficiaries is highly dependent on the skills and motivation of the individual/team.

However, although there are several critiques on the effectiveness and favoritism of commercial diplomatic activities, there are other researchers who have actually measured the impact of commercial diplomats abroad. Rose (2005) found in his study that the presence of foreign missions is positively correlated with exports. He found, by holding other factors constant, that each additional

⁵ Appendix 4: : Work style of commercial diplomat

⁶ This conclusion was derived from an interview with the Clingendael research institute (International diplomatic relations).

consulate is associated with slightly higher exports; his point estimate is around 6-10%⁷. It varies by exporter, and also seems to be non-linear; the first foreign mission has a larger effect on exports than successive missions. Still, the commercial diplomatic activities do indeed seem to enhance exports at the margin (Rose, 2005).

2.4 Nation branding

2.4.1 Introduction

As mentioned in the previous section, in this era of increasing globalization, nations attempt to attract foreign investors, tourists, and highly skilled workers, to increase market share and to command premium prices in global markets (Lee, 2009). In the past, it was not unimaginable that countries would force their opponent by military might to dance to the tune of the leading nations. Currently, the chance that a war between Western countries might arise is inconceivable; the political persuasiveness and the influence of ideas have won (Gilboa, 2002). The American political scientist Nye calls this phenomenon 'soft power'. Nye (2004) claims that soft power⁸ is becoming more relevant as a national strategy for diplomacy. The soft power of a country can be developed and enhanced by an effective country reputation management, which means managing the attractiveness of a country in the minds of the foreign public (Yang et al., 2008). "The science of national building through soft power has become a key component of national power in maintaining the world order" (Fukuyama, 2004). Wolf and Rosen (2005) claim that a country's values (democracy, human rights and individual opportunities) are key indicators of soft power in a diplomatic environment. Wang (2006) insists that the promotion of a nation's policy goals is reinforced when there is a better understanding and appreciation of a country's soft power. Fan (2007) argues that soft power is very context-dependent, which means each specific country or specific group needs a single approach (in Lee, 2009).

Nation branding is considering the position of a country in the 'global village' and its recognizability in the international arena, according to Olins (2002). Nation branding has emerged as a practice as countries turn to brand management techniques in order to compete effectively on the world stage (Dinnie, 2008:21, in Lee 2009) and has been developed over the previous decades as a concept to influence the image of products, enterprises and social organizations. The position of the Netherlands, as a relatively small, international player in the 'global village', is disputed, and the Netherlands has suffered some reputation damage⁹ abroad in recent years (Duijvestijn, 2004).

A brand – a valuable intangible asset – is much more than a name, and branding is a strategy problem, not a naming problem (Webster and Keller, 2004:389, in Lee, 2009). Nation branding encompasses activities from country naming through to the total of all activities of the country. It is considered an important way of creating and improving the national development value for the quality context of human life and competitive advantage in global markets (Lee, 2009).

⁷ This result is statistically significant, and economically plausible in magnitude.

⁸ According to Nye (2004), *soft power* refers to the diplomatic ability gained through attractiveness of a country's culture, political ideas, and policies, whereas hard power refers to power based on coercion through military strength.

⁹ The murder of the politician Pim Fortuyn in 2001, the public outrage after the killing of Theo van Gogh by an Islamic radical (2004), the no-vote on the EU Constitutional Treaty (2005), and the debate regarding the threatened denial of Dutch citizenship of MP and former asylum seeker Ayaan Hirsi Ali (2006).

From an economic point of view, The Netherlands is very dependent on international trade/export market (Bergeijk and Melissen, 2010). Some 80% of Dutch GDP is related to international trade.¹⁰ With such a high level, the importance of an appropriate image abroad should not be underestimated. For the Netherlands to present itself successfully abroad in the future, it should adequately respond to the challenges that flow from the increased international competition between companies, countries and as a result of the rolling globalizing (Cornelissen, 2004).

The process of managing a country's image has to do with a broad spectrum of areas which all have an influence on it, directly or indirectly: promotion of national and regional tourism, export promotion, foreign investments, managing national inheritance, buyers of product and services, international relations, foreign policy of the government, economic developments, membership of supranational bodies, etc. (Duijvestijn, 2004:11).

2.4.2 Urgency of nation branding

The role of the government is nowadays less evident than in the past. Through the integration of the political system in Europe, countries should be able to show a kind of uniqueness or Unique Selling Point. From a resource-based view, it points out that there are bundles of valuable, rare, inimitable and non-substitutable resources (Barney, 1992; Wright et al., 2001, in Lee et al., 2006) that produce a sustained competitive advantage by creating value for the country.

Countries and regions are highly involved in a competition to attract the best high-tech skilled employees, tourists, establishment of international headquarters and multinationals, particularly in Europe. There is a minimal competitive distinction between most Western European countries (virtually all countries have the same tax climate, infrastructure, education). Thus, seemingly small details, like the image, might be decisive (Ham, 2004:20). Duijvestijn (2004) refers in several studies that the decisions of investors not only depend on economic analyses, but also on the image of a country.

As in the commercial world, countries can distinguish themselves from their competitors with a strong "brand", in order to gain economic and political advantages, and it would not be wise for countries to ignore this process. Without branding, a single country will become invisible in this globalized world. It is inevitable that people from all over the world have an opinion on a country, and its government should be aware of this and guide this process to (re)shape a positive/competitive image.

2.4.3 (Re)shaping an image

Recognizing that every nation wants to position or reposition itself as one with a comparative advantage over other nations, researchers into nation branding have discussed the inherent challenges (e.g. Lee, 2009; Melissen, 2008). Image creation is a process which takes place over years, often without a deliberate strategy. Modifying an existing image is extremely difficult, if not impossible, and consumers/companies rarely change their opinion once they have one.

¹⁰ Source: figures CBS, ww.evd.nl

The starting point for a nation-branding program is the existing image of a country, which is then gradually pushed in the new direction by adding new, positive connotations. Olins (2002) identifies three different areas on which a nation can focus its competition. Success in 'nation branding' depends greatly on the emphasis and enthusiasm with which a nation promotes its nation brand. According to the existing literature, a nation brand refers to as an 'umbrella brand' that encompasses all dimensions of national brands from different functional sectors (i.e. tourism, investment, export, public diplomacy) to place sectors (e.g. regions, cities) (Dooley and Bowie, 2005, in from Lee, 2009).

The first area is export branding. It is obvious that consumers associate specific products or labels with specific countries (Mercedes with Germany, pizza with Italy, MacDonalDs with the United States and watches with Switzerland). When, for example, a country excels in technical performance, all related technical products of that country will tend to have the perception of also being of high quality, which is the halo effect¹¹ (e.g. Jaffe & Nebenzahl, 2001; Kotler et al., 1993, in Lee, 2009). This halo effect has a downside; when one industry prevails above others, it might overshadow them. The second area is foreign investment. Increasing interdependency and a globalized economy force companies to look beyond their borders, in order to realize cheaper production costs or improve the R&D opportunities. By having a good "nation brand", in the sense of highly skilled people, being a trustworthy partner, good infrastructure, it is less difficult to attract foreign investments. The third area is the fourth biggest industry worldwide, tourism, with an estimated growth of 9% a year (Olins, 2002). By generating an increasing stream of tourists to your country, you will actually contribute to the nation brand.

National branding is a concept that needs a 'holistic branding approach' to managing the nation brand, i.e. from a country name through to the total of all activities for all endorsed dimensions of national brands (Lee, 2009; Cho, 2004;). Olins (2002) argues that a nation brand has multifaceted and diverse identities and that nation branding therefore needs to focus on a multidimensional approach rather than one-dimensional images, such as the mixed concept of diversity and unity simultaneously.¹²

2.5 Embassy as partner in nation branding

Depending on the organizational structure, ministries of foreign affairs or economic affairs are challenged to adapt to the rapidly changing world, and they must increasingly take the foreign public opinion into account. According to Melissen (2006) public diplomacy¹³ is beyond doubt one of the hottest topics under discussion in the world's diplomatic services. Ministries of foreign affairs in all corners of the world pay increasing attention to their country's reputation overseas.

Against the background of the changes in diplomacy, governments are confronted with new tasks and changing functions of their embassies. The embassies (or other established government institutions, TWA or NBSO¹⁴) are the analyzers of information, conducting commercial diplomatic activities, lobbying, maintaining contact with society and host country, and facilitating international business networks. Embassies must realize that the dialogue with non-official groups and individuals

¹¹ This phenomenon was described by the psychologist Edward Thorndike in 1920.

¹² <http://www.wolff-olins.com/news2002.htm>

¹³ <http://uscpublicdiplomacy.org>, public diplomacy is a term coined in the mid-1960s to describe the conduct of foreign policy by engagement with a foreign public.

¹⁴ TWA: Technical Scientific Attaché, NBSO: Netherlands Business Support Office

in the countries where they are based is an important task and in some cases perhaps even their principal task (Melissen, 2006).

Morgan et al. (2002) states that the art of a nation brand's behavior can be managed through its representation and that a nation brand builds by virtue of symbolic meanings, emotional relationships with certain markets and audiences. Thus, the promotional capability relates to how to create communication messages and integrate them into image-building techniques (Lee, 2009), which enable us to illustrate the essential characteristics of a nation brand (Lee et al., 2006). While national products are becoming more diverse and sophisticated and customers' demands are becoming value-oriented, the country's natural resources and/or historical characteristics are considered to be worthy of the authentic value of a nation brand.

Commercial diplomacy is tailor-made to the needs of different countries, and there is no one-size-fits-all concept. The diplomatic service is always adapted to the local circumstances and preoccupations first of all (Melissen, 2006). Secondly, commercial diplomacy that deals with foreign target groups should be a two-way street. It is as much about listening and receiving as it is about speaking and sending. The intention is to work more outwards. In other words, diplomatic activities serve as a window into a society and as a window out.

2.6 Overlap of theoretical fields

After having conducted my literature research, I found out that the content of this study includes two theoretical fields. The first one is the theory of commercial diplomatic activities; the second one is nation branding. It is difficult to know to what extent the second theoretical field might be regarded as a completely different theoretical area, or as having some overlap and being a part of commercial diplomacy theory. I think that it depends on the perspective from which nation branding is being considered. From a commercial diplomatic perspective, nation branding is a part of the duty of being a diplomat. From a nation branding strategy perspective, it is more concerned with how a nation describes its policy and formulates its focal points. In this case study, nation branding will be considered as partly intertwined with commercial diplomacy activities executed by government representatives.

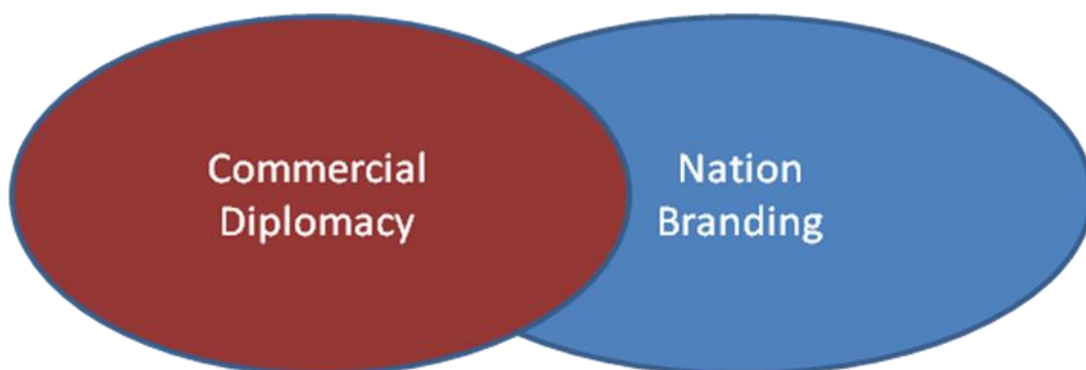


Figure 1: Theoretical framework

2.7 Theoretical model

In the previous section, important aspects of 'commercial diplomacy' and 'nation branding' have been highlighted. The conclusion drawn should provide the researcher with building blocks to derive a model from the theory and should be applicable in field research. After having reviewed a range of literature, I found that the existing models were not similar or transferable in this case. The difficulties I encountered with finding applicable models in scientific articles are twofold. First, commercial diplomacy is a relatively new scientific topic, and little empirical scientific research has been done. Second, this study contains two theoretical fields, and a model has never been made with an overlap between these two theoretical fields. Therefore, I decided to build a new model, with both theoretical fields combined, which should cover all aspects in order to obtain insight into the formulated research question in chapter one. The formulated research question is:

What commercial diplomacy activities are executed and how are they perceived by the target groups?

The literature review resulted in general theoretical insights into the fields of commercial diplomatic activities and nation branding. However, there is a lack of empirical research about how to implement and execute them in practice. The aim of this study is to focus on the completion of theory in practice. The model - a conceptual framework of the research question - that has been constructed includes all relevant theoretical fields for the descriptive research. I chose the "onion-ring model" to describe how commercial diplomacy activities are executed. It consists of multiple rings and ranked - taxonomy - by classifying the factors which are mentioned in the literature study. The most important factor is depicted in the inner circle.

1. Business Support: the focus of commercial diplomatic activities is to help, stimulate and guide Dutch companies abroad, by providing them with an appropriate toolkit of services and information. This research should lead to an understanding of how the commercial diplomatic activities are perceived by the target group.
2. Commercial Diplomacy: business support is effectuated by commercial diplomatic activities. The middle circle will contain a description of how the activities are executed by the government representatives.
3. Nation Branding: in the perspective of this research, nation branding is being considered as one of the duties of a state representative. The third ring will contain a description of how promotional activities are being executed and what influence they have as perceived by the target group.



Figure 2: Theoretical descriptive model

As mentioned in the introduction to this chapter, little empirical research has been done into the field of commercial diplomatic activities. Most research that has been conducted is related to a theoretical point of view, about how activities should be executed. It would be very interesting to add new research to the field to complement the current research. This research model serves the purpose of elaborating the commercial diplomatic activities from a new angle and gaining a better understanding within a new perspective. During the data-gathering process at the Royal Netherlands Embassy, I intended to uncover how the diplomats composed their activities, and if their activities are in line with the expectations of the target group. This research can function as a reflection on the practical implication of the embassy's policy.

Based on the findings in the literature, this research should provide insight into:

- Support newcomers: How does the embassy support, assist and facilitate newcomers in foreign markets? What supporting activities are provided to them?
- Information: What information is gathered by the commercial diplomat, to whom is the information disseminated, and how is the information valued by the target group?
- Network: Is the network of the embassy accessible for the target group, is the network used for partner search or political issues?
- Support delegations: How is the embassy involved in supporting delegations?
- Image "Holland": How are the commercial diplomat(s) engaged in nation branding, which promotional activities are executed, and does this have (dis)advantages for the Dutch companies?

Chapter 3: Research Methodology

3.1 Introduction

This research project can be classified as an embedded single case study (Yin, 1994). An embedded case study contains more than one sub-unit of analysis. A descriptive study analyzes and obtains more insight into the commercial diplomatic activities. The nature of this research is fundamental (Saunders et al., 2007), applied to the case of the embassy of the Kingdom of the Netherlands. In this chapter, the methods of data collection are evaluated. In section 3.2 the objective and strategy are discussed, section 3.3 is devoted to different data sources, section 3.4 discusses the primary data collection, secondary data collection is treated in section 3.5, and the final section, 3.6, is dedicated to some criteria for judging the research.

3.2 Objective and strategy

The objective of this descriptive case study is to portray accurately the characteristics of the service profile of the embassy of the Kingdom of the Netherlands, to obtain insight into how the commercial diplomatic activities are executed and delivered by state representatives, how this support is perceived by the target group, and what the influence is of the image "Holland". Robson (2002) defines a case study as a 'strategy for doing research which involves an empirical investigation of a particular contemporary phenomenon within its real life context using multiple sources of evidence'. The case study strategy will be of particular interest to this situation, for gaining an in-depth understanding of the context of the research and the process being enacted.

The findings of the empirical research should guide me to a descriptive elaboration and in-depth view of how commercial diplomatic activities are executed, and the effect of the efforts perceived by the target group. The knowledge should be provided by a gap analysis between the theory, the observed commercial diplomacy activities and the interviews that will be held during the data collection period. Before a gap analysis can be done, a list of main activities should be prepared so that the researcher will know what he should focus on. Kostecki and Naray (2007) have already identified and ranked a couple of main activities which belong to the duty of commercial diplomats. These identified activities are appropriate as foci for this descriptive research. The activities are depicted in table 1.

Information	How does the embassy participate in the process in the need for access to reliable and neutral business information?
Support newcomers	How does the embassy support Dutch newcomers and mediate by conflicts?
Network/relations	Partner search: encouragement of national firms (mainly SMEs) to internationalize.
Image "Holland"	Credibility and image in foreign markets.
Support delegations	Support of home country delegations of ministers are often accompanied by business people.
Strategic concerns	Strategic concerns, such as a government desire to engage in strategic trade policies, support for R&D activities or improved access to supplies (energy).

Table 1: Research variables

3.3 Data sources

An essential choice that has to be made is the selection of data sources, which generate input for this research, the selection of primary and secondary data. Primary data is 'new' data collected specially for the purpose of this study (Saunders et al., 2007) and will be used to answer the questions from the research framework. Secondary data are 'existing' data used for a study but were originally collected for some other purpose.

For this research a multi-method qualitative data method is chosen. Primary data will be the result of conversations held during my residence in Kuala Lumpur, Malaysia, and in-depth interviews with several involved parties. Secondary data sources used for this research are a government document, "guidelines foreign posts", books, literature and journals.

3.4 Primary data collection

There are three common methods for primary data collection (Saunders et al., 2007). These methods are observation, interview and questionnaires. Interviews were chosen as the method for the primary data collection during this research. Interviews are purposeful discussions between two or more people (Kahn and Cannell, 1957) and can help to gather valid and reliable data that are relevant for the research questions and objectives.

Interviewing serves the purpose of this research best. Observations are rejected because there is no need to describe the behavior of people. Questionnaires are rejected because they produce numerical data for statistical analyses, and this research question cannot be solved that way. The best way to gain insight into the formulated research question is by conducting in-depth interviews with people in the field.

3.4.1 Interviews

Having decided to use interviews as the method for primary data collection, a choice between different typologies has to be made. I decided to use semi-structured interviews. The advantage of semi-structured interviews above structured and unstructured is the combination of structure and freedom, whereby anticipation is possible, without drifting away from the subject. A list of topics could be prepared in advance and adjusted before every interview. During the interview there is space to probe the answers, when it is useful for the respondent to explain, justify or clarify the given answer. The interviews will be conducted on a face-to-face, single basis (Babbie, 2007).

3.4.2 Preparing the interviews

The key to a successful interview is careful preparation (Saunders et al., 2007). When using non-structured interviews, a useful mantra is: prior planning prevents poor performance. It's important for the interviewer to plan precisely how s/he is going to demonstrate his/her credibility and obtain the confidence of the interviewees. Saunders et al. (2007) summarized five issues which should be taken into account by the interviewer for better results. The issues mentioned are compiled in a table in appendix 5. In order to perform well during the interviews, extended know-how of local behavior should be mastered by the interviewer to realize better results.

3.4.3 Sample selection

Selection samples can be done by either probability or non-probability sampling methods (Saunders et al., 2007). For this research a non-probability sampling method was chosen, because this is a more suitable way to answer the research question of this case study. Together with the embassy, a list of prospective interviewees was compiled (purposive sampling). These individuals will be approached to

request their cooperation, and then an interview will be scheduled. The embassy is involved for practical reasons, because the interviews will be arranged at brief notice, and the embassy employees already have an appropriate network.

The minimum number of interviews is at least 15. The most important aspect is not the number of respondents, but the amount and reliability of the information they provide.

3.5 Secondary data collection

Secondary data include both quantitative and qualitative data, and they are used principally in both descriptive and explanatory research. These data have already been gathered for other purposes and are known to include both raw data and published summaries (Saunders et al., 2007).

The relevant secondary data source for this case study is documentary data. During one of the preparatory interviews, I acquired an official working document¹⁵ for embassies written by the department of foreign affairs. The best way to gain insight into the formulated research question in section 1.3 is by comparing the secondary data, which should provide guidelines for commercial diplomats, with interviews with people in the field.

3.6 Criteria for judging quality research

There are some other means of measuring the quality of social research than the standard “validity” and “reliability”. Yin (1994) argues that it is important to use several tactics when dealing with the quality in tests which should be applied throughout the subsequent conduct of the case study. Four tests have been commonly used to establish the quality of empirical research, which are also relevant for case studies. The four tests, or validities, are construct validity, internal validity, external validity and reliability.

Construct validity is especially problematic in case study research (Yin, 1994). The main criticism is that the investigator fails to develop a sufficiently operational set of measures and “subjective” judgments are used to collect data. To overcome this problem, first, fields of research must be made explicit in the research model and should help the researcher to stay on track. Second, multiple sources of evidence will be used in deriving conclusions.

Internal validity is not applicable to descriptive case studies, because the research is not concerned with making causal statements. Thus, the second test involves external validity, when the findings are generalizable beyond the immediate case study. The purposive non-probability sampling methods used for conducting my interviews might have a downside for statistical generalization. Because the case being selected is not based on the total population, it makes it impossible to answer research questions that require statistical inferences about the characteristics of the population. An important point is that the researcher should try to aim toward analytical generalization in doing case studies, and should avoid thinking in such confusing terms as “the sample of cases” or the “small sample size of the case”, as if a single case study were like a single respondent in a survey or a single subject in an experiment (Yin, 1994). It is possible to generalize from the non-probability sample about the population, but not on statistical grounds.

The final test refers to the reliability of the case study. If a later investigator follows exactly the same procedures as described by an earlier investigator when conducting the same case study in the same way, the later investigator should arrive at the same findings and conclusions (Yin, 1994). In other words, the goal of reliability is to minimize the biases and errors in a study. By making an extensive

¹⁵ Title of document: richtlijn voor buitenlandse posten

report of every procedural step I take, a concurrent investigator should be able to do the research and arrive at the same findings and conclusions. However, because the interviews are semi-structured and not completely kept via a strict protocol, there might be a lack of reliability (Babbie, 2007). Secondly, Saunders et al. (2007) reduce the importance of this issue by underlining that findings from non-standardized research methods are not necessarily intended to be repeatable because they reflect the reality at the time they were collected and in a situation that might be subject to change.

3.6.1. Scientific relevance

After a thorough literature study, I could not find many scientific articles about commercial diplomatic activities, nor scientific empirical results. Most of the articles I found (e.g. Lee, 2004; Lee and Hudson, 2004; Potter 2004) described the current change in government policies and the urgency of devoting more time to business supporting activities. By conducting this research, I feel I am contributing to the scientific literature about how commercial diplomatic activities are actually organized in a real case study and how they are perceived by the target group, which might be an inspiration for conducting further research in in-depth insight into commercial diplomacy.

3.6.2 Practical relevance

As stated in the section above, little research has been conducted about the interpretation of different commercial diplomatic activities by an embassy, what their influence is, and how they are perceived by stakeholders. By executing this research, I want describe the insight I have experienced by holding interviews about how commercial diplomatic activities are organized, how they are perceived, and add recommendations to the literature.

This thesis serves the purpose of reflecting on how activities are executed and will come up with recommendations on how to improve government service towards the companies abroad.

Chapter 4: Findings

4.1 Introduction

This chapter is primarily concerned with presenting the data derived from the interviews conducted in Kuala Lumpur to answer the research question.

The different elements elaborated in the research framework were screened via a multiple sources method. Due to the mixed population of the interviewees, their combined experience and perceptions should provide good insight into the field of commercial diplomatic activities. They will be analyzed and compared with the intentions of the commercial diplomat, which should provide a basis for the discussion in chapter 5.

In section 4.2 an elaboration of the guideline foreign economic departments, sections 4.3 and 4.4 are displaying the interview results and sections 4.5 shows a compressed summary of the findings in a table

After all, the results should give insight and answer the research question, formulated in chapter one. *“What commercial diplomacy activities are executed and how are they perceived by the target groups?”*

4.2 Guidelines for foreign economic departments¹⁶

The Ministry of Economic Affairs is focussing in this global economy on a prosperous, sustainable and entrepreneurial Holland.

In order to exploit challenges and benefit from the opportunities, it is important for economic departments and all embassies around the world to work as a holistic integrated department.

The document “Guidelines for foreign departments” elaborates policy themes and links them to the general agenda of the Ministry of Economic Affairs. These policy issues should be carried out and supported by foreign representatives, in this case the embassy of the Kingdom of the Netherlands, Kuala Lumpur, Malaysia. I give below a consolidated overview of the task description of the embassy, based on the guidelines for foreign economic departments, the policy document of the embassy and relevant information from the embassy’s website.¹⁷

The goals of the Foreign Economic Policy are to improve the convergence between national policy and the embassy’s efforts and to increase service provision towards Dutch companies, knowledge institutions and foreign governments. This should be measurable by integrated and result-oriented performance indicators. The Economic Department of the embassy is responsible for promoting Dutch economic strengths and Dutch exports to Malaysia and as such assists Dutch businesses by these activities. Through its extensive network in the Malaysian business community and the Malaysian government, the department is able to help companies identify and meet relevant contacts with potential business partners and government. Furthermore, the department helps companies track down information about the Malaysian economy and Malaysian laws and regulations.

Commercial diplomats are charged with maintaining good relations with the private and public network, in particular with CEOs of multinationals. The embassy is asked to write sector reports and start-up activities that fit the guidelines of that country.

¹⁶ EZ richtlijn voor buitenlandse posten

¹⁷ http://www.minbuza.nl/PostenWeb/M/Maleisi%C3%AB/Nederlandse_ambassade_in_Kuala_Lumpur

In the 'instructions for economic departments', some general targets are formulated in which a commercial diplomat could play an important role, but there is a blurred line between economic diplomacy and commercial diplomacy, due to the fact that all activities are executed by one person (in the case of Malaysia), and the various fields of diplomatic activities are closely related and intertwined with each other. Formulated targets of relevance include:

- Contribution to sustainable increase of the Dutch economy;
- Extension and expansion of economic integration;
- Reduction of trade barriers in association with WTO;
- Increase of globalisation of the Dutch economy and Dutch business by fostering trade relations, investment and joint ventures.

The embassy, in this context the commercial diplomat, is the contact person for the government, Dutch companies, and institutions interested in trade, development, technology or joint ventures. The commercial diplomat is expected to connect Dutch companies with Malaysian counterparts to encourage opportunities between local and Dutch players. It is important to have an in-depth knowledge of the local markets in order to understand them and make an adequate contribution. To serve the target group as best as possible, it is important for the embassy to communicate to several stakeholders about what they might expect from it.

The embassy should follow current developments closely to remain prepared to respond at any time to requests from the Malaysian niche markets. The Netherlands will maintain close business ties with Malaysia as the 9th largest importer and 4th largest investor in Malaysia. Between the Netherlands and Malaysia the potential for cooperation is increasing between several industries, like 'green technology' and R&D. Its special knowledge position in the field of agricultural technology and water management from an environmental perspective distinguishes the Netherlands from the competition and can be used to its advantage.

The assistance of commercial diplomats is considered a primary service, which means eliminating trade barriers, providing information, assistance, promotion of Holland and supporting missions. It is prohibited by law to interfere with market research for individual companies, consultancy and transaction help.

The embassy is an important partner in promoting the "Holland Branding" strategy. This strategy communicates the desired economic image of the Netherlands abroad. In this branding strategy, the Netherlands foster its image by creating awareness of the "Pioneers in international business". In the appendices to these guidelines, the thoughts and background of the slogan and some rules and limitations for promotional activities are mentioned.

The embassy focuses on broadening and deepening bilateral relations with Malaysia. This effort, by means of public diplomacy, should result in an intensified relation and contribute to the image of "Holland".

4.3 Findings of interviews

The second method of gathering information involved conducting interviews. The interviewees can be separated into two groups. The first group consisted of embassy employees involved in commercial diplomatic activities, the second group contained representatives of Dutch companies, considered the target group for the embassy. These dialogues were intended to produce insight into

how the target group perceived the commercial diplomatic activities conducted by the Embassy of the Kingdom of the Netherlands, Kuala Lumpur, Malaysia.

In close cooperation with the Head of Economic Affairs, Jacoba Bolderheij, 25 companies were selected that might be willing to participate in this research. The main issue in the selection of suitable companies was that they should form a valid representation of the target group. Key inclusion criteria were related to different indicators, like the size of the company, established in Malaysia or outside Malaysia, duration of business contacts in Malaysia, import or export companies, and private or public business contacts.

Taking all these facts into consideration, I assembled a group of 21 respondents who were willing to participate, share their experiences and perceptions regarding the relations they have with the embassy of the Kingdom of the Netherlands. A complete list is given in appendix 6.

From the embassy I spoke to Jacoba Boldeheij, appointed as Head of the Economic Department and the commercial diplomat in Kuala Lumpur. She was assigned this job via the concordat EZ – BZ¹⁸, as employee of the Ministry of Economic Affairs. The second embassy employee I spoke to was Jan Soer, deputy Head of Mission, and Ms Boldeheij's successor of as Head of Economic Affairs.

4.4 Commercial diplomatic activities in action

Findings derived from the interviews are presented in this chapter as follows. The interview results are displayed by category. In the first subsection I summarized the gathered data regarding the subject *support of newcomers*, followed by *information process, network and relations, support of delegations, nation branding* and finally *other findings*. The data from both groups – embassy and the respondents– will be displayed simultaneously per category.

Job description

The commercial diplomat would describe the fulfilment of her job as assisting Dutch companies abroad, and providing any support or advice on request. For Dutch companies established in the Netherlands this implies providing information about the market, cultural differences, and barriers to overcome in the Malaysian business environment. Dutch companies already established in Malaysia can arrange a meeting with the commercial diplomat, to discuss their needs and to what extent the embassy can help, or provide more specific advice, focused on the company's situation.

4.4.1. Support of newcomers

The first topic covered during the interviews was related to the support of newcomers in Malaysia. To what extent was the embassy involved in providing information, assisting in setting up a branch, and how did the companies perceive the support?

The majority of the respondents were already engaged in business projects in Malaysia, most of them had business ties extending back for more than 1.5 years. In addition, more than 70% of the companies are actually based in Malaysia, with the company's headquarters, a manufacturing plants or sales offices there. Three companies I spoke to were involved in matchmaking programs to explore the Malaysian market opportunities.

Help to establish new companies

The economic department adds value by making contributions in the setting-up stage of a new company. While the embassy is willing to help any company, the first request or contact should come

¹⁸ Ministry of Economic Affairs and Ministry of Foreign Affairs.

from the company. Of course, not all companies inform the embassy about their interest in Malaysia, but those who do are actively helped.

There are some entrepreneurs who start there from scratch, without any assistance from the embassy. The commercial diplomat is upset when companies complain about the lack of assistance, although the embassy had not been asked for any assistance. Most information shared with newcomers concerns the accessibility of the private and public network of the embassy, culture-related aspects of doing business, and specific Malaysian legislation and its impact on companies.

Given their already existing business relations and acquired knowledge in Malaysia, most companies do not invoke the assistance of the embassy. One of the respondents said: *"I gather all necessary and interesting information myself, also I was not aware that an embassy could offer such assistance."* The small companies especially (fewer than 5 employees) argue that they got the right concessions very easily, and they did not run into any bureaucratic slowdowns or barriers. There was no need to ask for the embassy's assistance.

Only two respondents indicated that the embassy was involved in actually setting up their business. One case faced difficulties that arose around signing contracts due to cooperation with a Malaysian counterpart. In the second case, more in-depth advice had been given regarding the legal form a company should take. It is complicated for non-expats without a work permit to start business activities in Malaysia.

Finally, some respondents were assisted in setting up a company, but were advised and aided by the MDBC and not by the embassy. The MDBC had given them some practical information on how to set up a company and stressed some ancillary matters.

Partly, entrepreneurs thought the embassy was not be able to provide this support, and a number of entrepreneurs were referred via Malaysian government agencies to the MDBC instead of the embassy.

Market information

Frequently asked questions are related to administrative topics (incentives, concession, where to establish), and a few questions concerned the impact of the Bumiputra legislation, which is very important to stress. Another form of help in setting up a company involved introducing the company to an appropriate counterpart. Sometimes companies negotiate with the inappropriate party, which often leads to unsatisfactory outcomes. The tension between the different populations (Malay, Indian, and Chinese) can be a sensitive subject and deserves sufficient attention for the business to run smoothly.

Many business relations approach the embassy directly, instead of being redirected via the EVD¹⁹.

Most of the market reports used by the EVD in the Netherlands are written by the commercial diplomats. In the past, the embassy was obliged to prepare a 6-page report for every key industry selected by the Dutch government. This policy has changed, and the government now allows the embassy to inform the EVD about industries highlighted by market research of the commercial diplomat. There is no required number of reports that should be handed in. The system is still based on effort instead of a result-oriented approach. There are no performance indicators.

¹⁹ The Netherlands Agency for International Business Cooperation

The respondents which were actually established in Malaysia indicated that they did not receive any information from the embassy regarding the market situation when deciding to establish themselves in the Malaysian market. The rationale for these arguments varied among the respondents and different types of companies. The MNE companies have all been based in Malaysia for more than 30 years, so the interviewees were not able to share this experience. In addition, when a MNE decides to enter a new market, they have their own specialist department which can provide all necessary market information. Common arguments mentioned by other respondents about why the embassy was not approached for a consultation or to provide information referred to the already existing business ties with a counterpart in Malaysia. In the subsequent period of doing business in Malaysia, they gained enough experience and in-depth knowledge about how the market is structured or organised to satisfy their needs.

A company's decision to open an office in Malaysia was often based on providing better service for customers in Asia, sometimes related to cost-saving aspects, or being present in the middle of future target markets. Their business network delivered enough input to stay informed about challenges and opportunities. According to one of the respondents: *"the information of the embassy contains little information that is new to me. I consider this as not interesting."* Other arguments given included avoiding the embassy because of bad experiences in the past with other embassies. Thus, the majority of the companies did not request any information from the embassy when deciding whether or not to establish in Malaysia.

Companies established outside the Malaysian market, without any business ties in Malaysia, which were interested in the Malaysian market were extensively informed by the embassy in advance. The respondents who participated in one of the frequently organized matchmaking programs were very pleased about the content and results of this event. The embassy arranged some meetings with potential clients, and explained to them how the Malaysian markets are organized, and this assistance was perceived as very helpful. One of the respondents said: *"I was quite unfamiliar with the Malaysian market and contacted the embassy for the possibilities to export my product to Malaysia. They informed me about the opportunities in the country, and after an official request from my side, they arranged 4 meetings with potential agencies for my company. Due to embassy efforts I found my way in Malaysia."*

Another respondent was positively surprised by the mixed program of the matchmaking day. In the morning he was informed about the market structure, challenges and opportunities, and in the afternoon he was introduced to potential clients. *"If I had known of this service before, I would have contact the embassy much earlier."*

Introducing new customers

There are some critics who argue that the embassy only provide a list of potential clients that is composed and assembled via internet searching. The embassy does indeed provide lists with representatives of potential companies, but selects each company very carefully. A local employee searches for the local partners, polls them personally about whether they are interested in cooperating with a Dutch company. The Malaysian market is extremely opaque compared with the Dutch market. Personal contact is absolutely necessary in Malaysia, and this case shows how valuable local employees are. They are familiar with the local market and traditions and speak the

right language. The commercial diplomat referred to the high-quality lists of the SME companies provided.

Customers are crucial for a company's survival. The embassy can facilitate new business relations by introducing them by arrangement or inviting Malaysian companies to matchmaking programs. The data gathered about how these facilitating activities are perceived by the respondents can be categorized into three groups. The first group of respondents never made contacts via the embassy; the second group was supported by receiving lists of potential clients in their industry; the third group was introduced to their counterparts by organized matchmaking programs.

The first group of respondents (both MNEs and SMEs which were already long established in Malaysia) argued that the company can provide itself with new business relations, and the embassy is redundant in this process. Others indicated that as the customers in their industry are very specific, they have better ties to this industry than the embassy has. One of the respondents stated: *"The embassy can provide a prepared list of customers, which I can do better by myself."*

The second group of respondents (SME) received a list of relevant Malaysian counterparts upon request, which might be interested in cooperating with a Dutch company. These Malaysian companies are not personally introduced to the Dutch companies but are willing to contact and discuss where future cooperation might be appropriate. *"I received a list with Malaysian partners in the same industry, and it should be interesting to cooperate with them in the future."*

For the third group of respondents, the commercial diplomat had facilitated a meeting with private companies or public agencies. Private companies experience some barriers when trying to arrange a meeting with government agencies, which is more easily accessible for embassies. The embassy is very often involved in matchmaking programs to introduce Dutch companies to interested Malaysian counterparts. *"The commercial diplomat introduced me to a potential client. After the introduction, we put our efforts into a good business relation, but the initial contact was based on the embassy's network."*

Attitude towards new Dutch companies

The attitude from the embassy towards Dutch companies is reactive by nature according to the commercial diplomat, *"we do not know who is interested"*. It would be a misinterpretation to suggest that the embassy is not willing to help or support. Companies should request the embassy for assistance, which enables the embassy to take notice of the problems and adjust their help properly. Although the instruction of the ministry dictates that embassies maintain their network through company visits twice a year, this is unrealistic with the small number of staff available.

"We put a lot of effort to tighten relationships with the Dutch business community, by organizing occasions like luncheons or cocktails, where we have the opportunity to address a large group at once."

The answer I received to the question of what the respondents thought of the relationship with the embassy ranged from *"we have no relationship at all"* to *"we have a very close relationship"*.

The reason that companies have no or few ties with the embassy stems from the belief that the embassy produces no added value for them. The companies already have an extensive existing

network, have been established in Malaysia for quite a while, and look after their own interests. Four respondents have no relationship at all with the embassy.

The large majority of respondents indicated that they are in frequent contact with the embassy, ranging from reactive to interactive. Respondents mention feeling comfortable to having a good relationship with the embassy. *"When the commercial diplomat knows what my company is involved in, then if I ever need unexpected help, the contacts have already been made."*

There is a difference in expectations among the respondents. Some companies expect the embassy to take the lead and propose new business opportunities and ideas, while other companies argue that they will initiate ideas by themselves and might ask for assistance.

A respondent said: *"The relationship is very reactive on their side, sometimes I put some effort into making it more interactive. The request from my side is a trigger for the embassy to come into action. I would like to see them being more active in sharing information and mentioning challenges."* Other respondents have the opposite experience: *"The relationship with the embassy is very good and close. I consider it an interactive relationship with passion on both sides."*

Accessibility of embassy

With the appointment of the new ambassador last year, the image of the embassy has positively changed to a more easily accessible institution. The previous ambassador was reserved and closed to the community, what creates a certain amount of distance. The new ambassador is more accessible and open, which contributes to a positive image, as figurehead of the embassy.

The new website of the embassy in Kuala Lumpur lacks an appropriate description of the economic department activities. The website design is strict and formal, which not encourage company representatives to contact the embassy.

The entrepreneurs who have lived in Malaysia for a long time sometimes have negative opinions about the embassy's efforts, which they discuss and express openly. Due to their experience and the seniority they enjoy, this does not contribute to a positive image of the embassy.

Although not all companies are in continuous dialogue with the commercial diplomat, most respondents recognized that the embassy is willing to listen to any plans, information or suggestions. Unfortunately, it is impossible for the embassy to approach all companies and start asking about what is happening at the individual level; this is often initiated by the company itself. Some respondents were not aware that the embassy is more easily accessible than they had originally expected.

Duration of contact

Most of the requests for assistance or information the embassy deals with are short-term projects. The clients appear, are served and find their own way in Malaysia. There are some client projects that consume more time, and also in these cases the embassy is fully prepared to help. Nation branding projects are more consistent and structured. These projects are initiated by the embassy itself and are part of the promotional strategy for major key sectors, like oil and gas, logistics, water management, agriculture, greenhouses.

Embassy backing

In the Malaysian business culture, seniority, titles and status are very important variables that play a critical role in generating success. During certain events, for example signing ceremonies, important

business negotiations or opening ceremonies, the presence of an embassy representative is often highly appreciated by Malaysians. This “embassy backing” can vary from supporting or acknowledgement to endorsement.

Some of the respondents, both MNE and SME, made use of the backing facilities. Companies who have done so argued that they feel comfortable with the embassy knowing what is going on, showing the counterpart the seriousness of doing business, or accelerating the process of negotiation. In addition, private companies that encounter a ‘locked door’ within government agencies and ministries can often be assisted by the embassy. When the embassy arranges the meeting, the embassy is acknowledging the company’s activities, which is felt to be very influential in Malaysia. The respondents who made use of the “embassy backing facilities” (arranging a meeting, joining a negotiation, being present during a signing or opening ceremony) judged it as very helpful.

Not all the interviewed companies have made use of backing facilities. Arguments that were given for this include: *“the existing network is already so well developed that the embassy could add little added value”*. For purchasing companies, business counterparts are easily accessible and rarely linked to government agencies, which sometimes makes it complex.

But the reverse situation also occurs. In one case, the ambassador offered to attend a certain meeting several times, but the Dutch company kindly refused the offer. If the ambassador were to be at the meeting, all the attention would focus on him instead of the company's CEO.

Support of newcomers:

- The embassy is aware of added value, approach should be initiated by newcomer
- FAQs related to administrative topics and market opportunities/challenges and structure
- Companies with business ties did not request for information, newcomers unfamiliar with the Malaysian market did.
- Companies established for a longer time have their own network, newcomers appreciate the matchmaking, information/introduction program
- Not all respondents are aware of the services an embassy can provide
- Malaysians are sensitive to visible support of Dutch companies by the embassy. Being present or endorsement might be important

4.4.2 Information process

A second major aspect in commercial diplomatic activities is providing information to Dutch companies who are established in Malaysia, as well to companies in the Netherlands who might be interested in doing business in Malaysia. This information can be general or industry-specific, cultural information or business related to market opportunities. In this section I examine what information is shared and whether the information was judged as valuable and relevant.

Information supply

Facilitating any information to Dutch companies is one of the main activities of commercial diplomats. The variety of information provided depends on the questions asked by the companies. The majority of the questions are linked to general subjects like customer information, market information, rules and regulations, or cultural aspects of doing business. The commercial diplomat said: *“We are keen to share all the information we have access to, but the user should contact us first, otherwise we don’t know what information is expected from us.”*

The respondents judge the information received from the embassy very differently. In some cases, the information contributed to new business opportunities, while others perceive the information as not valuable. One of the respondents said: *"The commercial diplomat keeps me informed about new opportunities. However, while she put great effort into making it accessible for me, I have to put effort into getting the contract signed."* The embassy contributes in the process of connecting companies to businesses or facilitating the correct information, but creating new business is something that should be done by the companies themselves.

Respondents which had participated in industry-specific missions/matchmaking programs were highly satisfied with the information received. *"During the matchmaking day, the first appointment was with a representative of the government, who elaborated extensively about the market opportunities. This quick scan was really helpful to get an overview of the market."*

There were also critical notes expressed during interviews. *"The embassy is out of the touch with reality, a 'clean saloon' but the output of information is marginal. The economic department is overshadowed by the consular affairs."*

An important remark derived from the interviews that is worth mentioning, especially regarding young entrepreneurs, is that the embassy should focus more on delivering practical information. For starters, the Malaysian market has minor and major issues which should be considered well. In these cases, the embassy could hand over a starter's toolkit of do's and don'ts.

General or industry-specific information

Requests for industry-specific information are rare. It would be remarkable for a commercial diplomat to have more in-depth knowledge about a specific industry than a company. But even if the embassy receives industry-related questions, *"we do our utmost to find the requested information, as long as it is considered a primary service"*.

There were mixed opinions about the information obtained from the embassy. A large group of respondents received information on general topics such as trends, seminars and events. Only a few respondents requested industry-specific information, and the embassy is not always able to deliver specialized information. Companies already established in Malaysia for a longer period of time do not apply for this information. Dutch companies who are interested in expanding their business to the Malaysian market but have less knowledge about it request industry-specific information more often. This information usually covers topics such as market size, legislation, market structure or market barriers. If the embassy cannot provide this information, they will find an appropriate player in the market which is willing to share their expertise.

TWA

There is no TWA²⁰ assigned to the embassy in Malaysia. This agency is normally appointed to countries with an increasing number of patent applications. Malaysia is not known for groundbreaking innovative research, and the universities are not ranked in the top 100 of the world's best. TWAs are installed to link technological innovations within a specific industry to Dutch companies in that sector. It might be interesting to establish a TWA for specific industries, for example biotechnology, to scan the market and explore opportunities. Current knowledge of the Malaysian

²⁰ Technisch Wetenschappelijk Attaché (Technical Scientific Attaché)

companies involved in biotechnology is at a low level. In this industry it might be attractive to investigate financial opportunities in joint ventures or educational cooperation between the Netherlands and Malaysia.

Two small companies from the technical industry mentioned the lack of a TWA. According to a respondent: *"The embassy initiates and stimulates some key industries in Malaysia politically, but is not focussed on technical assistance on an individual level"*, which would be done by TWAs.

Political and legal issues

What is important in any legal or political assistance is to keep strictly to the facts and act independently. An embassy cannot become a party in legal conflicts. In political issues, it tries to indicate factors/legislation that is applicable to the issue, to allow fair competition.

The embassy is not involved in legal issues. The embassy tries to stay informed about the progress which has been made. If any company needs assistance, the embassy can refer it to some specific lawyers or mediators, but it will never provide legal advice on its own, as it is not a law firm.

The great majority of the answers reflected the same line of experience. The embassy has never provided support on legal or political affairs thus far, due to the fact that the companies had no legal problems at all. The opportunity has never arisen. One company applied for assistance to mediate a conflict with the Malaysian government. The conflict concerned nepotism during a procurement procedure, whereby a Dutch company was excluded from subsequent negotiations. Due to efforts exerted by the commercial diplomat, the company was able to speak with representatives of the responsible ministry. Afterwards, they were back on track to compete for the assignment.

Information process:

- Majority questions linked to general topics, keen to share all the information they have access to.
- Matchmaking is considered as high quality and informative
- Malaysia is not known as a country of groundbreaking research, few opportunities for TWA
- Writing market reports on key industries
- Embassy never provides legal service, only references.

4.4.3 Network of the embassy

Hub in the network

The embassy maintains an extensive network, both in the private sector as well in the public sector, and the commercial diplomat considers the company's position in the network as *'one of the players'*.

Politically, the embassy has some well maintained relations inside the MITI ministry²¹ through personal contact and the tight trade relation between the Netherlands and Malaysia. In other ministries, access can be arranged through diplomatic influence. The commercial diplomat confirmed that some Dutch companies do not acknowledge that the embassy has an extensive network, which is easily accessible and could provide many advantages.

²¹ Ministry of International Trade and Industry

How do the respondents experience the role of the embassy? Is the embassy just a link or the hub in their network?

The large majority of respondents argued that the embassy is not the hub in their network, but just one of the links. The MNEs and SMEs that have been established for longer time in Malaysia have gained an increasing number of contacts during that time and have constructed solid and reliable networks for business performance. They can facilitate themselves. Companies who have been established in Malaysia for a longer time do not suggest that the embassy connection is not important, but it is less important in their business situation.

To cite a respondent: *"Each company creates its own network, as it happened to me. I don't need the embassy's support for any contacts or matchmaking events. I already had contacts in Malaysia before I settled the company here."* Another respondent said: *"The embassy might be a hub in someone else's network, but not for the companies which have been doing business for a longer period of time...Especially for new entrepreneurs with fewer contacts and experience, the embassy is able to facilitate a good network what could serve as a good stepping stone."*

There are companies that perceive the embassy as the hub in the business environment, especially newcomers to the Malaysian market and companies established in the Netherlands with market potential in Malaysia.

"Because we have no local representative in this area, it is important to us to have a tight relation with the embassy. In the Asian business environment, it is largely a matter of people-network, carefully built up over a long period of time. Therefore, the embassy, with all its contacts and seniority, is our hub." If a company needs an entry to an official government agency, embassy help might be considered very useful and can be crucial to opening doors. On the other hand, the embassy is also limited in their networking when talking about specific SME counterparts in a specific industry, claimed one respondent.

Round table talks

To serve the target group as well as possible, it is vital for the commercial diplomat to be aware of the issues they are facing, like market barriers, start-up problems, and so on. At the request of the Dutch companies, the embassy organized monthly luncheons (in 2006), where 10-15 companies were invited during a session.

In 2010 this event is being brought back to life through the appointment of the new ambassador. Groups of 6-8 representatives of SMEs were invited for each luncheon. During these luncheons, the new ambassador was able to introduce himself to the Dutch companies while gathering information about the problems, opportunities and challenges they encounter. *"These events allow us to emphasize that the embassy is always ready and willing to provide support."* These events should strengthen the relationships between the embassy and the companies. Staying connected with the target group and well-informed about the expected needs and support enables the embassy to anticipate and readjust their assistance to the expectations. MNEs were visited by the ambassador individually.

Almost all SME companies have been invited for a luncheon at the residence. The three exceptions were not invited due to their passive relationship or closed attitude towards the embassy.

Companies established in the Netherlands were also not invited, but all of them mentioned having a good relationship with the commercial diplomat.

The luncheons were judged very positively by all participants. Sharing experiences and discussion about situations all entrepreneurs have to face, or barriers to overcome, or highlighting business situations from another perspective was perceived as interesting. This is one of the reactions, in line with other comments extracted from the interviews: *“Very meaningful and instructive to draw parallels between comparable cases from other Dutch entrepreneurs”*.

The message from the embassy to the participants was also clear and impressed the respondents. *“We are here to support you, if there might be an occasion on which you need help, assistance or support, please do not hesitate to post your request.”*

The MNE companies were not invited for a group luncheon by the embassy, but were visited by the ambassador personally. In these conversations, too, the willingness to support in any way was clearly expressed and appreciated by the representatives.

Active or passive approach

The embassy can take an active or reactive approach to achieve its aims in supporting companies. The embassy is reactive towards the Dutch companies already established in Malaysia. *“The embassy is eager to help and assist wherever we can, but the companies should indicate what assistance they need.”* The embassy makes active use of their network to promote key industries of the Netherlands (oil and gas, water management, agriculture, green technology, infrastructure and logistics). The respondents' answers match the embassy's policy. The embassy can make use of its network for individual companies upon request, but the first request should be initiated by the companies. When the commercial diplomat is requested to assist, the company recognizes that she is willing to help. Some companies stated that the commercial diplomat makes active use of the embassy's network (these companies also mentioned having frequent contact with the embassy). Companies who have less frequent contact with the embassy experienced that the embassy is passive in making use of their network.

Influence of the embassy on national politics

The embassy of the Kingdom of the Netherlands represents the Dutch government abroad. To convert this into commercial diplomatic activities, the embassy is the voice of the Dutch companies to the Malaysian government. But does the embassy have a certain influence on the government?

The embassy's effect on political issues in Malaysia is minimal, definitely regarding national legislation. The country sets its own agenda. The counterpart for the negotiations by the Malaysian government is the EU, for example about the FTA²². The Netherlands is “somewhere” in Europe. The embassy can address issues to the Malaysian government, but it is up to them to take notice of it, and that's it. It is more fruitful to mention particular issues via the EU ambassador.

A CEO of a MNE said: *“Foolish to think that the Dutch embassy has any influence on the legislation in Malaysia, but the embassy creates an opportunity to have an open dialogue on difficult issues, whether or not in cooperation with other embassies. You can't change them if they do not want to change.”* Because the government is temporary, the political influence might not be extensive, but a close relationship with ministers is important. Through a permanent lobby, the embassy can push the government in the right direction to make some positive changes in legislation for foreign

²² Free Trade Agreement

companies. The influence of the Dutch embassy is very limited. This line of reasoning is shared by most SMEs.

Another respondent added: *"The influence of the Dutch embassy can only be exploited when it is accompanied by money and major investments in Malaysia. As long as the Netherlands is one of the largest investors in Malaysia, they have some influence."*

There is a small group of respondents who actually think that the embassy has some influence on political affairs. *"The influence of the embassy is powerful."* The Malaysians are very sensitive about status and seniority, and the Dutch embassy is held in high regard by the ministers and sultans, especially within MITI²³. The Netherlands belongs to one of Malaysia's biggest trading partners, with strong business ties, which is also recognized by MITI. Unfortunately, other ministries are less familiar with the Netherlands.

There are a number of issues that adversely affect business performance where the embassy's voice must be heard. According to one of the respondents, the embassy should exert its influence to change the policy promoting advantages for Muslim citizens in Malaysia. The ambassador should stimulate the discussion and start an open dialogue, to keep Malaysia appealing to foreign companies.

Some companies occasionally face some barriers with imports. Due to stricter control, according to the respondents "nagging", it might sometimes take 2 or 3 weeks before the products are cleared by customs. To accelerate the clearing process, it is possible to bribe custom officers by giving them so-called 'coffee money', but the companies I have spoken to do not support the corrupt regime and endure the nuisance. Also in this case, the embassy should raise this issue during bilateral or EU meetings.

Embassy and the MDBC

The MDBC is a network association that provides its members with information and a network, and organizes events. The aim of the MDBC is to enhance the bilateral trade relation between the Netherlands and Malaysia.

The similarities between the MDBC and the embassy foster the bilateral relationship between the Netherlands and Malaysia, and stimulate Dutch companies to enter the Malaysian market. The commercial diplomat mentioned that the MDBC can have added value for SME companies in Malaysia, with their large member network and government contacts. According to the commercial diplomat, the embassy offers more services than the MDBC. *"The embassy provides individual advice and information and tailor-made answers, arranges matchmakings, writes reports about key industries, organizes sector events, and conducts desk research on the Malaysian market. The MDBC cannot offer such an extensive service due a lack of labour."*

Recently, the embassy and the MDBC signed a MoU²⁴. This MoU intends to stimulate joint cooperation in projects about nation branding or special events, but also clarifies the differences between both parties. In this document the responsibilities and duties of the embassy are clearly accentuated. The commercial diplomat complains that some stakeholders do not distinguish between the MDBC and the embassy, and are not aware of the services the embassy could offer.

An overwhelming majority of the companies in Malaysia that I interviewed are a member of the MDBC.

²³ Ministry of International Trade and Industry

²⁴ Memorandum of Understanding

The motives for membership of the MDBC vary between MNEs and SMEs. The latter are more eager to make use of the network offered by the MDBC. The mutual contact between members is perceived as valuable, and they can help each other by facing problems or gaining advice. *“The MDBC functions as a platform for entrepreneurs, where members can exchange information, or make use of each other’s network.”*

While the MNEs do not depend on the MDBC’s network or services, they are often members as well. MNEs take part in the promotional activities of the MDBC. *“We support lectures, assist in seminars or branding campaigns, and by way of appreciation would like to be informed about upcoming projects or official meetings which might be of interest.”* A representative of another MNE argues that he joined the MDBC as a premium member, not for the MDBC’s counsel, but to ensure the company’s name is posted next to other Dutch MNEs.

One respondent said: *“The MDBC has access to a large network and distinguishes itself, compared to the embassy, with the practical angle of business support. The MDBC organized events which actually have more added value than events organized by the embassy.”* For example last year, the CSR seminar, with a practical and relevant angle for SMEs. The MDBC characterizes itself by their business approach. *“One of the most active business councils organizing a bunch of events,”* according to a respondent. A few companies established in the Netherlands are members of the MDBC.

Differences between the MDBC and the embassy

There are two major differences between the MDBC and the embassy noted by the respondents, with a similar line of reasoning, independent of the background of the company. First, the embassy is diplomatic in nature and is more able to raise issues and ‘open doors’ on the government level than the MDBC. *“The embassy is more towards the government and has access for more official purposes.”* The purpose of the embassy is policy making and policy initiating, and should focus on future challenges and opportunities for the Netherlands and communicate this to the Dutch government. Second, the MDBC has a practical slant, more related to the business environment, and is acknowledged by the members as an interest organisation for Dutch and Malaysian companies. They are internally oriented and organize a whole range of events for their members. Via the MDBC there are more possibilities for business promotion for private companies. In addition, in cooperation with the MDBC, some commercial activities can be planned, which is not possible with the embassy.

Network of the embassy

- The embassy maintains a very extensive network in private and public sector, embassy is not the hub in companies' networks, but one of the links
- Organizes luncheons to keep informed and stay in contact with Dutch business community
- Reactive to already established Dutch companies in Malaysia
- Actively promotes key industries of the Netherlands.
- Influence on political situation very limited, country sets its own agenda.
- More fruitful to mention particular issues via EU ambassador
- Both embassy and MDBC foster bilateral relationship between the Netherlands and Malaysia.
- MDBC is an association for and by its members, the embassy offers more services for newcomers

4.4.4 Delegations and events

Invitations for missions or seminars

Trade missions are mostly initiated and organized by agencies or associations established in the Netherlands. When the embassy is involved in a mission, it can assist in matchmaking programs by selecting interesting counterparts in Malaysia and organizing meetings for the visiting delegation. *"The embassy has initiated several trade missions by itself and completed them successfully."* State-aided legislation prohibits interference from two government agencies. If the delegation is subsidized by the Dutch government or agencies, the embassy is officially not allowed to support this delegation. When an interesting and knowledgeable speaker from the Netherlands visits Malaysia, for whatever purpose, the embassy tries to combine his/her visit with a relevant sector-related seminar/event.

When the embassy organizes an industry-related event or seminar, all relevant private and government parties are invited.

Fewer than half of the companies have been invited to participate in a trade mission, and some of them decided not to attend. Despite the invitation, two of the respondents were not interested in participating. A third respondent (SME) is actually interested in a trade mission, but he argued that the level of the missions is much more abstract than he would like. There is less room for individual business, and a lot of attention is paid to signing MoU's and propositions. This opinion is shared by a respondent of another company established in the Netherlands: *"We receive invitations for trade missions frequently. However, the composition of the delegations is not interesting for our company and thus has less added value."*

One respondent, CEO of a multinational, appreciated the invitations to participate in trade missions. He considered the trade mission valuable for his company, because *"attention is focused on the services our company delivers"*. In exchange for the invitations, the multinational is engaged in nation branding projects managed by the embassy. He judges this as *"mutual advantage"*. None of the interviewed companies mentioned being dissatisfied about not being invited.

The companies involved in matchmaking programs, meant as an introduction to the Malaysian market, perceived the efforts of the embassy in arranging meetings as useful and very important for an overview of the main issues/challenges in the market. *"As a newcomer, I am not aware of the important players, rules and regulations. We were grateful for the help from the embassy, and it was of great assistance to us to decide to enter the Malaysian market."*

Half of the respondents had been invited to participate in seminars or other events, some of them as audience, others to give a presentation. MNEs are more frequently invited to give a presentation than SME companies, probably due to the good reputations Dutch MNE have. According to the respondents, the MDBC is much more active in organizing seminars and network events than the embassy, so most of the invitations come from the MDBC.

Delegations and events

- Trade missions mostly initiated by agencies in the Netherlands
- When interesting speakers from the Netherlands are in Malaysia, combine this with seminar
- MNEs more involved in missions than SMEs

4.4.5 Nation branding

Image of the Netherlands

The Malaysian population is in general not that familiar with the Netherlands. In some specific key industries the Netherlands has established a good reputation as highly skilled and reliable.

In 2007 the embassy decided to rethink activities targeting only the general public. Since then, funds have been allocated to organise seminars and presentations on specific strengths of our Dutch industry. All relevant local stakeholders are invited to sector events on, for example, oil and gas industry or water management. *“Thus, the embassy has engaged the local stakeholders and has built up considerable networks in these sectors in Malaysia.”* This has proved to be much more efficient than the general Holland promotion done before.

During seminars or other events about key industries of the Netherlands, around 100 people attend, to whom you can stress the strengths of the Netherlands.

Malaysia has been more focussed on countries like the UK, Germany or France. According to the commercial diplomat the image of the Netherlands is improved recently, although this has not translated into a significant increase in export or import figures.

There is no one shared common thought among the respondents about the image of the Netherlands in Malaysia. Some of them argue that the Netherlands is unknown in Malaysia, *“If you ask a Malaysian where the Netherlands is located, they have often no clue, somewhere in Europe”*. Others have a positive image of the Netherlands, as it is very important for their business relations.

The positive image that has been created over time is reflected in some essential factors. The Netherlands are known for their shared history and experience in international trade. The Netherlands ranks in the top ten of trading partners with Malaysia, and is acknowledged for high-quality products and highly skilled educational level. The Netherlands is a relatively small country with a huge number of very large MNEs with solid reputations, like Shell, Heineken, Unilever, Philips, ING, TNT, Dutch Lady, which contributes in a positive way to the image of the Netherlands. A respondent mentioned that the good sport results of the Netherlands contribute to the positive image, due to the interest shown by Malaysian citizens in sport. A critical note was mentioned by someone else: *“The Netherlands overestimates itself. The image of the Netherlands as a trading partner is not as good as we pretend it is. The Netherlands is knowledgeable, but by far not as good as Germany or France.”*

Influence on business

How does the image of the Netherlands reflect on your business? Starting with the multinationals I have spoken to, there are no advantages or disadvantages of having the company's headquarter in the Netherlands. One of the CEOs said: *“For my company it is less important that our headquarters is established in the Netherlands. We are a registered company in the Netherlands, but our focus is worldwide, to be a global company.”*

Two years ago, when the film *Fitna* was released, produced by a right-wing member of parliament, the MNEs faced some boycott problems. Due to the efficient and proactive way the embassy dealt with this case towards the Dutch companies and Malaysian government, it turned out to be a storm in a teacup. One of the CEOs *“praised the Dutch approach”*.

Smaller companies, related to the oil/gas and water management industry, experience advantages due to the close business relations between the Netherlands and Malaysia. *“That our company is*

based in the Netherlands has some advantages for us. The Malaysian oil and gas industry is very positive about supplies from the Netherlands. Due to the strong business relations of Petronas²⁵ with the Netherlands, the Dutch companies are running ahead compared to the competitors from other countries."

In other industries, there is no advantage or disadvantage for Dutch companies. Doing business in Malaysia is more focussed on network relationships and knowing people for a longer period of time.

USP

Nowadays only events with a focus on one of the key Dutch industries are organized. The speakers who are invited are competent and knowledgeable speakers, who deserve a proper audience. Government representatives, Malaysian companies and other interested parties are invited and encouraged to attend this lecture. The purpose of these events is to bring the ambition of the Netherlands to the attention of decision-makers in Malaysia. The key industries of the Netherlands are the oil-gas industry, agriculture, water management, logistics and infrastructure. The press is invited as well for these occasions, as a good press release contributes to the image of the Netherlands. Good relations are carefully maintained with the press.

Efforts of embassy

How do the respondents view the embassy's efforts to enhance the image of the Netherlands? Should the embassy focus on the key industries, or are the promotional campaigns too general? According to a respondent it is *"very difficult to exceed the efforts at this point"*. The limited budget prevents the embassy from rolling out large general campaigns. All efforts and available resources are focused on the key industries in which the Netherlands already excels.

During seminars in which the embassy participates, the *"strong characteristics"* of the Netherlands are expressed by diplomats. According to respondents, *"The embassy emphasizes time and again the strong economic relation and business opportunities, logistically very strong, gateway to Europe and great amount of FDI in the Netherlands."* Nevertheless, the strong geographic position of the Netherlands can be utilized better, and should be the focus of the promotional campaign.

On the other hand, there were some negative comments about the embassy's efforts regarding Holland Branding. Due to the presence of renowned Dutch companies, the image is slowly changing towards the desired image the Netherlands wants to have.

The image of *"tulip country"* does not represent what the Netherlands has to offer. The highly skilled, multi-lingual, and geographically strongly situated country is overshadowed by windmills, tulips and cheese. The embassy would get more out of the promotion if it could link the icons of the country to key industries. *"I dislike the lack of one general image of the Netherlands."* The Netherlands should promote the overall opportunities it has to offer.

The image of the Netherlands is hard to modify. Promotional occasions should be used to nuance the image that exists among the Malaysian inhabitants. *"Paul Bekkers, the ambassador of the Kingdom of the Netherlands, cannot deny the liberal drug policy, assistance with euthanasia or policy towards prostitution. He can explain why the Netherlands has the policy, and polish the image, and that is exactly what he is doing. Very well done."*

²⁵ Petronas is a state-owned oil/gas company of Malaysia.

Despite all the efforts made by the embassy to promote the Netherlands, ultimately the Dutch companies have the greatest opportunity to change the image of the Netherlands. The embassy can facilitate wherever possible.

There is some disagreement among the respondents about who creates the image of the Netherlands in Malaysia. The largest group agreed that the Dutch business community itself is responsible for the image of the Netherlands.

Nation branding

Embassy:

- Malaysian population in general not familiar with the Netherlands, but good reputation in some specific industries. Policy changed in 2007, switch from targeting general public to focusing on key industries
- The Netherlands is a big investor in Malaysia and has big, reputable companies in Malaysia.
- For MNE having Dutch roots or HQ being established in the Netherlands is less important. For SME in specific industries (water, oil) this offers advantages over competitors
- Draw attention of the decision-makers in Malaysia to the ambition of the Netherlands
- Image of "tulip" country is limited, Holland can offer much more

4.4.6 Other findings

Work style of commercial diplomat

The work style of a commercial diplomat can vary from person to person, and ranging from business promoter to civil servant. All respondents examined the work style of the current commercial diplomat in Kuala Lumpur as generalist (instead of specialist). She offers good contacts on the government level, as well as contacts with private companies. Her attitude is a hands-on approach towards all companies with any kind of request. Respondents in more frequent contact describe her work style as proactive. The work style of her predecessor was in contrast diplomatic and reactive in nature.

Respondents with experience of both of them argued that the current commercial diplomat was more focused on actively supporting companies, sharing information, and organizing matchmaking programs, and less on desk research reporting. *"This difference in work style might be a consequence of the exchange program between EZ and BZ."*

In July 2010, the current commercial diplomat finished her 4-year period and will be replaced by a successor. However, the successor will probably not arrive until January 2011, and the respondents are concerned about the knowledge gap that might arise. They regret the lack of overlap, as the successor will not be introduced personally by the predecessor. *"The new diplomat can reinvent the wheel, instead of continuing the current attitude."*

One of the respondents praised the efforts of the commercial diplomat: *"Since the commercial diplomat arrived in Kuala Lumpur, she has changed the accessibility in a positive sense. I have an incredible respect for what she did for the Dutch companies. This is hard to achieve for a woman in a Muslim country."*

Image of embassy

Many Dutch companies, both in the Netherlands and abroad, are not aware of the services an embassy can offer, which can result in some skepticism against the institute and its employees. Additionally, the perception arose that the former ambassador's attitude was to ignore the SMEs and favour only MNEs. This combination of factors has a negative effect on the image of an embassy. According to some respondents the embassy should promote itself better and communicate a clear message of what it stands for. CEO of a MNE said: *"I hear sometimes complaints about the embassy's efforts, but I totally disagree. It might be that there is a lack of effort towards individuals, but they are always prepared to help companies."*

Secondary service and result-oriented

Within the ministries (BZ – EZ) there are continuing discussions about the efficiency of the service provided and how to design a more result-oriented system. The context of the discussion is the aim to increase the productivity and deliver better, more advanced services for companies who are really interested. The embassy spends relatively too much time on slightly interested companies. One of the options discussed was to charge the client for information, which is currently available free of charge. When companies are charged for information, the requests take on a more serious character, and useless, time-consuming questions should decline. A new result-oriented organizational design has multiple consequences for the level and quality of the service, the accessibility of the embassy, a change of mindsets and the skills of employees.

One of the respondents said: *"It is strange that the services provided by an embassy are free of charge. It will probably take a lot of time to answer these questions, which could easily be answered by themselves after a little research. If the applicant were charged for information, the level of meaningful questions should rise immediately."*

Half of the respondents are willing to pay for information if the level increases, which means for example tailored, in-depth market research reports. The consequences for offering paid services means that the delivered information should be of high quality. Instead of hiring generalists, the embassy should employ more sector specialists.

Other respondents are not in favor of charging for services provided by the embassy. *"Imposing tax in the Netherlands and charging services abroad would not be a sympathetic gesture of the government. The commercial diplomat is hired to support Dutch companies to expand, that is a mutual win-win situation."* Or *"the focus of the embassy is to enhance bilateral and diplomatic relations, not to provide secondary line services"*.

The established respondents mentioned that they have their own network and relations, and rely on information they gather themselves. But they understand that newcomers might need access to valuable and solid information.

Other findings

- Current commercial diplomat perceived as generalist, proactive and hands-on approach
- The embassy should promote itself better
- Individuals complain about the embassy, although it is always prepared and willing to help
- Ongoing discussion about reforming embassy towards a result-oriented system
- If companies are willing to pay for additional services, they should get additional in-depth information.

4.5 Content overview

The outcomes of the quantitative research have been described in this chapter. The lists after each subsection highlight the key findings from the interviews, which will be used in chapter 5 to draw conclusions, followed by a discussion. The list of respondents was assembled in close cooperation with the commercial diplomat, to make sure that a wide range of distinct companies in contact with the embassy was covered. The list of 21 companies interviewed is given in appendix 6. A more extended summary of the interviews is reproduced in appendix 7.

Chapter 5: Conclusion and discussions

5.1 Introduction

The traditional boundaries of our geopolitical-economic world maps are being challenged (Simonin, 2008), a process referred to as globalization. Globalization may be defined as the broadening and deepening of linkages between national economies into a worldwide market for goods, services and especially capital (Cho, 2001). In recent decades the international business environment has undergone major changes, resulting in a new dimension of international trade and diplomatic relations.

Governments are recognizing the growing importance of commercial diplomatic activities. However, little research has been conducted in this field. This study has been devoted to the practical side of commercial diplomatic activities: how the policy is translated into a toolkit of activities, and how these activities are perceived by the target group. The aim of this study is to answer the research question: *“What commercial diplomacy activities are executed and how are they perceived by the target groups?”*

Chapter 1 elaborates on the economic relations between the countries from a historical perspective, and the developing field of commercial diplomatic activities. Governments acknowledge the necessity to reshape the diplomatic service into a more supportive and facilitating one towards Dutch companies trying to expand their markets abroad. In the literature, commercial diplomacy has an ‘invisible’ status within economic studies. This study is focused on acquiring a better and in-depth understanding of how the policy regarding commercial diplomatic activities, to the extent there is one, is translated into a toolkit of actions.

Chapter 2 elaborates on what has been written in the literature about the field of commercial diplomacy. The purpose of the literature review is to come up with a theoretical framework which gives insight into which factors are handled by the commercial diplomat.

There is a consensus about what activities a commercial diplomat should do, but different models were found in the literature (Kostecki, 2007; Potter, 2004; Lee, 2004). The main tasks are gathering and disseminating market information and informing the homeland, facilitating business development and maintaining a good local network, and promoting the goods, products and image of the home country.

Chapter 3 explains how the data was collected in a methodologically appropriate way and used to research the conceptual model. A total of 23 interviews were conducted with the target group and commercial diplomats in Malaysia, to identify their perceptions and analyze why these differences exist. Together with the secondary data drawn from existing policy documents, conclusions could be drawn. Finally, the practical and scientific relevance of the research for the field of commercial diplomacy were indicated.

The findings of the data-gathering process are addressed in chapter 4. The first part presents the outcomes regarding secondary data collection from written policy documents, guidelines and other information. The last part of the chapter displays the results gained from the interviews.

The aim of this chapter is to draw conclusions and discuss the findings from the primary and secondary data, regarding the research question formulated in section 1.4.

In section 5.2 conclusions will be drawn about the findings from primary and secondary data research. Subsequently, in section 5.3 a discussion will be held, section 5.4 is devoted to a theoretical framework, section 5.5 presents the future of commercial diplomatic activities, section 5.6 reflects on the research conducted, and section 5.7 introduces suggestions for future research.

5.2 Conclusions

Support of newcomers

This research has found convincing evidence that the embassy's support towards newcomers has been perceived as valuable by the target group. Companies who are unfamiliar with the Malaysian business environment and/or have no business ties to Malaysia judged the assistance of the commercial diplomat as very fruitful. In addition, it was found that companies with current business ties to the Malaysian market invoke the embassy less frequently on issues related to newcomer problems, like market information, concessions, and customer contacts, as they gather their own knowledge and have market experience.

The findings are consistent with the line of reasoning of the commercial diplomat that most efforts regarding newcomers should be devoted to companies unfamiliar with the Malaysian market. It is acknowledged, on both sides, that the first request for help or information has to come from the company, but subsequently the embassy is very willing to help. SMEs²⁶ are found to make use of the information and matchmaking facilities of the embassy, whereas MNEs²⁷ do not.

In cases where the embassy was present during ceremonies, contract signings or arranged meetings, both MNE and SME feel comfortable in this situation, as the embassy is aware of the business situation the company is involved in.

Information process

It was found that most requests for information are related to general topics, and the embassy will not usually receive more in-depth information requests. Respondents and the embassy acknowledge that players in specific industries have better access to market information than the embassy. Further findings in this research are that the longer a company is part of the Malaysian business environment, the less its need for information from the embassy. The information provided to clients during matchmaking programs is considered of high quality and informative. Participants of this program can be considered as unfamiliar with the Malaysian market which they are interested to enter.

The absence of a TWA²⁸ is due to there being less ground-breaking research in Malaysia and relatively few patent applications compared with other Asian competitors. This lack is considered a shortcoming by two of the 21 interviewed companies. The embassy is never actively involved in legal affairs. Assistance consists of referring to knowledgeable legal partners or drafting an independent letter with an overview of the facts.

²⁶ SME: Small and Medium Enterprises

²⁷ MNE: Multinational Enterprises

²⁸ Technisch wetenschappelijk attaché, Technical scientific attaché

Network of the embassy

It is acknowledged that the embassy has a very extensive network in the private and public sectors, but both the commercial diplomat and the respondents mentioned that the embassy's network is just one of many, assumed to be "one of the players" and not the hub in the system. Especially companies established for a longer time in Malaysia, or with close business ties, have built up their own network and business contacts. It is noted that the embassy is willing to use its network and even search beyond their network for appropriate partners. Companies interacting more closely with the embassy perceive a more active attitude of the commercial diplomat than companies with less contact.

The "round-table" events organized by the embassy are perceived by all invited SMEs as successful and positive, and the interaction between SMEs and the embassy is recognized as fruitful.

Although the embassy maintains an extensive network in certain ministries and government-linked agencies, the influence of the embassy in the policy-making process is slight, the Malaysian government sets its own agenda. The embassy can create the opportunity to improve the business environment by having an open dialogue on specific issues or raise certain points in conjunction with the EU²⁹ ambassador.

Even though the embassy and the MDBC³⁰ share certain goals, for example fostering the bilateral relationship between the Netherlands and Malaysia, distinctions are also evident. The embassy is diplomatic in nature, has official purposes and is more oriented towards assisting newcomers. The MDBC is more focused on its own members, with a practical angle of organizing events and seminars. The differences should be made clearer. The embassy needs to communicate better what services it can provide, and create its own identity, which is not interchangeable with the MDBC services.

Delegations and events

Based on the interview findings it can be concluded that the majority of the trading missions are initiated by organizations established in the Netherlands. When the embassy is involved in the preparations, efforts are mainly focused on matchmaking (due to their extensive network in the private and public sector) or logistic facilities. The SMEs that were invited on trade missions mention the high level of the negotiations and that participation in these missions was invaluable. They experienced less room for individual meetings and business negotiations. MNEs judged these missions as valuable, because more attentions is paid to multinationals.

The companies involved in matchmaking programs, meant to serve as an introduction to the Malaysian market, perceived the embassy's efforts in arranging the meeting as useful and thought it very important to have an overview of the main issues/challenges in the market.

When interesting and knowledgeable persons from the Netherlands visit Malaysia, the embassy puts on an event (e.g. seminar) and invites all relevant parties, to share their knowledge and bring together Dutch solutions for Malaysian challenges.

Nation branding

The Malaysian population is in general not that familiar with the Netherlands. In some specific key industries the Netherlands has established a good reputation as highly skilled and reliable. The embassy has abandoned targeting the general public (budget limitations) and concentrates instead on promoting specific industries, which has proven to be more effective in developing networks. It

²⁹ European Union

³⁰ Malaysian Dutch Business Council

can be concluded from the interviews that there is no one common image of the Netherlands in Malaysia.

The interviews revealed that Dutch companies agree with the policy to focus on specific industries. However, remarks were made that the good qualities might be overshadowed by the image of windmills and tulips. The embassy can facilitate and participate in building up an image, but ultimately the MNEs are 'responsible' for how it appears. This image is hard to modify, but the ambassador is branding it in a correct manner.

MNEs gain no advantages or disadvantages by having their headquarters in the Netherlands, they are global companies. Smaller companies, related to the oil and gas industry or water management, experienced advantages from the close business relations the Netherlands has with Malaysia. In other industries there are no advantages or disadvantages for Dutch companies. Conducting business activities in Malaysia is more directed to network relations and knowing people over a longer period.

Other findings

The work style of a commercial diplomat can be considered as business promoter, civil servant or generalist. The commercial diplomat in Kuala Lumpur describes her work style as a generalist, which is in line with the respondents' perception. The commercial diplomat facilitates in a variety of issues, but never in-depth in a single case. A second conclusion, based on the findings, is that the work style of a commercial diplomat depends greatly on the person's own nature. Affinity with a specific industry can lead to more and in-depth help towards players in that market.

The embassy is always willing and prepared to help, although this is not always recognized by the target group. The target group is not always aware of the support an embassy can offer, and the embassy has not been able to communicate this properly to the target group.

Within the ministries (BZ – EZ)³¹ there are continuing discussions about the efficiency of the services provided and how to design a more result-oriented system. It can be concluded from the interview findings that there is no consensus among the respondents about reforming the embassy's economic department. Depending on the industry, size and extent of experience in Malaysia, companies are more or less enthusiastic about secondary/paid services.

5.3 Discussion

In this section I will discuss the findings of the data. They show that the respondents' perception contradicts in some cases the theoretical findings in chapter 2 or the perception/experience of the commercial diplomat. In this discussion several aspects will be highlighted from different perspectives, to analyze the different findings and come to an explanation of the results.

Expanding the domestic markets can have mutual beneficial correlations for companies and the government (Kostecki, 2007), as mentioned earlier in chapter 2. Companies gain easier access abroad through a sustainable relationship with the government, and the government is interested in job creation, increased tax revenue and economic integration.

Regarding the support of newcomers, not all new Dutch players on the Malaysian market are being supported by the commercial diplomat. In those situations in which the embassy was not involved in a supportive or advisory role, it is very common for companies to have conducted market scans in their home country before deciding to expand abroad. This market research process is already

³¹ Ministries of Foreign Affairs and Economic Affairs.

accomplished when companies enter a new market and/or come into contact with one of the diplomats.

Kostecki and Naray (2007) mentioned that the commercial diplomatic activities should focus on assisting a large range of companies rather than supporting individual companies. After the interviews I am not sure if they are right in their argumentation. Given the perspective of entanglement of interests or nepotism, it might be more transparent to offer a large range of companies the same service, instead of individual help. This criticism is also mentioned in a review of Kostecki and Naray (2008), "Commercial diplomats will only help their private friends and will therefore only encourage corruption within the diplomatic services".

However, the embassy is accessible for all companies, which means that every company has the opportunity to apply for the same service. In addition, there is a policy guideline that indicates what services can be delivered, and finally, an integrity code is implemented in every embassy. Nepotism cannot be excluded completely (in all industries). Based on the findings of the data research in Malaysia, I doubt whether the argument in the paper of Kostecki and Naray is solid.

The individual support perceived by newcomers, especially the matchmaking programs based on company-specific needs, were very attractive. After an extensive intake, the local employees of the embassy contact and arrange appointments with local companies. The strength and benefits of local employees, with their experience and knowledge of the local market, are very obvious in these matchmaking programs. The markets in Malaysia are increasingly transparent, but still difficult for inexperienced players. The important positive effect that knowledgeable employees can have for the local markets is in line with the theoretical findings of Kostecki and Naray (2007). Without this commercial diplomatic support, SMEs were less able to scan the market for business opportunities and meet appropriate counterparts. This individual help is considered as fruitful and helpful, based on the findings.

Another reason why SMEs do not invoke the embassy's help was that they were unaware of the support on offer. The commercial diplomat is upset when companies complain about the lack of assistance, although the embassy had not been requested for assistance at all. But this problem could be tackled by a better way of communicating the services towards the target group and explaining how an embassy can assist. This communication should concentrate on the current entrepreneurs in Malaysia as well as entrepreneurs planning to expand abroad.

According to Lee (2004), one of the commercial diplomatic activities is gathering and disseminating commercial information and market research, which is information on existing and potential markets on both a geographical and sectional basis. Although the discussion within BZ – EZ is directed towards a more result-oriented system of organization, information gathering and sharing activities are based on the commercial diplomat's judgment. There are some industries that are relevant for the Netherlands in most countries and should be included in an annual report, like oil and gas or water management; there are also some specific needs for each individual country, depending on the level of development, geographical location and natural resources.

When investigating the reorganization in Canada's Foreign Service, Potter (2004) stated that the trade commissioners are Canada's eyes and ears in foreign markets. I assume that this statement can

be generalized to every commercial diplomatic department. During my research period I observed a strong interaction between the EVD and the embassy in Kuala Lumpur. The shared database was the foundation of knowledge, which both parties could access to add information, create projects, organize seminars or fulfill other requests. When the Dutch counterpart was not able to answer information requests, the commercial diplomat in Malaysia was.

In market circumstances where transparency is blurred by legislation or the personal interests of local/national politicians affect market situations, it is important to know this before entering a new market. Commercial diplomats spend a significant part of their time on answering questions related to topics such as legislation, market information, sensitivity between different populations, opportunities and threats.

Requests for industry-specific related issues are rare. Both MNEs and SMEs that are familiar with the local business environment do not complain about the lack of in-depth information of explicit sectors, which is quite understandable in my opinion. It would be remarkable to ask a commercial diplomat with less in-depth knowledge about a specific industry for advice or information. The supportive task of an embassy regarding providing information is based on primary services, regarding general information of the market, but the spotlight is on the needs of an individual company. These findings are in line with Naray (2008) who stated that the development of the internet as a source of information has shifted the service of the commercial diplomat towards more value-added and tailor-made intelligence based on personal contacts. The longer companies are established in a country (thus more experienced), the less their demand for information. The most added value could be delivered to newcomers concerning information sharing.

The Netherlands and Malaysia have been connected from a historical point of view for four centuries, since the occupation of Melaka city (1641- 1824). After the capitulation, business relations were established, and today the Netherlands belongs to the top 10 biggest investors in Malaysia and top 4 export countries. The reason the Dutch government has an embassy in Malaysia is mainly based on the economic perspective between the two countries. In Malaysia there are some renowned Dutch MNEs and sophisticated SME suppliers, which could be the answer to Malaysian challenges, on problems they face with water management, agriculture, green technology and the oil and gas industry. This finding is in line with Rose's argumentation (2005). The host country's market size and market potential are even more important than the current business flow and the most significant determinant of the investment in commercial diplomacy.

Another point of discussion, which might concern the employees of the embassy, is the image problem they face in the Netherlands and abroad. The interview findings display mixed opinions of how the respondents value the image of the embassy, especially of those companies established for a longer time in Malaysia. How shocking is the fact that the companies which have been doing business for a longer time in a country have no positive feelings about the embassy? Generally, these companies no longer need the embassy. It is regrettable that their opinion towards the embassy is founded on incomplete information. The embassy can do more than pass on some names or introduce potential counterparts. These incorrect stories are also heard by newcomers, and can affect their attitude towards the embassy negatively. The embassy can be invoked for more aspects, and companies could take more advantage of it.

A second aspect that contributes to the image of an embassy is the accessibility of the ambassador and the commercial diplomat. Both predecessors were representatives of the Ministry of Foreign Affairs, and from what I have heard, they had a very bureaucratic approach in their work style. Writing reports from their desks was more the rule than the exception. That work style suits a civil servant, according to Kostecki and Naray (2007). Fortunately, the new ambassador and commercial diplomat were both very accessible, with a hands-on approach, and were willing to support wherever they could, whether the requests came from SMEs or MNEs. This open and proactive approach was noted by the target group, and has resulted in a positive image boost. This work style could be described as business promoter. I felt the personal traits of a commercial diplomat, the affinity with economic affairs, the proactive attitude towards Dutch promotion were unlikely to have so much influence on the image of an embassy. I'm not sure if this positive change is due to the concordat between EZ and BZ, or the affinity with economic affairs, but I assume that, according to the findings from my research, the business promoter attitude is of greater value than the civil servant one.

Nation branding is considered to be about the position of a country in the 'global village' and its recognizability in the international arena (Lee, 2009). This international recognizability is incredibly important for the Netherlands, due to the high contribution of international relations to the GDP (80%). The commercial diplomatic activities related to nation branding are mostly applied to sector events and refrain from targeting the general public. Besides the limited budget for public diplomacy, this focus on the key industries is more effective for commercial purposes (attracting tourism is not taken into consideration as that policy is coordinated and executed in the Netherlands).

The SMEs in particular benefit from being a Dutch company. Through a good reputation in industries like water management or oil and gas, some SMEs mentioned being ahead of the competition; companies in other industries did not recognize this effect.

Ambassadors, commercial attachés, and other members of the diplomatic corps are said to play a key role in developing and maintaining export markets, and creating an image of the home country (Naray, 2008). However, this is contrary to the findings of my own research, where respondents mentioned that renowned MNEs have the most influence in creating/building a positive image. I assume that the respondents are right, in the sense that the embassy can facilitate in a supportive function, and the major contributions of building a country's image is based on the reputations of Dutch companies. Lee (2009) refers to the true concerns of commercial diplomats about their image problem of their economy abroad, as stereotypes are difficult to modify. An embassy can facilitate in polishing an image, explain the legislation and government policies, or cooperate in organising events.

The embassy provides a so-called primary service to anybody who requests assistance, which is in line with the state-aid legislation for interference in the free market economy. In the Ministry of Foreign Affairs is an ongoing discussion about reorganizing the task-oriented system towards a result-oriented system, whereby assistance could be extended to secondary line service, which contains more in-depth market information or tailor-made advice. The second question that arises is the free availability of the service. Is an embassy an appropriate institution to extend the service into tailor-made options, subject to a fee?

If it is decided to reorganize the embassy into a result-oriented organization, there are several implications and consequences. Industry-specific specialists should be hired to deliver the correct

information/advice, which increases the cost of labor. As a consequence, the embassy might be seen as a competitor of other consultancy firms, 'customers' will expect high-quality work, the accessibility of the embassy may be diminished (the ivory tower effect), or objectivity may be lost. Half of the interviewed companies were unwilling to pay for the additional services, because they think they have better access to the relevant information than the embassy. Besides, it would not be a sympathetic gesture to charge companies while they pay tax in the Netherlands.

Commercial diplomacy is undergoing a gradual process of privatization. These institutional developments consider a move toward influence by the private sector (Sherman and Eliasson, 2006) in the government's foreign policy. It is interesting to elaborate on this gradual movement from the principal agent perspective³². The rationale of this theory is that there are conflicts of interest between the principal and the agents, and the agent's activities need verifying. These two problems arise through an asymmetry in the information between the uninformed principal and the informed agent.

Conflicts of interest arise when parties are involved in a project allied by a contract. In principle, you want to achieve the best results, and the agent wants to achieve the aim with less effort. However, in the case where a commercial diplomat serves the clients, according to a pre-determined policy guideline, the conflict of interests is reduced to a minimum. In addition, the services offered are free of charge, and the intention of commercial diplomacy is to be as supportive as possible. In the setting of individual help to companies, I think the conflicts are reduced to a minimum.

However, the problems might become visible when individual companies aggregate into a specific sector lobby. The industry is better informed than the government about its difficulties with selling on specific foreign markets, but the government is presumably better informed than the industry about the provisions of international trade agreements. In this situation a new problem arises of privatized diplomacy. The government has to rely on information from an interested party (industry) and the broader multi-issue and multi-country trade relation in case-to-case interactions (Sherman and Eliasson, 2006).

In the case in which the principal (government) has to control the agent (commercial diplomat), the government has imposed some control mechanisms to ensure that the commercial diplomat is acting in line with the government's interests. The control mechanisms are multiple, like the culture within an organization, policy guideline, integrity code, but also feedback mechanisms after recurrent complains.

5.4 Theoretical model

This qualitative research offers valuable insight into the factors that elaborate how the commercial diplomatic activities are perceived by the target group, and executed by the commercial diplomat, and what the influence is of the image of the Netherlands, as depicted in the onion-ring model in chapter 2. The findings in this descriptive study can function as a reflection of the practical implications of the embassy's policy and answer the research question:

What commercial diplomatic activities are executed and how are they perceived by the target groups?

³² This theory is first described by Spence and Zeckhauser, 1971

The inner circle of the theoretical model, the business support perception by the target group, was researched by interviewing 21 companies and discussing their experience. The companies which had made use of the commercial diplomatic activities perceived that help as useful and felt comfortable that the embassy was willing to help, support or provide advice. Not all companies were aware of the help an embassy could offer, and not all companies liked the assistance. The practical support towards companies declines once they have been established for a longer period in Malaysia, and might convert into more formal support like embassy backing or arranging a meeting with government agencies. Companies which are not using the embassy at all are mostly experienced in their business environment and do not need any support. Approximately 80% of the embassy's commercial diplomatic activities involve newcomer support.

The middle circle of the theoretical model represents how the commercial diplomatic activities are executed by the embassy. The supportive function of the embassy is organized to help all companies that request information, advice or support as best as possible. However, the embassy takes a reactive attitude towards these companies. First, because the embassy is not familiar with all companies that need help/support, and second the embassy does not want to waste time on projects and reports which are not necessary. In these individual cases, support is available, but the request must come from company itself and not be initiated by the embassy.

A proactive attitude of the commercial diplomat's efforts is recognized in the industrial promotion projects, like seminars or trade events. In those industries where the Netherlands can distinguish itself from competitors, for example water management, the embassy will initiate projects or combine visits to draw attention to the strengths of the Netherlands.

The outer circle of the theoretical model depicts the influence of the image of the Netherlands as perceived by the respondents and how commercial diplomatic activities are executed in order to promote the image of the Netherlands. The commercial diplomatic activities related to nation branding are mostly applied to key Dutch industries and refrain from targeting the general public, as in public diplomacy. First, the budget is limited, and second, influential decision-makers are better approached during sector-related events.

Due to the positive image of the Netherlands in some industries (water management, oil and gas industry), SME suppliers for these industries are ahead of their competitors. Others do not experience advantages from their Dutch roots or image.

The scientific contribution to the commercial diplomacy arena is to come up with empirical findings about how commercial diplomatic activities have been executed by the embassy and how they are perceived by the target group. The factors of analysis, the onion-ring model, are mainly based on the theoretical review of KostECKI and Naray (2007). Due to the newness of the field, the basic idea was to conduct an exploratory study, to research the theoretical findings of the identified commercial diplomatic activities applicable to the situation of Malaysia.

The data found in this study suggests that the theoretical model partly reflects the activities executed by the diplomat. Not all of them were applicable in the situation of Malaysia, while others are not recognized as part of their duties.

The need for access to reliable business information is still present, but declining in combination with the expanding sources like the internet and several databases. Also, support of delegations and conflict resolution are activities rarely done in the commercial diplomatic world. The support of

newcomers, partner search and image building are a priority for the commercial diplomat, in line with the theoretical research of Kostecky and Naray (2007), and consume the majority of their time.

The reason that the outcomes of this study cannot automatically be generalized can be clarified by contingency theory, which describes that there is no one best way to organize, and that any one way of organizing is not equally effective under all conditions (Galbraith, 1973). Furthermore, there is a belief that no universal set of strategic choices exists that is optimal for all businesses, irrespective of their resource positions and environmental context (Ginsberg and Venkatraman, 1985). In other words, the commercial diplomatic activities executed in the case of Malaysia suit the local setting (environment, social behavior, religion, markets and economic performance of the country, characteristics of the commercial diplomat). As the research findings depend on the country characteristics applicable in this study, external validity to other countries may be low, and thus the results may not be generalizable.

Although the outcomes of this study are not automatically generalizable to other countries, I would suggest conducting this research in more embassies before adjusting the theoretical model and factor of analysis. Those results should deliver more insight into whether or not the theoretical findings of Kosticki and Naray (2007) hold.

5.5 Future of commercial diplomacy

Reorganizations, increasing the yield, and improving efficiency are recurring items of the discussion about the future of commercial diplomatic activities. The economic crisis has also affected the budget of the Ministry of Foreign Affairs, which might result in a 20% cut for embassies and consulates, and thus indirectly for the commercial diplomatic activities.

Criticasters or opponents of these commercial diplomatic activities might argue that information gathering and disseminating activities and matchmaking events could be realized by private companies. Aside from this "informal" task, the presence of the commercial diplomat also serves "formal" purposes, such as a backing facility and maintaining a network in private and governmental institutions, which are more difficult for private companies.

I'm a proponent of maintaining the organization of commercial diplomatic activities as in the current situation. I believe the physical presence of a commercial diplomat has a positive effect on an embassy's results, keeps the network relations strong, and increases awareness of the local traditions and market circumstances. By having accessible and proactive diplomats employed in this commercial post, the government can strengthen economic integration and generate more tax revenues.

Because savings have to be made, they could be realized by, for example, centralizing the effort of economic diplomacy via the EU ambassador for economic affairs, or cutting the budget for public diplomacy activities. The general Holland branding activities could be organized and executed via the Bureau of Tourism.

In the interest of making the embassy visible to its target group, it is quite important for the embassy to communicate repeatedly what services it can offer and stay connected with the target group. A good example is the luncheons organized by the commercial diplomat.

5.6 Reflections

The results of this study provide in-depth knowledge to answer the research question stated in section 1.4. The theoretical model guided me throughout my research while gathering data, in order to generate a reliable mass of information, which led to the answer given in section 5.4. A few matters in this research are still open to question and will be elaborated.

First of all, the list of companies selected for interviews was composed in conjunction with the commercial diplomat's network. Companies not in contact with the embassy were less likely to be involved in the research project. Is it questionable whether the selected companies represent the total population, which could have biased the outcomes of the study.

Second, it is debatable whether the results of this research can be theoretically generalized to other embassies, where statistical generalization is no option due to quantitative research. This research is conducted as a single case study, mentioned in the title of this report: 'Commercial diplomacy and the role of embassies'. The personal traits of the employees, historical relations between the two countries, the presence of MNEs or political conflicts are all factors that have influenced the outcome of this case study. The answer to the research question represents the perception of the Dutch respondents in Malaysia, not the perception of all 'clients' of the embassy worldwide. The same study could be conducted in other embassies to explore difference in perception of the target group or organizational differences of the other embassies.

Third, the formulated answer of the research question is based on gathering and converting opinions from several respondents. My personal influence on coding and analyzing the interview response could have led to a misunderstanding of the respondent and an incorrect answer, which might reduce the reliability and validity of the outcomes. In addition, I was employed at the embassy, which could influence the perception of the respondent that I was not subjective.

Fourth, this study intended to describe the perception of the target groups regarding their experience of the commercial diplomatic activities. In studies in the field of social behavior, the factor 'trust' can influence the outcomes. Is the interviewee's version of the storyline "correct", or biased by means of sensitive issues? Further, more extensive research should address this problem.

Fifth, is the descriptive model derived from the literature the best way to research the perception of the target group? The newness of the theoretical field and the lack of empirical historical findings made it tough to design a new theoretical model to study this case in greater depth. The limited scientific research forced me to keep the model simple and applicable in a field about which I lack in-depth knowledge. Subsequent studies could focus more on in-depth aspects of the outcomes of this research, mentioned in section 5.7, Suggestions for future research.

5.7 Suggestions for future research

This study provides an answer to the research question, '*What commercial diplomatic activities are executed and how are they perceived by the target group?*' The findings of this descriptive study clarify and elaborate how the target group perceives the commercial diplomatic activities. During this research, side effects or other influencing factors are mentioned in passing, which might be interesting to subject to further research.

The findings of this research are based on information gathered in Malaysia, and the results are limited to the circumstances faced there. It would be interesting to see if these findings could be generalized to other embassies. Future research in different embassies is needed to validate the outcomes of this research, and find out of these outcomes are applicable in all cases.

Another suggestion for future research is the influence of the personal traits of the commercial diplomat on the image of embassy. The three work styles mentioned by Naray (2008) are significantly different. From bureaucratic report writer towards a hands-on approach, it can create a completely different image of an embassy. Is the Ministry of Foreign Affairs aware of these influences, and how can these personal traits aspects be implemented in their HRM system?

The strengths of local employees have been elaborated in this paper and are relevant for matchmaking activities and making the foreign market more transparent. The Japanese and Korean diplomats are encouraged to remain in one posting for over 15 years, in order to become more familiar with the local circumstances, which might increase the level of service. In contrast, the Dutch Ministry of Foreign Affairs has implemented a rotation schedule of 4 years, whereby the employee has to change embassy. Every 4 years, a new commercial diplomat is installed and should maintain the network carefully built up in the past 4 years. To reinvent the wheel again is one bridge too far, but a lack of knowledge is a waste of efficiency. Future research could uncover whether there is a significant difference in distinguishable rotation schedules.

For example, I heard that the trade events of a Norwegian delegation are very impressive due to the presence of important and influential leaders from industry and politics. These missions are extensively announced and get massive attention when they visit a country. An interesting topic for future research is whether the effect of a mission accompanied by captains of industry or political leaders has more added value/leads to a significant positive effect than one without them. In addition, it would be interesting to discover if matchmaking programs/trading missions in cooperation with an industrial branch organization are more effective in industry promotion than ones without this cooperation.

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Appendix

Appendix 1: Newspaper article: Criticism of commercial diplomacy

'Ambassades wel hard nodig'

Afgelopen zaterdag noemde reismiljardair *John Fentener van Vlissingen* in een boeiend interview in deze krant een reeks maatregelen waarmee de overheid kan bezuinigen, zoals een lagere bijdrage aan de Europese Unie, het samenvoegen van ministeries en het rationaliseren van onze ontwikkelingshulp.

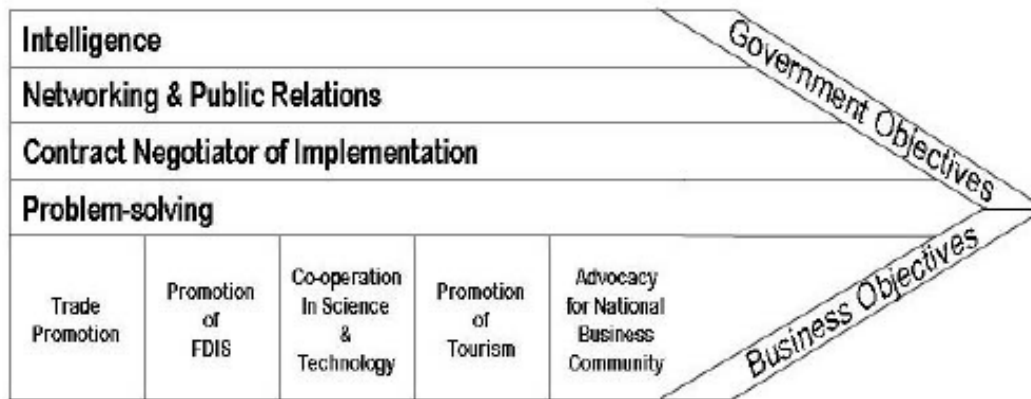
Ook opperde de BCD-topman de mogelijkheid om een „fors aantal ambassades” te sluiten. Scheepsbouwer *Kommer Damen* van de Damen Shipyards liet vanuit Katar weten dat hij „met verbazing” kennis heeft genomen van dat voorstel.

„Damen Shipyards en vele andere exporterende bedrijven zijn juist van mening dat het aantal ambassades in het buitenland zou moeten worden uitgebreid”, aldus Damen. „Nederlandse vertegenwoordigingen in het buitenland spelen een essentiële rol in het exportsucces van deze ondernemingen. In deze tijd van economische neergang zou export een speerpunt moeten zijn van het Nederlandse beleid.”

Source: De Telegraaf

Appendix 2: Value chain of commercial diplomacy

Value Chain of Commercial Diplomacy



Source: Potter (2002)

Appendix 3: Activity/Area Matrix

<i>ACTIVITY</i> \ <i>AREA</i>	Promotion of Trade in Goods and Services	Protection of Intellectual Property Rights	Co-operation in Science & Technology	Promotion of Made-in and Corporate Image	Promotion of Foreign Direct Investments (FDIs)
Intelligence	Gathering export marketing data	Supervision of violations of IPRs	Monitoring research achievements	Image studies	Identifying potential investors
Communication	Tourism promotion conference	Presentations during awareness campaigns	Preparation of press articles on scientific achievements	Contribution to made-in promotion events	Briefings for potential investors
Referral	Introducing potential exporters	Search for reliable IP lawyers	Facilitation of contacts between H.T. labs	P.R. for large contracts where national image counts	Approaching CEOs with investment proposals
Advocacy	Support of firms in dispute settlement procedures	Pressures for improved protection of home country's IPRs	P.R. in favour of joint scientific projects	Defence of national companies singled out by host country authorities	Protection of home country investors in the host country
Co-ordination	Organization of prospect meetings	Co-ordination of legal action	Introducing parties to initiate R&D joint ventures	Co-ordination of made-in campaigns	Organizing minister's participation in private investors' forum
Logistics	Embassy's secretariat is servicing a trade promotion conference	Training material for awareness campaigns is printed and distributed by the Embassy	Ambassador or CD hosts a conference on promotion of scientific co-operation	Translation of the campaigns material is done by the CD unit's staff.	Members of an investment promotion mission use office facilities at the Embassy.

Source: Naray, O. (2008)

Appendix 4: Work style of commercial diplomat

Style of Commercial Diplomat	Business promoter	Civil Servant	Generalist
Approach	Commercial issues are understood mainly as business issues.	Commercial issues are seen as an integral part of international relations.	Commercial issues are perceived in a broader diplomatic and political perspective.
Leading concern	Focus on client satisfaction.	Focus on satisfaction of the Ministry of Trade.	Focus on satisfaction of the Ministry of Foreign Affairs.

Note: The results are based on thirty-five in-depth interviews with commercial diplomats, government officials, experts and managers.

A **business promoter** may be described as a business-oriented, proactive CD that seeks the satisfaction of the companies served (rather than that of the ministry). Their major role is to provide the consultancy-like services requested by business firms. Knowing business, they are close to managers, have a solid technical know-how and entrepreneurial approach. Usually located in the economic capital of a host country, possibly with branches in the main industrial regions, they have a hands-on vision of support activities. Most of the consultancy services they offer are provided against payment. To put it in the words of an Irish expert, the most successful CDs are those who work mainly for the clients.

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

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

Source: Conference Paper by Naray (2008)

Appendix 5: Issues associated with successful interviews

1	Level of knowledge
2	Level of information supplied to the interviewee
2	Appropriateness of location
4	Appropriateness of the researcher's appearance at the interview
5	Nature of opening comments to be made when the interview commences
6	Approach to questioning
7	Nature and impact of the interviewer's behavior during the course of the interview
8	Demonstration of attentive listening skills
9	Scope to test understanding
10	Approach to record data
11	Cultural differences and bias

Source: Saunders et al. (2007)

Appendix 6: List of companies

Number	Name of company	Established
1.	AkzoNobel	Malaysia
2.	EneryValley	The Netherlands
3.	FeyeconAsia	Malaysia
4.	Frames	Malaysia
5.	Hut	The Netherlands
6.	Getronics	Malaysia
7.	Kuhlkamp	Malaysia
8.	Ledzworld	Malaysia
9.	Lionex	Malaysia
10.	MDBC	Malaysia
11.	Mokveld	Malaysia
12.	NDBAasia	Singapore
13.	NederDelta	Malaysia
14.	NIZO	Malaysia
15.	Optiqua	Singapore
16.	Philips	Malaysia
17.	PortofRotterdam	The Netherlands
18.	Resqtec	Malaysia
19.	SpiritIT	The Netherlands
20.	TNT	Malaysia
21.	Tonasco	Malaysia

Appendix 7: Interview summary**Support of newcomers**

Help to establish newcomers	<p>Embassy:</p> <ul style="list-style-type: none"> - Aware of added value, approach should be initiated by newcomer <p>Respondents:</p> <ul style="list-style-type: none"> - Most companies did not invoke assistance of embassy, because of existing business relations. - In two cases the embassy assist. - Other respondents received help, but from the MDBC
Market information	<p>Embassy:</p> <ul style="list-style-type: none"> - FAQ related to administrative topics and market opportunities/challenges and structure - Help introduction to appropriate counterparts - Writing market reports about key industries <p>Respondents:</p> <ul style="list-style-type: none"> - Companies with business ties did not request information, newcomers unfamiliar with the Malaysian market did.
Introducing new customers	<p>Embassy</p> <ul style="list-style-type: none"> - Select counterparts for individual companies on request <p>Respondents</p> <ul style="list-style-type: none"> - Companies established for a longer time have their own network, newcomers appreciate this matchmaking, information/introduction program
Attitude newcomers	<p>Embassy</p> <ul style="list-style-type: none"> - Reactive towards newcomers, as they don't know who is interested. Active after introduction <p>Respondents</p> <ul style="list-style-type: none"> - Range from reactive to proactive, depends on the extent of own knowledge and experience of Malaysian market.
Accessibility of embassy	<p>Embassy</p> <ul style="list-style-type: none"> - Try to be very accessible, everybody is welcome. Still polishing the image due to misconception about services provided. <p>Respondents</p> <ul style="list-style-type: none"> - Recognize embassy is willing to listen. Not all respondents are conscious of the services an embassy can provide
Duration of contact	<ul style="list-style-type: none"> - Range from long term (many years) to short term (1 - 2 months)
Embassy backing	<p>Embassy:</p> <ul style="list-style-type: none"> - Malaysians are sensitive to visible support of embassy towards Dutch companies. Being present or endorsing might be important <p>Respondents:</p> <ul style="list-style-type: none"> - Some respondents consider this service as "not necessary" or "redundant". - Respondents who made use of this service feel comfortable that the embassy is supporting their company.

Information process

<p>Information supply</p>	<p>Embassy:</p> <ul style="list-style-type: none"> - Majority of questions linked to general topics, keen to share all the information they have access to. <p>Respondents:</p> <ul style="list-style-type: none"> - Information is valued differently. For some respondents it had created new business opportunities, others have closer ties in specific industries than the embassy. - Matchmaking is considered high quality and informative
<p>General or industry-specific information</p>	<p>Embassy:</p> <ul style="list-style-type: none"> - Requests for industry-specific information are rare <p>Respondents</p> <ul style="list-style-type: none"> - Information we receive from the embassy is general, a few times more in-depth and industry-specific
<p>TWA</p>	<p>Embassy:</p> <ul style="list-style-type: none"> - Malaysia is not recognized as ground-breaking research country, fewer opportunities for TWA. Very few patent applications <p>Respondents:</p> <ul style="list-style-type: none"> - Two companies mentioned the lack of the TWA, would be helpful for them
<p>Political and legal issues</p>	<p>Embassy:</p> <ul style="list-style-type: none"> - It is important to keep strictly to the facts and be independent. Embassy never provides legal service, only references. <p>Respondents:</p> <ul style="list-style-type: none"> - Vast majority never experienced help in this field. One company requested assistance due to nepotism during a tender.

Network of the embassy

<p>Hub in the network</p>	<p>Embassy:</p> <ul style="list-style-type: none"> - Maintain very extensive network in private and public sector - Consider position as "one of the players" <p>Respondents:</p> <ul style="list-style-type: none"> - Embassy is not the hub in companies' networks, but one of the links - Companies have usually their own network, except from newcomers - Embassy is limited in their network to very specific industries
<p>Round table talks</p>	<p>Embassy:</p> <ul style="list-style-type: none"> - Organizing luncheons to keep informed and stay in contact with Dutch business community <p>Respondents:</p> <ul style="list-style-type: none"> - SME companies who were invited perceived this event as very successful and positive. - Message of the embassy was clear: "we are here to support you"
<p>Active or passive approach of</p>	<p>Embassy:</p> <ul style="list-style-type: none"> - Embassy reactive to already established Dutch companies in Malaysia - Active to promote key industries of the Netherlands.

network	<p>Respondents:</p> <ul style="list-style-type: none"> - They are willing to help, but the request should be initiated by the company itself. Companies with closer ties to embassy consider the approach more active towards companies
Influence of embassy on political situation	<p>Embassy:</p> <ul style="list-style-type: none"> - Influence very limited regarding political situation, country sets its own agenda. - More fruitful to mention particular issues via EU ambassador <p>Respondents:</p> <ul style="list-style-type: none"> - Dutch embassy has limited influence - Sometimes influence if deal is accompanied by major investments - The embassy can start open dialogues to improve business environment
Embassy and MDBC	<p>Embassy:</p> <ul style="list-style-type: none"> - Similarities of embassy and MDBC in fostering bilateral relationship between the Netherlands and Malaysia. MDBC is an association for and by its members, embassy offers more services for newcomers <p>Respondents:</p> <ul style="list-style-type: none"> - Member of MDBC for frequently organized events - Practical angle of business support <p>Differences:</p> <ul style="list-style-type: none"> - Embassy has diplomatic angle and carries out official purposes - MDBC has practical trait, organizing events for and by its members

Delegations and events

Invitations for missions or seminars	<p>Embassy:</p> <ul style="list-style-type: none"> - Trade missions mostly initiated by agencies in the Netherlands - Assistance in composing program - When interesting speakers from the Netherlands are in Malaysia, combine this with seminar <p>Respondents:</p> <ul style="list-style-type: none"> - Less than half of companies had been invited for seminars - Five respondents invited for trade mission, but level of negotiations is often too high - MNEs more involved in missions compared to SMEs
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Nation branding

Image of the Netherlands	<p>Embassy:</p> <ul style="list-style-type: none"> - Malaysian population in general not familiar with the Netherlands - Good reputation in some specific industries - 2007 policy change, refrain from targeting general public and focus on key industries <p>Respondents:</p> <ul style="list-style-type: none"> - No one shared common image of the Netherlands - Netherlands known for international orientation - The Netherlands is a big investor in Malaysia and there are big, reputable Dutch companies in Malaysia.
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Influence on business	<p>Respondents:</p> <ul style="list-style-type: none"> - For MNE having Dutch roots or HQ being established in the Netherlands not important - For SME in specific industries (water, oil) has advantages compared with competitors - In other industries more important to have a network
USP	<p>Embassy:</p> <ul style="list-style-type: none"> - Draw attention of the decision-makers in Malaysia to the ambition of the Netherlands - Water management, oil and gas, logistics, infrastructure, agriculture
Embassy efforts	<p>Embassy:</p> <ul style="list-style-type: none"> - Image of Netherlands hardly to modify - Make nuances wherever it can (e.g. explain the Dutch legislation) <p>Respondents:</p> <ul style="list-style-type: none"> - Very difficult to improve the promotional effort due to limited budget - During seminars embassy stresses the advantages of "Holland" - Image of "tulip" country is worse, Holland can offer much more.

Other findings

Work style of commercial diplomat	<p>Embassy:</p> <ul style="list-style-type: none"> - Considers herself not a specialist, more generalist work style <p>Respondents:</p> <ul style="list-style-type: none"> - Current commercial diplomat perceived as generalist - Proactive and hands-on approach
Image Embassy	<p>Embassy:</p> <ul style="list-style-type: none"> - Regrets criticism of embassy when representatives are not aware of the services an embassy can provide, <p>Respondents:</p> <ul style="list-style-type: none"> - The embassy should promote itself better - There are complaints by individuals about the embassy, although embassy is always prepared and willing to help
Secondary service	<p>Embassy:</p> <ul style="list-style-type: none"> - Ongoing discussion about reforming embassy towards a result-oriented system - Charge clients for information which is currently available for free - Redesign has consequences for embassy employees <p>Respondents</p> <ul style="list-style-type: none"> - Answers vary from "strange that services are provided without any charge" to "it would not be a sympathetic gesture to charge companies while they pay tax in the Netherlands". - Companies are willing to pay for additional services, but should have more in-depth information.

Annex 1: Time schedule

Activity	Period	Location
Finalizing research proposal and organizational arrangements	January	UT
Reviewing literature, developing research methodology	February March	UT
Collecting data in the company	April	Kuala Lumpur
Interviewing managers of other companies and/or distributing a questionnaire	May June	Kuala Lumpur
Processing and analyzing data	July	Kuala Lumpur
Drafting Master thesis	July	Kuala Lumpur
Re-drafting Master thesis	August	UT
Presenting Master thesis to supervisors	September	UT

Annex 2: Interview Protocol

Interview protocol of companies

This interview contains two sections. The first section covers the commercial diplomatic activities, the second section is dedicated to the image of "Holland". Points of discussion have been noted in the list below.

Section A: Commercial Diplomatic Activities.

Can you describe what you think commercial diplomatic activities are?

Support of newcomers:

- For how long have you been doing business on the Malaysian market?
- Did you get help from the embassy when you started your company?
- Did the embassy provide you with information ?
- Did you have any conflicts (legal or political), and did the embassy provide any help?
- Did the embassy assist your company in introducing new customers?
- How is the relationship with the embassy (active, proactive, reactive)?

Information process:

- Did you get any help when you started your company
- What kind of information did you receive from the embassy?
- How often do you receive information, is that on time?
- Does the new information deliver new business opportunities?
- Is it general information (sector) or custom-made information (business-specific)?
- If you need additional information, how easy/difficult is the accessibility of the embassy?

Network/relations:

- Do you recognize that the embassy is a connecting hub for your business network?
- Have you been invited to a "round-table" event?
- Is the commercial diplomat's offering an active or passive service in network relations?
- Are the relations of the embassy to local/national government enough to have a direct influence?
- How does the political situation in Malaysia influence your way of doing business?
- How do you distinguish between the embassy and the MDBC?

Support of delegations:

- Does the embassy support trade fairs/exhibitions?
- When there is a business delegation from Holland in Malaysia, can you get in contact with them?
- When there is a government delegation from Holland in Malaysia, can you get in contact with them?

Section B: Image of "Holland"

- How important do you consider the image of the Netherlands?
- Does it help that your company is located in Holland (advantages/disadvantages)
- Describe Holland's position in the world
- How is Holland positioning itself? What are its USPs?
- Describe the efforts of the commercial diplomat in promoting the image of Holland
- Who are the main actors in promoting the Netherlands? Companies or the Embassy?

General questions

- What are, according to you, the most useful activities done by commercial diplomats?
- What did you miss in the service?
- Work style of commercial diplomat (specialist or generalist)
- Are you willing to pay for the services of the embassy if this means more in-depth, tailor-made help?