



COMMERCIAL DIPLOMACY AS A PART OF NATIONAL TRANSFORMATION AND ITS IMPACT ON THE INTERNATIONALIZATION OF SMEs: EVIDENCE FROM SAUDI ARABIA



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ABSTRACT

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The study assesses the impact of commercial diplomacy (CD) and its role in the national transformation and internationalization of small-to-medium-sized enterprises (SMEs). Quantitative analysis was used to interpret the data, and four models were formulated to assess the interconnectivity among the three main variables. A total of 123 Saudi SMEs were included based on pre-determined inclusion criteria. The data collected was analyzed using the Generalized Estimating Equation (GEE). The study found SMEs had an incomplete understanding of the different roles of CD. It also illustrates that integrating CD into national transformation is critical given its positive influence on the internationalization of SMEs. It also shows that such integration positively affects the SMEs penetration of foreign countries and sets the base for establishing long-term relationships in the international market. The study concludes that CD plays an essential role in stimulating the internationalization of SMEs, most notably if it is a part of a comprehensive national transformation process. It also highlights that SMEs must capitalize on the state's interest in CD to establish a cordial relationship with foreign networks to expand growth and penetration of the international market.

Contribution/ Originality: This study is the first to integrate the concept of CD into the process of national visioning and transformation for reasons pertaining to incentivizing the internationalization of SMEs. It is also the first on CD within the context of Saudi Arabia.

1. INTRODUCTION

With the consolidation of globalization, the transition of the world economy, the emergence of a multipolar political and economic system, and the decreasing significance of traditional national boundaries, new avenues for international business have emerged (Potter, 2004; Reuvers and Ruël, 2012; Salmi and Scott-Kennel, 2012). For promoting and exploiting such opportunities, not only are businesses are required to lead, but a more substantial role is expected from government. CD is one way governments may employ “soft power” to this end. (Saner and Yiu, 2003; Kostecki and Naray, 2007; Naray, 2010).

As an indirect way to generate domestic job opportunities, enhance the capabilities of domestic firms and strengthen the overall economy, governments are increasingly and intensely backing domestic businesses' overseas activities (Naray, 2010). This move is driven by the dynamic status of the world economy that encourages governments to position their domestic businesses in the foreground of untapped international markets, and avoid competing in markets with high volatility (Kalotay and Filippov, 2009). Consequently, they have started to integrate the commercial considerations into diplomacy in a way that allows CD to be an intrinsic element of their foreign policy (Kostecki and Naray, 2007). Such increasing emphasis on CD makes it an indispensable tool for supporting the outward business activities performed by governmental agencies, notably, the diplomatic ones (Kostecki and Naray, 2007). This implies that domestic businesses with the potentiality to internationalize are expected to be accompanied by supportive governmental actors prior to, during, and subsequent to their internationalization journey.

Despite the extensive literature on trade and economy diplomacy, the concept of CD remains an unexplored area (Georgiadou, 2018). This comes as a surprise, given the concentrated effort of the government for the business and investment promotion. Several studies have argued that there is an immense need for research on CD based on the escalated contemporized market integration practices, processes, and structures. Accordingly, past researches such as Georgiadou (2018) and Gertz *et al.* (2018) have also highlighted that developing countries are unable to recognize the importance of CD.

The existing literature which conceptualizes CD as a resource or an activity is characterized by its inadequacy (Naray, 2011; Ruël, 2012). Therefore, a research gap exists by virtue of the fact that CD is usually studied from a country-related perspective, while a need remains urgent to delve into its specific details from a company-related perspective. The use of CD, particularly by SMEs in Saudi Arabia, has yet to be studied in any meaningful way, with academic attention focusing on other regions like the European Union (EU) (Stoddard, 2017) China (Segal, 2017) and Africa (Qobo, 2017). With this in mind, the current study's intention is to explore the correlation between CD, national transformation, and SMEs internationalization, and in so doing make an original contribution to the existing literature.

It is first necessary to integrate the concept of CD into the process of national visioning and transformation to identify its role in attaining national economic and investment objectives. Secondly, it distinguishes the critical factors that influence and constitute CD activities in countries that undergo economic transformations, with Saudi Arabia as the sample country. Thirdly, it highlights the implications for Saudi SMEs that accompany existing or potential internationalization, including the ability to respond to a new, international business environment.

2. THEORETICAL BACKGROUND AND HYPOTHESES

The literature on CD and international development has increased substantially over recent years (Van Bergeijk *et al.*, 2011; Ruël, 2012). This has made countries aware of the international surrounding and devises actions accordingly for overcoming the possible economic shocks while enhancing the profile of their national businesses in addition to resolving and overcoming all the asymmetric international economic relations. Another aspect of the increased literature is due to the altered use of diplomacy, which is restructuring as well as depoliticized year after year (Karn, 2018).

2.1. Commercial Diplomacy

The term “commercial diplomacy” has two dimensions. The first is government activity concerned with trade policies in the form of negotiations, consultations and conflict resolution. The second is associated with support and stimulus for the internationalization of domestic businesses' operations across national borders (Curzon, 1965). This study has elected to examine CD from the perspective of the latter as best fitting its core objective: to comprehend how CD impacts on the internationalization of SMEs in the context of national transformation. This places the

international promotion of national firms' business activities at the heart of CD process (Naray, 2011; Naray and Bezençon, 2017).

This business promotion-based conceptualization makes it possible for actors from the public and private sectors to engage in the planning and execution of CD activities (Naray and Bezençon, 2017). It also broadens the promotional role of CD so that it goes beyond supporting export activities by supporting the entire internationalization journey of the target companies. This implies that the success of CD activities is not merely determined by state actors, other actors, but also by, most significantly, private enterprises (Strange (1992)). Having both public and private actors engaged in the implementation of CD contributes to the its diversification. However, because SMEs have less exposure compared to other enterprises, there is a need for specific commercial activities. These activities include, but are not limited to, regulatory and legal consultations, the creation of networks with the aim of connecting SMEs with venture capitalists and other funding partners, the involvement of branding and image campaigns, and protection services against the interests of host countries (Kostecki and Naray, 2007; Sevin and Dinnie, 2015).

2.2. CD as a Part of National Transformation

The concept of national transformation refers to the development of the nation inclusive of various disciplines ranging from political development to economic progress. A recent study by Balarabe (2017) has indicated it as a structural transformation of the economy where legislation shifts the country's economy from a narrow basis to full industrialization, including aggressive investment in human capital. Wu (2015) further added that it also constitutes a capital development from environmental growth, to infrastructural development, paving the path to sustainable growth. Sabel and Jordan (2015) have indicated that national transformation pushes the government to instigate policies for the modernization of the economy. It also highlights that it is related to forming strategical links between the modern economies and key successful firms and the fostering of economic development. It also promotes the firm's reputation for internationalization and increasing trade.

Various studies have highlighted that these efforts commence with the adoption of CD, which equips the government with the means to enhance its international business profile by backing its internationalizing firms so that it can ultimately escalate the development of the national economy (Omelyanenko, 2017; Lundblad and Obstfelder, 2018). Tsyhankova and Bezverkha (2017) illustrate that as an outcome of globalization and the increased turbulence that accompanies economic progress, the need to merge CD activities into the government's national plan becomes more critical.

Such need is also observed with the continuous liberation of markets at international and regional levels, which has increased their competitiveness and provided new openings for entering them (Stoddard, 2017). This implies that state representatives are required to prioritize the inclusion of CD in any national transformation planning or structuring process for the economy. Lop (2017) has identified the main objective of CD in the light of national transformation to enhance the country's international economic profile. Studies have indicated that two categories of activities can attain this objective. First, marketing activities performed by commercial diplomats in the form of exhibitions, conferences, and campaigns for business promotion with the focus on the country's firms from prioritized sectors as per their growth. Second, service activities performed by those diplomats for reasons pertaining to offering national firms with R&D, logistics, exemptions, networking, and finance opportunities in the international market. Woo (2017) has added to these activities to improve the efficacy of the government in supporting internationalizing firms who encounter the obstacle of information asymmetries in foreign markets.

Review of the previous research reveals improved effects of CD such as Stoddard's (2017) research on the European Union demonstrating that CD combined with governance in the energy sector contributes greatly to the efficiency of that sector at the national level of member countries. This showed that CD helps in constructing a more secure investment environment. Similarly, Al-Saidi *et al's* (2019) research on the Gulf Cooperation Council

(GCC) countries found that diplomats need to establish political and economic strategies in order to facilitate the sustainable development of GCC countries. They also urge diplomats to maximize their engagements for improving economic and financial outcomes. Likewise, Qobo's (2017) research on Africa has highlighted that CD can be used as a tool to improve the value of the nation's brand, which is helpful in opening new development opportunities. It further emphasizes that countries such as South Africa need to integrate both hard power (such as trade) as well as soft power to obtain national development goals. Segal's (2017) research on China also recognized the use of CD in the virtual world for deriving economic as well as political benefit to the country.

2.3. The Impact of Integrating CD into National Transformation on the Internationalization of SMEs

Given the CD value chain and its supplementary activities such as networking, market intelligence, public relations, contract negotiation, and legal protection, Georgiadou (2018) and Visser and Ruël (2014) identified SMEs as the main beneficiaries from CD for internationalization purposes.

As a part of the national visioning process, Pavlák (2018) considered CD as a tool to supply SMEs with the primary information essential for their international business operations, including changes in regulations, legal issues, political conditions, and many others as compared to larger companies. Breckova (2018) indicated that CD as a strategic national priority could drive commercial diplomats to provide small and medium sized ventures with exclusive assistance by bringing them together with different funding and financial partners and venture capitalists. She added that those diplomats could also engage in activities related to image and promotional campaigns abroad to the benefit of their country's SMEs. The state's interest in CD can facilitate the formation of improved relations for its SMEs with the business bodies and authorities in the host country, and protect them against practices associated with unfair and discriminatory competition in foreign markets (Omelyanenko, 2017).

CD, a governmental business support service, is usually centered on SMEs and its progression for two reasons (Sousa, 2015; Lop, 2017). First, the high proportion of this group of companies in comparison to other groups, as well as the increasing impact of globalized SMEs and the size of their contribution to the economic development of nations (Lop, 2017). Second, the fact that SMEs are more exposed to the vicissitudes of internationalization as compared to larger firms in their global ventures (Pavlák, 2018). These fundamental hurdles are identified as a lack of working capital to finance the firm's international operations, a lack of sources for analyzing markets or identifying relevant locational information, the ability to communicate with the potential customers overseas, a shortage of international experience, and dealing with high transaction costs (OECD, 2009). Such limitations are mainly "firm-specific" and related to the capabilities and resources of individual SMEs (Lop, 2017). This makes a lack of governmental support, specifically for countries that do not consider CD as a strategic national priority, as one of the most significant barriers for the internationalization of SMEs (Naray, 2015; Sousa, 2015; Pavlák, 2018). Lundblad and Obstfelder (2018) research on two Swedish companies revealed that CD in a foreign market is an effective instrument for trade promotion, along with the supply to the relevant and information from the home country.

2.4. Aims and Contributions

The existing work on CD needs to be combined with works related to national transformation to contribute to the debate on government intervention for economic gains, particularly in the context of internationalization. Accordingly, one of the primary focuses of this study is understanding the impact of the intermediary role that CD plays in business promotion of the internationalization of SMEs for national interests. Based on the review of the literature, the study aims to evaluate the following hypotheses:

H₁: SMEs have an incomplete understanding of CD's different roles.

H₂: Integrating CD into national transformation will positively influence SMEs' internationalization.

H₁: Integrating CD into national transformation will positively influence SMEs' penetration of more than a foreign country.

H₂: Integrating CD into national transformation will positively influence SMEs' long-term commitment in international markets.

3. METHODS

3.1. Sample

Saudi Arabia provides a suitable ground for evaluating the determined hypotheses, where the SMEs constitute about 90% of all the business enterprises (Jeddah Chamber Report, 2016). Recognized as an emerging economy, the government of Saudi Arabia has escalated its efforts to improve the country's business landscape and for making it consistent with the international market standards where SMEs play a critical role. Moreover, the "Saudi Vision 2030" has also accelerated the country's efforts to diversify its economy and shift from oil-centric business. This acts as a driving force for the internationalization of its firms (Almawishir, 2018). Therefore, CD can be instrumental in internationalizing Saudi SMEs.

The population of the study includes all types of SMEs in Saudi Arabia. However, the sample is derived based on the determined inclusion and exclusion criteria in Figure 1. The sample of the study constitutes SMEs that are registered with the Saudi Ministry of Commerce and Investment, and have a workforce of fewer than 500. The firms included area international or possess a willingness to internationalize their activities. A total of 123 SMEs were included based on the formulated inclusion and exclusion criteria from the 487 SMEs that were screened.

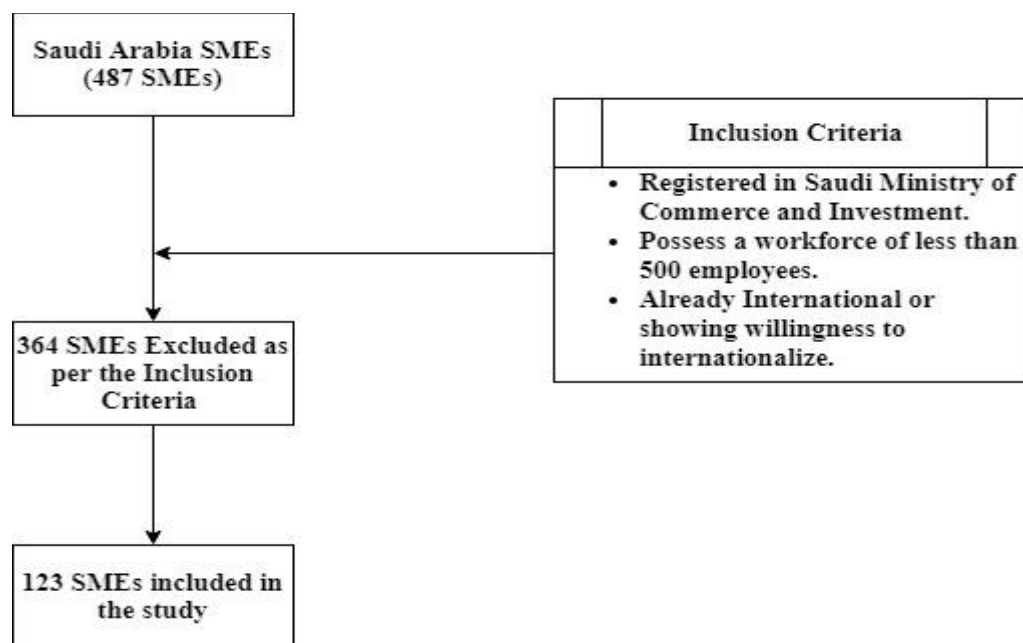


Figure-1. Study inclusion procedure.

3.2. Analysis

For the analysis of the data, the study used generalized estimating equation (GEE) model. GEE is generally defined as an extended form of general linear model which enables the analysis of the dependent variables along with normal distributions, while also correcting the potential within-subject correlation errors between the repeated actions decisions (Volkema *et al.*, 2016). The rationale for the use of GEE is based on the correlated observation modeling within a firm which occurs as a consequence of repeated measures (Luo *et al.*, 2017), such as the decision of the participant in one scenario that may impact the decision of the other, which requires each set to deal with auto-correction based on the dependency upon decisions. The method is particularly effective for within-

subject correlations and reduces the spurious results which arise from first-order autoregressive correlations (Wang, 2014). Accordingly, studies have established its efficacy for providing a robust variance estimate which is considerate towards the heteroscedasticity as well as unnoticed differences among enterprises (Wang, 2014). The equation for the study concerning the four models is as follows:

$$Y_{\text{predicted}} = \alpha + \beta_1 * CD + \beta_2 * INT + \beta_3 * SMEP + \beta_4 * SMELC + \epsilon$$

Here,

Y refers to the company (SME), which is related to the impact of CD driven by national transformation on the internationalizing efforts of the company. Whereas, α is the coefficient of constant and β the covariate coefficient. In model 1, β_1 covariate is CD while for model 2, β_2 refers to the internationalization of the SMEs (integrating CD into the national transformation). In the third model, β_3 refers to SMEs penetration of more than a foreign country, whereas for the fourth model, β_4 represents the SMEs long-term commitment to international markets. Lastly, ϵ refers to the variables which are unexplainable to assist in reducing error probability.

3.3. Measures

The measures evaluated in this study are defined below:

3.3.1 CD

The concept of CD is observed as a governmental instrument that supports and stimulates the internationalization of national businesses' operations across national borders through the formation of effective investment foreign policy, diversification of target geographical international markets, and the securing of beneficial loans (Curzon, 1965; Sevin and Dinnie, 2015; Bellina, 2019).

3.3.2 National Transformation

The other variable included is national transformation, which involves the development of a new economic system for stimulating the country's growth and attaining a high level of operational excellence as well as improving the country's economic pillars and enablers, Jali *et al.* (2016).

3.3.3 Internationalization of SMEs

Another variable is the internationalization of the SMEs, represented in the SME's possession of international experience, or the SME's willingness to internationalize its operations. This includes the SME's involvement in export-related activities which improves its exposure to international markets (Herrerros *et al.*, 2018).

4. RESULTS

This section focuses on the analysis of quantitative data collected through the questionnaire and notes by the researcher. Its purpose is to examine the procedures that were followed to test the research hypotheses proposed in the conceptual framework.

4.1. Descriptive Statistics and Correlation

This study examines the internationalizing SMEs listed in Table 1. Based on 123 observations, it is evident that the highest number of SME sectors are in retail (15.4%). With minor differences, food and beverage comes second (14.6 %) followed by financial services and banks (11.4%) and the tourism sector (11.4%). The number of firms in the education sector is 10.6%.

Table-1. Frequencies of industry (SMEs) variable.

No	Industry (Company sector)	Number of firms (SMEs)	
		No. of firms	%
1	E-commerce	8	6.5
2	Education	13	10.6
3	Energy and Natural resources	5	4.1
4	Financial services and Banks	14	11.4
5	Food and Beverages	18	14.6
6	IT and Communications	12	9.8
7	Manufacturing and Production	10	8.1
8	Retailing	19	15.4
9	Tourism and Entertainment	14	11.4
10	Transportation and Logistics	10	8.1
Total		123	1.00

Table 2 demonstrates the positions within the study sample and their classifications. It shows that most managers were in senior management (35.8%), ahead of middle managers (14.6%), but lower than owners/founders (49.6%).

Table-2. Frequencies of position variable for 123 observation.

No	Position	Classification	
		No. of managers	%
1	Top management manager	44	35.8
2	Middle management manager	18	14.6
3	Owner/Founder	61	49.6
Total		123	100.00

Table 3 lists descriptive statistics and correlations based on the total sample of 123 observations collected by questionnaires and notes made by the researcher. The correlation between integrating CD into national transformation and SMEs internationalization is statistically significant and equal to 0.502. The correlation between integrating CD into national transformation and SMEs penetration of more than one foreign country is not significant and equal to 0.130. The correlation between integrating CD into national transformation and SMEs long-term commitment to international markets is significant and equal to 0.343.

Table-3. Means, standard deviations, and correlations.

Variables	Mean	SD	1	2	3	4
Integrating CD into national transformation	3.23	0.41	1			
SMEs Internationalization	3.64	0.41	0.502*	1		
SMEs Penetration of more than a foreign country	3.46	0.86	0.130	0.336*	1	
SMEs Long-term commitment in international markets	3.28	0.67	0.343*	0.391*	0.442*	1

Number of observations = 123, * p-value < 0.001.

4.2. Estimation of Assumed Models Using Generalized Estimating Equations (GEE)

The study formulated four models depicted in Figure 2.

By using GEE and sector SMEs (E-commerce, Education, Energy and Natural Resources, Financial Services and Banks, Food and Beverages, IT and Communications, Manufacturing and Production, Retailing, Tourism and Entertainment, and Transportation and Logistics) as a subject variable and using position variable (Top Management Manager, Middle Management Manager, and Owner/Founder) as a within-subject variable, we obtained the results in Table 4.

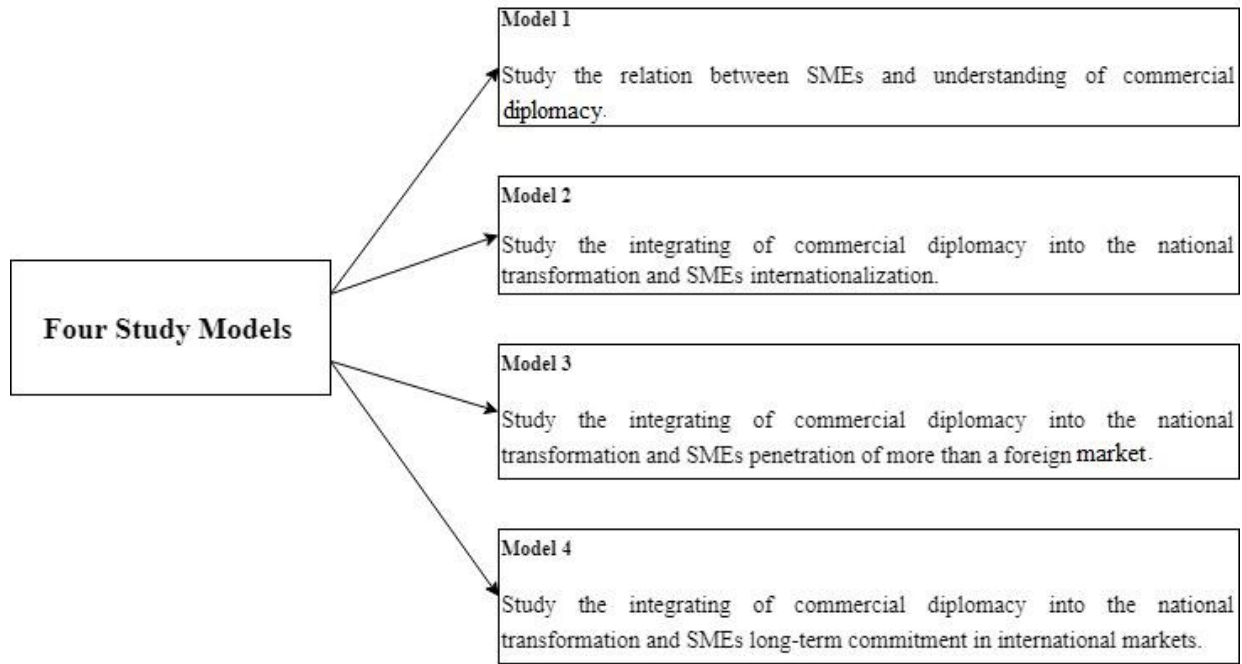


Figure-2. Study models.

Table-4. Estimation of assumed modes using GEE.

Source		Test of model effect (Type III)			Parameter estimation		
Dependent variable	Covariates	Wald Chi-squares	df	P-value	B	Std. error	P-value
SMEs: Company sector	CD	3.954	1	0.047	0.57	0.2874	0.047
SMEs internationalization	Integrating CD into the national transformation	8.319	1	.004	0.49	0.1702	0.004
SMEs penetration of more than a foreign country	Integrating CD into the national transformation	1.217	1	.270	0.27	0.2446	0.270
SMEs long-term commitment in international markets	Integrating CD into the national transformation	9.115	1	.003	0.55	0.1828	0.003

Significant level: 5%

Subject variable: Sector company (SMEs).

Within-subject variable: Position.

4.3. Testing Hypotheses

Overall, the results of the study as per the determined hypotheses show that SMEs in the region possess an inadequate and incomplete understanding of CD's different roles. It also showed that the integration of CD into national transformation would have a positive influence on SME internationalization (0.004). This is derived from its increased statistical significance such as a p-value of 0.047. Although it shows that there is a positive impact of integrating CD into national transformation on the SMEs penetration of more than one foreign country, it is statistically insignificant (p-value, 0.270). Likewise, it shows that integrating CD into national transformation would positively influence SMEs long-term commitment to international markets and is statistically significant (p-value, 0.003) Table 5.

Table-5. Results of testing hypotheses.

Hypotheses	Source		Hypothesis test		
	Dependent variable	Covariates	B	Std. error	P-value
H1	SMEs: Company sector	CD	0.57	0.2874	0.047
H2	SMEs internationalization	Integrating CD into the national transformation	0.49	0.1702	0.004
H3	SMEs penetration of more than a foreign country	Integrating CD into the national transformation	0.27	0.2446	0.270
H4	SMEs long-term commitment in international markets	Integrating CD into the national transformation	0.55	0.1828	0.003

5. DISCUSSION AND CONCLUSION

The association between SMEs and internationalization has emerged within the last two decades. Employing CD by SMEs to maximize their international reach in the light of their countries' national transformation plans is observed (Wu, 2015). Consequently, it is asserted that SMEs can use CD activities for internationalization purposes as compared to network or relationship-based services.

The findings have deliberately accepted the hypotheses proposed and have proved the existence of an incomplete understanding of CD's different roles by SMEs. This can be explained by the tendency of large companies to maximize the use of CD at the expense of SMEs because of their richer international experience (Pavlák, 2018). Another important finding emphasized in the study is the positive and significant impact of integrating CD into national transformation on SMEs' internationalization. This finding can be supported by that the integration of CD into national transformation which allows SMEs to internationalize their activities despite a perceived paucity of governmental and public support towards their internationalization efforts. The findings of De Kock and Peterson (2016) corroborate this statement, and explains why CD needs to be merged into a national brand identity for cultivating potential opportunities in the international market.

Similarly, integrating CD into national transformation influences the SMEs' penetration of several foreign markets, but insignificantly. The reason for this is the SMEs' willingness to establish themselves internationally as being regionally focused. However, this orientation might be less common with SMEs whose business is concentrated on technology with a greater ability to rapidly penetrate international markets in comparison to their counterparts in traditional industries, in which internationalization requires exporting most of the value chain activities to the host markets. In addition, this can be explained by the doubts that some SMEs have about the governments' seriousness in harnessing CD to support their entry into multiple new markets at the expense of well-established companies (Power *et al.*, 2016). Lastly, the integration of CD into national transformation significantly and positively influences SMEs long-term commitment to international markets. This is evident from the fact that diplomats enjoy more credibility when making promises throughout their endeavors for backing the sustainability of SMEs' internationalization as they possess a high degree of bargaining power while interacting with the public administration and state-owned bodies of host countries (Jandhyala, 2016). CD's contribution to prolong the stay of SMEs in international markets is explained by its potential support when it comes to accessing optimized distribution channels and enhancing the immunity of an SME to competition from its rivals in the home market (Chen *et al.*, 2014).

This study has made several contributions. Firstly, it has adopted a multi-theoretical lens to comprehend the impact of integrating CD into national transformation on the internationalization of SMEs by utilizing the concepts/theories of CD, national transformation, and internationalization. It has been found that an expansion in national transformation on the internationalization drives greater quality of CD, considering the role of commercial diplomats. The multi-theoretical lens has allowed the researcher to portray the positive association between CD and national transformation, and its impact on the internationalization of SMEs *vis a vis* the existing body of literature.

Through the specific lens, the quality of the output of CD when it comes to the internationalization of SMEs is reflected in the extent to which governments consider CD as one of their strategic national agendas.

Secondly, the findings of the study have contributed to the literature of SMEs internationalization in terms of explaining the role played by CD as a strategic national priority in paving the way for the internationalization of SMEs, particularly in the context of Saudi Arabia. Such an enabling role improves the country's national profile, its optimum use of resources and capabilities, as well as its capital accumulation. The current study has also set the basis for further exploration of the association of CD with the internationalization of SMEs, and enables the building of new theories, empirical case studies, and quantitative conclusions. Moreover, the internationalization of the SMEs in the context of national transformation allows restructuring, reorganizing, and reforming of CD as per the subject case (Makhmadshoev *et al.*, 2015). The study has managed to look at CD holistically as it considered the needs of SMEs when it comes to the formation and design of CD services in addition to the delivery of these services.

The current study has two practical implications. First, respective governmental entities should consider the formation of a national regulatory framework to improve their efforts for allocating incentive funds to the international-oriented SMEs, and of a cluster in line with international standards for enhancing these SMEs competitiveness and cost rationalizations. They are also required to make more intensive efforts towards identifying lucrative business opportunities and business partners in the foreign markets, and sharing business insights and analyses of the relevant markets with their countries' SMEs, alongside, their role of participating in dispute settlement and promoting their SMEs abroad. However, these services should not be designed as "one size fits all" due to disparity among SMEs, notably, in terms of size and age. The study findings have revealed that SMEs with less than 100 employees preferred the activities of CD to be centered on finance, while their counterparts with more than 100 employees preferred these services to be centered on special exemptions and privileges in foreign markets. Similarly, the findings have also detected that SMEs less than five years old have tied their preferences to finance, while the preferences of their older counterparts have been linked to special exemptions and privileges in foreign markets. Having this in mind, governments might find it feasible to concentrate a larger portion of its CD activities on newer SMEs or those with fewer human resources, as a setback in the international market can also wipe out their domestic presence. This means that national institutions are required to act as an influential force for the stability of the country's SMEs in the international market (Woo, 2017). Such involvement assists in reducing capital overruns and declining investment expenses of these SMEs who are seeking an international move or attempting to strengthen their current status in foreign markets. In doing so, more vulnerable SMEs can probably enjoy a better internationalizing position, which eventually reduces risk as well as perceived uncertainty favoring their expansion into international markets.

Second, governments need to instigate efforts for providing their diplomats with professional commercial and investment-based training to ensure and maintain a high degree of quality CD. The quality of CD is related to the business experience and education of commercial diplomats (Gu *et al.*, 2016). It has been reported that greater quality of CD is demonstrated through hired commercial diplomats, especially, in portraying and interpreting their role as business promoters. However, it is emphasized that this business promotion role should be played differently while coping with SMEs comparing to larger, more established firms. This means that commercial diplomats must be trained on how to exploit their country's international relationships to meet their country's national internationalization objectives, and broaden the scope and international reach of their country's SMEs. Such training and education are expected to be intensive, as promoting and protecting SMEs abroad requires specific techniques and greater efforts compared to larger, well-established firms.

Based on the study results, CEOs and other executives of SMEs can maximize their benefits from the CD that is driven by national transformation when it comes to internationalization. They should have recourse to state entities, and be able to explore the bundle of CD services on offer prior to and during the internationalization

journey of their SMEs. They are required to formulate their long-term relationships with foreign agents in the international market according to the consultations and recommendations of their country's commercial diplomats. This means that the insight and vision of commercial diplomats should not be underestimated. They also must believe that commercial diplomats are credible and, in some cases, exclusive sources of the tacit knowledge of foreign markets and institutions. Therefore, the endeavors of their SMEs to capture incremental and valuable resources in the form of information, knowledge, experience, and effective managerial behaviors should be facilitated by the assistance provided by their country's commercial diplomats. While assessing their internationalization determinants, options, and decisions, the founders and CEOs of SMEs are encouraged to engage commercial diplomats in such assessments, owing to their capability in navigating the uncertainty of these options. Furthermore, founders and CEOs of internationalizing SMEs need to be shrewd enough to find a way to link their company's mission with that of their country in order to receive the required governmental support while stimulating the internationalization efforts of their company.

Despite its contributions, the current study has certain limitations as its restriction to Saudi SMEs, which means that the generalization of its results to all SMEs is not guaranteed. This might encourage future researchers to target SMEs from other countries in order to benchmark their own studies' results against the results of this one. As the Saudi sample assessed the impact on a business group, further research is required to verify the argument through the replication of other areas and groups. Consequently, future studies can also evaluate the effect of CD driven by national transformation on different structural arrangements of SMEs from internationalization perspectives.

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