



# Solving the publicness puzzle

A grounded theory on the execution and organizational environment of commercial diplomacy

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# Preface

I AM DELIGHTED TO WELCOME YOU AS READER OF THIS MASTER THESIS 'SOLVING THE PUBLICNESS PUZZLE: A GROUNDED THEORY ON THE EXECUTION AND ORGANIZATIONAL ENVIRONMENT OF COMMERCIAL DIPLOMACY'. THIS THESIS IS THE CONCLUSION OF MY MASTER PROGRAM IN PUBLIC ADMINISTRATION AT THE UNIVERSITY OF TWENTE.

This thesis is the result of a valuable period that started after finishing my bachelor program in public administration at the Saxion University of Applied Sciences. At the beginning of this period, it wasn't yet clear whether the step to scientific education would suit me, but during this period it became increasingly clear that the master public administration fitted me. I enjoyed the pre-master, master and internship and I'm pleased to have learned so many things during this period. However, this couldn't take place without the support of various people around me. I would like to take this opportunity to express my gratitude to the following people.

First, I would like to thank my supervisors, Huub Ruël and Pieter Jan Klok. I have experienced the meetings with Huub as very inspiring and admire the engagement and enthusiasm of Huub in his profession. I'm happy that we have created this beautiful research together and hope that many other studies in the field of commercial diplomacy will follow.

Also the meetings with Pieter Jan were very inspiring. I admire the way Pieter Jan can identify the core of a study. This added a lot of value to my research.

Second, I would like to thank the staff of the Embassy of the Netherlands in Sofia for the great and valuable time I had during my internship at the Embassy. The support and time I received during the internship were really beneficial for my research. I have experienced working in the field of commercial diplomacy and the many other aspects of diplomacy in which I participated as a great and fruitful period in my educational and personal life.

Finally, I would like to express my gratitude to my parents. The trust I received in all the decisions I have made during my study has been an enormous support. The knowledge that there is a basis to rely on provided me of the confidence to make the choices I have made. Your trust has made this thesis possible.

Enschede, August 2013

Frank Slooten



## Summary

THE DUTCH FOREIGN AND ECONOMIC POLICY FACES SIGNIFICANT CHANGES IN THE UPCOMING YEARS. A GLOBALIZING WORLD CHANGES THE INTERNATIONAL RELATIONS AND PUTS MORE EMPHASIS ON ECONOMIC ISSUES. THE DUTCH MINISTRY OF FOREIGN AFFAIRS ADAPTS ITS ORGANIZATION TO THESE CHANGES BY CREATING A NETWORK OF DIPLOMATIC MISSIONS THAT IS OPTIMAL EQUIPPED TO REPRESENT THE ECONOMIC INTERESTS ABROAD.

In the representation of economic interests, it becomes a growing task of diplomatic missions to support entrepreneurs in their international ambitions. This task is often referred to as commercial diplomacy. The development of a diplomatic mission that is optimal equipped for the growing task of commercial diplomacy creates the need for more knowledge on the execution and the organizational environment of commercial diplomacy. From this derives the following research question.

*How is the execution of commercial diplomacy influenced by the organizational environment of the commercial sections of diplomatic missions?*

The research uses the grounded theory methodology to answer the research question. Seventeen semi-structured interviews are held with commercial sections. These sections could state all phenomena that can be found in their execution and organizational environment. These phenomena create an answer on the research question in several steps. First, the phenomena are categorized and related categories are placed in clusters. Second, dimensions are created from the different phenomena in each category. The dimensions of each category are developed in an overarching dimension on a cluster level. Finally, the overarching dimensions are used to develop an empirical model. This model is placed in a theoretical perspective which results in a grounded theory.

The categorization resulted in the creation of 36 categories distributed in five clusters on 'provided services', 'policy on priority sectors', 'policy on the business community', 'internal organization' and 'external relations'. Only the clusters on 'provided services', 'policy on priority sectors' and 'internal organization' contain categories from which an overarching dimension could be identified.

The overarching dimension in the cluster on 'provided services' is the degree of involvement of commercial sections in the provision of services. This led to the creation of the 'involvement scale'.

The cluster on 'policy on priority sectors' has the degree in which the hierarchy or market is the leading principal in the choice of priority sectors as overarching dimension. This led to the creation of the 'principal scale'. These two scales share a public-private distinction as central theme and display the execution of commercial diplomacy in the empirical model.

The cluster on 'internal organization' contains three structures as overarching dimension. This led to the creation of the 'diplomatic structure', 'trade promotion structure' and the 'member structure'. These structures are characterized by a public-private distinction and display the organizational environment in the empirical model.

The theoretical framework places the empirical findings in the perspective of literature on diplomacy, hybrid organizations and the publicness puzzle. This literature is used to assess the public and private distinction that can be found in the empirical model and suggests concepts for future research.

The organizational environment is assessed using the strategic function typology of Simon (1989). This typology states that all commercial sections operate in an organizational environment of a hybrid organization. This hybrid organization has to choose between the wishes and resources from the hierarchy and the users. This friction is distinctive for hybrid organizations and can be used to measure the public and private elements in the organizational environment of commercial diplomacy.

The execution of commercial diplomacy is assessed using organizational values. These values show that a low involvement in services and the hierarchy as leading principal are based on the public organizational values. A high involvement in services and the market as leading principal are based on the private organizational values. This makes that public and private organizational values can be used to measure the public and private elements in the execution of commercial diplomacy.

The combination of the empirical model and theoretical framework results in a grounded theory. The grounded theory displays the execution of commercial diplomacy by the 'involvement scale' and the 'principal scale'. The organizational environment is displayed by the three structures. The different position of the structures in the coordinate system suggests a causal relation between the organizational environment and the execution of commercial diplomacy. This is displayed in figure 1.

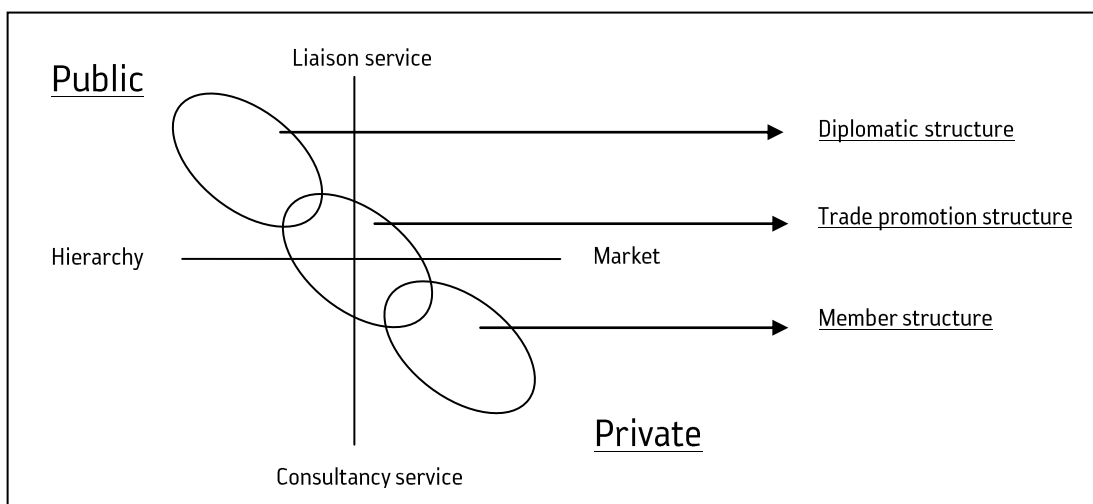


Figure 1, Grounded theory

The causal relation lays in the publicness of the organizational environment and the execution of commercial diplomacy. This relation assumes that when the publicness of the organizational environment of a commercial section increases, the publicness of the execution of commercial diplomacy increases as well. The causal relation is displayed schematically in figure 2 and can be used as basis of future deductive research.

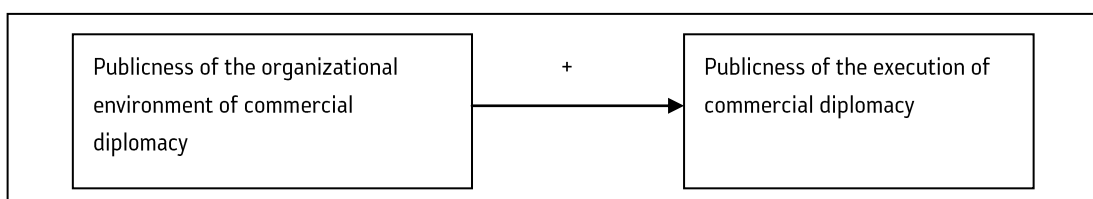


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# Chapter 1 Introduction

THE DUTCH FOREIGN AND ECONOMIC POLICY FACES SIGNIFICANT CHANGES IN THE UPCOMING YEARS. THE NEED FOR THESE POLICY CHANGES DERIVE FROM CHANGES IN THE INTERNATIONAL RELATIONS DUE TO A GLOBALIZING WORLD. GLOBALIZATION SEEMS TO PUSH FOREIGN POLICY TO FOCUSES MORE ON ECONOMIC DIPLOMACY AND THE DEVELOPMENT OF INTERNATIONAL TRADE. THE INTRODUCTION OF A NEW MINISTER WITH A RESPONSIBILITY FOR FOREIGN TRADE IS A TELLING EXAMPLE OF THE GROWING EMPHASIS ON ECONOMIC ISSUES IN FOREIGN POLICY IN THE NETHERLANDS. THE EMPHASIS ON ECONOMIC ISSUES CALLS FOR ADAPTATION OF DIPLOMATIC MISSIONS IN THE WAY THEY ARE ORGANIZED AND IN THE WAY THEY EXECUTE THEIR SERVICES IN ORDER EFFICIENTLY REPRESENT THE INTEREST OF ITS PEOPLE IN A CHANGING WORLD.

Globalization seems one of the most important themes that explains the changing world. The Dutch Social Economic Council refers to globalization as an “ongoing process of worldwide economical, political and cultural interdependency”. (SER, 2008) This multiple domain approach of globalization is enhances by Kettl (2002) who states that globalization “includes political, technological, and cultural forces” but is most often used in the context of the “expanding global marketplace”.

From both definitions derives the idea that borders between countries are becoming less relevant and economies around the world are becoming more interdependent of each other.

The growing economic interdependency seems the most relevant concept in the theme of globalization. The Organization for Economic Co-operation and Development (OECD) recognizes the economic interdependency as important concept in globalization and states that “globalization refers above all to a dynamic and multidimensional process of economic integration whereby national resources become more and more internationally mobile while national economies become increasingly interdependent.” (2005, p. 11) The definition of globalization given by the OECD is therefore a definition that is most appropriate in the context of the changes in foreign economic policy.

The growing economic integration with internationally mobile resources and interdependent economies influences the Dutch economy to a large extent. The Dutch economy can be characterized as an open economy that is dependent of the economic relation with foreign countries. The Dutch scientific counsel for governmental policy states that the Netherlands has a close and dependent relation with foreign countries on social, political and economical issues. (WWR, 2010) The Dutch ministry of economic affairs states the fact that exporting businesses are responsible for 44% of the employment and for 87% of the expenditure on research and development as an example of the importance of the foreign relations of the Netherlands. (EL&I, 2011) This intertwining of the Netherlands and the rest of the world creates the necessity to adapt the Dutch foreign policy foreign to the changing world. (WWR, 2010)

Motivated by the pressure of the globalizing world and domestic budget cuts, the Dutch government has the ambition to modernize its diplomacy. This modernization includes a larger emphasis on economic diplomacy, a stronger focus on potential economic sectors and more flexible diplomatic missions. The larger emphasis on economic diplomacy is converted in the ambition to find the best economic potential for the Netherlands in foreign countries. This can be done by creating a level playing field in foreign countries and in the active support and the provision of information towards businesses. (BuZa, 2011)

It is therefore an important task of diplomatic missions to support entrepreneurs with questions about foreign countries. The Dutch ministry of foreign affairs states that "citizens and businesses can rely on the international network of embassies ... for answers to questions relevant to trade, investment and cooperation and for making contacts" (BuZa, 2012). This task is often referred to as commercial diplomacy. Naray (2011) states that "commercial diplomacy aims at encouraging bilateral business through a series of roles that commercial diplomats perform in various activity areas, such as trade promotion, investment promotion, and cooperation in science and technology" (p.122).

The Dutch ministry of foreign affairs adapts its organization to the new tasks in commercial diplomacy by stating that 'the network of diplomatic missions should be optimal equipped to represent the economic interests abroad. This includes the full range of economic services that can contribute to the success of Dutch knowledge institutions and businesses.' (BuZa, 2011, p.10) In order to reach this optimal equipped network of diplomatic missions, the ministry of foreign affairs states that diplomacy has to be more dynamic and flexible. The functionality is herein the leading principle as the ministry of foreign affairs states that 'structure follows function' (BuZa, 2011, p.8)

The principle 'structure follows function' implies that there is a relation between the structure of an organization and the services it provides. The way structure and function influences each other in the practice of commercial diplomacy is not clear and needs therefore further research.

Previous studies state the function of commercial diplomacy. Naray (2011) states 'encouraging bilateral business' as function (p.122) and Rose (2007) sees the function as 'developing and maintaining export markets'. (p.22) From these functions derive services that can be categorized as gathering commercial/market information, assisting in business and governmental contacts and the promotion of home country in the host country. (Lee, 2004; Potter, 2004)

The choices that diplomatic missions make in the execution of commercial diplomacy aren't extensively described in previous studies. It is assumable that different diplomatic missions make different choices in their execution of commercial diplomacy. It is therefore relevant to assess the execution of commercial diplomacy by creating a more detailed description.

The structure in which commercial diplomacy is executed is also described in previous studies. Mercier (2007) states that there are different organizational structures with a public, private or mixed character in commercial diplomacy. The previous studies don't provide a detailed description of the organizational environment. It is assumable that the execution of commercial diplomacy takes place in different organizational environments. Assessing the organizational environment by a more detailed description is therefore relevant.

As stated previously, there may be a relation between the organizational environment and the execution of commercial diplomacy. With the information that derives from the detailed description of both the execution and the organizational environment, the research aims at discovering possible relations between these two variables and the explanations behind these possible relations.



## 1.2 Research topic and research questions

The ambition of the ministry of foreign affairs to develop an optimal equipped, dynamic and flexible diplomatic mission with more emphasis on commercial diplomacy creates the need for more knowledge on the execution and the organizational environment of commercial diplomacy. The wish to structure the commercial sections of diplomatic missions according to their functions makes relation between the organizational environment and the execution of commercial diplomacy relevant. In order to give insight in the relation between the organizational environment and the execution of commercial diplomacy by commercial sections of diplomatic missions the following main research question has been developed.

*How is the execution of commercial diplomacy influenced by the organizational environment of the commercial sections of diplomatic missions?*

The answer of the main research question will be constructed from a detailed description of execution of commercial diplomacy and the organizational environment of commercial diplomacy. These two variables will be described on the basis of several sub questions. The description of the execution of will be based on the provided services, priority sectors and business community. The organizational environment will be described by the internal organization and the external relations of commercial diplomacy. The first box contains the sub questions that relate to the execution of commercial diplomacy. The second box displays the sub questions that relate to the organizational environment. The extensive descriptions that derive from the sub questions will be used to find a possible relation between the organizational environment and the execution of commercial diplomacy as described in the main research question.

*What kind of provided services can be distinguished in the execution of commercial diplomacy?*

*What kind of policy on priority sectors can be distinguished in the execution of commercial diplomacy?*

*What kind of policy on the business community can be distinguished in the execution of commercial diplomacy?*

*What kind of organizational environment can be distinguished in the internal organization of commercial diplomacy?*

*What kind of organizational environment can be distinguished in the external relations of commercial diplomacy?*

## 1.3 Research design

This research uses the grounded theory methodology in answering the main research question on the discovery of possible relations between the organizational environment and the execution of commercial diplomacy. The choice of this inductive and qualitative research design derives from several considerations.

First, in order to find new concepts in commercial diplomacy, it might be interesting to approach the execution and organizational environment of commercial diplomacy through the perspective of the commercial sections of diplomatic missions. Here, the commercial sections have the opportunity to provide data on how commercial diplomacy is executed with and how this relates to the organizational environment. This research aims at developing new theoretical categorizations and possible relations based on empirical findings, instead of testing concepts that are already developed. This research chooses therefore to approach the research questions from an inductive way.

Second, in order to assess the relation between the organizational environment and the execution of commercial diplomacy, it is important to do this in the same context. Therefore, the specific context of the Bulgarian capital Sofia is chosen as environment for the research. The specific context limits the possibilities of describing the population as the number of diplomatic missions in Sofia is limited, but it enables the research to conduct qualitative in-depth face-to-face interviews with employees that execute commercial diplomacy.

The choice for a combination of inductive and qualitative research makes the grounded theory methodology the most appropriate research design. Strauss & Corbin (1990) describe the grounded theory methodology as 'a qualitative research method that uses a systematic set of procedures to develop an inductively derived grounded theory about a phenomenon' (p.24). Babbie (2010) endorses this statement by saying that grounded theory is 'an inductive approach to the study of social life that attempts to generate a theory from the constant comparing of unfolding observations' (p.307). Due to its qualitative and inductive character the grounded theory seems the best approach for the given research aim. The development of answers on the research questions will therefore be done using the grounded theory approach.

## 1.4 Relevance of the study

This research tries to make a relevant contribution in several areas. Punch (2006) states three general areas to which research can have a contribution. First, the research can be relevant to the knowledge area. Second, the study can contribute to policy considerations. Finally, the research can make a contribution to practitioners in the field. This research aims at contributing in all three areas.

First, the research can make a contribution in the further development of scientific knowledge on commercial diplomacy. Kostecki and Naray (2007) state that there is a shortage of empirical research on commercial diplomacy. This research aims at making a contribution to empirical research, both in existing and in future research. The contribution on existing research consists of creating a detailed description of the execution and organizational environment that can validate or complement existing scientific knowledge. The contribution to future research derives from the assumed relation as a result from the grounded theory method that can be used for the development of further research. This contribution to existing and future research on commercial diplomacy makes this study scientifically relevant.

Second, the study can contribute to policy makers who develop the policy on commercial diplomacy on a ministerial level. Policy makers can consider the results of this research in the development of policy that will be used in the control of diplomatic missions. Input on the organizational environment can be used for improving the organizational structure of commercial sections. Information on the execution of commercial diplomacy can be used to initiate new services that can be provided by the commercial sections. These improvements can contribute to the efficiency of the service provision and improve the satisfaction and societal support on commercial diplomacy.

Finally, practitioners in the field of commercial diplomacy can benefit from this research. The employees that are active in the commercial sections can use this research as input for the methods of work that aren't stated in policy directives. Commercial sections can use practices of other sections as inspiration to improve their own services. Also the organizational environment of other sections can provide employees of new insights. The new practices and insights can be tested on the small scale of the diplomatic mission and can contribute to the development of the hands-on practice of commercial diplomacy.

## **1.5 Thesis outline**

The choice for the grounded theory as research method makes the structure of this thesis different from most of the other theses.

After this introduction, the thesis starts with a description of the used methodology. This chapter gives an extensive description of the research aim, the research questions, the research context, the choice for the research design and the subsequent consequences of the research design.

After the methodology chapter, the thesis continues with the chapter on the empirical findings. Here, the execution of commercial diplomacy is described by the provided services, the policy on priority sectors and the policy on the business community. The empirical findings in the organizational environment are described on the basis of the internal organization and the external relations in commercial diplomacy. The empirical chapter ends with a model that displays the relation between the organizational environment and the execution of commercial diplomacy on the basis of the empirical findings.

Chapter four consists of a theoretical analysis on the empirical findings. This chapter places commercial diplomacy in the discussion of public and private elements in organizations. First by reviewing the public and private elements in the given definitions of traditional and commercial diplomacy. Second, the chapter introduces the concept of hybrid organizations and the concept of the publicness puzzle. The chapter continues with the theoretical exposition of public and private elements in the organizational environment, followed by an exposition on the different public and private values in the execution of commercial diplomacy. The chapter ends with theoretical response on the empirical finding.

Chapter five will display the final conclusion and a proposition for future research and a discussion on this research.

## Chapter 2 Methodology

THIS RESEARCH ON THE EXECUTION AND ORGANIZATIONAL ENVIRONMENT OF COMMERCIAL DIPLOMACY IS DONE USING THE RESEARCH DESIGN OF THE GROUNDED THEORY. THE CHOICE OF THIS RESEARCH DESIGN IS BASED ON SEVERAL CONSIDERATIONS THAT ARE EXPLAINED IN THIS CHAPTER, ALSO THE CONSEQUENCES OF THE RESEARCH DESIGN IN EXPLAINED IN THIS CHAPTER. THIS CHAPTER STARTS WITH DESCRIBING THE RESEARCH AIM AND THE CORRESPONDING RESEARCH QUESTION. FURTHER, THE CONTEXT OF THE RESEARCH IN WHICH THE RESEARCH IS CONDUCTED WILL BE DESCRIBED, FOLLOWED BY THE CHOICE OF THE RESEARCH DESIGN AND THE CONSIDERATIONS THAT ARE MADE IN THIS CHOICE. SECONDLY, THE IMPLICATIONS OF THE CHOSEN METHOD IS DESCRIBED BY STATING THE USED INTERVIEW FORMAT, SAMPLING METHOD, CODING METHOD, VALIDITY, RELIABILITY AND GENERALIZATION AND THEORETICAL FRAMEWORK.

### 2.1 Research aim

The research aims at three aspects of commercial diplomacy. First, it describes the way commercial sections execute commercial diplomacy by looking at the provided services, the policy on priority sectors and the policy on the business community. Second, it describes the organizational environment by looking at the internal organization and the external relations. The data that derives from the descriptions of the execution and organizational environment of commercial diplomacy is categorized. This categorization is used to discover possible relations between the execution of commercial diplomacy and the organizational environment.

### 2.2 Research question

The research question is formulated as followed:

*How is the execution of commercial diplomacy influenced by the organizational environment of the commercial sections of diplomatic missions?*

### 2.3 Research context

The conducted research is executed in the specific context of commercial diplomacy by diplomatic missions in Bulgaria. This specific context derives from the possibility of an internship within the economic and commercial section of the Embassy of the Netherlands in the Bulgarian capital Sofia. The choice to execute the research in this specific context has several consequences for the way the research question is answered and the most appropriate research method.

The specific Bulgarian context has several consequences that limit the possibilities of the research. First, it limits the generalization to a broader context. Bulgaria is a country that has some specific political and economic characteristics. Bulgaria is a member of the European Union, but is not yet part of the Schengen-area. The acceding of the Schengen-area is, inter alia, depended on the implementation of government reforms in the field of corruption and justice as described in the cooperation and verification mechanism of the European Union (Ministerie van Buitenlandse Zaken, 2012). This specific political context in combination with economic characteristics as the low labor costs and low tax rates (Invest Bulgaria, 2012) makes that a generalization from the Bulgarian context to a broader context must be done with caution, as it cannot be excluded that the executing of commercial diplomacy can be different from other host-countries.

The second consequence refers to the limited relevancy to describe the population. Commercial diplomacy is conducted by the commercial sections of diplomatic missions. The total population consists therefore out of the 67 diplomatic missions that are represented in Sofia. (Republic of Bulgaria Ministry of Foreign Affairs, 2012) This makes a description of the population less relevant as De Veaux, Velleman & Bock (2008, p.290) state that a description of the population needs more than hundred participants to be relevant. The aim to discover categories and relations in the phenomena that can be found in the execution and organization of commercial diplomacy seems therefore more relevant.

The specific Bulgarian context also provides the research of possibilities. First, the fact that the research is conducted in cooperation with the Embassy of the Netherlands in Bulgaria is likely to enhance the cooperation of diplomatic missions. This provides the research of the chance to compare diplomatic missions of different countries within the same context. Secondly, the researcher being on site within the specific Bulgarian context gives the opportunity for in-depth face-to-face interviews with employees of commercial sections of diplomatic missions. Finally, the participation of the researcher within the Embassy of the Netherlands in Bulgaria provides the researcher of a professional platform in which the preliminary concepts of the research can be discussed and which can stimulate the theoretical sensitivity. The participation also provides the researcher of professional experience order to interpret the gathered data.

## **2.4 Research design**

The earlier described research context of a specific case with a limited possibility to describe the population, but with the possibility of in-depth face to face qualitative interviews in which the researcher is able to interpret the data makes that the research can best be conducted within a social constructivist framework. Creswell (2009) states that constructivists researchers focus on the specific context of the life and work of people and that questions are broad and general so participants can construct the meaning of the situation. Creswell (2009) also states that the constructivist researcher intends to interpret meanings and "rather than starting with a theory (as in post positivism), inquirers generate or inductively develop a theory or pattern of meaning' (p.8). The most appropriate research design is here for narrowed down to an inductively and qualitative research method.

Creswell (2009) states five approaches in qualitative research. The approach of the grounded theory seems to be the most appropriate qualitative research design because of its inductive character. Creswell (2009) describes the grounded theory as 'a strategy of inquiry in which the researcher derives a general, abstract theory of a process, action or interaction grounded in the views of participants' (p.13). Babbie (2010) endorse this statement by saying that grounded theory is 'an inductive approach to the study of social life that attempts to generate a theory from the constant comparing of unfolding observations' (p.307). Due to its qualitative and inductive character the grounded theory seems the best approach for the given limitations and possibilities of the described research context. The development of an answer on the research question will therefore be done using the grounded theory approach.

## **2.5 Grounded theory**

The grounded theory approach is by Strauss & Corbin (1990) described as 'a qualitative research method that uses a systematic set of procedures to develop an inductively derived grounded theory about a phenomenon' (p.24). The main characteristic of this approach is the building of a theory by a systematic set of procedures. This systematic set of procedures consists out of the development of an interview format, the sampling, the coding of the data from which a theoretical generalization derives. This theoretical generalization can be supported or refuted by scientific literature.

## 2.6 Interview format

In order to make a theoretical generalization one has to start with the gathering of data as a source of information. This research uses a semi-structured interview format which is used in the qualitative face-to-face interviews. The semi-structured interview format insures that the topics will be discussed, but gives the freedom to deviate in the sequence and manner in which the questions are asked. This structure is in line with the way Babbie (2010, p319) describes a qualitative interview.

Strauss & Corbin (1990) state that research questions should be in balance between their open and broad character and their narrow and focused character (p.38). This research uses scientific literature on commercial diplomacy and the professional knowledge of the Embassy of the Netherlands in Bulgaria to find this balance. The scientific literature is used to find a topic that is beneficial to the scientific literature and is suitable for further theoretical development. The Embassy of the Netherlands in Bulgaria helped in the development of preliminary concepts in a brainstorm session. From this session derived topics that are relevant in the profession of commercial diplomacy and can function as the basis for the interview format. In this way is the by Strauss & Corbin (1990, p.37) stated assumption that all concepts of the field of research have not been identified and that relationships between these concepts are conceptually undeveloped as much as possible fulfilled.

The interview format consists of two main topics. First, the execution of commercial diplomacy is examined by questions that relate to the services that are provided, the priorities on sectors and the business community. Secondly, the organizational environment of commercial diplomacy is assessed using questions that relate to the internal organization and the external relations. A more elaborated interview format can be found in appendix A.

## 2.7 Sampling

The approach of grounded theory uses the theoretical sampling as sampling method. Theoretical sampling is based on the sample of phenomena, whereby the focus is not on the population but on the phenomena stated by the participants. (Strauss & Corbin, 1990, p.177)

The first aim is to reveal all possible categories of the phenomena. This first sampling procedure is open to all participants that can provide information. The second sampling procedure aims to uncover and validate the relations that exist between the found categories, this is open to all participants. Thirdly, the discriminate sampling procedure must be conducted. This procedure aims at maximizing the opportunities to verify the findings by interviewing participants again. The participants that participated in this study are displayed in appendix B.

The theoretical sampling as described in the previous paragraph could not systematically be applied during gathering of the data in this research. The data gathering meets the requirements of open and axial sampling, but the third step of discriminate sampling could not be conducted as participants only could be interviewed once. The absence of the discriminate sampling may leave the possibility open for biases that are related to a shortage of different categories.

However, the requirements of the open and axial sampling can ensure a number of phenomena that state enough categories to reach the needed theoretical saturation. Strauss & Corbin (1990, p.188) state three conditions for theoretical saturation. First, there derives no new or relevant data regarding the categories from the data. Second, the categories are dense and with enough variation. Third, the relationships are well established and validated. As will be described in the next paragraph, a rich data set is created in which all three conditions of theoretical saturation can be recognized. The executed sampling method can therefore be seen as sufficient to make theoretical generalizations.

## 2.8 Coding

In order to make a theoretical generalization from the data that are gathered one needs to analyze these data. Strauss & Corbin (1990, p.58) state that in the approach of the grounded theory three types of coding must be conducted in order to make this analysis. These coding types represent a different function in the analysis and allow the researcher to compare the collected data. These coding types are applied on the processed interviews using the computer program ATLAS ti in order to systematically compare the data. The transcripts of the interviews can be found in appendix C

The first conducted type of coding is the open coding procedure. The aim of the open coding procedure is to discover and categorize phenomena (Strauss & Corbin, 1990, p.62). During this coding is tried to find as much as possible categories. This process started by identifying the phenomena that were stated during the conducted interviews. The properties that the phenomena have in common are the basis for the categorization of phenomena in categories. The categorization is made by coding the phenomena using ATLAS ti which resulted in 36 categories. These categories are displayed in figure 2.1 and extensively displayed in appendix D.

The open coding is followed by the axial coding procedure. The aim of this procedure is to connect the different categories. (Strauss & Corbin, 1990, p.96) Using axial coding, the categories are placed in the perspective of the other categories. First, a category is analyzed with the aim of identifying dimensions within a category. With the knowledge on the content and dimension of each category, the categories are clustered in the clusters services, priority sectors, business community, internal organization and external relations. These clusters can be seen as the overarching theme of the categories and are displayed in the first to paragraphs of chapter three. The first three clusters relate to categories on the execution of commercial diplomacy and the last two relate to the organizational environment of commercial diplomacy. The clusters and their related categories are displayed in figure 2.1.

<i>Services</i>	<i>Priority sectors</i>	<i>Business community</i>	<i>Internal organization</i>	<i>External relation</i>
<ul style="list-style-type: none"> <li>- Partner search</li> <li>- Trade fairs</li> <li>- Match Making</li> <li>- Trade missions</li> <li>- Government contacts</li> <li>- Market reports</li> <li>- Market research</li> <li>- News letter</li> <li>- Government disputes</li> <li>- Business disputes</li> <li>- Investments</li> <li>- Legal advice</li> <li>- Tender support</li> <li>- Most provided services</li> <li>- Limitations</li> </ul>	<ul style="list-style-type: none"> <li>- Role of sectors</li> <li>- Specialist employees</li> <li>- Priority sectors</li> <li>- Choice of sectors</li> <li>- Autonomy in choice sectors</li> <li>- Home organization activities</li> <li>- Advice on regions</li> <li>- Friction between principal</li> </ul>	<ul style="list-style-type: none"> <li>- Size of businesses</li> <li>- Demand of businesses</li> <li>- Home/host country inquiries</li> <li>- Quality of inquiries</li> <li>- Business climate</li> </ul>	<ul style="list-style-type: none"> <li>- Goal of organization</li> <li>- Home organization</li> <li>- Embassy relation</li> <li>- Charged services</li> <li>- Autonomy of internal organization</li> </ul>	<ul style="list-style-type: none"> <li>- Partner organizations</li> <li>- Other embassies</li> <li>- Home business community</li> </ul>

*Figure 2.1, Overview of clusters and categories*

As the final procedure of coding, the selective coding is conducted. (Strauss & Corbin, 1990, p.116) This coding procedure aims for integrating the categories along an overarching dimension in order to create a theory on the relationship between the categories on an abstract level. During the selective coding, the categories in which clear dimensions can be recognized are selected and integrated within an overarching dimension. The execution of commercial diplomacy consist of two overarching dimensions, the organizational environment of commercial diplomacy has three structures as overarching dimension. These overarching dimensions are the basis of the assumed relation between the organizational environment and the execution of commercial diplomacy.



## 2.9 Validity, reliability and generalization

In order to conduct a research with accurate and consistent findings that can be used in a broader context, the validity, reliability and generalization of this research is important to discuss. Creswell (2009, p. 190) states that the validity, reliability and generalization in qualitative research don't have the same connotation in as they have in quantitative research and explicitly states three qualitative definitions.

The qualitative validity refers to accuracy of the finding from the perspective of the researcher, participant and reader. This validity can be increased by giving insight in the procedures and by checking the results with participants and other researchers. The weakness of this research lays in the fact that the research is conducted by one researcher and isn't checked by other researchers. This creates the possibility for a researcher bias in the interpretation of the data during the coding and the development of the grounded theory. The strength of this research lays in the feedback participants could give during a presentation on the research and the transparency on the procedures of the research. These two strengths counter balance the possible researcher bias and improve the validity of the research.

The qualitative reliability refers to the consistency of the approach and can be increased by checking the transcripts, checking the codes and by cross-checking this with another researcher. The strength of the research lays in the fact that both the transcripts as the codes are checked several times during the research. The weakness consist of absence of a cross check of the transcripts and codes, which leaves the possibility for an error that is overlooked by the researcher. The transparency of the transcripts and codes enables researchers to cross-check the research afterwards and improves the reliability.

The relevancy of the qualitative generalization is limited as this research aims at describing a phenomenon instead of a population. The generalizability of this research lays in the use of the grounded theory in future research. This grounded theory is developed using the procedures of the grounded theory methodology and contains therefore the basis for a generalization. This generalization can be tested in deductive research, but it cannot be assumed that the grounded theory is applicable in other contexts without the support of deductive research.

## 2.10 Theoretical framework

The grounded theory has a different relation with scientific literature as in other research designs. The grounded theory approach starts with observing a phenomenon instead of developing hypothesis (Babbie, 2010, p.396, Strauss & Corbin, 1990, p.37). Grounded theory based research has little preconceptions in the beginning of the research. This influences the role of literature in the research. Literature is not used in developing and testing of concepts, but interacts with the data in order the develop relationships in the discovered categories. (Strauss & Corbin, 1990, p.49, 56) The theoretical framework of this research will therefore be presented after the empirical findings and has the function to place the developed preliminary empirical model in perspective and in suggesting concepts for deductively testing the grounded theory.

## Chapter 3 Empirical findings

THIS CHAPTER OUTLINES THE EMPIRICAL FINDINGS BASED ON THE CONDUCTED INTERVIEWS ON THE EXECUTION AND ORGANIZATIONAL ENVIRONMENT OF COMMERCIAL DIPLOMACY. THE CHAPTER AIMS AT DEVELOPING AN EMPIRICAL MODEL AND CONTAINS A STRUCTURE THAT LEADS TO THIS MODEL IN SEVERAL STEPS. THE CHAPTER IS DIVIDED IN THREE MAIN PARAGRAPHS THAT DISPLAY THE EXECUTION OF COMMERCIAL DIPLOMACY, THE ORGANIZATIONAL ENVIRONMENT OF COMMERCIAL DIPLOMACY AND THE EMPIRICAL MODEL. THE PARAGRAPHS THAT DISPLAY THE EXECUTION AND ORGANIZATIONAL ENVIRONMENT ARE DIVIDED IN SUBPARAGRAPHS THAT REFER TO THE CLUSTERS OF CATEGORIES. EACH CLUSTER CONTAINS A DETAILED DESCRIPTION OF CATEGORIES AND THE DIMENSIONS FOUND IN EACH CATEGORY. THE SUBPARAGRAPHS END WITH A CONCLUSION THAT DISPLAYS AN OVERARCHING DIMENSION BASED ON THE DESCRIBED CATEGORIES. THE OVERARCHING DIMENSIONS ARE USED AS INPUT FOR ASSUMED CAUSAL RELATION THAT IS DISPLAYED IN THE EMPIRICAL MODEL IN THE LAST PARAGRAPH.

### 3.1 Execution of commercial diplomacy

The description of the execution of commercial diplomacy starts with the idea that current scientific research doesn't provide a detailed description on the service provision in commercial diplomacy. Lee (2004) and Potter(2004) state services as 'gathering commercial/market information', 'assisting in business and governmental contacts' and 'the promotion of home country in the host country'. The deficit of these descriptions is the lack of an in-depth analysis on the differences of services between commercial sections. Therefore, this paragraph displays an in-depth description of the execution of commercial diplomacy. The first subparagraph will start with an analysis on the provided services of commercial sections. The second subparagraph displays the choices commercial sections make in the focus and priorities they have in the provided services. The third subparagraph is a description of the choices commercial sections make with regard to the businesses community that they serve. This paragraph on the execution on commercial diplomacy ends with a subparagraph that displays the conclusion.

#### 3.1.1 Provided services

This subparagraph displays an overview of the categories in the cluster of provided services. Each category describes how the service is provided and the dimensions that can be recognized in this category by comparing the differences among commercial sections on each provided service. This subparagraph will start with the description of the partner search, followed by trade promotion, market information, market research, publications, government dispute assistance, business dispute assistance, investments, legal advice/tenders and the most provided services. This subparagraph ends with the conclusion.

##### 3.1.1.1 Partner search

The execution of the partner search service seems to differ to a large extent, but is one of the most common services among commercial sections. In this service, commercial sections provide businesses of assistance in the search for a Bulgarian partner. A vast majority of the sections provides this service, but comparing the services, four types of partner searches can be found.

First, the service in which home businesses are provided of contact details of Bulgarian branch organizations or the Bulgarian chamber of commerce can be distinguished. Here, commercial sections are reticent in providing details on individual unknown businesses and only provide the details of organizations that represent businesses or businesses that are familiar within the commercial section. (TR3, TR8, TR12)

Second, the service of providing home businesses of a printout of a database can be recognized. In this type of partner search, commercial sections search for unknown businesses, but only with a liaison function. The provided list isn't checked whether it is up to date and must be seen as a first step to provide home businesses of potential partners without involvement of the section. (TR10, TR15)

The third provided service that can be identified can be seen as one step further, as the provided database printout is checked on its quality. In this service the commercial section contacts the Bulgarian businesses in order to verify the contact details. (TR5, TR6)

Fourth, the service of providing home businesses of a report on possible distribution channels can be recognized. In this service commercial sections make a small analysis of the market that is often obtained by contacting the Bulgarian businesses asking for their potential interest in a role as importer or distributor of the product of the home country business. This service can be seen as the most extensive partner search, with a high level of involvement of the commercial section. (TR11, TR16, TR7)

Also the role of the commercial sections after identifying potential partners differs greatly among the participants. Some commercial sections state that the business relation with the potential Bulgarian partners is the responsibility of the home businesses and that the commercial section has no role in this. (TR12, TR15) Other sections give home businesses the opportunity to contact the Bulgarian potential partners themselves, but also offer to assist them by briefings, in the meetings or by holding the meeting in the office of the commercial section. (TR16, TR14, TR5) Some commercial sections draw up a contract between the businesses, which can be seen as the most extensive service after doing a partner search. (TR11)

The partner search can be seen as a common service of commercial sections. A possible explanation for this wide dispersion could be the argument that a partner search is seen as a basic service to provide. (TR5, TR13) Notable are the different methods in which the partner search is executed by the commercial sections, the four types of involvement of the sections can therefore be seen as the dimension in the partner search.

#### **3.1.1.2 Trade promotion**

The promotion of trade can also be seen as a very common service of commercial sections. Notable in the trade promotion is the big variety of activities that can be found in the majority of the commercial sections. In trade promotion four main activities can be distinguished.

First, the assistance in trade fairs can be distinguished. Here, commercial missions perceive two roles in the assistance of businesses. One group of commercial sections state that they inform businesses about upcoming trade fairs and invite them to participate in these fairs. (TR3, TR4) Other commercial sections actively participate in trade fairs by facilitating in bookings and meetings (TR6) or organizing a common participation under the home country flag. (TR9)

Second, commercial sections assist businesses that are part of a trade missions. The initiative of trade missions to Bulgaria doesn't often lie with the commercial sections, but with chambers of commerce or trade associations in the home country. (TR10, TR15) Commercial sections assist these home country delegations from organizing additional events for the delegation (TR7) to organizing the whole trade mission in cooperation with the local chamber of commerce. (TR15) Notable is the fact that some commercial sections do also state that they have a role in trade missions of Bulgarian businesses to the home country. (TR8, TR14) Here, the contact with the Bulgarian businesses is the most common activity of commercial sections.

Third, the matchmaking events can be seen as an important trade promotion service. Here, commercial sections organize own events in which home country businesses can present themselves and have the opportunity to meet Bulgarian businesses. Most common are the seminars on a specific sector with potential trade opportunities. (TR1, TR16) Both relevant home country businesses as relevant Bulgarian businesses or governmental institutions in this sector are invited to participate in this seminar. During the seminar home country businesses have the opportunity to present themselves, which is often done by a presentation or a small exhibition. (TR5, TR14) Next to presentations, opportunities to discuss business in round table or network meetings are often included. (TR12, TR13) These seminars can be single event or part of multiple events with element of public diplomacy. (TR8, TR7, TR10)

Related to the sectoral matchmaking events are the individual business presentations some commercial section offer. (TR1, TR14) Here, an individual business can give a presentation to a specific audience at the embassy or residence. This service can be distinguished from the sectoral promotion, as the event is smaller and can't be seen as publicly funded promotion.

As last trade promotion service, commercial sections provide assistance by bringing home businesses in contact with the Bulgarian government. This can be done by providing them of the right institutions (TR15) or by directing them directly to the right officials. (TR10) Many commercial sections are willing to be involved presenting the home business to the Bulgarian government. This can be done by writing a letter to stress the opportunity the business can provide to the Bulgarian government (TR10) or by participating in meetings where the business can present their opportunity towards the government. (TR7, TR12, TR14) Some commercial sections offer the possibility to give the business presentation at the location of the embassy (TR5) or the ambassador's residence. (TR1) The service in government contacts is related to the matchmaking, but can be disguised as it is only focused on public entities.

Commercial sections can be seen as very active in the trade promotion services. Commercial sections are willing to be involved in trade promotion by facilitate businesses in trade fairs and trade missions, and by organizing own trade promotion events. Within these activities, differences in the participation of the commercial section can be seen. In each of the four trade promotion services, a different level of involvement can be recognized as dimension in the trade promotion.

### **3.1.1.3 Market reports**

The creation of market reports is another service that is common among commercial sections. Although the market reports all seem to have the same purpose of informing relevant stakeholders; the content, forum and the target group of the reports differs among sections.

First, three kinds of content can be distinguished. Most common is the content on macroeconomic indicators on Bulgaria. This type of report contains a general analysis on the business climate in Bulgaria without discussing specific markets. (TR6, TR15) Other reports supplement the macroeconomic information with the analysis on specific sectors that might be interesting for the stakeholders. (TR6, TR13) A notable content in some market reports is the stated information on the European Union structural funds that are available. (TR6, TR5)

The relevant stakeholders can be distinguished in two types. On one hand the reports are used as source of information to governmental institutions. Home ministries are informed about the economic development of Bulgaria to develop their strategies (TR4, TR6) On the other hand, market reports are used to inform home country businesses on the Bulgarian economy. This can be done after an inquiry of a specific business, but is also done proactively by sending reports to the home chambers of commerce or branch associations. (TR10, TR15)

There is a variety of forums to publish the market reports. Documents are mailed to the relevant stakeholders, but information is often also published on the own website or integrated in business guides. (TR4, TR15, TR14)

The market information is common information medium and contains information on the macro economy and specific markets. The differences in the market report can be found in the home organization or the home business as target group of the report. The targeted audience can be seen as the dimension of the market report.

#### **3.1.1.4 Market research**

Market research is related to the market reports that commercial sections provide, but distinguishes itself by more in-depth information on a specific market rather than the Bulgarian economy as a whole. The service commercial sections provide regarding market research can be seen as diffuse. Differences can be found in the depth, incentive and production of the market researches.

The most extensive market research service can be described as a product with information on a specific market that is produced by the commercial section after an inquiry of a business. (TR11, TR14, TR9) One commercial section describes this market research by stating that a test product will be made, will be distributed and evaluated by a professional in the distribution channels in order to find a proper market. (TR11)

A less extensive market research is the analysis made by the majority of commercial sections. Here, market research is done on the own initiative of the commercial section and often consists of a small document with information on a specific market. (TR7, TR5, TR17) The choice of a rather small market research by its own initiative is based on the impossibility to provide extensive market research for a broad array of markets (TR15) or because businesses find the amount of information proficient. (TR13)

Other commercial sections choose not to provide the market research done by their own organization, but refer home businesses to a consultancy company for the further establishment on the Bulgarian market. (TR16, TR6) Other sections cooperate with the chamber of commerce in order to provide market research. This can be the Bulgarian national chamber, BCCI (TR12) or local bilateral chambers that are related to the diplomatic missions. (TR16)

It appears to be difficult for commercial sections to create an extensive market research. Differences in the provision of market research can be found in the extensiveness of the market research that goes from creating a tailor made research to a standardized research and the outsourcing of the service. The level of involvement of the section can therefore be seen as the dimension within the category of the market research services.

#### **3.1.1.5 Publications**

Commercial sections often publish a newsletter on the Bulgarian economy and trade. No big differences can be found between the commercial sections on the content of the newsletter. Generally, commercial sections state information on upcoming events, new products, trade information, tenders, investment opportunities and a review of the relevant Bulgarian news. (TR6, TR16, TR11, TR13, TR10, TR5) No dimensions in the category publications can be recognized.

#### **3.1.1.6 Government dispute assistance**

The assistance to businesses that have a dispute with a governmental institution is a service that commercial sections can relate to. Type of complains, actions after a complain and the boundaries of those actions have a great extent of similarities among the commercial sections. Differences can be found in the perceived role of the commercial section in the assistance in government disputes.

Many commercial sections state that they receive complains of businesses on the actions of Bulgarian governmental institutions. These complains often refer to lost tenders, often in combination with administrative burden, disregarded laws and businesses not in the position to use legal ways. (TR10, TR12, TR6) Other complains can refer to legislation that negatively influences home businesses. (TR13, TR1) Commercial sections state that they have to deal with this kind of complains quit regular in Bulgaria. (TR2, TR14)

The actions commercial sections take as a response are similar. A common tool is to raise the issue (TR8) and asks the related institution for clarification (TR14). One commercial section states that following a case often has a positive effect on the development of the dispute. (TR7) Commercial sections write letters on behalf of the business to the relevant institution and make, in significant cases, use of the ambassador to intervene on ministerial level. (TR14) Another possibility is to report the particular case to the home ministry, so pressure can be placed from the home ministry.

Commercial sections state that in using these kinds of actions, boundaries must be taken into account. Action of commercial sections require cases with a certain significance and indicators that the normal juridical system is not working correct. (TR2) The actions that are taken must within the boundaries of the Bulgarian law and the international diplomatic rules. (TR15) Cases must have a public element and in cases where role of the business is doubtful commercial sections should not interfere. (TR2)

Difference can be found in the perceived role of commercial sections. In case of a governmental dispute, commercial sections often cooperate with, or leave the case to other sections of the diplomatic mission. This is often done because complains are handled more efficiently by political or economic sections who are more diplomatic orientated. (TR2, TR6) One commercial section states that their commercial section only tries to find a business solution and that it is very rare to contact politicians, this is done by other sections of the embassy. (TR11).

Assistance in governmental disputes appears to be a common service provided to businesses. The kind of complains, actions and boundaries seems to be very homogeneous among the commercial sections. The perceived role of the commercial sections is very different. Some sections provide services in cooperation with the embassy, other sections state that they cannot efficiently provide assistance in governmental disputes. The involvement of the commercial sections can therefore be seen as the dimension in the government disputes category.

#### **3.1.1.7 Business dispute assistance**

Commercial sections have big differences in the service they provide in disputes between Bulgarian and home country businesses. These disputes often relate to complains on invoices that are not being paid by Bulgarian businesses (TR6, TR11). The service commercial sections provide in this disputes differ to a great extent and can be distinguished in two types.

In the first category, commercial sections get involved by operating on behalf of the home business in negotiating for a solution (TR11) or write letters and make use of the network to put pressure on the debtor. (TR6) This involvement also exists on a lower level as sections get involved by giving advice or by mediate between the companies. (TR10)

On the other hand commercial sections state that public entities can't get involved in private disputes. (TR3) These commercial sections state that they can't intervene in a juridical process and don't litigate as a section. (TR1) Also the writing of letters is a service that not all sections do provide. (TR2) These commercial sections stop by providing businesses of contact details of lawyers and law firms, and see no active role for them in a private dispute.

Assistance in business disputes is a service with differences among commercial sections. The private element seems the distinctive element in these differences. Some sections have little objection to the involvement in a private matter, where other sections see the involvement as undesirable. This difference in involvement can be seen as the dimension within business dispute assistance.

#### **3.1.1.8 Investments**

Commercial sections assist businesses with investments they would like to make. This assistance of the commercial sections can be characterized by the different kind of investments they support and to low interest of investments.

In the assistance commercial sections provide, two types of investments must be distinguished. First, there is the assistance of investments of Bulgarian businesses in the home country. Second, the assistance of home country businesses in their investments in Bulgaria must be distinguished. Both of these types of investments are supported by commercial sections.

Investments in the home country are supported by several commercial sections. (TR1, TR8, TR15) This service is often provided by acting as a first contact point for Bulgarian companies in order to guide them to the correct home country investment agencies. (TR8, TR15)

Other commercial sections state that they assist home businesses that would like to invest in Bulgaria. Although the Bulgarian authorities do have a their own investment agency, commercial sections often provide information on specific markets, the earlier mentioned market research is a substantial part of this assistance. (TR5)

No clear dimension can be found in the differences of investment support of commercial section. The focus on a certain type of investment is diffuse as some sections support only one type of investment (TR14, TR1) and other explicitly state they support both types (TR17, TR15) The absence of a clear dimension could be explained by the perception that assistance in investments is minor service compared with the assistance in trade. (TR1, TR13, TR7)

#### **3.1.1.9 Legal advice and tenders**

Some services of commercial sections are worth mentioning but aren't that common as the eight above mentioned services. First, the legal advice can be mentioned. Commercial sections state that they provide businesses of legal advice (TR7, TR9) but can only do this to a certain point. (TR15, TR13) It seems to be that commercial sections are willing to provide businesses of information on regulation in Bulgaria (TR14), but don't want to act in legal disputes. A second service is to provide information on tenders. Some commercial sections provide businesses of upcoming tenders. This service consists out of communicating published tenders or an analysis to forecast the upcoming tenders. (TR11, TR8)

The service of legal advice and tenders are provided in similar ways among sections. Sections provide businesses of information but can only do this to a certain point. This lack of differences among section makes that no clear dimensions can be recognized in the legal advice and tenders category.

#### **3.1.1.10 Most provided services**

Commercial sections state the same services as the most provided service. On one hand commercial sections see the answers they give on inquiries about potential partners and the market as a service they often provide. On the other hand, commercial sections state that the organization of trade promotion events consumes much of their time.

Commercial sections state that answering incoming inquiries on partner searches and market information as a major part of their daily activities. (TR6, TR16, GR, TR15, TR7) Examples are inquiries on the existing Bulgarian legal entities or the procedure to register a business. (TR7) Other common inquiries derive from businesses that would like to get in contact with potential partners who can play a role in importing and distributing products. (TR6) Some commercial sections receive these inquiries on a daily basis, (TR10, TR15) and some sections state that answering inquiries can take up to fifty percent of their time. (TR7, TR1)

A second service that consumes a great amount of the time is the organization of trade promotion events (TR12, TR10, TR6). Time is spend on the preparation, the contact with businesses and logistics of the event. (TR6) Some commercial sections organize several events a year, other organize big annual events (TR5, TR10). Especially the weeks before the events can dominate the daily activities of the commercial sections.

The most provided services seem similar among the commercial sections. Although the services can differ in the way they are executed by the commercial sections, no differences in the time spend on these services can be found. This makes that no dimension can be recognized in the category of most provided services.



#### **3.1.1.11 Conclusion**

Commercial sections describe a broad array of services they provide in the execution of commercial diplomacy. In analyzing these services, a categorization of nine categories can be made. This categorization distinguishes the partner search, trade promotion, market information, market research, publications, governmental dispute assistance, business dispute assistance, investments and legal advice/tenders as the nine services that are provided by commercial sections.

For each category is tried to find a dimension that represents the differences within the category. The identification of a dimension is based on the differences in service provision among the commercial sections. In case these differences between sections form a pattern, a dimension is identified. In the services that are categorized as publications, investments and legal advice/tenders differences in the execution are found, but no dimension could be recognized. In the other services that commercial sections provide, dimensions can be recognized which results in the creation of an overarching dimension.

The degree of involvement of the commercial sections can be identified as overarching dimension. Some commercial sections are willing to be more involved in the provision of services towards businesses than other commercial sections. This difference of involvement can be recognized in the partner search, trade promotion, market report, market research, government dispute assistance and business dispute assistance.

The degree of involvement of commercial sections in the partner search, trade promotion and market research lies in the extensiveness of the services. In the dimension of the partner search, the differences in involvement vary from providing contact details of branch organizations to an extensive report on possible distribution channels. The trade promotion services varies from informing businesses on trade fairs to participation in trade fairs, from organizing side events in a trade missions to organizing the whole trade mission and from supporting the presentations of a sector to the support of an individual business. Also in the market research involvement can be recognized in a service that is extensive, less extensive or outsourced.

The degree of involvement of sections in government dispute assistance and business dispute assistance lies in the perceived role of the commercial sections. In case of assistance in governmental disputes, commercial sections state the same kind of services but the role of the commercial sections differs. Some sections cooperate with political or economic sections of the embassy, or leave the service solely to the political and economic section. In the assistance of business disputes, a number of commercial sections assist businesses actively in their dispute, other sections state not to get involved in such disputes.

The overarching dimension in the provision of services is the degree of involvement of the commercial section in the services towards businesses. This overarching dimension is based on the dimensions found in this cluster and can be displayed on a scale with a low involvement on one end and a high involvement on the other end of the scale. This scale will be used in creating the empirical model on the execution of commercial diplomacy.

### **3.1.2 Policy on priority sectors**

This subparagraph displays an overview of the categories in the cluster of policy on priority sectors. Each category describes the choices on priority sectors and the dimensions that can be recognized in this category by comparing the differences among commercial sections. First, the role that priority sectors can have is displayed. Second, a description of the autonomy commercial sections have in their choice of priority sectors is made, followed by an analysis on the actual priority sectors of commercial sections. Fourth, a description is made on priorities on Bulgarian regions. This subparagraph ends with conclusion.

#### **3.1.2.1 Role of priority sectors**

A great majority of the commercial sections use priority sectors in the execution of commercial diplomacy. These sectors are specific sectors in the economy with more emphasis from the commercial sections. The role that priority sectors have in the execution of commercial diplomacy is similar among the different commercial sections. The priority sectors seem to have an important role in the proactive activities of commercial sections. Priority sectors have little influence on answering inquiries as this is influenced by the demand of businesses.

In the execution of commercial diplomacy four functions of priority sectors can be distinguished. First, priority sectors are used to watch the development of the Bulgarian market. (TR6, TR13, TR10) Commercial sections inform home businesses on the chances in the market and use priority sectors as guidance. Chances in the priority sectors are translated to implications for the home businesses in that particular sector (TR6) so businesses can be actively informed by the commercial sections. (TR13) Second, commercial sections often organize trade promotion events on the basis of priority sectors. This can be matchmaking events, public diplomacy events or the development of a trade mission. (TR13, TR7) Other commercial sections use priority sectors in developing their regular trade promotion events. (TR1, TR10) A third role of priority sectors is the creation of products. In this case, priority sectors are used as basis to develop a market research (TR10, TR17) or to create market information on businesses in a specific sector. (TR13) Finally, commercial sections use priority sectors to educate specialized employees. These employees can be located in the home organization (TR11, TR5) or are part of the commercial section and are specialized in priority sectors. (TR16, TR1, TR5)

The focus of commercial sections on priority sectors doesn't exclude businesses that don't fall in the priority sector. Commercial sections state that they always answer inquiries of businesses, independent of the priority sectors. (TR1, TR6) Sections state that they are demand driven in case of inquiries (TR7, TR3) and always try to provide businesses of the best answer within the capacity of the commercial section. (TR12)

A general line in the role of the priority sectors of commercial sections can be recognized. Priority sectors are used to inform businesses, organize trade events, create products and educate specialized employees. This enables the commercial sections to proactively focus on potential segments of the market more deeply. Commercial sections state a similar role of priority sectors which makes that no dimensions can be recognized.

### 3.1.2.2 Method of choice

Commercial sections often aren't autonomous in the choice of the priority sectors. The home organization to which the commercial sections are accountable can influence the choice of priority sectors to greater or lesser extent. Here, two forces influence the choice of the commercial. First, the method of choice influences the priority sectors. Secondly, the autonomy of the commercial section to deviate from the stated priority sectors can be seen as important.

In the choice of the priority sectors two main methods of choice can be distinguished. First, the 'home country economy method' can be found. This method is characterized by the home organization as leading actor in the development of priority sectors. Here, the home organization bases the choice of priority sectors on the home country sectors with a high potential. (TR7, TR11, TR5, TR16) These high potential sectors are often the traditional strong sectors of the home country (TR5, TR11) or a selection of sectors made in cooperation with employers associations and chambers of commerce. (TR16, TR17) The priority sectors developed by the home organization are communicated to the commercial sections around the word (TR11) or to a selection of sections in countries with the greatest potential in these priorities. (TR17, FR) Commercial sections state that emerging markets in Asia or South America are often qualified as potential markets by their home organizations. Commercial sections in Bulgaria aren't often seen as a priority which makes the link between the home economy and the Bulgarian market more difficult. (TR12, TR14)

The second method of choice can be seen as the 'host country economy method'. Here, commercial sections have the leading role in the selection of priority sectors. Priority sectors are based on the analysis of the commercial sections on the potential markets in the Bulgarian economy. Commercial sections state that they analyze the market in order to make a prediction of the specific sectors that have good prospects and have future opportunities for home country businesses. (TR6, TR8, TR14) Due to the own analysis of the local market, priorities among commercial sections around the world differ to a certain extent as markets differ in each country. (TR4, TR1) This difference increases as commercial sections change their priority sectors over the years as they would like to remain flexible to adapt to the changing market. (TR6, TR13)

The leading organization can't be seen as the sole decider in the choice of priority sectors, as cross-fertilization between the home organization and the commercial sections can be recognized. Commercial sections can have the autonomy to adapt home developed priorities to the Bulgarian market. Commercial sections can choose to focus on one particular sector within the framework of the home organization (TR11) or have the autonomy to deviate from the home organization framework (TR10, TR3). The autonomy of commercial sections to make own considerations derives from the idea that opportunities recognized by commercial section can't be ignored. (TR3, TR16, TR10, TR12). Commercial sections try therefore to be flexible and combine the given priorities and opportunities.

The two distinct methods create a dimension in the method of choice. One hand commercial sections have the home organization as leading principal. Here, the directives of the home organization are leading as method of choice. On the other hand, the commercial section can use the Bulgarian market as leading principal. This creates a dimension of the home organization and market as leading principal.



The stated sectors seem to have similarities with the method of choice and the related dimension that is described in the previous paragraph. The variety of sectors seems to be the result of home organization directives, where the dense cluster seems to be the result of the demand of the Bulgarian market. The dimension of the leading principal can hereby also be recognized in the chosen priority sectors.

#### **3.1.2.4 Priority in regions**

Commercial sections don't advise businesses to go to certain Bulgarian regions with sectoral clusters. Businesses that find a distributor or start a business in Bulgaria based on infrastructure in Bulgaria and are strongly concentrated in Sofia and Plovdiv. Exceptions on this can be found in the Black Sea area and the border regions.

Commercial sections state that they don't advise businesses in the choice of the location because of a strong cluster of sectors. Sections see no relevant clusters for their businesses and state that the best match between the home country businesses and the Bulgarian distributor is most important in the choice where to do business in Bulgaria. (TR6, TR13, TR14) Commercial sections do advise to do business in places with a good infrastructure in ICT, road, rail and air connections. Sofia and Plovdiv, the two main cities in Bulgaria, are therefore most stated as places where businesses are located.

Two exceptions on the dominance of Sofia and Plovdiv as the main business places can be found. First, commercial sections advise businesses to go to the Black Sea region in the sectors of tourism and maritime. (TR1, TR14) This region has the most tourist attractions and has the two main sea ports of Bulgaria. Businesses in the sectors tourism and maritime find their business often in Varna or Bourgas as these are the two main cities located at the Black Sea. Second, the commercial sections of neighboring countries find their businesses in other regions. They state that many of their businesses find their business in the regions that borders on their home country. (TR15, TR10) Commercial sections state that these regions are close to the border and can function as gateway to West-Europe or Russia

Commercial sections don't use their priority sectors in their advice to choose for a specific Bulgarian region. Sections state that the best match between home country business and Bulgarian business combined with good infrastructure is leading in the advice of commercial sections. Therefore, no dimensions in the choice of regions can be recognized.

#### **3.1.2.5 Conclusion**

Commercial sections state to make use of priority sectors in the execution of commercial diplomacy. In the use of priority sectors a categorization of four categories can be made. This categorization distinguishes the role of priority sectors, the method of choice in priority sectors, the chosen priority sectors and the priorities in regions as categories that are part of the execution of commercial diplomacy.

For each category is tried to find a dimension that represents the differences within this category. The identification of a dimension is based on the differences in the policy on priority sectors among the commercial sections. In case these differences between sections form a pattern, a dimension is identified. The categories on the role of priority sectors and the priorities on regions state similarities among sections, which results in no recognized dimensions. In the categories of method of choice and chosen priority sectors, a dimension could be recognized. From these dimensions an overarching dimension can be created.

The degree in which the hierarchy or the market is the leading principal in the choice of priority sectors can be seen as an overarching dimension. The use of priority sectors creates a tension between home organization directives and the demand from the market. This tension can be recognized in the method of choice and the chosen priorities.

In the category method of choice, the priority sectors based on the 'home country economy method' are developed with the hierarchy as leading principal. This home country prioritization may conflict with the demand from the Bulgarian economy. The priorities based in the 'host country economy method' use the Bulgarian market as leading principal which may conflict with the hierarchy. This dimension can also be found in the category on the chosen sectors. The home country economy method though the variety of sectors and the host home country economy method though the dense cluster of sectors that are chosen.

*The overarching dimension in the priority sectors is the degree in which the hierarchy or the market is the leading principal in the choice of priorities.* This overarching dimension is based on the dimensions found in this cluster and can be displayed on a scale with the hierarchy and market placed on both ends. This scale will be used in creating a grounded theory on the execution of commercial diplomacy.

### **3.1.3 Policy on the business community**

This subparagraph displays an overview of the categories in the cluster of the policy on the business community. Each category describes the policy on the business community and the dimensions that can be recognized in this category by comparing the differences among commercial sections.

This subparagraph describes the choices commercial sections make in policy on the size of the businesses, the demand from the businesses, the quality of the inquiries and the country of origin. This chapter ends with a conclusion.

#### **3.1.3.1 Size of businesses**

The focus of commercial sections on businesses with a certain size is similar among a great majority of the sections. Commercial sections state that they serve the whole business community, but see small and medium enterprises as the predominant group of businesses in the services they provide.

There is a general understanding among commercial sections that small and medium enterprises are the main users of the services of commercial sections. This predominance of small and medium enterprises is explained by two main reasons.

First, commercial sections explain the predominance due to the many small and medium enterprises that are established in their home country. These sections state that their home country has a structure with a very high amount of small and medium enterprises. (TR6, TR5, TR13) This high amount of small and medium enterprises dominates the inquiries towards commercial sections, especially in cases of a declining home market. The small and medium enterprises were used to sell their products on the home market, but had to find alternatives as their declining home market couldn't guarantee the survival of the business. The export of their products is an alternative to the domestic sales channels, which creates the demand towards commercial sections. (TR10)

Second, commercial sections state that they have a focus on small and medium enterprises in order to stimulate businesses to export their products. These sections state that there are many small and medium enterprises that have the capacity of exporting but aren't doing this. Commercial sections see a role for themselves in utilizing this potential of businesses. (TR1) This can be done with businesses that already are successful in the home market, but have never thought of exporting, (TR11) or in helping businesses that are willing to export but can't get the support of private organizations. (TR16)

The predominance of small and medium enterprises is can be recognized in a great majority of the commercial sections. Due to this absence of differences, no dimensions could be recognized.

#### **3.1.3.2 Demand of businesses**

Commercial sections agree that larger businesses have another pattern of demand towards the commercial sections than small and medium enterprises. The demand of larger businesses relates to the support on a diplomacy level, where the demand of small and medium enterprises relates to the support in the market level.

Commercial sections state that the support of small and medium enterprises mainly relates to information about the Bulgarian market. Small and medium enterprises are often unfamiliar with the new market to which they would like to export. These businesses often experience difficulties in obtaining information on the new market as they are limited in their capacity to conduct research on the new markets. Inquiries relate therefore often to market information and business contacts. (TR6, TR5, TR14)

The support of commercial sections towards larger businesses mainly relates to assistance on a diplomacy level. Commercial sections state that larger businesses have the resources to obtain market information on new markets and don't use services of commercial sections that relate to this market information. (TR1, TR7, TR3, TR10) The inquiries of larger businesses often relate the Bulgarian government. This can relate to draft laws that might have a negative influence on a business, disagreement on lost tenders or other problems with a governmental institution.

The demand of different businesses creates a clear distinction of services in the execution of commercial diplomacy. On one hand the small and medium enterprises with inquiries on the market can be distinguished and on the other hand the larger businesses with inquiries on assistance in government disputes can be found. The differences in the demand of businesses can be recognized in a great majority of the commercial sections which makes that no dimensions can be recognized.

#### **3.1.3.3 Quality of inquiries**

Commercial sections state that the inquiries they receive differ in quality. This quality stretches from rather prepared questions to inquiries that are seen as nonsense. In general, all commercial sections state that they try to answer the question on the best possible way.

The inquiries that are seen as nonsense are not answered by the commercial sections. These are inquiries where no serious question is asked and the commercial sections decide that the inquiry originates from a crazy person, instead of a serious business. (TR12, TR2)

Commercial sections often receive inquiries that are rather short and poorly developed but originate from serious businesses. If commercial sections get the impression that the inquiry is sent to many commercial sections and the business has no concrete plans to do business, the inquiry is treated with less priority or provided of a general answer. (TR6, TR7) In case commercial sections perceive the inquiry as serious in doing business, but the business wasn't able to develop a targeted question the commercial sections try to help the business in developing the question. This is done by directing the business to the home organization so the question can be developed in the home country, (TR11, TR16) or by asking for more information and develop the question together as commercial section and business. (TR10, TR1)

Commercial sections react in a similar way on the quality of inquiries. Sections see the quality of the inquiry as an indication of how serious the intentions of the businesses are. The more serious the intentions of the business are, the more priority is given to the inquiry by commercial sections. The serious intention of the businesses seems to be the requirement for commercial sections to offer their services. This policy on the quality is similar among commercial sections which makes that no dimensions could be recognized.

#### **3.1.3.4 Country of origin of businesses**

Commercial sections state that they receive inquiries that originate from both home country businesses as Bulgarian businesses. The way commercial sections deal with these inquiries can be divided in three types. First, the majority of the commercial sections focuses on home country businesses and provides little services to Bulgarian businesses. Second, commercial sections focus on home country businesses but see the benefits of providing Bulgarian businesses of information. Finally, commercial sections that focus on the bilateral relation by helping all businesses can be distinguished.



A vast majority of the commercial sections state that their focus lays on the assistance of home country businesses. Sections are often established with the aim to stimulate the export of the home country and do this by assisting home country businesses. (TR16, TR1, TR15) Commercial sections state that a great majority of the inquiries originate for home country businesses, but that Bulgarian businesses also contact them. (TR6, TR7) Inquiries of Bulgarian businesses are replied by the commercial sections with a short answer. They are provided of the contact details of the Bulgarian embassy, or other institutions that can answer the inquiry. (TR1, TR10) An exception to this are the inquiries that relate to investments in the home country. Bulgarian businesses are then provided of information or directed to an investment institution in the home country. (TR15, TR14, TR8) In case Bulgarian businesses offer a product or service that potentially benefits home country businesses, commercial sections often hold on to these businesses to make a connection with home country businesses in this sector in the future. (TR11) Some commercial sections state that they redirect the Bulgarian businesses to their bilateral chamber of commerce. (TR1, TR17) This provides Bulgarian businesses of assistance without using the capacity of the commercial sections.

A minority of the commercial sections state that they are established to stimulate the export of the home country, but that assistants to Bulgarian businesses can also contribute to this. These sections see their home country economy as an open economy that benefits from the trade between both countries. (TR16, TR13) Bulgarian businesses that would like to import home country products fall within the scope these commercial sections. One section states that they also assist Bulgarian businesses that would like to export to the home country, as home country businesses can benefit of the resale and because this can be the first step in attracting investments in the home country. (TR13)

Finally, commercial sections state that they provide the same services to Bulgarian businesses as they do to their home businesses. These commercial sections lay more emphasis on the bilateral relation than on stimulating the export of their home country. (TR4, TR12, TR9) Commercial sections see it as a duty to answer all inquiries in the best possible way (TR4), or have financial incentives to answer inquiries of both countries. (TR12, TR9)

A vast majority of the commercial sections sees the relation with the home country businesses as leading in the execution of commercial diplomacy. Differences can be found in the perception on how some Bulgarian businesses can contribute in the development of the home country businesses, but this is subservient to the interests of the home country businesses. Although a few commercial sections focus on the bilateral relation, clear differences among the sections can't be found. Therefore no dimensions could be recognized.

### **3.1.3.5 Conclusion**

Commercial sections state that they have policy on the business community in the execution of commercial diplomacy. In this policy on the business community a categorization of four categories can be made. This categorization distinguishes the size of the businesses, the demand from the businesses, the quality of the inquiries and the country of origin as categories that are part of the execution of commercial diplomacy.

For each category is tried to find a dimension that represents the differences within this category. The identification of a dimension is based on the differences in the policy on the business community among the commercial sections. In case these differences between sections form a patron, a dimension is identified. In all categories, commercial sections state similar answers and no dimensions can be recognized. Due to the lack of dimensions that derives from the categories, no overarching dimension can be recognized.

*The lack of differences in the policy on the business community makes that no overarching dimension can be recognized. The policy on the business community of commercial section will therefore not be a part of the grounded theory on the execution of commercial diplomacy.*

### **3.1.4 Conclusion on the execution**

The execution of commercial diplomacy can be characterized by the provided services, policy on priority sectors and the policy on the business community. Commercial sections have a variety of services that can be categorized in nine categories. The policy on priority sectors can be categorized in four categories. The policy on the business community also has a categorization of four categories.

The execution of commercial diplomacy seems similar among the commercial sections at first sight. Commercial sections can provide businesses generally of the same kind of services and state similarities in the most provided services. The use of priority sectors to focus on potential sectors can be seen as common among commercial sections and also the policy on the business community has many similarities.

Differences can be found in the way services are provided and in the way the priority sectors are developed. Commercial sections provide the same kind on services, but with a different degree of involvement. Some sections have a low involvement in their services. Example are the provision of contact information in a partner search or side events in trade promotion activities. Other sections have a high involvement and provide businesses of information with extensive reports or personalized events in trade promotion. *This makes the degree of involvement of commercial sections a relevant overarching dimension in the execution of commercial diplomacy.*

The way priority sectors are developed also contains differences among commercial sections. Some sections have priority sectors based on the directives of the home organization. Other sections have priority sectors based on the own analysis of the Bulgarian market. The difference in policy on priority sectors creates a tension between the directives of the hierarchy and the demand in the Bulgarian market. *This makes the degree in which the hierarchy or the market is the leading principal in the choice of priorities a relevant overarching dimension in the execution of commercial diplomacy*

*The degree of involvement and the degree in which the hierarchy or the market is the leading principal as overarching dimensions can be used to describe the differences that can be found in the execution of commercial diplomacy. These two dimensions will be used in the development of the grounded theory as constructs of the execution of commercial diplomacy.*

## 3.2. Organizational environment

The description of the organizational environment of commercial diplomacy starts with the idea that current scientific research doesn't provide a detailed description on the internal organization and external relations in commercial diplomacy. Mercier (2007) states that the structure of agencies that are responsible for commercial diplomacy differ among the countries. Here, differences in the public or private character of the agency and differences in the organization of home organizations are found. This paragraph has the goal to extend this description by describing the organizational environment of commercial diplomacy. The organizational environment is structured in a subparagraph on the internal organization and a subparagraph on the external relations in commercial diplomacy. This paragraph ends with a conclusion on the organization environment of commercial diplomacy.

### 3.2.1 Internal organization

This subparagraph displays an overview of the categories in the cluster of the internal organization. Each category describes a part of the internal organization and the dimensions that can be recognized in this category by comparing the differences among commercial sections. The internal organization is seen as the commercial section within the hierarchy of organizations that have a responsibility in commercial diplomacy. This subparagraph starts with the goals that are stated by the commercial sections. Then, the relation with the responsible organization in the home country is described, followed by the description of the relation between the commercial section and the related embassy. After this, the role of charged services and the autonomy of the commercial section in the relation are described. This subparagraph ends with the conclusion.

#### 3.2.1.1 Goal of the organization

Commercial sections have big similarities in the stated goals of their organization. A vast majority of the commercial section state that the support of the home country businesses in their international development is their main goal. Attracting investments is a second goal that is stated by the commercial sections. Only a small number of embassies state that they use another selection of goals.

The main goal of commercial sections is the support of home country businesses in the development of their international ambitions. (TR13, TR11, TR16) This support is focused on helping businesses with their export, (TR16, TR3) in order to create a positive influence on the balance of payments of the home country. (TR16) One commercial section states that they answer request from both the home country as from Bulgaria. This can be seen as an exception on the commercial sections that focus solely their own economy.

Attracting investments to the home country can be seen as a second task of commercial sections. Commercial sections state that it is an official task, but that they don't focus on this because it is difficult to find investors from Bulgaria to the home country. (TR6, TR5, TR3) One commercial section states that attracting investments is a focus of the section (TR8), but this can be seen as an exception as most sections see attracting investments from Bulgaria to the home country as a secondary task.

The goals of the commercial sections can be seen as similar. Exceptions on the stated goals can be found, but can be seen as only a small deviation of the goals that are stated in general. Therefore no dimension can be recognized in the goals of commercial sections.

### 3.2.1.2 Relation with the home organization

The relation between the commercial section and the home organization differs among the commercial sections. Three organizational structures with the home organization can be found. First, commercial sections get instructions directly by the ministry of foreign affairs. Second, commercial sections are directed by trade promotion organizations. And third, sections get directives from member organizations.

First, the commercial sections with a direct relation with the ministry of foreign affairs can be distinguished. The diplomats of this type of commercial section see themselves as general diplomats that focus on the diplomatic aspects of international economic relations, which they see as an approach that differs of the approach of commercial officers. (TR10, TR3) Commercial sections state that they cooperate with the ministry of economy, but that they see the ministry of foreign affairs as their most important ministry. (TR12, TR3, TR4) This organizational structure seems to be motivated by the size of the embassy and the trade relation between the home country and Bulgaria. Commercial sections state that the commercial sections of bigger embassies have diplomats that are accountable to the ministry of economy. In smaller embassies, diplomats have to deal with both political and economical issues. (TR8, TR4, TR3)

Second, the commercial sections with a direct relation to a trade promotion organization can be distinguished. These commercial sections state that they are part of a public agency that is responsible for the promotion of international trade. (TR17, TR16, TR1) These trade promotion organizations are regional structured with commercial offices in countries in the most important regions in the world. (TR6, TR14) The trade promotion organizations are dependent of the ministry of economy, which makes the ministry of economy the most important ministry for these commercial sections. (TR16, TR5, TR6) The structure of the trade promotion organization makes commercial sections accountable to another home organization than the related embassy, whom is dependent of the ministry of foreign affairs. (TR1, TR14) Due to an agreement between the minister of economy and foreign affairs, the deployed staff has a diplomatic status which makes them also accountable the ambassador. (TR6, TR17)

Finally, the commercial sections with a relation with a member organization can be distinguished. Within this type two structures can be recognized. A group of commercial sections did outsource the trade promotion activities to the bilateral chambers of commerce. (TR2, TR9) Here, issues on a diplomatic level are handled by the commercial section, but trade promotion activities are performed by non-diplomatic employees of the chamber of commerce.

The second group of commercial sections has the same member structure as a chamber of commerce, but the deployed staff has a diplomatic status and is therefore also accountable to the ambassador. (TR11, TR13) These commercial sections perceive themselves as consulting organizations. The relation with the members is most important as the organization is dependent on the annual member fee. The relation with the home ministry can therefore be seen as less important.

The relation with the home organization seems to be an important category in the organization of commercial diplomacy. The different home organizations give different incentives to the commercial sections. Diplomats accountable to the ministry of foreign affairs state that they see themselves as general diplomats, where diplomats accountable to a member organization see themselves as a consulting organization. The different home organizations can therefore be seen as a dimension in the relation commercial sections have with the home organization.

### 3.2.1.3 Relation with the embassy

Commercial sections have different relations with their embassies. The majority of the commercial sections act under the umbrella of the embassy, but differences can be found in the division of responsibilities between the commercial section and other sections of the embassy. In the relation between commercial sections and the embassy three structures can be found.

First, a structure where the economic and commercial activities are executed within one section of the embassy can be distinguished. (TR10, TR7, TR12) The division of responsibilities is simple as all activities in the field of economy or trade are executed within the same section. The office of the commercial section is often located in the chancellery which creates a low threshold for communication with other sections of the embassy. This structure seems to be related with commercial sections that have a direct relation with the ministry of foreign affairs. The accountability to the same home organization makes the internal structure and line of communication unambiguous.

Second, a structure of a separate economic and commercial section can be found. Commercial sections fall within the structure of the embassy but execute their activities under the name of a trade promotion organization (TR6, TR16, TR1). These commercial sections state that they are part of the diplomatic staff and communicate with the embassy on a regular basis (TR11, TR5, TR6), in which the economic section is very important in information sharing. (TR1, TR16) The division of responsibilities of the economic section and the commercial section is not fixated, but decided with mutual agreement. In general, a line in which the commercial sections deal with businesses on an individual level and economic sections deal on a macroeconomic and institutional level can be recognized. (TR1, TR5, TR17) This structure seems to be related to the commercial sections with a direct relation to a trade promotion organization. The dependency to both the embassy as the trade organization seems to make the line of communication ambiguous, but commercial sections state that this structure is created intentionally as foreign mission don't have the knowledge on businesses (TR11), but that the embassy is a strong brand that opens doors. (TR1)

In the last structure that can be distinguished, a commercial section is separated from the embassy. In this seldom structure, commercial sections state that they are separate organizations that have a close cooperation with the embassy. (TR13, TR9) The embassy doesn't act on a commercial level and uses the intelligence of the commercial section on economic issues. (TR13, TR9) The commercial section uses the embassy for governmental contacts on a ministerial level, (TR13) or the opening of events. (TR9) This structure seems to be related to commercial sections with a relation with member organizations.

The relation with the embassy seems to be an important category. Differences can be found in the integration of the commercial section within the embassy. Commercial sections can be integrated in the embassy, can act under the name of a trade promotion organization or can be independent of the embassy. The integration of the commercial section in the embassy structure can therefore be seen as a dimension in the relation with the embassy.

#### 3.2.1.4 Charged services

Commercial sections have differences in the way they perceive the value of their services. The way sections charge for their services and how they perceive this can be divided in three types. Some commercial sections state that charging for their services isn't possible. Other sections state that they charge for the services they provide. A third type states to work with a member fee. For all positions arguments are adduced by the commercial sections.

The commercial sections that don't charge for their service see this as self evident. Sections state that that they don't charge (TR3, TR12) explicitly state that this is impossible, (TR15) that they can't accept any gifts (TR8) or that they see their work as a duty instead of a paid service. (TR4) Only one commercial section states that their service isn't based on a fee system, but that it would be good for the public administration.

Other commercial sections state that they charge for a considerable part of their services. These services often relate to the help that is targeted at an individual business. The business and the commercial section agree on the charged service in a contract. This can be for market study, collective events or the search for partners. (TR16, TR5) In sections that charge, assistances in government disputes is the only services that is often provided for free. (TR1, TR14)

The third type of sections state that they do charge for their services but do this with a member fee. (TR11, TR13, TR9) Commercial sections provide their services to members, who pay an annual fee to be a member. Once a business is a member, the commercial sections can provide members of an amount of hours free of charge (TR13) or a discount on the normal tariffs. (TR9)

Commercial sections have different perceptions on charged services. Sections that don't charge state that charged services don't comply with a public service (TR17) and that they risk that businesses stop using their services because the cost are too high. (TR6)

Sections that charge state that charging prevents abuse of the services. Commercial section state that the price for their services isn't according market prices, has an element of governmental subsidy and isn't intended to cover the cost of the section. (TR16, TR11, TR14) The price is used to place a value on the product (TR1) and creates a threshold to select businesses that are serious in their intentions. (TR7, TR17) Next to this, commercial sections state that charged services is a tool for improving quality. Businesses that know that the services of the commercial section are charged send better prepared questions. (TR16, TR9) The payment of a service creates a business relation between the commercial section and the business. This makes that the service can be discussed as partners instead of as citizens in front of the administration. (TR16) The contract specifies the inquiry and the service that will be preformed. This gives feedback on the question to the business and improves the questions that businesses have. (TR14)

The role of charged services is differently perceived by commercials sections within the category. Some commercial sections state that their commercial work is a duty (TR4). Other sections state that they see their self as a purely consulting organization. (TR11) Although commercial sections state that charged services selects serious businesses and improves the quality of the service, is it for other commercial section impossible to charge for the products they provide to businesses. The different type of charged services can be seen the dimension in the category of charged services.

### **3.2.1.5 Autonomy within the internal organization**

The degree of autonomy of commercial sections is mainly determined by the relation with the home organization. Commercial sections state that there is a dependency toward the embassy, (TR17) but in the strategy and resource of the commercial section is the home organization leading. A general line in the autonomy of commercial sections can be recognized. The line of activities is mainly based on the annual plans of the home organizations. These annual plans leave room for own initiative of commercial sections, who state that they have a high degree of autonomy in their daily routine.

The way commercial sections use their autonomy is evaluated in several ways.

Commercial sections execute their activities within the framework that is set by the home organization. (TR6, TR5, TR1, TR17) This framework is developed with the input on the economy and market changes in the different countries provided by the commercial sections. (TR6, TR17, TR5) From this input derives a plan with the strategy and resources for the commercial sections. (TR1, TR10)

Commercial sections state that they are independent and autonomous of the home organization in their activities. (TR11, TR13, TR2, TR1, TR15, TR14) Within the framework that is developed commercial sections are free to choose their daily routine, and have the autonomy to adapt their activities to the local situation. (TR1, TR10) If the local situation implies that the commercial sections must organize activities outside the framework, sections can present a proposal in which they can apply for budget for this activity. (TR5, TR6, TR13) The autonomy outside the framework is therefore considerably smaller.

The activities of commercial sections are evaluated by the home organization and the users. Some home organizations work with targets for the commercial section to track their activities. (TR11, TR1) Other home organizations do benchmarks (TR16, TR17), or have a monitor system in order to compare the success of the activities of the commercial sections. (TR1, TR5) One commercial section states that they are also feel the pressure from the businesses that are clients, because the evaluations of these businesses also influence the survival of the organization. (TR13)

Commercial sections state that they have a high amount of autonomy. This autonomy is mainly related to the daily routine that falls within the scope of the annual plan. The autonomy seems to decrease when the activities don't fall within the annual plan. Commercial sections have many evaluation systems, no big differences can be found in the autonomy of the different sections. Therefore no dimensions can be recognized in the autonomy within the internal organization.

### **3.2.1.6 Conclusion**

Commercial sections state differences in the internal organization as part of their organizational environment. Within the internal organization a categorization of five categories can be made. This categorization distinguishes the goal of the organization, the relation with the home organization, the relation with the embassy, charged services and the autonomy within the internal organization.

For each category is tried to find a dimension that represents the differences within this category. The identification of a dimension is based on the differences in the internal organization of the commercial sections. In case these differences between sections form a patron, a dimension is identified. The categories of the goal of the organization and the autonomy within the internal organization contain differences but no dimensions can be recognized.

The categories of the relation with the home organization, the relation with the embassy and charged services contain a dimension. From these dimensions derives an overarching dimension.

The overarching dimension consists of three structures that can be found throughout the categories in which a dimension is found. In the first identified structure, commercial sections that state that they have a dependency towards the ministry of foreign affairs, are integrated within the embassy and don't charge for most of their services. This structure can be seen as a diplomatic structure.

In the second structure, commercial sections state that they are dependent of a trade promotion organization, are semi-integrated within the embassy and charge for most of the services they provide. This structure can be seen as a trade promotion structure.

Finally, commercial sections with a dependency towards a member organization, a cooperation with the embassy and a member fee for their services can be found. This structure can be seen as a member structure.

*The three distinguished structures is the overarching dimension in the internal organization. This overarching dimension is based on the dimensions found in this cluster and can be characterized by the relation with the home organization, the relation with the embassy and charged services. These three structures will be used in creating a grounded theory on the organizational environment.*

## **3.2.2 External relations**

This subparagraph displays an overview of the categories in the cluster of external relations. Each category describes a part of the external relations and the dimensions that can be recognized in this category by comparing the differences among commercial sections. The external relations is seen as the organizations that aren't in the hierarchy of the commercial diplomacy. This subparagraph starts by describing the most important partner organizations, followed by the relation sections have with other commercial sections. After this the relation with the business community is described. This subparagraph ends with the conclusion.

### **3.2.2.1 Partner organizations**

Commercial sections have big similarities in the organizations with whom they cooperate. The most important kind of organization seems to be the foreign chambers of commerce. This can be the bilateral chambers of commerce that are affiliated with the commercial sections, or the Bulgarian national chamber of commerce. A second category of partners can be found in organizations with a strong tie with the home country and organizations with a similar target as the commercial sections.



Chambers of commerce seem to be the most important partner organizations for commercial sections. Sections state that bilateral chambers of commerce, who are a gathering of home country and Bulgarian businesses, are important partners. These chambers have a broad network of businesses throughout Bulgaria and organize events where businesses can meet and share information on the business environment. (TR6, TR16, TR12) The fact that members are bilingual and experienced on the Bulgarian market is an advantage for new home country businesses on the Bulgarian market. (TR15) The Bulgarian chamber of commerce and industry is another chamber of commerce that is stated as partner by commercial sections. This national operating Bulgarian chamber of commerce organizes events where commercial officers are invited and have the opportunity to meet and discuss on economic issues. (TR1) The Bulgarian chamber of commerce acts as a partner by providing information on Bulgarian businesses and by organizing business meetings. (TR4, TR8)

In the second category, organizations as trade associations (TR5), commercial section in neighboring countries (TR16) and government agencies on trade promotion (TR12, TR2) can be distinguished. These organizations have their ties in the home country and have a similar goal as the commercial sections. Trade organizations can be seen as partners as they provide commercial sections of input on the interests of home country businesses. They also have a role in trade promotion events, where they can have a role in the organization or the financing of the event. (TR5) Commercial sections of neighboring countries can also be seen as partners. Sections cooperate to extent their trade promotion events to a regional level in order to attract more businesses to the events. (TR16) Finally, government agencies are stated as organizations with whom commercial sections cooperate. They collect information and spread information on markets and have a role in organizing trade promotion. (TR12, TR2)

Commercial sections seem to use their partner organizations for obtaining input and the distribution of output. The partners function as a link between the commercial sections and the businesses and as a platform in which commercial sections can meet each other. The partner organizations can be seen as an extension of the commercial sections in all commercial sections which makes that no dimension in the partner organizations can be recognized.

### **3.2.2.2 Other commercial sections**

Commercial sections see their relationship with other commercial sections as two-tailed. Sections state that other commercial sections are colleagues with whom they can cooperate, but also state that these colleagues are competitors at the same time. This creates a boundary between cooperation and competition between commercial sections.

Commercial sections are aware of their relation with other commercial sections. They meet on a regular basis at events in the field on economy and trade, where they discuss relevant economic issues and share information. Commercial sections state that this exchange of information is limited, and has an informal character. (TR6, TR2, TR17)

More in-depth cooperation between commercial sections does exist, but happens in specific cases. Commercial sections state that they cooperate in case of a common interest. This common interest can exist between specific sections as they share a language or businesses interests. (TR13, TR3) Cooperation between commercial sections can also derive from a common interest on a specific issue. Commercial sections state that they have written joint letters in cooperation with other embassies in which they express their discontent on a certain issue.

Commercial sections state that the cooperation and the information they obtained during meetings doesn't influence their activities. Commercial sections see themselves as autonomous in the choice of activities in commercial diplomacy. (TR2, TR10, TR1) Especially commercial sections with a different approach or structure state to see themselves as autonomous. They state that they are reluctant towards other commercial sections because of other interests. (TR11, TR13, TR9)

Commercial sections seem to share the same attitude towards other sections. They often have informal contact where they share information that is public and cooperate when there are common interests. On the other hand, sections are aware that they work with business interests, which can't be shared. The similar attitude of commercial sections towards other sections makes that no dimensions can be recognized.

#### **3.2.2.3 Home country business community**

Commercial sections state a big variety of methods to maintain the relation with the home country business community. The relation is maintained by actively informing businesses about the services that commercial sections can provide and by actively maintaining the business network. Commercial sections state that their relation with the business community can have frictions, because the variety of businesses in the home country.

Commercial sections state that it is important to promote the services that they can provide to the home country businesses. This promotion can be done by using the home organization or trade associations in the home country. (TR10, TR11) Other commercial sections choose to inform businesses on the business environment and potential markets using newsletters. (TR11, TR1, TR14) Some commercial sections state that they visit the home country on a regular basis to personally inform businesses on the chances in the Bulgarian market. (TR6, TR13)

Commercial sections also actively maintain their network of home country businesses. Sections state that they invite businesses that visit Bulgaria. These meetings can be used to improve general assistance to businesses. (TR7, TR16, TR17) Frictions in the relation between the commercial sections and the home country businesses can exist, as the home business community consist out of a variety of sectors (TR6, TR12) and businesses of a certain size. (TR13, TR9). This variety makes it difficult to provide all businesses of services that are tailor made for their needs. Despite this friction, commercial sections state that businesses are satisfied with the services that are provided by the sections, but with the remark that businesses know what to expect of commercial sections. (TR1, TR4, TR5)

Commercial sections actively maintain the relation with the home country business community. Actively informing businesses on the possibilities of the commercial section and maintaining the relation with businesses with an interest in Bulgaria is a common practice among commercial sections. Although frictions may occur, in general commercial sections have the perception that businesses are satisfied with the services of their commercial section. No big differences in the relation between the commercial sections and the home country business community can be found, which makes that no dimensions can be recognized.

#### **3.2.2.4 Conclusion**

Commercial sections state little differences in the external relations as part of their organizational environment. Within the external relation a categorization of three categories can be made. This categorization distinguishes the partner organizations, other commercial sections and the home country business community.

For each category is tried to find a dimension that represents the differences within this category. The identification of a dimension is based on the differences in the external relations of the commercial sections. In case these differences between sections form a patron, a dimension is identified. No category in the external relation seems to contain differences among the commercial sections. Commercial sections state similar partner organizations, have the same perception on the relation with other commercial sections and state no big differences in the relation with partner organization.

*The lack of differences in the external relations of commercial sections makes that no overarching dimension can be recognized.* The external relations of commercial section will therefore not be a part of the grounded theory on the organizational environment.

### 3.2.3 Conclusion on the organizational environment

The organizational environment of commercial diplomacy can be seen as a complex environment. The internal organization distinguishes four categories that describe the organizational goals, the relation with the home organization and the embassy, the perception of the value of the services and the amount of autonomy of the sections. In the external relations, three categories are distinguished that describe the relation with partner organizations, other commercial sections and the business community.

In this complex organizational environment many common practices can be found among the commercial sections. Commercial sections have the goal of supporting home country businesses and state that they have a high amount of autonomy within the established framework.

Commercial sections also state the chambers of commerce and trade associations as most important partners, have a common perception on the relation with other commercial sections and maintain the relation with business community to inform businesses and to get informed on the business environment.

Differences between the commercial sections can be found in the categories that describe the relation with the home country organization, the relation with the embassy and in the role of charged services. The dimensions in these categories seem to be related and can be divided in three main structures.

First, the diplomatic structure can be found. Commercial sections in this structure have a dependency to the ministry of foreign affairs, an integrated relation with the embassy and don't charge for most of their services. Second, the trade promotion structure can be distinguished. Commercial sections have a double dependency to a trade promotion organization and the ambassador and charge for their services. The member structure is the third distinguished structure. Here, the commercial sections have a dependency to a member organization, cooperate with the embassy and make use a member fee.

*The three distinguished structures form the overarching dimension that can be used to describe the differences that can be found in the organizational environment of commercial diplomacy. These three structures will be used in the development of the grounded theory as constructs of the organizational environment of commercial diplomacy.*

### 3.3 Conclusion on empirical findings

The detailed description enables the research to draw conclusions on a possible relation between the execution and organizational environment of commercial diplomacy. This chapter displays the most important findings and the overarching dimensions that derive from these findings. From the overarching dimensions derives a model that describes the possible relation between the execution and organizational environment of commercial diplomacy. First, the findings and overarching dimensions of the organization environment of commercial diplomacy is displayed. This is followed by the findings and overarching dimension of the execution of commercial diplomacy. This chapter ends with the possible relation between both described variables.

#### 3.3.1 Organizational environment of commercial diplomacy

The organizational environment of commercial diplomacy contains three structures as overarching dimension. The discovery of these structures is based on the identified dimensions of the categories in the clusters internal organization and external relations. The internal organization contains categories on the goals, the relation with the home organization, the relation with the embassy, the role of charged services and the autonomy of the commercial sections. The external relations contain the relation with partner organizations, other commercial sections and the business community.

In these various categories that can be found in the complex organizational environment of commercial diplomacy, three categories can be seen as determinative. Commercial sections state clear differences in their relation with the home organization, their relation with the embassy and their perceived value of services. In each of these categories a dimension composed of three types can be distinguished. These types show the same patron throughout the three categories and form three structures as overarching dimension. Figure 3.2 portrays this overarching dimension by displaying the three categories, the patron in the dimensions and the structures that derive from this.

	Diplomatic structure	Trade promotion structure	Member structure
Home organization	Ministry of foreign affairs	Trade promotion organization	Member organization
Relation with embassy	Integrated in the embassy	Double dependency	Cooperation with embassy
Value of service	Little to no charged services	Charge for services	Member fee

Figure 3.2, Overarching dimension of the organizational environment

The overarching dimension appears to contain a degree of publicness that separates the three structures. Based on the idea that that public organizations have a structure with strong ties to public entities and private organizations have a structure with strong ties to private entities, the diplomatic structure is seen as the most public, the trade promotion structure as semi-public and the member structure as little public. Commercial sections that don't fall within the distinguished structures can be seen as more public or more private than the distinguished structures and can be placed between the structures. Their position can be identified by assessing the types in the dimension of the three determinative categories.

*The three developed structures embody the differences that can be found in the organizational environment.* In the search for the relation between the organizational environment and the execution of commercial diplomacy these structures will be used to display the organizational environment of commercial diplomacy.

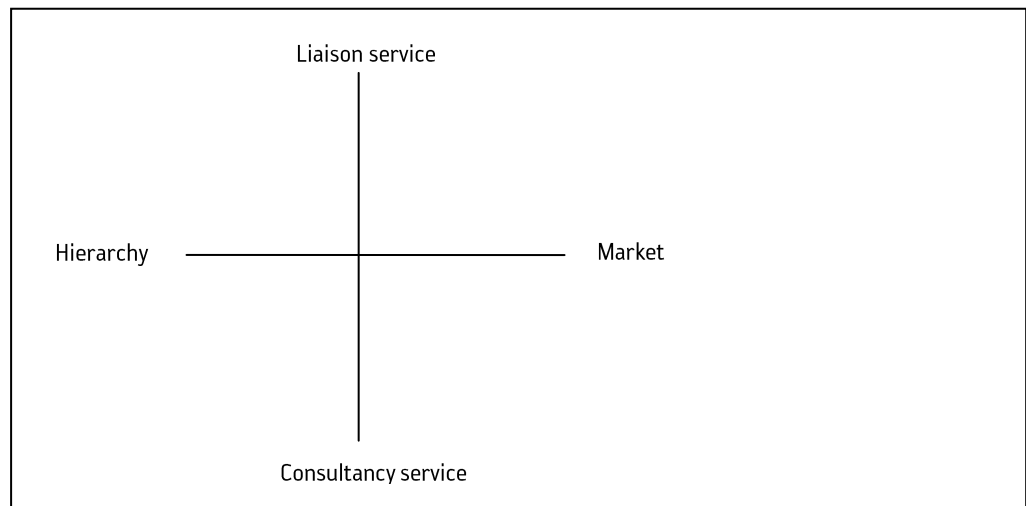
### **3.3.2 Execution of commercial diplomacy**

The execution of commercial diplomacy can be displayed by two scales as overarching dimensions. These two scales derive from the identified dimensions in the categories in the clusters provided services, policy on priority sectors and policy on the business community. The description of the provided services distinguishes nine services and the most common services as categories. The policy on priority sectors describes the categories role of priority sectors, the method of choice in priority sectors, the chosen priority sectors and the role of Bulgarian regions. The policy on the business community displays the categories size of the businesses, the demand of the businesses, the quality of inquiries and the country of origin.

In this multiplicity of categories in the execution of commercial diplomacy, the provided services and the policy on priority sectors can be seen as determinative clusters. The cluster of provided services contains many categories with a dimension that displays a different degree of involvement in the services sections provide towards businesses. The cluster of policy on priority sectors contains categories with a dimension that relates to a different degree in which the hierarchy or market can be seen as leading principal. Both the differences on the provided services and the policy on priority sectors are developed into an overarching dimension.

The overarching dimension of the provided services in commercial diplomacy can be placed on the 'involvement scale'. This involvement scale can be used to display the degree of involvement of commercial sections and consists of two extreme typologies on both ends. Here, the liaison service represents a low involvement and the consultancy service represents a high involvement of the commercial sections. The overarching dimension of the policy on priority sectors can be placed in the 'principal scale'. The principal scale displays the degree in which the hierarchy or the market is leading in the choice of priority sectors. The hierarchy and the market can be found on both ends of the scale as extreme typologies. Both scales can be placed in a coordinate system with an involvement axis and a principal axis. This coordinate system is displayed in figure 3.3

Both overarching dimensions appear to contain a degree of publicness. The liaison service and focus on the hierarchy is seen as public, based on the idea that a public services provision needs to be impartial in their services and accountable to the public through hierarchal systems. Consultancy service and the focus on the market is seen as private due to the idea that private service provision needs to be directed at the business and adopts to the demand of the market. The liaison service and hierarchy seems therefore more public than the consultancy service and market.



*Figure 3.3, Two overarching dimensions of the execution of commercial diplomacy*

The two developed scales embody the differences that can be found in the execution of commercial diplomacy. In order to discover possible relations between the organizational environment and the execution of commercial diplomacy, these two scales will be used to display the execution of commercial diplomacy.

### 3.3.3 Empirical model

The three structures found in the organizational environment can be placed in the coordinate system that represents the execution of commercial diplomacy. *The empirical model that derives from this combination forms the basis of the grounded theory of this research. The model displays different positions of the three structures of the organizational environment within the coordinate system of the execution of commercial diplomacy with the tension of public and private elements as central theme.* Here, the commercial sections with a diplomatic structure seem to execute commercial diplomacy with liaisons services and hierarchy based priorities. The sections that have a member structure execute commercial diplomacy with consultancy services and market based priorities. Commercial sections with a trade promotion structure seem to execute commercial diplomacy on basis on a combination of liaison and consultancy services and priorities based on market and hierarchy.

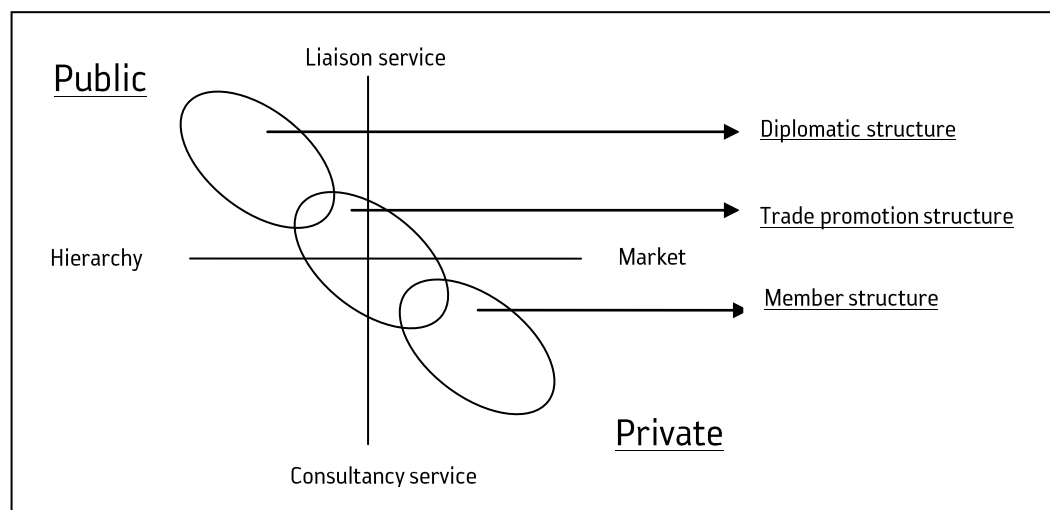


Figure 3.4, Empirical model

The position of the three structures in the coordinate system is based on an assessment of the phenomena stated by commercial sections. This assessment contains two steps. First, the commercial sections are placed within one of the identified structures of the organizational environment. This placement is based on an assessment of the phenomena that commercial sections stated in the categories that create the overarching dimension of the organizational environment.

Second, the phenomena of the commercial sections within one structure are assessed on the categories that create the overarching dimension in the execution of commercial diplomacy. When these phenomena given by commercial sections within one structure are compared with the other structures, the relation between the organizational environment and the execution of commercial diplomacy as displayed in the model can be recognized.

#### 3.3.3.1 Diplomatic structure

The diplomatic structure as organizational environment seems to be related with an execution of commercial diplomacy that is characterized by liaison services and directives from the own hierarchy. Commercial sections in this diplomatic organizational environment seem to attach the most importance to the independent public character of their organization and therefore choose for a low involvement in services and a focus on the own hierarchy as leading principal.



The low involvement of commercial sections can be shown by the quotes of commercial sections with a diplomatic structure. One of the commercial sections states *"you don't want to want to link business A with business Z, you don't want to do that. If anything goes wrong you are implicated"*. (TR8) This line of reasoning can also be found in another commercial section who states *"and then we give the company the contact of the branch chamber and a list of other Bulgarian companies that might be useful to contact. We don't contact each company, that is something we cannot do"*. (TR12)

The focus on the own hierarchy as leading principal can also be displayed by quotes of commercial sections with a diplomatic structure. One section states *"the ministry of economy states some priorities, the ministry of foreign affairs takes this over and then this is what I got off the end of the last year"*. (TR3) Another commercial section states *"so flexible as you can be in the public administration in the foreign ministry, because in no way can you be as flexible as a private organization. It is an organization, a bureaucracy as every bureaucracy in the world and you have to follow the structure"*. (TR10)

The stated quotes are distinctive for commercial sections with a diplomatic structure. The diplomatic organizational environment seems therefore related with a public execution of commercial diplomacy that is characterized by liaison services and a focus on the own hierarchy.

#### **3.3.3.2 Member structure**

The member structure seems to be related with an execution of commercial diplomacy that is characterized by consultancy services and the market as leading principal. The commercial sections with a member structure as organizational environment seem to attach the most importance to a private businesslike approach and therefore choose for a high involvement in their services and a focus on the market.

The high involvement of the commercial sections with a member structure can be displayed by several quotes of commercial sections. A section describes its involvement as *"we prepare a list of Bulgarian companies. We offer them to contact the company to present them to the company"* (TR13) Another commercial section states that they have *"a systematic approach for the internationalization, we consider it as a process <...> a lot of home work, you need make the plan, you need to understand your capabilities, you need you valid proposition. You must be ready for it"*. (TR11)

The market as leading principal of the commercial sections with a member structure can also be recognized in several quotes. A section states *"we don't do anything if a company does not asks us, it's not that a ministry reports that we that we have to put our influence on this or that. That is more in the business of the embassy"* (TR13) Another section states about its specialization *"it depends on the kind of business done by our members. There are no specific issues. Our members have various sectors of the economy, we cannot say we have a specialization"*. (TR9)

The stated quotes are distinctive for commercial sections with a member structure. The member structure as organizational environment seems therefore related with a private execution of commercial diplomacy that is characterized by consultancy services and a focus on the market.

#### **3.3.3.3 Trade promotion structure**

The trade promotion structure as organizational environment seems to be related with an execution of commercial diplomacy that is characterized by a combination of liaison and consultancy services and a combination of the market and hierarchy as leading principal. The commercial sections with a trade

promotion structure as organizational environment seem to have a hybrid position with both public and private elements and has therefore a medium degree of involvement and a focus on both principals.

The medium involvement can be shown by several quotes of commercial sections with a trade promotion structure. A commercial section states its involvement in services as *"business contacts , listing of contacts, confirmed list of contacts, this means that we confirm you a contact check of information we can find on the net for example by calling that guys in the Bulgarian language"*. (TR6)

Another section describes its involvement as *"they tell us where they are looking for, the company gives a presentation of their company, and we send this out to a selected list of companies, who we think are maybe might be interested in that company. It requires a lot more in-depth analysis of the local market"*. (TR5)

The focus on both principals in the execution of commercial diplomacy can be recognized in several quotes of commercial sections with a trade promotion structure. A commercial section describes its relation with the home organization as *"this is really working like a double process. In the daily routine it is coming from both ways, there is a real cooperation"*. (TR17) Another section describes its relation as *"The major trade events have to be approved by our head quarters, but ones approved we are free to carry those out. The menu of service is set, but we also have latitude to create our own services. If we need to create some customized program, we have a lot of latitude to that"*. (TR14)

The stated quotes are distinctive for commercial sections with a trade promotion structure. The organizational environment of the member structure seems therefore related with a hybrid form of the execution of commercial diplomacy, characterized by a combination of liaison and consultancy services and a focus on both principals.

#### **3.3.3.4 Public and private elements**

The execution and organizational environment of commercial diplomacy are both characterized by public and private elements. The structures that create the overarching dimension of the organizational environment seem to be distinguishable because of the public and private elements they contain. Based on the idea that that public organizations have a structure with strong ties to public entities and private organizations have a structure with strong ties to private entities, the diplomatic structure is seen as the most public, the trade promotion structure as semi-public and the member structure as little public. The two overarching dimensions of the execution of commercial diplomacy also contain public and private elements. The liaison service and focus on the hierarchy is seen as public, based on the idea that a public services provision needs to be impartial in their services and accountable to the public through hierarchal systems. Consultancy service and the focus on the market is seen as private due to the idea that private service provision needs to be directed at the businesses and adopts to the demand of the market. The liaison service and hierarchy seems therefore more public than the consultancy service and market.

The public and private elements seem to be the central theme in the empirical model. The public and private elements will therefore be included in the further elaboration on the organizational environment and the execution of commercial diplomacy.

### 3.3.3.5 Individual commercial sections in the empirical model

The empirical model displays the execution and organizational environment in commercial diplomacy, but doesn't state the position of individual commercial sections. This empirical model doesn't state the individual commercial sections because it aims at describing the phenomena instead of the population. However, the structure of the model provides the opportunity of assessing individual sections with the use of dimensions.

The empirical model is created out of three overarching dimensions that represent the differences in the clusters. These overarching dimensions are created out of the dimensions that are found in the determinative categories that each cluster contains. In each dimension different types of phenomena can be found. Individual commercial sections can be assessed by attaching a score to each type of phenomena. The clusters, overarching dimensions, determinative categories and the type of phenomena in each dimension are displayed in Appendix E.

In order to place a individual commercial section in the empirical model, the phenomena stated by the commercial section must be assessed using the dimension of each determinative category. Each dimension consists of different types of phenomena that relate to the public or private elements of commercial diplomacy. The types of phenomena that are related to the public elements of commercial diplomacy are scored lower than the types that relate the private elements. By placing the phenomena stated by an individual section on the dimension of each categories, a score to each category can be given. The scores of each category must be accumulated in order to create a score on the overarching dimension of each cluster.

The score on each overarching dimension can be used to place the individual section on the scales that represent the execution and the structures that represent the organizational environment of commercial diplomacy. An example of the assessment of an individual commercial section is given in Appendices F and G. Appendix F displays a fictional section with diplomatic structure. The accumulated scores create the position of the section as displayed in figure 3.5. Appendix G displays a fictional section with a member structure and is also displayed in figure 3.5. With the use of the type of phenomena in the dimensions stated in Appendix E and the overview of stated phenomena by all commercial sections in Appendix D, each commercial section can be placed in the empirical model.

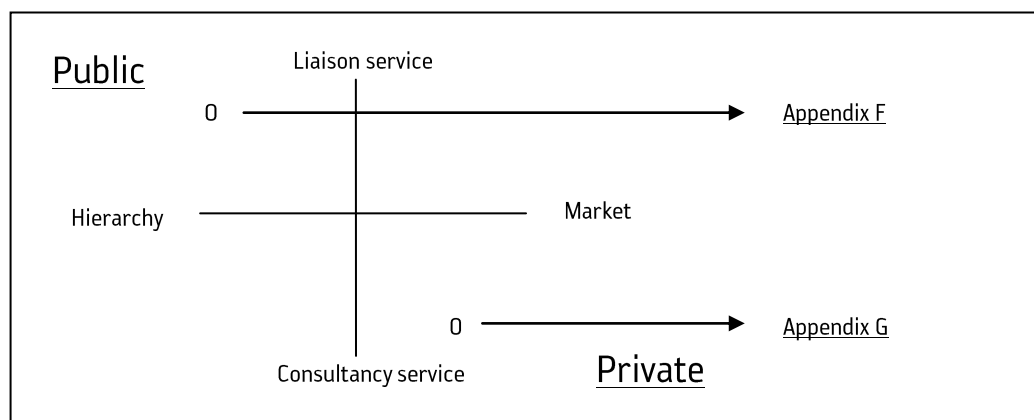


Figure 3.5, Individual commercial sections in the empirical model

## Chapter 4 Theoretical analysis

THIS CHAPTER AIMS AT PLACING THE EMPIRICAL MODEL IN A THEORETICAL PERSPECTIVE OF ORGANIZATIONS THAT HAVE PUBLIC AND PRIVATE ELEMENTS. THIS PERSPECTIVE CAN BE USED TO OBTAIN CONCEPTS THAT CAN FURTHER DEVELOP THE EMPIRICAL MODEL INTO A GROUNDED THEORY. THE DEVELOPMENT OF A THEORETICAL PERSPECTIVE IS STARTED IN THE FIRST PARAGRAPH BY COMPARING THE PUBLIC AND PRIVATE ELEMENTS THAT EXIST IN TRADITIONAL DIPLOMACY AND COMMERCIAL DIPLOMACY. IN PARAGRAPH TWO, COMMERCIAL DIPLOMACY IS PLACED IN THE PERSPECTIVE OF HYBRID ORGANIZATIONS AND THE MEASUREMENT OF PUBLIC AND PRIVATE ELEMENTS IS INTRODUCED. THIS MEASUREMENT OF PUBLICNESS IS ELABORATED AND APPLIED ON THE ORGANIZATIONAL ENVIRONMENT AND THE EXECUTION OF COMMERCIAL DIPLOMACY IN PARAGRAPH THREE AND FOUR. THIS CHAPTER ENDS WITH A CONCLUSION.

### 4.1 Commercial diplomacy in perspective

Commercial diplomacy seems to be distinguishable from traditional diplomacy because of its strong element that is related to the private sector, the market and businesses. Traditional diplomacy has a stronger political and public function that is mainly characterized by its task to maintain the relationship between states. Bayne & Woolcock (2007) define diplomacy as “the conduct of relations between states and other entities with standing in the world of politics by official agents and by peaceful means.”(p.2) This definition is enhanced by Berridge & James (2003) who define diplomacy as “the conduct of relations between sovereign states through the medium of officials based at home or abroad”. (p.69) Also Barston (1997) sees the relation between states as a main task by stating that “diplomacy is concerned with the management of relation between states and between states and other actors” (p1). These definitions have two common characteristics. First, the work of diplomacy relates to the relation between states. Second, the work of diplomacy is executed by government officials. Although the definitions don't exclude non-state elements, traditional diplomacy can be seen as a profession that is dominated by states and governments officials and is therefore strongly related to the public sector.

Commercial diplomacy has a stronger economical and private function that is mainly characterized by its activities aimed at the business community. Berridge & James (2003) define commercial diplomacy as “the work of diplomatic missions in support of the home country's business and finance sector”. (p. 42) This is elaborated by Naray (2011) who states that “commercial diplomacy aims at encouraging bilateral business through a series of roles that commercial diplomats perform in various activity areas, such as trade promotion, investment promotion, and cooperation in science and technology.” (p.122) Lee (2004) defines commercial diplomacy as “the work of a network of public and private actors who manage commercial relations using diplomatic channels and processes” which involves “the promotion of inward and outward investment and the promotion of exports in trade” (p.51) The definitions still contain a public element as commercial diplomacy is executed by government officials. The private element derives from the activities that relate to the support of businesses in export and international investments. The existence of these two elements make that commercial diplomacy cannot easily be placed in a pure public or private domain.

Commercial diplomacy can be seen as a part of the diplomatic activities of traditional diplomacy, due to the fact that commercial diplomacy is executed by diplomatic missions, commercial diplomats and diplomatic channels and processes. However, the private business element that is implicitly stated by Berridge & James (2003) and Naray (2011) and explicitly stated by Lee (2004) makes the discussion on public and private influence on the practice of commercial diplomacy relevant. In contrast to the public practice of traditional diplomacy, the public and private elements influence the practice of commercial diplomacy.

## 4.2 Commercial diplomacy as hybrid practice

The discussion on the mixture of public and private elements within organizations has been relevant in the public administration for several decades. Reforms within the public administration have introduced the mixture of public and private elements in public organizations by privatizing tasks in government agencies and by introducing the private management practices of new public management within the public administration. (Antonsen & Jorgensen, 1997, p.337) The mixture of public and private elements found in public organizations can be used for the assessment of the public and private elements in commercial diplomacy. This assessment will be done by elaborating the concept of hybrid organizations and the related core and dimensional approach of publicness.

### 4.2.1 Hybrid organizations

Hybrid organizations seem to have important similarities with organizations that are characterized by the mixture of public and private elements. The concept of hybrid organizations derives from the privatization of governmental executive organizations that shifted from a governmental control to a market control. (Kickert, 1998, p.11) The shift from governmental control to markets control places the organizations in a force field that can consist of public and private elements.

The hybridity of an organization is a broad concept that can refer to all kinds of mixtures within an organization. Brandsen, van de Donk & Putters (2005) describe hybridity as “heterogeneous arrangements, characterized by mixtures of pure and incongruous origins, (ideal)types, cultures, coordination mechanisms, rationalities, or action logics.” (p. 750) In the public sector hybridity often refers to the mixture of public and private elements in the organization. Brandsen, van de Donk & Kenis (2006) state that distinction between public/private and government/market is often made with hybridity in the public sector. (p.20) This is enhanced by In 't Veld (1995) who states that “hybrid organization are situated between the public and private domain”. (p.9) Brandsen & Karré (2011) integrate the public and private elements within one organization by citing Rainey (1997) who states that “hybrid organizations from the field of public administration are government organizations that resemble business firms.” (p. 828)

Hybrid organizations seem to be subject to the same public and private elements that can be found in commercial diplomacy. The commercial sections can therefore be seen as a hybrid organization that operates in a public and private force field. From this hybrid force field derives the question what can be defined as public and what can be defined as private in an organization. This question is often approached using the concept of the ‘publicness puzzle’ (Bozeman, 1987, p.5) and can be assessed using the core approach and the dimensional approach.

### 4.2.2 Core approach

The core approach can give a clear answer on the publicness puzzle described by Bozeman. (1987, p.5) The core approach takes the ownership of the organization as the defining character of the publicness of the organization. The core approach assumes that organizations are either public or private and sees the legal status as most important variable in distinguishing the ownership. (Bozeman & Bretschneider, 1994, p. 200; Antonsen & Jorgensen, 1997, p.338) In case an organization is owned by the government and has a public legal status the organization must be defined as a public organization. Opposite to this is the case of a privately owned organization with a private legal status which must be defined as a private organization.

The main benefit of the core approach is that it makes a very clear distinction between public and private organizations. This clear distinction can be important in legal cases where a distinction between public and private is important for the use of the appropriate law. (Stark, 2011)

The disadvantage of the core approach is the limited possibility to classify organizations. Perry & Rainey (1988, p. 184) state that ownership doesn't fully captures all the dimensions that can be found in the distinction between public and private. Public organizations can be influenced by the market or user charges that can have a greater influence on the organization than the owner of the public organization. Private organizations can be influenced by the government due to regulation that limits the organization in their choices or due to a strong dependency in which the government is the most important customer of the products of the private organization. Antonsen & Jorgensen (1997, p.338) state that the distinction between pure public and pure private organizations has become irrelevant as the exchange of elements makes the line between public and private organizations blurred. Due to the rather descriptive nature, the core approach misses the ability to give a theoretical explanation why an organization has particular public or private elements.

The disability to assess the public or private characteristics within one organization makes the core approach less useful to describe the public and private elements that can be found in commercial diplomacy. It seems unlikely that the differences in the publicness of commercial diplomacy can solely be explained by its ownership or legal entity. An approach that is able to explain the public or private elements of commercial diplomacy within an organization is therefore desirable.

#### **4.2.2 Dimensional approach**

The dimensional approach can be an alternative to the core approach. This approach places organizations on a scale in which there are many types of organizations between the pure public organization and the pure private organization. Organizations that are defined as public organizations using the core approach can be more public or less public when using the dimensional approach. The dimensional approach assumes that an organization operates in an environment with other actors. The publicness of an organization is therefore to a great extent dependent on the environment the organization operates in. (Moulton, 2009, p.890, Antonsen & Jorgensen, 1997, p.338)

Bozeman & Moulton (2011) distinguish two approaches to assess way the environment influences an organization. First, the empirical publicness is distinguished. This approach uses empirical data of the environment of the organization and is based on the early work of Dahl & Lindblom (1953) in which the distinction between political authority and economical authority is introduced. Perry & Rainey (1988) refer in their work to Dahl & Lindblom (1953) by stating that political authority is seen as a structure of a "politically constituted hierarchy", and the economical authority is seen as a "decentralized, autonomous organizational forms controlled primarily by the price system in economic markets". (p.190)

Bozeman (1987) elaborates on this early work by seeing political authority and economical authority as source of control in organizations (p.5) When the survival of an organization is strongly dependent on the political authority and little dependent on the economical authority an organization has a stronger public element. When the organization is strongly dependent on the economic authority and little dependent on the political authority an organization has a stronger private element. Simon (1989) portrayed the force field of political and economical authority in his strategic function typology on the task organization and the market organization. The balance in the presence of both authorities is often operationalized by assessing the percentages of government resources or the communication with the government. (Moulton, 2009, p.890)

Second, the normative publicness is distinguished. This approach assesses the normative values of an organization in relation to the environment. Antonsen & Jorgensen (1997) use the values of an organization to assess the degree of publicness. Political and economical authority is hereby seen as a mean to effectuate certain values within an organization. Bozeman (2007) states that public values can be seen as “the principles on which government policies should be based.” (131) In this approach an organization must not be assessed on basis the organizational structure, but on the basis of the underlying values. When an organization acts to a greater extend according to the normative public values as to the private values, it has a stronger public element. In case an organization acts to greater extend according to the normative private values as to the public values, it has a stronger private element. Lane (1994) developed a set that relates to public and private values that can be used in portraying the publicness of an organization. The publicness of values is often operationalized in assessing the way an organization values external relations, internal coordination mechanisms and organizational goals. (Antonsen and Jorgensen, 1997, p. 350)

#### **4.2.3 Publicness of commercial diplomacy**

The concept of the publicness of hybrid organizations seems relevant for the assessment of commercial diplomacy. Although the concepts originate from privatized organizations, the described concepts seem very applicable on the practice of commercial diplomacy. As described in the first paragraph, commercial diplomacy is influenced by public elements that derive from the diplomatic environment and by private elements that derive from the business community. This force field in the commercial diplomacy practice can be seen as a heterogeneous arrangement of public and private elements making commercial diplomacy a hybrid practice.

In the assessment of the public and private elements of commercial diplomacy, the dimensional approach seems to be an approach that is particularly suitable. Hybrid organizations are to a very limited extend discussed in terms of their ownership and legal status as described in the core approach. The dimensional approach seems more applicable as the discussion on hybridity focuses on the mixture of public and private elements within one organization. The dimensional concepts of political and economical authority can hereby be seen as representatives of the public and private elements.

The dimensional approach provides a rich spectrum of public and private dimensions of hybrid organizations (Bozeman & Bretschneider, 1994, p.203) but can be seen as complex due to the multiple dimensions. The set of empirical and normative publicness helps in overcoming the complexity and seems very applicable to the organizational environment and execution of commercial diplomacy. The concept of empirical publicness seems very applicable for the assessment of the empirical data on the organizational environment. The concept of normative publicness seems applicable in assessing the execution of commercial diplomacy. Here, the publicness of the services can be assessed by the values that underlie the provided services.

The next two paragraphs will elaborate on the publicness of hybrid organizations on the basis of empirical and normative publicness. Paragraph 4.3 elaborates on the empirical publicness using the strategic function typology of Simon (1989). The normative publicness will be elaborated in paragraph 4.4 by describing public and private values that can be found in literature.

## 4.3 Publicness in the organizational environment

The political and economical authority of the organizational environment of an organization can be portrayed using the strategic function typology of Simon (1989). As stated previously, the political or economical authority as source of power influences the organization in the empirical publicness approach. The strategic function typology portrays the influence of political or economical authority by using the influences of the policy organ and users on an organization. It distinguishes two ideal types of organizations that deal with the influence of one of the two authorities. The strategic function typology also displays the hybrid organization that is influenced by both authorities and the friction that can derive from this.

The strategic function typology is used more often in describing the hybridity of organizations. Smit (2001) applied the strategic function typology in his study in which he compares the way private consultants and public academics practice their research activities. Honingh & Karsten (2007) use the strategic function typology in describing the public and private mixture of financing systems in vocational education. Karre (2011) analyses in his dissertation the hybrid organizations in waste management using the strategic function typology. Due to the use of the strategic function typology in earlier studies and its ability to integrate political or economical authority in a model, the strategic function typology will be used in assessing the organizational environment of commercial diplomacy.

The strategic function typology sees an organization unit as the unit of analysis. Simon (1989) defines the organization unit as a "coherent set of people and resources aimed at a certain output". (p.47) The commercial section of a diplomatic mission that is responsible for commercial diplomacy can be seen as an organization unit within this research.

In order to survive, the organization unit has to develop a strategy the output that has to be supplied and the resources the unit want to use in order to create this output (Simon, 1989, p.47). From this strategy derives the organizational structure, which can be seen as the ordering of people and resources. In designing the organizational structure that is beneficial to the aim of continuity, the organizational structure should be an integrated and consistent plan that takes a number of intrinsic restrictive conditions into account. The restrictive conditions relate to the position of the organizational unit to its environment, which is the basis for the typology for the strategic position.

Simon (1989) and Sopers (1999) distinguish two strategic typologies of organization units, in which the dependencies in the environment is the most important factor. First, the market organization is distinguished. (Simon, 1989, p.55; Sopers, 1999, p.7) The market organization is characterized by its independency of another organizational unit. Its environment is indifferent about the continuity of the market organization, but the management of the market organization has the strategic freedom to create continuity by offering charged output. There is a strong freedom in the kind of output that is offered and to whom the output is offered. The income that is generated by the offered output ensures the continuity of the organization unit. The market organization is abstractly displayed in figure 4.1.



The strategic choices of the management of a market organization are influenced by the economical authority of the demand of the potential users of the output. (Simon, 1989, p.55, p.64) A market organization strives for the exclusivity of its output in the market, in order to compete with other organizations. The output is constantly judged by the users, which is the main incentive for the market organization to adapt its products to the demand of the users. This constant interaction between the economical authority of the users and the market organization makes the adaptive power of an organization important for the continuity of the organization. Although the market can be competitive and uncertain, it is no question that the demand of the users is a leading factor in the market organization. Hybridity has therefore little role in market organizations.

Second, the task organization is distinguished. (Simon, 1989, p.73; Sopers, 1999, p.8) This hierarchical organization is characterized by its dependency of another higher organization unit. This higher organization unit is referred to as the policy organ, and provides the task organization of tasks and resources in order to produce the output. The management of the task organization has a limited strategic freedom in the output they offer. This strategic freedom lies with the policy organ in which the task organization only fulfills the task for the policy organ. The task organization is abstractly displayed in figure 4.2.

The strategic choice of a task organization that only delivers output to the policy organ, is only influenced by the political authority of this policy organ. The task organization strategic choice is based on the loyalty to the policy organ which causes output of correct and efficient products to the standards of the policy organ. The policy organ rewards this loyalty in securing the continuity of the task organization. This clear trust relation between the policy organ and the task organization leaves little space for hybridity in this setting of a task organization.

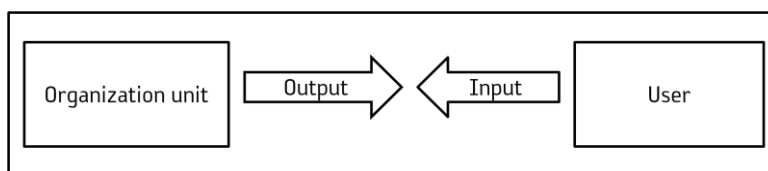


Figure 4.1, Market organization

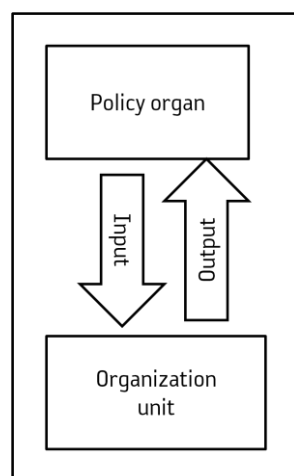


Fig. 4.2, Task organization

A hybrid organization arises when a task organization starts to deliver output to third parties. The strategic choice of the management of the task organization is then influenced by three forces. (Simon, 1989, p.76) First, the management is influenced by the policy organ who wants the best performance within the budget frame. Second, the users of the output influence the management, they want the best performance for their organization. Thirdly, the employees of the own task organization who have their interest in the continuity of the organization. Ideally, the management of the task organization should still only focus on the instructions of the policy organ, and deliver the output to the users with the interest of the policy organ. In practice the management also feels a responsibility to the users and own employees. This complex field of interests may cause friction within the strategy and develops the task organization into a hybrid organization that operates in the force field of political and economical authority. The hybrid organization is abstractly displayed in figure 4.3.

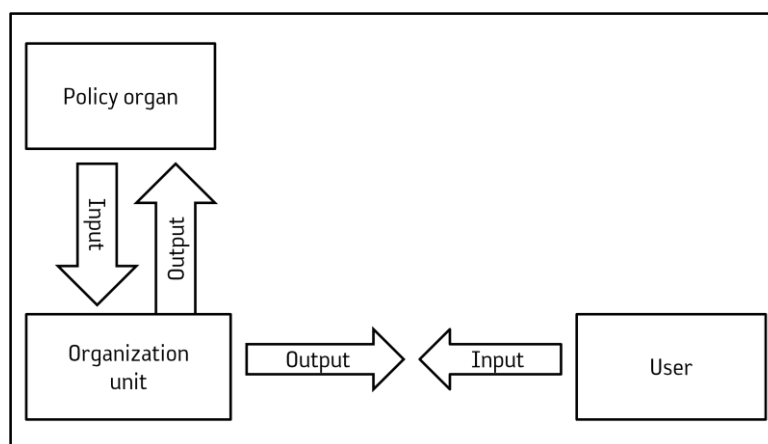


Figure 4.3, Hybrid organization

The strategic choice of a hybrid organization is influenced by the political authority of the policy organ and the economical authority of the users. Both the users and the policy organ provide the hybrid organization of input by expressing their wishes for the output. The hybrid organization adapts the output to these wishes because it feels responsible for a successful output towards both authorities in order to secure its continuity. The input of the policy organ contains wishes on the output and resources that secure the continuity of the hybrid organization. The input of the users also contains wishes on the output and only contains resources in case the output is charged. The responsibility of a successful output and the need to secure the continuity creates a friction between the loyalty to the policy organ and the adaption to the users.

The friction in the strategic choice increases when the task organization has a successful output. (Simon, 1989, p.81) The demand of the users rises due to the successful output, but the policy organ only has a limited budget available to supply this output. Here, the management finds itself within the friction between the relation with the users and the relation with the policy organ. The wishes of the political and economical authority place the hybrid organization in a conflicting organizational environment.

The friction in the hybrid organization also increases when products are charged. (Sopers, 1999, p.17) The friction between the policy organ and the users increases when users pay for the products they get delivered. The hybrid organization can receive its resources for the production of the output solely from the policy organ, from both policy organ and user, or solely from the user. The source of income is important for the financial dependency and causes a friction in the loyalty between both authorities. Even without a financial dependency, the payments cause a moral responsibility to the payer, which also creates a friction. (Simon, 1989, p.77).

The friction between political and economical authority can be recognized in the organizational environment of commercial sections. Commercial sections have the characteristics of a task organization, as all sections have a dependency towards a home organization that seems to function as a policy organ. On the other hand, the output of commercial sections is directed at the business community, which gives businesses the function of user. This makes that the commercial sections can be characterized as a hybrid organization that operates in the force fields of the political authority of the home organization and the economic authority of the business community. The input of the home organization and the business community in terms of wishes and resources can therefore be seen as relevant concepts in the discussion on the publicness of the organizational environment of commercial diplomacy.

## 4.4 Publicness in the execution

The normative publicness can be used in assessing the political and economical authority in the execution of commercial diplomacy. This approach assesses publicness as “the organizational attachment to public values” (Antonsen & Jorgensen, 1997, p. 337). The several studies on public and private organizational values make it possible to distinguish a variety of public and private organizational values. By assessing the stated values, a set of particularly public and particularly private values can be obtained. Applying these sets of values on hybrid organization, a distinction between public and private values can be made in the execution of commercial diplomacy.

Organizational values are often used to assess the publicness of hybrid organizations. Moulton (2009) uses public organizational values to better predict public outcome of an organization. Antonsen & Jorgensen (1997) assess the organizational values of public organizations with a different degree of publicness. Lane (1994) uses values in order to describe the differences between public administration and public management in a public organization. Organizational values seem applicable to the execution of commercial diplomacy. Based on the idea that the execution of commercial diplomacy is based on organizational values that are present in the commercial sections, it is possible to assess the publicness of the execution with use of the organizational values.

The normative publicness approach takes the organizational values as unit of analysis. In assessing the values of an organization the approach of Van der Wal, de Graaf and Lasthuizen (2008) is used. Van der Wal, de Graaf and Lasthuizen (2008) define values as “important qualities and standard that have certain weight in the choice of action” (p.468) and remarks that values are observed by the attitudes, preferences decisions and actions of individuals. Van der Wal, de Graaf and Lasthuizen (2008) refer to Jackall (1988) by stating that this does not have to be a problem as employees abandon individual values and replace them with organizational based ethics as part of a enculturation process. Organization values can therefore be defined as “values that play a role in organizational decision making and action” (Van der Wal et al., 2006, p. 318) and can be measured by individual behavior.

There is a variety of public organizational values distinguished in several studies. Jacobs (1992) describes the guardian syndrome as a set of moral values in public organizations. Here, she states values as *shun trading, be obedient and disciplined, expert prowess, adhere to tradition, respect hierarchy, be loyal, take vengeance and deceive for the sake of the task*. (p. 215) Lane (1994) distinguishes public organization values by stating that public administration is based on *rules, process, anticipation, responsibility, formalism, openness, complaint, legality, vocation, and public interest*. (p. 144) These normative values can be complemented by the empirical found values of Van der Wal, de Graaf and Lasthuizen (2008) who distinguishes public values as *accountability, lawfulness, incorruptibility, expertise and reliability*. (p. 473)

The described values seems to share the central values of accountability, reliability and public interest as all values seems to contribute to an organization that produces reliable public services and can be held accountable for this with the use of rules and transparency. These values can be recognized in the characterization of a public organization made by Antonsen & Jorgensen (1997) who state that “public sector values are strongly associated with public attention and oversight” and “leads to bureaucratic control” (p.351)

The previously stated studies on public organizational values also distinguished private organizational values. Jacobs (1992) describes the commercial syndrome as a set of moral values in private organizations with values as *shun force, come to voluntary agreements, be honest, collaborate easily with strangers and allies, compete, respect contracts and use initiative and enterprise*. (p. 215) Lane (1994) distinguishes private organization values by stating that public management is based on *objectives, efficiency, adaptation, direction, innovation, secrecy, exit, effectiveness, self-interests and profit*. (p. 144) Also Van der Wal, de Graaf and Lasthuizen (2008) found private organization values in their empirical study were they distinguish *profitability, accountability, reliability, effectiveness and expertise*. (p. 473)

The described values seem to share the central values of adoption, effectiveness and profit. These values seem to contribute to an organization that adopts its service to the demand of the users by providing effective services that can create a profit. This can be recognized in the characterization of Antonsen & Jorgensen (1997) have made of private organizations. They state that an organization with a low degree of publicness have values that associated with a "less complicated environment and more emphasis on satisfying immediate users", and "less internal control with more autonomy of the top management" (p.351)

In studies in public and private values, two scholars on the existence and application of public and private values can be distinguished. The first scholar states that a clear distinction between public and private values must be made. Jacobs (1992) and Lane (1994) see the mixing of public and private values as undesirable as the values counteract on each other. Hybrid organizations are therefore critically perceived as Jacobs (1992) sees the mixture of values as a "monstrous hybrid" (p.80).

The second scholar makes a less clear distinction between public and private values. Van der Wal et al. (2006;2008) distinguishes a dimension of public and private values. Here, organizational values can be more public or more private, but public and private organizations also have shared values. In 't Veld (1995) makes a distinction in public and private values, but sees the cultural differentiation as an enrichment for functioning of the public administration.

Public and private values can be recognized in the execution of commercial diplomacy. The public execution of commercial diplomacy can derive from the values of accountability, reliability and public interest. Commercial sections seem to maintain a distance to the businesses they serve in order to maintain their status of reliably organization that serves public goals and is accountable to the own hierarchy.

The private execution of commercial diplomacy can derive from values as adoption, effectiveness and profit. Commercial sections seem to see themselves as a partner of businesses in order to create services that are effective, profitable and are adapted to the market.

The friction between political and economical authority can also be recognized in the execution of commercial diplomacy. Commercial sections operate in a force field between the accountability of a public organization and the adaptability of a private organization. This makes that the organizational values can be seen as relevant concepts in the discussion on the publicness of the execution commercial diplomacy.

## 4.5 Conclusion on theoretical findings

The distinction between public and private elements in the organizational environment and execution of commercial diplomacy can be recognized in other studies in the domain of diplomacy and hybrid organizations. The empirical model of this study can therefore be placed in the perspective of studies on hybrid organizations and the publicness puzzle. This provides this research of concepts for measuring public and private elements and contributes to the further develop the empirical model in a grounded theory.

The combination of public and private elements seems to distinguish commercial diplomacy from traditional diplomacy. The definitions of traditional diplomacy are characterized the relation between states, while commercial diplomacy is characterized by the relation with businesses and introduces the combination of public and private elements.

The public and private elements of commercial diplomacy can also be recognized in hybrid organizations. This type of organization can be assessed using the concept of the publicness puzzle to define what can be seen as public or private. Here, the dimensional approach seems the most appropriate approach as it has the ability to assess the degree of publicness in one organization. Within the dimensional approach, the empirical and normative publicness is used to assess the organizational environment and the execution of commercial diplomacy.

The empirical publicness of the organizational environment is assessed using the strategic function typology. This typology displays that all commercial sections function in an organizational environment of a hybrid organization that consists of the hierarchal relation of a task organization and the user relation of the market organization. The friction between the wishes and resources that derive from the hierarchy and the users is distinctive for hybrid organizations and can be used to measure the public and private elements in the organizational environment of commercial diplomacy.

The normative publicness of the execution of commercial diplomacy is assessed using organizational values. These values show that the liaison service and the hierarchy as leading principal in the execution of commercial diplomacy are based on the public organizational values of accountability, reliability and public interest. The consultancy service and market as leading principal in the execution of commercial diplomacy are based on the private organizational values of adoption, effectiveness and profit. This makes that public and private organizational values can be used to measure the public and private elements in the execution of commercial diplomacy.

The perspective and concepts that derive from studies on diplomacy, hybrid organizations and the publicness puzzle seem to enhance and enrich the empirical model. This provides the research of the opportunity to supplement the empirical model with the concepts of the publicness puzzle in order to create the grounded theory on the relation between the organizational environment and the execution of commercial diplomacy.

## Chapter 5 Final conclusion

THE AIM OF THIS RESEARCH TO DESCRIBE THE EXECUTION AND ORGANIZATIONAL ENVIRONMENT OF COMMERCIAL DIPLOMACY AND TO FIND POSSIBLE RELATIONS BETWEEN THESE TWO VARIABLES CAN BE SEEN AS ACHIEVED. CHAPTER THREE GIVES AN EXTENSIVE DESCRIPTION OF THE EXECUTION AND ORGANIZATIONAL ENVIRONMENT OF COMMERCIAL DIPLOMACY AND ENDS WITH AN EMPIRICAL MODEL ON THE RELATION BETWEEN THESE TWO VARIABLES. THIS MODEL, WITH THE DISTINCTION BETWEEN PUBLIC AND PRIVATE ELEMENTS AS CENTRAL THEME, IS ENHANCED AND ENRICHED BY LITERATURE ON DIPLOMACY, HYBRID ORGANIZATIONS AND THE PUBLICNESS PUZZLE IN CHAPTER FOUR. THESE TWO CHAPTERS PROVIDE ADEQUATE INFORMATION FOR ANSWERING THE MAIN RESEARCH QUESTION. HOWEVER, THE GROUNDED THEORY METHODOLOGY AIMS AT DEVELOPING A GROUNDED THEORY FOR DEDUCTIVE RESEARCH. THE DEVELOPMENT OF A GROUNDED THEORETICAL MODEL AND HYPOTHESIS CAN THEREFORE BE SEEN AS THE MOST APPROPRIATE FINAL CONCLUSION OF THIS RESEARCH.

### 5.1 Organizational environment of commercial diplomacy

The empirical findings distinguish three structures in the organizational environment. The development of these structures is based on the different home organizations, the relation with the embassy and the perceived value of the services of commercial sections. These findings are supported by the strategic function typology as described by Simon (1989) and Sopers (1999). The typology describes an environment where both the users and hierarchy provide the hybrid organization of input by expressing their wishes for the output. The hybrid organization adapts the output to these wishes because it feels responsible for a successful output and because it's dependent of the resource the users and hierarchy can provide.

The wishes and resources of the hierarchy and users can be recognized in the three distinguished structures. Here, the home organization and the embassy can be seen as the own hierarchy and the business community can be seen as users. In the different structures, differences in the wishes can be expected due to different home organizations and a different relation with the embassy. Also the role of resources differs among the structures as sections have another perception of the value of their services.

As shown in figure 5.1, the organizational environment of the diplomatic structure is characterized by commercial sections that adapt their output to the wishes of the ministry of foreign affairs and the embassy. The commercial sections are dependent on these relations as there are little of no charged services to the users.

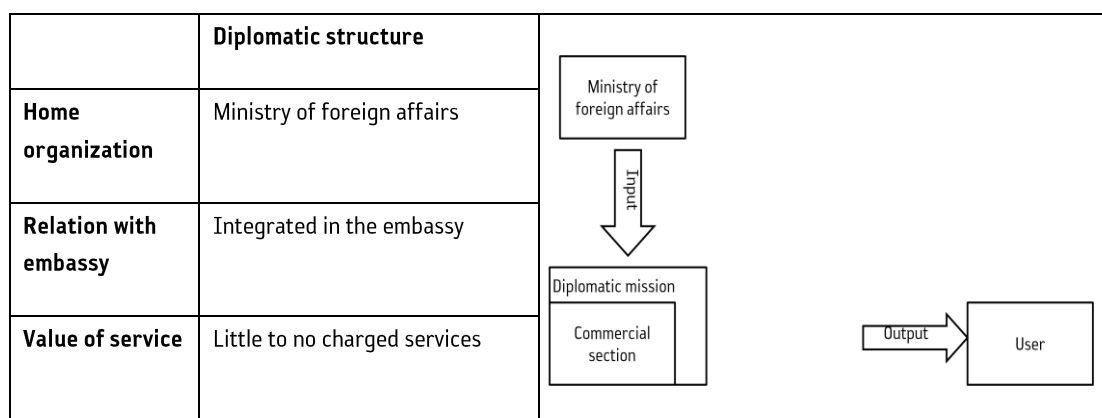


Figure 5.1, Grounded diplomatic structure

Figure 5.2 shows the organizational environment of the trade promotion structure. This structure is characterized by commercial sections that adapt their output to the wishes of the trade promotion organization, partly to the wishes of the embassy and has a dependency of the trade promotion organization, embassy and business community as income is generated by de hierarchy and charged services.

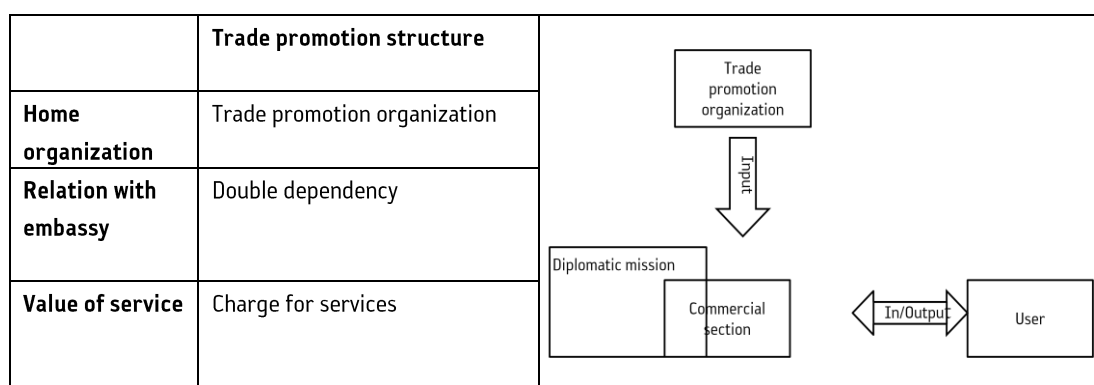


Figure 5.2, Grounded trade promotion structure

The organizational environment of the member structure, as shown in figure 5.3, is characterized by commercial sections that adapt their output to the wishes of the member organization and are little dependent in relation to the embassy. The member organization has a strong dependency of the business community because this community is represented in the member organization and provides the commercial section of its recourses

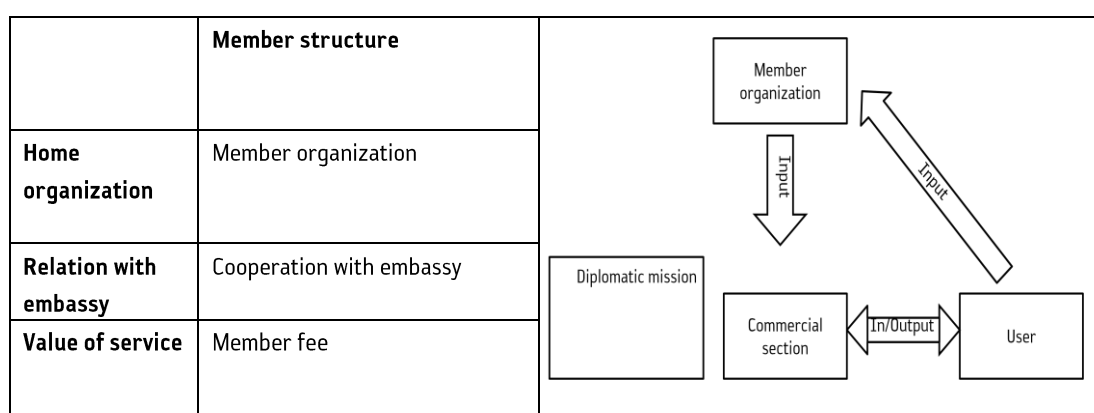


Figure 5.3, Grounded member structure

The developed structures and their characteristics can be used to assess the organizational environment of commercial sections in future research. A deductive research can be developed where the organizational environment is conceptualized by items on the wishes and resources of the home organization, the embassy and the users. These items can be used to determine the organizational environment of commercial sections.



## 5.2 Execution of commercial diplomacy

The empirical findings on the execution of commercial diplomacy distinguish two scales. On one hand the 'involvement scale' is distinguished in which sections provide liaison services and consultancy services. On the other hand the 'principal scale' is distinguished in which the hierarchy or the market is the leading principal in the choice of priority sectors.

The typologies of these scales can be recognized in the distinguished public and private organizational values as described in several studies. The public execution of commercial diplomacy, characterized by the low involvement of liaison services and the hierarchy as leading principal, can be recognized in the public values of accountability, reliability and public interest. Commercial sections seem to maintain a distance to the businesses they service in order to maintain their status of reliable organization that serves public goals and is accountable to the own hierarchy.

The private execution of commercial diplomacy, with the high involvement of consultancy services and the market as leading principal, can be recognized in the private values of adoption, effectiveness and profit. Commercial sections seem to see themselves as a partner of businesses in order to create services that are effective, profitable and adapted to the market. The empirical findings and related central organizational values are displayed in figure 5.4.

	Public execution	Private execution
Empirical findings	- Liaison service - Hierarchy	- Consultancy services - Market
Central values	-Accountability -Reliability -Public interest	-Adaptation -Effectiveness - Profit

*Figure 5.4, Grounded organizational values*

These stated values can be used to assess the publicness of both scales in the execution of commercial diplomacy. A deductive research can be developed where the execution of commercial diplomacy is conceptualized by items on the organizational values in the provision of services and the choice of priority sectors. The items of these two scales can be used to determine the execution of commercial diplomacy.

### 5.3 Grounded theory and hypothesis

The empirical model and associated literature give a strong indication that the execution of commercial diplomacy is influenced by the organizational environment. The organizational environment is characterized by the diplomatic structure, the trade promotion structure and the member structure. The execution of commercial diplomacy is characterized by the involvement of the sections in the services they provide and by the influence of the leading principal in the choice of priorities.

The differences found in the organizational environment and the execution of commercial diplomacy seems to have the concept of publicness as central theme. The diplomatic structure has strong characteristics of the hierarchical task organization and can be seen as the most public organizational environment. The member structure has strong characteristics of the market organization and can be seen as the most private organizational environment. The trade promotion structure has a combination of characteristics of the market and task organization and can be seen as the most hybrid organizational environment.

The execution of commercial diplomacy based on liaison services and a focus on the own hierarchy seems to originate from public organizational values and can therefore be seen as a public execution of commercial diplomacy. The execution based on consultancy services and a focus on the market seems to originate from private organizational values and can therefore be seen as a private execution of commercial diplomacy.

The relation between the organizational environment and the execution of commercial diplomacy can be explained by the public and private distinction. The diplomatic structure seems most related with a public execution of commercial diplomacy. The member structure seems most related with a private execution of commercial diplomacy. The trade promotion structure seems most related with a combination of a public and private execution of commercial diplomacy. These assumed relations are portrayed in the model of figure 5.5.

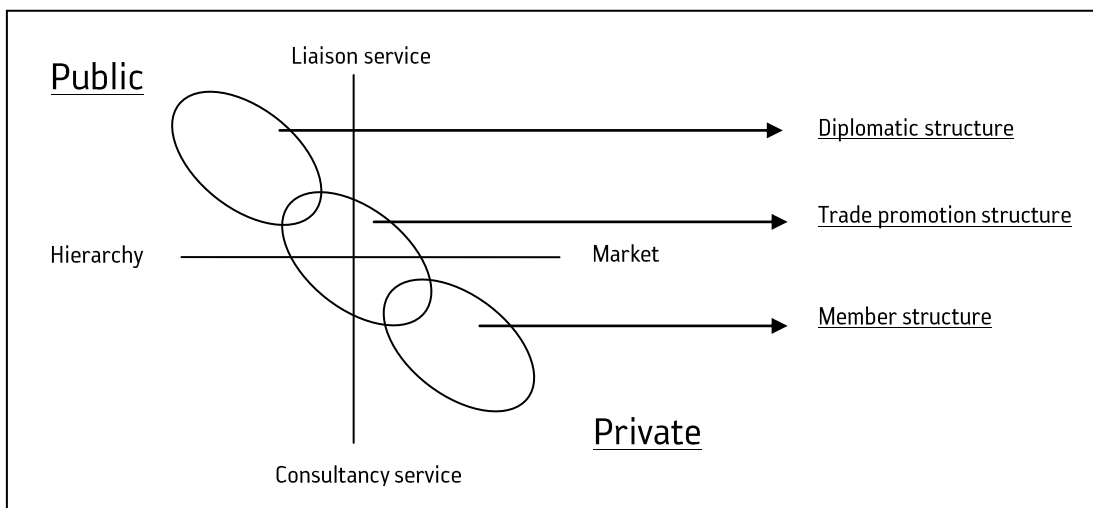


Figure 5.5, Grounded theory

This grounded theory assumes a positive causal relation between the publicness of the organizational environment and the publicness of the execution of commercial diplomacy. Here, it is expected that when the publicness of the organizational environment of a commercial section increases, the publicness of the execution of commercial diplomacy increases as well. This causal relation is displayed schematically in figure 5.6.

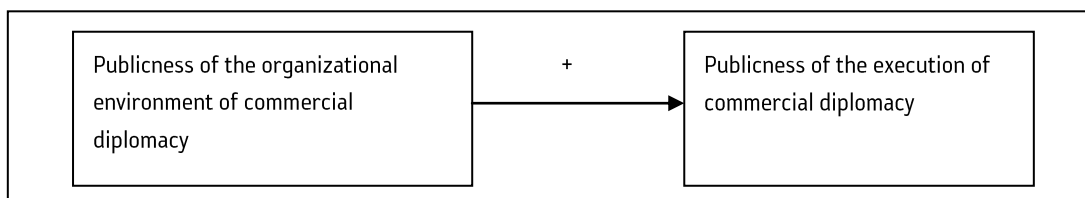


Figure 5.6, Causal relation

The displayed causal relation can be seen as the answer on the research question 'How is the execution of commercial diplomacy influenced by the organizational environment of the commercial sections of diplomatic missions?'. The assumed causal relation answers the question on the influence of the organizational environment on the execution of commercial diplomacy. The additive of publicness in the assumed causal relation answers the question how these two variables influence each other and gives input for a conceptualization of the two variables in future research. This grounded theory would like to make a contribution to future deductive research on the assumed causal relation between by suggesting three hypotheses.

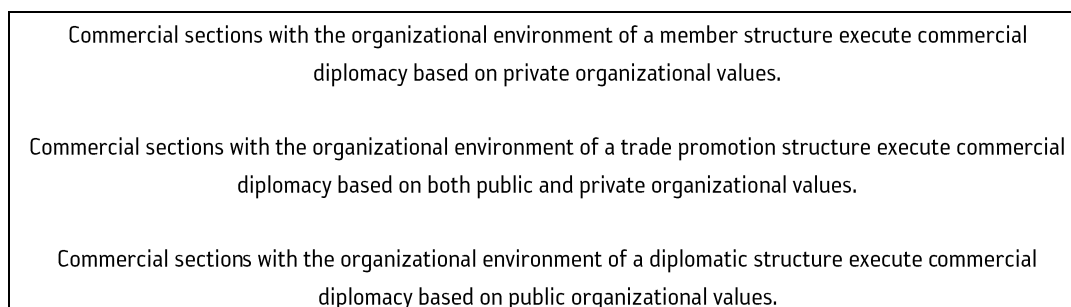


Figure 5.7, Hypotheses

## 5.4 Discussion

The developed grounded theory makes a contribution to future deductive research. However, this future research must take into account that the two variables of this grounded theory could be further developed. This discussion would like to suggest two points for improvements on the variables of this research.

First, the scales that display the execution of commercial diplomacy could be adapted for future research. The two scales in this research have different functions as one scale displays the service provision and the other scale displays the choice of priority sectors. Although the two scales measure other concepts, both scales measure the execution of commercial diplomacy, share the public and private distinction and use organizational values in order to measure this distinction. It could therefore be possible to simplify the research by measuring the execution of commercial diplomacy on one scale that includes the services provision and choice of priority sectors.

However, integrating the scales needs to be done with caution as it is possible that the two scales aren't related with each other. This causes the risk that a commercial section with a very public service provision and a very private choice of priority sectors is measured as a section that is average in the publicness of the execution of commercial diplomacy. It is therefore advisable to use both scales until it's shown that both scales are strongly related.

Second, the structures that display the organizational environment may have shortcomings. It is possible that in future research with more commercial sections included, not all commercial sections fall within the developed structures. This causes commercial sections with characteristic of several structures and creates a blurred image of the organizational environment. This blurred image makes it difficult to draw a conclusion on the relation between the organizational environment and the execution of commercial diplomacy.

A possibility to overcome this shortcoming is the creation of a scale that displays the organizational environment. This scale can be created by attaching scores to the items that create the structures. The items that relate to the diplomatic structure could be given a score of 0, the trade promotion items a score of 0.5 and the member structure items a score of 1. Using this score, commercial sections that fall within the existing structures score a 0, 0.5 or 1 is indicator of their organizational environment. Commercial sections that have items of several structures can have a score between the scores of existing structures. For example, a commercial section that has two items of the trade promotion structure and one of the member structure does score a  $\frac{0.5+0.5+1}{3} = 0.66$ . This score can be placed on a scale that displays the organizational environment and enables the research to include all commercial sections in the organizational environment.

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