

Business Diplomacy in small-medium enterprises: How to handle?

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ABSTRACT

The purpose of this paper is to find out how the term business diplomacy is interpret and execute by small-medium enterprises. This paper exist of an extensive literature review and a qualitative analysis of five Dutch small-medium enterprises, which are active in different business environments. This paper explicitly zooms in on the six dimensions of business diplomacy: intensity, policy clarity, broadness, responsibility, means deployment and resources availability. The main finding regarding the interpretation of business diplomacy is that all given interpretations have in some way a overlaps with the in this paper used definition of business diplomacy, but they are all also very different. Main findings about execution of business diplomacy in small-medium enterprises are that business diplomacy is not executed intensively, there is no clear policy, managers are the one who develop and sustain relationships and they are responsible for these relations, few means of deployment are used and there are little resources available for executing business diplomacy.

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Keywords

International business diplomacy, small-medium enterprises, intensity, policy clarity, broadness, responsibility, means deployment, resources availability.

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1. INTRODUCTION

Last decade, more than 600 Dutch companies moved their core business to other countries (CBS, 2007). Probably, one of the main reasons is the increase of personnel costs. Personnel costs increased between 2001-2011 in average with 35% in the Netherlands (CBS, 2012). So, for a lot of companies it become more and more cheaper to produce products in countries where the personnel costs are not as high as in the Netherlands. Also, there is a big increase in export worth of Dutch products between 1996 and 2013. Where Dutch export worth in 1996 had a total value of €40,6 billion, the export worth in 2013 increased to a value of €108,8 billion, an increase of approximately 168% (CBS). Also, the Netherlands rank high on the globalization index (KOF globalization index, March 2013) and it ranks among the 10 largest foreign direct investors in the world (CBS, 2012). With this figures in mind, it will become more interesting for a lot of companies to extent their activities/ selling products also to foreign countries. But there are quite some restrictions for companies who wants to operates outside the Netherlands, which causes a lot of problems. How are companies dealing with this problems? This is the moment where business diplomacy have to be executed. According to Ruël, business diplomacy involves establishing and sustaining positive relationships with foreign government representatives and non-governmental stakeholders (economic and non-economic) with the aim to build and sustain legitimacy (safeguard corporate image and reputation) in a foreign business environment” (Ruël, Windesheim, 2013). Where there has been done research on how big multinationals interpret and execute business development, very little is known about how small-medium enterprises interpret the term and execute it. It is strange that these small-medium enterprises are left aside yet, especially considering that in the Netherlands 98% of exporting businesses are small or medium sized (less than 250 people of personnel) and in 2009, these enterprises where considered to contribute 60% of total Dutch export volume, which had a worth of €185.4 billion (CBS, 2012). Also, the challenges that are faced with by multinational companies are most probably also challenges which a small-medium enterprise can be faced with. It is even more likely that small-medium enterprises face bigger problems than multinational corporations when they enter new markets, because multinationals more often have more or better resources, like knowledge and financial assets, available that they could insert (Spence, 2003). With this in mind, it becomes very interesting to see how small-medium enterprises interpret the term business diplomacy, what difficulties and challenges they are facing when they enter a new foreign market and how they solve these challenges. In order to investigate this, the following research question has to be answered: *“ How do Dutch small-medium enterprises interpret the term business diplomacy and how do they put it into practice? ”* In this research there will be tried to find an answer to these questions.

2. LITERATURE REVIEW

This research is executed in order to find out how small-medium enterprises interpret business diplomacy and how they put it in to practice. In order to do so, it is important to know what business diplomacy means and what is already known about it in the literature. The used literature in this review has been found using scientific databases, such as Scopus, Emerald Insight, Google Scholar, Science Direct et cetera.

2.1 Meaning of Business Diplomacy

According to Saner and Yiu, ‘globalisation has transformed the organisation of international economic relationships around the world, affecting the economic, social and political spheres of societies and citizens. It is characterised by a complex set of interconnectivities and interdependencies with an increasing number of actors vying to influence the outcome of these relationships. They lay competing claims to resources, markets and legitimacy and are engaged in activities traditionally defined as belonging to the domain of diplomacy’ (Saner & Yiu, Clingendael, 2003). In order to survive in this globalized world, ‘multinational companies have to successfully develop their own representational mechanisms to manage complex interaction with governments, multilateral institutions and global social movement’ (Muldoon, The diplomacy of business. Diplomacy and Statecraft, 16(2), 2005). These complex interactions are influenced by a number of developments, according to Ruël. He states that one of the developments is the public who becomes more and more critical. Companies cannot ignore their opinion. Another reason are the emerging markets like Brazil, China, Indonesia, Turkey and Russia who bring along challenges, like weak institutions and strong roles for the governments, which have to be taken into account by international businesses. Also the emergence of all kinds of non-governmental institutions causes challenges. Conflicts between these non-governmental institutions and businesses have to be prevented in order to protect companies’ reputation. To operate successfully among all these complexities, international business will need to develop diplomatic knowhow more than before (Ruël, Wolters, & Loohuis, Business diplomacy in MNCs: an exploratory study, 2013). Also, Muldoon states that organisations are more and more held accountable for their activities and need to build long-term relationships with stakeholders and they have to develop cooperative strategies accordingly (Muldoon, The diplomacy of Business, 2005). The purpose of business diplomacy is to add valuable knowledge for international business to lower the international complexity they are faced with and it has been evolving over the past years (Melissen, 2011). According to Suren, there are four types of business diplomacy who will be discussed briefly: Intra-firm Business Diplomacy, Inter-firm Diplomacy, Home-Country Government Diplomacy and International Business Diplomacy (Suren, 2014) .

2.1.1. Intra-firm Business Diplomacy

According to London, intra-firm business diplomacy is a method of cooperating with people in a way that things get done efficiently. Managers can create a management style, which is based on handling people respectfully, honestly, recognizing and valuing differences and accomplishing goals (London, 1999). According to Saner, Yiu and Søndergaard, the diplomatic managers can be compared with political diplomats who take responsibility for themselves and others (Saner, Yiu, & Søndergaard, Business diplomacy management: A core competency for global companies, 2000).

2.1.2 Inter-firm Diplomacy

Inter-firm diplomacy focuses on the interaction between businesses and their environment. Many research has been done on this subject but it has not been related to diplomacy yet. However, according to Suren, it takes diplomatic handling to nurture ties with other international network actors (Suren, 2014). According to Goerzen, Hagedoorn, Duysters and Osarenkhoe, maintaining good relations with actors who are active in businesses environment can increase competitive position by granting access to valuable information through sharing of knowledge (Goerzen, 2007) (Hagedoorn & Duysters, 2002) (Osarenkhoe, 2010) (Suren, 2014).

2.1.3 Home-Country Government Diplomacy

According to Ruël and Suren, home-country government diplomacy depends on governments as main actors that make use of representatives who promote their home country abroad (Ruël, Wolters, & Loohuis, Business diplomacy in MNCs: an exploratory study, 2013) (Suren, 2014) which is nearly the same explanation that is given by the Dutch dictionary, Dikke van Daele, of the word diplomat: a careful and tactical person who represents his country in another country (Dutch Dictionary). According to Naray, in this way jobs are created and economic growth can be triggered. Also, when these diplomats maintain good relationships with foreign governments, they can help local business to operate in different countries due to that risks of entering new markets can be lowered (Naray, 2008).

2.1.4 International Business Diplomacy

According to Saner and Yiu, business diplomacy gives the opportunity to management of global companies to take its multiple non-business counterparts as non-governmental organizations, governments, political parties, media and other representatives of civil societies and external constituencies

into consideration.¹ Furthermore, according to Muldoon, multinational companies are global actors, each with their own responsibilities towards their own stakeholders. They need to develop mechanisms in the global markets which will fit the company (Muldoon, The diplomacy of Business, 2005).

However, there is not a lot of knowledge in the literature about business diplomacy what has not been discussed and also there is not a lot of empirical evidence available. Therefore, it is very important to know what is meant by business diplomacy in the rest of this paper in order to research how small-medium enterprises interpret and conduct the term business diplomacy. Therefore, the definition of business diplomacy that will be used is the definition used by Ruël, Wolters and Loohuis in their paper that was presented at the Academy of International Business Meeting of 2013 in Istanbul which contains the key elements that are presented in most literature:

Business diplomacy involves establishing and sustaining positive relationships with foreign government representatives and non-governmental stakeholders (economic and non-economic) with the aim to build and sustain legitimacy (safeguard corporate image and reputation) in a foreign business (Ruël, Wolters, & Loohuis, Business diplomacy in MNCs: an exploratory study, 2013).

2.2 Business diplomacy in practice

There is not much empirical knowledge in the field of business diplomacy so far. The few researches and their outcomes that have been obtained in this field will be briefly discussed.

2.2.1 How business diplomacy is executed in MNC's

With using a semi-structured interview, Saner and Yiu investigated how business diplomacy was executed by four big Swiss multinational companies, which were active in the pharmaceutical and agro-industrial sector. The outcome of their research was that 'there was no consistent answer to the question on how business diplomacy was executed. Business diplomacy was conducted by different departments or functions within these Swiss multinational companies. Managers who were responsible for business diplomacy reported to different departments, depending on the multinationals surveyed. Most of the respondents who themselves were business diplomats stated that they reported to the government affairs department (75%), while others stated they also reported to the legal division, public relations department, production division and others.'² When there was

¹ (Saner & Yiu, Swiss Executives as Business Diplomats in the New Europe: Evidence from Swiss Pharmaceutical and Agro-Industrial Global Companies, 2005)

² (Saner & Yiu, Swiss Executives as Business Diplomats in the New Europe: Evidence from Swiss Pharmaceutical and Agro-Industrial Global Companies, 2005)

a threat of major crises like consumer boycotts of company products or damaging companies' reputation in any manner whatsoever, 75% of the interviewees answered that the public relations department took the lead in order to deal with these threats or crises.³

Wolters also investigated how business diplomacy was executed. The purpose of this research was to examine how business diplomacy was conducted in practice by multinational corporations. Using semi-structured interviews, there were tried to measure six dimensions of business diplomacy in eight, Dutch multinationals. The six dimensions were obtained through exhaustive literature review and are the following: intensity, policy clarity, broadness, responsibility, means deployment and resource availability. The research findings of Wolters states that 'in seven out of eight multinational companies, business diplomacy is executed intensively. Three of those multinationals lean for a certain part on the home government in establishing and sustaining positive relationships with foreign government representatives. None of the eight multinationals applies a clear and organizational wide business diplomacy policy. Instead, general business diplomacy guidelines exist in five multinationals. In the other three multinationals, business diplomacy is carried by the business values and principles. The research findings also suggest that in none of the eight multinationals, all employees are involved in establishing and sustaining positive relationships with foreign government representatives and non-governmental stakeholders. Yet, all multinational respondents indicated that all employees need to consider themselves as representatives of the organization when they are in contact with external stakeholders. In all eight MNCs the responsibility for business diplomacy is largely decentralized to the foreign subsidiaries. Although the foreign subsidiaries have freedom in adapting business diplomacy to the specific institutional characteristics of their local business market, the general business diplomacy guidelines and business codes of conduct need to be adhered. All eight MNCs deploy a wide range of business diplomacy means: direct stakeholder dialogues, events, forums, meetings, industry associations, social projects and social partnerships. The research findings furthermore suggest that in all eight MNCs time and financial resources are available for business diplomacy. Although in none of the MNCs specific business diplomacy training programs exist, general training programs are available that teach employees how to deal with the external stakeholders of the business' (Wolters, 2012). Also, the research of Wolters suggest that industry specific factors, like strongly governmental influence and sensitive operations that directly affect populations, determine the degree of intensity of business diplomacy in multinationals. Betlem agrees in his paper that firm-level characteristics and the type of industry determine the level of business diplomacy approach and organization for some dimensions (Betlem, 2012). Also, Wolters' paper suggest that intensity, policy clarity and responsibility of business diplomacy depends on

the institutional setting of a country. Companies that are operating in a weak developed institutional country, recognize the importance of business diplomacy better and therefore execute it more intensively. Betlem however found 'no evidence that differences in the institutional development of the host country are related to the business diplomacy approach or organization' (Betlem, 2012). Also, the respondents in Wolters' research answered that there cannot be created some kind of universal code of business diplomacy, because they believe that the way business diplomacy must be executed depends on a country's specific institutional environment (Wolters, 2012).

Also Ruël investigated how business diplomacy was carried out in eight big, Dutch multinationals. In his research, he found out that seven of the eight multinationals executed business diplomacy intensively. However, none of the organisations had drawn a special policy for their organisation. In five organisations, there were developed some general guidelines on how to act in certain situations. All of the interviewees stated that the responsibility for business diplomacy was decentralized to foreign subsidiaries. 'All multinationals deployed a wide range of business diplomacy means: direct stakeholder dialogues, events, forums, meetings, industry associations, social projects and social partnerships.' The outcomes of this research 'suggest that industry-specific factors affect the business diplomacy intensity of multinationals and that companies operating in countries with weak institutions recognize the importance of business diplomacy more and hence implement it more intensively' (Ruël, Wolters, & Loohuis, Business diplomacy in MNCs: an exploratory study, 2013).

2.2.2 Influence business diplomacy on firm performance

In Suren's 2014 research, Suren investigated whether there was a positive relationship between conducting business diplomacy and firm performance. She held several interviews with five large multinationals from Germany, Switzerland and the UK, who all were active in distinctive industry environments. In order to get valuable information, the companies needed to follow specific guidelines. These guidelines stated that the multinationals had to be global actors who are operating in more than ten countries worldwide and who receive a minimum of 25% of their revenue from outside operations. They also had to have been engaged in public affairs and corporate social responsibility. The outcome of this research was that international business diplomacy activities do have a direct positive effect on firm performance, especially on soft-factors of firm performance, which could involve into hard financial profits in the long run. If multinationals want to exploit these positive outcomes as much as possible, they must have clear and transparent operations, they have to be open for discussion, they have to focus on the long-term and they have to engage with each type of stakeholder. The positive effect of business diplomacy on companies was also underlined by four of the five interviewees companies. Two of the five companies claimed it

³ (Saner & Yiu, Swiss Executives as Business Diplomats in the New Europe: Evidence from Swiss Pharmaceutical and Agro-Industrial Global Companies, 2005)

is highly important in diplomatic relations to establish trust throughout long-term relationships (Suren, 2014). As a result of the study of Ruël, another sequential research was conducted by van der Kaap, Betlem, Wolters and Ruël. In this study there was tried to research the determinants of business diplomacy in multinationals. Literature pointed out there were three groups of determinants: firm-level, industry-level and institutional level. First assumptions was that these determinants were the cause of the variance in how business diplomacy was executed in terms of intensity, policy clarity, breadth, means deployment, responsibility and means availability. The results of the study however 'showed that larger firms have clearer business diplomacy, as do European subsidiaries and those with subsidiaries in Asia. No relationship was found between the development of the institutional environment and business diplomacy approach and responsibility' (Ruël, Betlem, Wolters, & Kaap, 2013) (Ruël, Wolters, & Loohuis, Business diplomacy in MNCs: an exploratory study, 2013).

2.2.3 MNC's perceptions with regard to business diplomacy

Another outcome of Saner and Yiu's research in 2005 was that respondents thought that knowledge of business diplomacy should be enlarged, especially in the field of international crisis and the ideological implications of non-Western models of business. All of the respondents pointed out that in-house training was the best tool for the development of an in-house business diplomacy competence. Another tool they used, even though in smaller proportions, was working together with MBA schools. None of the respondents were using the services of former diplomats or made use of some outsourcing at all. Even though there were multiple differences in how business diplomacy was conducted, all of the interviewees were aware of its' value, because 'it supports building good, intensive relationships with local governments and institutions and it can enlighten negative interactions with all stakeholders involved'.⁴

2.2.4 Importance of small-medium enterprises

Small-medium enterprises play a very important role in national economies. They are like the cornerstones of nowadays economies. They contribute to the expansion of product capacity, make use of all kinds of resources in all levels of the economy and they help develop flexible economic systems, where they are interconnected with other small-medium enterprises and large multinationals. These connections are interesting to home-country businesses and financiers as well as to foreign businesses and financiers (Kongolo, 2010). According to Fida, investing transnational corporations are more willing to add stable domestic suppliers

to their supply chains (Fida, 2008). As the in the introduction already mentioned importance of small-medium enterprises to Dutch economy, it appears that small-medium enterprises also play a crucial role in China's rapidly growing economy. They are responsible for about 40% of China's gross domestic product, having a worth of approximately \$3.7 trillion. Also in other industrialized countries, small-medium enterprises are causes of the creation of employment, reducing poverty and increasing society's welfare according to Horn and Pang (Horn, 1995) (Pang, 2008). In India, 90% of the enterprises are small-medium enterprises and they also contribute approximately 40% to India's gross domestic product, according to the Small and Medium Enterprises Development Authority (SMEDA). In America, half of nations workforce exist of people who are working at small enterprises, so small medium enterprises are a very important factor for America's economy (Longley, 2006). According to Edmiston, small businesses are a very important part of every national economy. Also, about the half of new jobs in economies are created by small-medium enterprises (Edmiston, 2007). Considering this, it becomes very clear that small-medium enterprises play a significant role in every economy worldwide. Therefore it is very important to investigate how small-medium enterprises interpret and execute business diplomacy, because business diplomacy is getting more and more important nowadays.

2.2.5 Expectations of how business diplomacy is executed in small-medium enterprises

In order to find out what is already known about business diplomacy in small-medium enterprises, there will be made use of existing knowledge in literature which will be divided into the six dimensions of business diplomacy: intensity, policy clarity, broadness, responsibility, means deployment and resource availability.

2.2.5.1 Intensity of business diplomacy

Wolters describes intensity of business diplomacy as follows: "the extent to which a company actively seeks contacts and builds relationships with foreign government representatives and non-governmental stakeholders" (Wolters, 2012). According to Wolters, the multinationals he investigated execute business diplomacy very intensively. Most of them sustain in some way relations with their own government and some sustain positive relations with foreign government representatives and stakeholders. Where most researched multinationals have a special department who handle situations regarding business diplomacy, the expectations are that small-medium enterprises do not have special departments, because in general they have not as much resources available as multinationals and for small medium enterprises it is even harder to find formal social resources than for multinationals (Dong & Men, 2014) (Beck, 2007) (Wolters, 2012). Therefore, expectations are that business diplomacy is not executed intensively.

⁴ (Saner & Yiu, Swiss Executives as Business Diplomats in the New Europe: Evidence from Swiss Pharmaceutical and Agro-Industrial Global Companies, 2005) and (Ruël, Wolters, & Loohuis, Business diplomacy in MNCs: an exploratory study, 2013)

2.2.5.2 Policy clarity of business diplomacy

Policy clarity of business diplomacy can be explained by “*the extent to which a company has a clear and organisation wide policy on how to establish and sustain relationships with foreign government representatives and non-governmental stakeholders*” (Wolters, 2012). According to Yung, small-medium enterprises are trying to look as professional as multinational companies, however there are still differences in the degree of professionalism. (Yung) Also, all multinationals that were researched by Wolters admit that they do not have a clearly written policy on business diplomacy. There is also the acknowledgement that policies depend on the institutional environment. With this in mind, expectations are that small-medium enterprises also do not have clear policies with formal rules regarding business diplomacy (Wolters, 2012).

2.2.5.3 Broadness of business diplomacy

Broadness of business diplomacy can be explained by “*the extent to which establishing and sustaining relationships with foreign government representatives and non-governmental stakeholders is done by every company representative*” (Wolters, 2012).

In none of the by Wolters examined multinationals ‘all employees were involved in establishing and sustaining positive relationships with foreign government representatives and non-governmental stakeholders’ (Wolters, 2012). It is namely management who is establishing and sustaining the relationships. There are however regulations and codes of conduct in each interviewees multinational which are obliged in every subsidiary. According to Daft, small enterprises normally have a flat, organic structure (Daft, Murphy, & Willmott, 2010). Therefore, knowledge can be transferred more easier than in big multinationals. Also due to the fact that small-medium enterprises have fewer personnel, the expectations are that a relative large part of personnel is involved with business diplomacy.

2.2.5.4 Responsibility of business diplomacy

Wolters describes responsibility of business diplomacy as “*the extent to which the company responsibility for establishing and sustaining relationships with foreign government representatives and non-governmental stakeholders lies with the management or with personnel*” (Wolters, 2012). Another outcome of Wolters research was ‘that the responsibility for establishing and sustaining positive relationships with foreign government representatives and non-governmental stakeholders does not lie on headquarter level. It appeared that in all multinationals the responsibility for business diplomacy lies with the foreign subsidiaries. All of the interviewees agreed that business diplomacy should be adapted to the institutional situation of the respective country. They argued that ‘the local employees in foreign subsidiaries have the best insight in the institutional context in which they operate and should therefore have a certain degree of freedom

in adapting business diplomacy to the specific characteristics of their local business market.’ Because of the smaller size of small-medium enterprises, the flat and organic structure, expectations are that a relative large part of personnel will have some kind of responsibility towards business diplomacy.

2.2.5.5 Means deployment of business diplomacy

Means deployment of business diplomacy can be thought of as “*the extent to which the company deploys a diversity of means for establishing and sustaining positive relationships with foreign government representatives and non-governmental stakeholders*” (Wolters, 2012). All interviewees multinationals had a large variety in tools for establishing and sustaining relationships with foreign government representatives and non-governmental stakeholders. Stakeholder dialogues, events, forums, meetings as well industry associations, social projects and partnerships are used by the multinationals as a tool or mean to execute business diplomacy. Because small-medium enterprises have not as much resources as multinationals, the expectations are that there are a few means executed by small-medium enterprises.

2.2.5.6 Resource availability of business diplomacy

The dimension resource availability of business diplomacy can be explained by “*the extent to which the company uses firm resources (e.g. financial, time, knowledge) for establishing and sustaining positive relationships with Foreign government representatives and non-governmental stakeholders*” (Wolters, 2012). As already is suggested in previous parts, multinationals have time and financial resources available to conduct business diplomacy. Therefore, they also have a lot of means and are able to execute business diplomacy extensively. A Royal Dutch Shell representative mentioned during the interview with Wolters that ‘*a lot of time and money are spent on the intensively managing of all stakeholders.*’ Also the other interviewees stated that they spent a lot of time and money to maintain relationships with all of their stakeholders. According to Beck, Dong & Men, for small-medium enterprises, it is much harder to find formal financial resources than it is for large multinationals (Beck, 2007) (Dong & Men, 2014). Also, small-medium enterprises are more constrained in their operations and growth, according to Berger and Udell and Galindo and Schiantarelli (Berger & Udell, 1998) (Galindo & Schiantarelli, 2003). Therefore, expectations for this research are that small-medium enterprises do not have that much time and money available to execute business diplomacy.

So, the expectations on how dimensions of business diplomacy are executed in small-medium enterprises are as follows:

Dimension of business diplomacy	Expectations for small-medium enterprises
Intensity	Business diplomacy not intensively executed
Policy clarity	No clear policy
Broadness	Relative large part of personnel is involved with business diplomacy
Responsibility	Relative large part of personnel is in some way responsible for business diplomacy
Means deployment	Few to no means are used
Resource availability	Little time and money spent on business diplomacy

Table 1. Expectations

3. RESEARCH METHODOLOGY

Due to the literature review, there are set expectations on how the dimensions of business diplomacy will be executed in small-medium enterprises. In order to find out if these expectations are realistic there has been made use of a qualitative, explorative research method, namely an extended case method, ‘a technique developed by Michael Burawoy in which case study observations are used to discover flaws in and to improve existing social theories’ (Babbie, 2010). This research is a qualitative research because the data cannot be measured but it has to be observed and it is also an explorative research because the research topic, business diplomacy, is a relative new subject, where is not much known about. The goal of this research is to explore how business diplomacy is executed in small-medium enterprises. According to Yin, the use of a case method is a relevant way in order to answer a explorative research question, which is the case in this research. (Yin, 2004) These case studies exist of data obtained from interviews, which can be found in appendix A, with five, due to the short time period this research had to be conducted in, Dutch small-medium enterprises. Selection criteria used for this enterprises were:

1. The total number of personnel working in the enterprise have to be below 250 persons in order to count the enterprise as a small-medium enterprise, according to the definition of the European Commission (European Commission, 2005).
2. The enterprises have to be already exporting their products, preferably outside the European Union, in order to deal with foreign institutions.

When enterprises met the criteria, there were contacted via e-mail and telephone in order to find out if they are willing to cooperate. Because the enterprises did not have specific departments who conducted business diplomacy or foreign relations or what so ever, the employees or managers who’d most dealt with foreign affairs where interviewed, following a structured interview protocol which can be found in appendix A. This protocol was designed with the six dimensions of business diplomacy in mind, in order to find out how business diplomacy was executed. Also there is tried to find out how

enterprises interpret the term business diplomacy and the interviewees where asked about their opinion towards the definition of business diplomacy used in this research. Because the enterprises wanted to stay anonymous, their company name will not be used in this research, only the findings from the interviews. For the analysis of obtained data, there will be made use of a constant comparative method, which involves four stages: comparing how the different dimensions are executed in different enterprises, integrating this findings in a general relationship, scrapping irrelevant parts and drawing a conclusion (Babbie, 2010).

4.RESULTS

In this chapter, the results of the interviews will be given in a clear overview, structured according to the interpretation of business diplomacy by small-medium enterprises and the six dimensions of business diplomacy. Due to the fact that all enterprises wanted to stay anonymous, their names will not be mentioned. They will be given a number and are described by the sector they are active in according following table:

Company number	Active in sector:
1.	Vegetable oils and fats
2.	preserved consumer dairy products
3.	Agricultural machine developers
4.	Woodworking
5.	International transport

Table 2. Company description

More information about the companies can be found in Appendix C.

4.1 Interpretation of the term business diplomacy

In order to find an answer to the first part of the research question, how do small-medium enterprises interpret business diplomacy, interviewees companies were asked about their interpretation of business diplomacy. The respondent of company nr. 1 gave the following definition:

“ Communication with customers and other companies on how to handle common situations that have to do with purchasing and selling our products.”

The respondent of company nr. 2 handled a very different interpretation of the term recording to the first company:

“ Politically handling of the company employees with governments and government-driven organizations such as health authorities.”

The respondent of company nr. 3 handled the following definition:

“ The way a company deals with organizations and governments, national and international. ”

The respondent of company nr 4. handled also a different definition of business diplomacy:

“ The way in which a company develops and sustains positive relationships with all kind of people and organizations who are important for the succeeding of the company’s vision. ”

The respondent of company nr. 5 mentioned the following when he was asked about their definition of business diplomacy:

“ A way of lobbying, in order to create conditions or terms that are good for the company. ”

In chapter 5, conclusion, these interpretations will be further elaborated.

4.2 Execution of business diplomacy

In order to find an answer to the second part of the research question, how do small-medium enterprises put business diplomacy into practice, interviewees representatives were asked questions, which were related to the six dimensions of business diplomacy: intensity, policy clarity, broadness, responsibility, means deployment and resource availability. When information about the dimensions is known, there could be drawn a conclusion about how business diplomacy is executed by small-medium enterprises.

4.2.1 Intensity of business diplomacy

In order to find out how intensively business diplomacy is executed, interviewees were asked to which degree companies were active in developing and sustaining relationships with foreign governments. Two of the five respondents answered that their company have not developed any kind of relationship with foreign governments. The respondent of company nr. 4 answered that her company outsources this activity to a specialized company, especially border formalities because that were the main challenges they were facing. The other two respondents answered that their company is only looking for entering relationships with foreign government when they want to do business in that specific country. Hereby, one of them declared that they sometimes also had made use of outsourcing.

Also the respondents were asked about the company’s relationships with local, non-governmental interest groups. The respondents from company nr. 1 stated that they were a member of an overarching organization which is specialized on the domain off oils and fats, NOFOTA, and it’s foreign sister organizations. The company was also member of an organization which focuses on sustainable palm oil, the so called RSPO. Another respondent stated that they occasionally made use of foreign agents, whereby three out of five respondents answered that they have not had contact with local, non-governmental interest groups.

Another question that was asked focused on an active search for new contacts. All of the interviewees answered that their company is looking for new contacts, as well national as international.

Also the way of searching for new contacts and maintaining existing relationships were quite similar for the interviewed companies. All of the interviewees stated that there was contact by e-mail and/or telephone and all of them had also visited, one more often than the other, organizations which they were dealing with. Three out of five respondents declared that they sometimes visited foreign fairs in order to find new contacts.

All of the respondents consider the maintaining of existing relationships and the search for new contacts of great importance, two out of five answered it is a necessity for the company in order to survive.

4.2.2 Policy clarity of business diplomacy

None of the interviewees answered that there was a formal policy relating foreign affairs present in the companies in which they are working for. One interviewee answered that because of the small size of the company and their flat structure, they do not have a lot of formal policies. Neither there was a formal policy that focuses on relationships with governments and interest groups available in one of the organizations.

However, in all of the five companies there was some kind of unwritten, informal approach towards business diplomacy available. These approaches exist namely out some code of conduct on how to behave when personnel comes in contact with the company’s business environment.

These policies are extensively known by management as well as by personnel.

4.2.3 Broadness of business diplomacy

All of the respondents answered that the establishing and sustaining of relationships was a management task, whereby two respondents answered that because of the smallness of the company other personnel most of the time knew the representatives of governments or other organizations. All of the respondents answered however that personnel saw itself as a representative of the company when they were in contact with foreign representatives.

4.2.4 Responsibility of business diplomacy

All of the respondents answered that the responsibility for establishing and sustaining relationships with foreign government representatives and non-governmental stakeholders lies with management, whereby one of the respondents answered that the responsibility lied by the relevant area manager.

Other personnel is not responsible for the establishing and sustaining of relations, they could however have contact through mail or telephone with foreign representatives. However, four of five respondents answered that sometimes there has been made use of outsourcing, so the actual

maintaining and sustaining is not always done by management but they always have the responsibility for developing and maintaining relationships.

4.2.5 Means deployment of business diplomacy

Also in this case, most respondents answered quite similarly. All five interviewees answered that the company regularly had contact, via email or telephone with foreign relations. Three out of five answered that they visit foreign fairs. Also three out of five answered that company's representatives have dinners with the foreign representatives. The respondent of company nr. 1 answered that the company sometimes organizes seminars.

4.2.6 Resource availability of business diplomacy

Three of the five respondents answered that there is not a financial budget for the sustaining and maintaining of relationships with foreign affairs. The other two respondents answered that a few times per year there are some foreign business trips with the duration of a couple of days. However they had not a clear idea about the costs of these trips or how much time there was spent with these trips. Also, in none of the businesses employees are trained to sustain and maintain relationships with foreign representatives, because management still is the main actor in sustaining and maintaining relationships with foreign representatives.

5. CONCLUSION

In this part, we aim to answer the research question. The research question was as follows: *"How do Dutch small-medium enterprises interpret the term business diplomacy and how do they put it into practice?"*

5.1 Interpretation of business diplomacy

As made clear in section 4.1, interpretation of the term business diplomacy, all the interviewees had a different opinion about the definition of the term business diplomacy. All had something in mind with the definition used in this paper, but mostly for a small part. The definition used in this paper is as follows:

Business diplomacy involves establishing and sustaining positive relationships with foreign government representatives and non-governmental stakeholders (economic and non-economic) with the aim to build and sustain legitimacy (safeguard corporate image and reputation) in a foreign business.

The definition of representative of company nr. 1 mentioned communication with customers and other companies on how to handle in common situations that have to do with purchasing and selling their product. This can be thought of as a way of sustaining legitimacy in order to maintain sales volume. The definition of representative of company nr. 2 mentioned the political handling with governments and government-driven organisations, which look a lot like

establishing positive relationships with foreign governments. The third representative mentioned the way a company deals with governments and organisations, national and international, which comes across with establishing relations with foreign government representatives and non-governmental stakeholders. The fourth respondent mentioned the way in which a company develops and sustains positive relationships with all kind of people and organizations who are important for the succeeding of the company's vision, which comes across with the establishing and sustaining of positive relationships with foreign government representatives and non-governmental stakeholders with the aim to build legitimacy, what could be a part of a company's vision. Respondent nr. 5 mentioned lobbying in order to create good conditions for the company. This could be seen as establishing and sustaining relationships in order to build and sustain legitimacy. All the, by the respondents, given definitions shows that the definition used in this paper is not generally known among Dutch small-medium enterprises but in most cases there is some overlap. This probably occurs because business diplomacy is a term that does not exist that long and there is not much known about it. So the answer to the first part of the research question is as follows: Dutch small-medium enterprises interpret the term business diplomacy very differently, whereby most of them have some kind of overlap with the definition used in this paper.

5.2 Execution of business diplomacy

The second part of the research question focused on how business diplomacy is executed in Dutch small-medium enterprises. After an extensive literature review, the following expectations were risen:

Dimension of business diplomacy	Expectations for small-medium enterprises
Intensity	Business diplomacy not intensively executed
Policy clarity	No clear policy
Broadness	Relative large part of personnel is involved with business diplomacy
Responsibility	Relative large part of personnel is in some way responsible for business diplomacy
Means deployment	Few to no means are used
Resource availability	Little time and money spent on business diplomacy

Table 1. expectations

5.2.1 Intensity of business diplomacy

Two of the five interviewees have not developed any kind of relationships with foreign government representatives. One of the five mostly outsource the activities that relate to business diplomacy, where the other two interviewees mentioned that only when it was necessary, they developed some kind of relationship with foreign government representatives. From the five interviewees, there were only two who had

relationships with foreign non-governmental stakeholders. All five respondents answered however that their company is looking for new contacts, where it is for some extremely important. With this in mind, the conclusion is drawn that business diplomacy is not executed intensively.

5.2.2 Policy clarity of business diplomacy

In neither of the five companies there existed a clear, formal policy regarding business diplomacy. All the companies used an informal approach, which consisted from sort of behavioural code of conduct. These behavioural codes were known by management as well as by personnel. With this information in mind, there can be concluded that no clear policies about business diplomacy exist in the researched companies.

5.2.3 Broadness of business diplomacy

All the respondents answered that the developing and sustaining of relationships was done by management, where in some companies personnel knew the representatives because of the small size of the company. Nevertheless, employees see themselves as a representative of the company when they are dealing with the company's business environment. Therefore, there can be concluded that a relative small part of personnel is involved in business diplomacy.

5.2.4 Responsibility of business diplomacy

All the respondents answered that the responsibility of developing and sustaining of relationships was the task of management. Therefore, there can be concluded that the responsibility only lies within management.

5.2.5 Means deployment of business diplomacy

All five interviewees mentioned that they made use of telephone or email contact in order maintain relationships. Three out of five mentioned that company's representatives visit sometimes foreign representatives. Also three out of five mentioned that they sometimes have dinners with foreign representatives and one company is holding seminars from time to time. Therefore, it can be concluded that a few means are used.

5.2.6 Resource availability of business diplomacy

None of the respondents had a clear idea of how much time and money was actually spent on business diplomacy. Two of the respondents answered that there were a few business trips per year, where three of the respondents answered that there was not some kind of budget for business diplomacy. Therefore, the conclusion is drawn that there are a few resources available to execute business diplomacy.

So, the conclusions about how business diplomacy is executed in Dutch small-medium enterprises can be summarized as follows:

Dimension of business diplomacy	Expectations for small-medium enterprises	How it is executed in reality
Intensity	Business diplomacy not intensively executed	Business diplomacy not intensively executed
Policy clarity	No clear policy	No clear policy
Broadness	Relative large part of personnel is involved with business diplomacy	Relative small part of personnel is involved with business diplomacy
Responsibility	Relative large part of personnel is in some way responsible for business diplomacy	Relative small part of personnel is in some way responsible for business diplomacy
Means deployment	Few to no means are used	Few to no means are used
Resource availability	Little time and money spent on business diplomacy	Little time and money spent on business diplomacy

Table 3. Expectations and reality

6. DISCUSSION

After the literature review, expectations were risen about the research results, which can be found in tables 1 and 3. After doing the research, it appeared that four out of six dimensions were correctly predicted. The outcomes of the dimensions broadness and responsibility did not match the expectations. A reason could be that managers or owners of small-medium enterprises are in some way afraid to delegate some of their tasks, which contains the shift of responsibility. They might be unable to reduce their span of control.

6.1 Scientific and Practical Relevance

There is barely few literature about business diplomacy available, especially about how business diplomacy is conducted in small-medium enterprises. Therefore this paper is scientific and practical relevant. It describes how business diplomacy is executed in small-medium enterprises and it encourages and stimulates further research like whether the way business diplomacy is executed in small-medium enterprises is the right one and how it affects enterprises performances. Managers can use this paper to learn how other small-medium enterprises put business diplomacy into practice and they can compare whether they appropriate execute the six dimensions.

6.2 Limitations

Due to the lack of time, only five companies were investigated. Also all companies that were investigated were

Dutch. Therefore, the range and scale of this research is very narrow, which decreases the validity and significance of this research. Also, there was not any quantitative data available. Therefore, it could be that some interpretations and drawn conclusions are subjective.

6.3 Recommendations for future research

To create a more valid and significant research, future research should contain a larger sample size. To generalise the conclusions to small-medium enterprises, not only Dutch enterprises must be examined but small-medium enterprises worldwide. It would also be very interesting to test whether business diplomacy helps to increase small-medium business performances. This relationships exist in multinational companies, however there is not anything known about this relationship in small-medium enterprises. Also it would be very interesting to research whether these relations could be quantified. Furthermore, in this research random companies were chosen. It could be that for businesses with subsidiaries business diplomacy is more important than for companies who just export. So for further research it could be very interesting to zoom in on this difference.

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9. APPENDIXES

APPENDIX A INTERVIEWPROTOCOL

Interviewprotocol bedrijfsdiplomatie

Algemene bedrijfsinformatie/respondent informatie

U bent werkzaam bij als....

1. Kunt u een globaal overzicht geven van de taken die bij deze functie horen?

Tevens exporteert ... haar producten wereldwijd.

2. Kunt u aangeven hoe dit in de praktijk verloopt? Bestaan er buitenlandse dochterondernemingen?

Verwachtingen bedrijf betreffende bedrijfsdiplomatie

3. Wat houdt de term bedrijfsdiplomatie in volgens u? Hoe zou u dat definiëren?

De in dit onderzoek gebruikte term van bedrijfsdiplomatie behelst het volgende:

Bedrijfsdiplomatie betreft het opzetten en in stand houden van positieve relaties (door managers of hun vertegenwoordigers) met vertegenwoordigers van buitenlandse overheden en andere economische en niet-economische actoren, met als doel om legitimiteit, het beschermen van bedrijfsimago en reputatie, te creëren en ondersteunen in een buitenlandse zakelijke omgeving.

4. Wat vindt u van deze definitie? Is deze volgens u te ruim, beperkt of volstaat deze?

Bedrijfsdiplomatie bestaat uit 6 dimensies: intensiteit, strategisch plan voor bedrijfsdiplomatie, reikwijdte in de organisatie, verantwoordelijkheid voor bedrijfsdiplomatie, welke kanalen en instrumenten worden gebruikt en beschikbaarheid van middelen en mensen. Aan de hand van de volgende vragen wordt getracht deze dimensies in kaart te brengen.

Intensiteit : de mate waarin een bedrijf actief zoekt naar nieuwe contacten en relaties bouwt en onderhoud met afgevaardigden van buitenlandse regeringen en overige stakeholders.

5. In welke mate is ...organisatie... actief in het aangaan en onderhouden met overheden in een buitenland?
6. En met andere niet-overheidspartijen zoals lokale en internationale belangengroeperingen?
7. Wordt er door het bedrijf actief gezocht naar nieuwe contacten?
8. Hoe worden bestaande relaties onderhouden?
9. Hoe belangrijk is dit voor het bedrijf?

strategisch plan voor bedrijfsdiplomatie: de mate waarin een bedrijf een helder, organisatiebreed beleid heeft aangaande bedrijfsdiplomatie. Dit beleid dient zich te richten op het aangaan en onderhouden van relaties met afgevaardigden van buitenlandse regeringen en overige stakeholders.

10. Bestaat er binnen de organisatie een formeel beleid, strategie of plan dat betrekking heeft op zaken/situaties aangaande het buitenland?

10.a en bestaat er een beleid dat zich specifiek richt op het aangaan en onderhouden van relaties met overheden en belangengroeperingen?

11. Zo ja, hoe ziet dit beleid eruit?
12. Zo niet, is er een ongeschreven, informele benadering binnen het bedrijf met betrekking op bedrijfsdiplomatie?
13. Is dit beleid/deze benadering uitvoerig bekend bij het managementteam?
14. Is dit beleid/ deze benadering uitvoerig bekend bij het overige personeel?

reikwijdte in de organisatie: de mate waarin het aangaan en onderhouden van relaties met afgevaardigden van buitenlandse regeringen en overige stakeholders wordt uitgevoerd door iedereen binnen het bedrijf.

15. Door wie worden eventuele relaties met afgevaardigden van buitenlandse regeringen en overige

stakeholders aangegaan? Betreft dit vooral management of wordt overig personeel hier ook bij betrokken?

16. Beschouwt het overige personeel zichzelf ook als een afgevaardigde van het bedrijf wanneer ze in contact staan met afgevaardigden van buitenlandse regeringen en overige stakeholders?

verantwoordelijkheid voor bedrijfsdiplomatie: de mate waarin het bedrijf de verantwoordelijkheid voor het aangaan en onderhouden van relaties met afgevaardigden van buitenlandse regeringen en overige stakeholders legt bij het management en/of personeel

17. Bij wie ligt de verantwoordelijkheid voor het aangaan en onderhouden van relaties met afgevaardigden van buitenlandse regeringen en overige stakeholders? Ligt deze verantwoordelijkheid vooral bij managers of ook bij overig personeel?

18. Heeft overig personeel ook enige ruimte in hun omgang met afgevaardigden van buitenlandse regeringen en overige stakeholders?

19. Wordt er weleens gebruik gemaakt van externe partijen om relaties met afgevaardigden van buitenlandse regeringen en overige stakeholders te ontwikkelen?

welke kanalen en instrumenten worden gebruikt: de mate waarin een bedrijf diverse middelen ontwikkelt voor het aangaan en onderhouden van positieve relaties met afgevaardigden van buitenlandse regeringen en overige stakeholders

20. Welke middelen of methodes worden gebruikt voor het aangaan en onderhouden van relaties met afgevaardigden van buitenlandse regeringen en overige stakeholders?

(denk hierbij aan informele ontmoetingen als diners, partij golven, bezoeken van een sportwedstrijd etc. en formele aangelegenheden als forums, seminars, gebruik van mediakanalen, een sociaal verantwoordelijk beleid, sponsoractiviteiten etc.)

beschikbaarheid van middelen en mensen: de mate waarin het bedrijf bronnen als geld en tijd gebruikt voor het aangaan en onderhouden van positieve relaties met afgevaardigden van buitenlandse regeringen en overige stakeholders

21. Hoeveel tijd en geld wordt er naar verwachting gestoken in het aangaan en onderhouden van relaties met afgevaardigden van buitenlandse regeringen en overige stakeholders?

22. Worden medewerkers getraind op het aangaan en onderhouden van relaties met afgevaardigden van buitenlandse regeringen en overige stakeholders?

Ten slotte:

23. Hoe ziet het bedrijf de nabije toekomst vwb het belang van bedrijfsdiplomatie?
24. Wordt het belangrijker?
25. Waarom denkt u dat?
26. Zou er behoefte zijn aan training en opleiding voor bedrijven op dit terrein?
27. Mag in dit onderzoek uw bedrijfsnaam worden vermeld of wenst u anoniem te blijven?

APPENDIX B USED DEFINITIONS

Term	Definition
Business diplomacy	establishing and sustaining positive relationships with foreign government representatives and non-governmental stakeholders (economic and non-economic) with the aim to build and sustain legitimacy (safeguard corporate image and reputation) in a foreign business
Intensity of business diplomacy	the extent to which a company actively seeks contacts and builds relationships with foreign government representatives and non-governmental stakeholders
Policy clarity of business diplomacy	the extent to which a company has a clear and organisation wide policy on how to establish and sustain relationships with foreign government representatives and non-governmental stakeholders.
Broadness of business diplomacy	the extent to which establishing and sustaining relationships with foreign government representatives and non-governmental stakeholders is done by every company representative
Responsibility of business diplomacy	the extent to which the company responsibility for establishing and sustaining relationships with foreign government representatives and non-governmental stakeholders lies with the management or with personnel
Means deployment of business diplomacy	the extent to which the company deploys a

	diversity of means for establishing and sustaining positive relationships with foreign government representatives and non-governmental stakeholders
Resources availability of business diplomacy	the extent to which the company uses firm resources (e.g. financial, time, knowledge) for establishing and sustaining positive relationships with foreign government representatives and non-governmental stakeholders

APPENDIX C COMPANY INFORMATION

Company number	Active in sector:	Foreign subsidiaries?	Active in:
1.	Vegetable oils and fats	No	Europe, Asia, Africa, America, >40 countries
2.	preserved consumer dairy products	No	Asia, Africa, America, >35 countries
3.	Agricultural machine developers	No	America, Asia, Africa, Europe, >18 countries
4.	Woodworking	No	Europe, Asia, >10 countries
5.	International transport	Yes	Europe, >10 countries