

**THE INTERNATIONALIZATION PROCESS AND  
INTER-ORGANIZATIONAL NETWORKS OF THAI  
ENTERPRISES IN EMERGING MARKETS:  
A STUDY OF BRAZIL, RUSSIA, INDIA,  
CHINA, AND SOUTH AFRICA (BRICS)**

**Warisara Kasemsri**


**A Dissertation Submitted in Partial  
Fulfillment of the Requirement for the Degree of  
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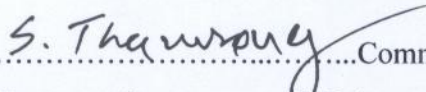
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**School of Public Administration**

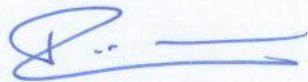
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## **ABSTRACT**

<b>Title of Dissertation</b>	The Internationalization Process and Inter-Organizational Networks of Thai Enterprises in Emerging Markets: A Study of Brazil, Russia, India, China, and South Africa (BRICS)
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In modern organization theory, the phenomenon of internationalizing business to emerging markets has resulted from a combination of internationalization and inter-organizational networks of public and private organizations. An enterprise cannot stand alone under an open system and a high dynamic circumstance. With radical changes in the political, legal, and socio-cultural contexts in emerging markets, inter-organizational networks have been created to link associated groups or groups of organizations that voluntarily exchange news and information, resources, or are engaged in activities together in order to respond to different demands to achieve organizational objectives and to survive.

The objectives of this study were as follows: 1) to find out the internationalization process and entry mode strategies utilized by Thai enterprises for their operation in BRICS; 2) to explore the contexts and inter-organizational networks that are key success factors in the internationalization process of Thai enterprises in BRICS; and 3) to make recommendations for Thai enterprises wanting to internationalize their businesses to BRICS and for the Thai government sector to design networks of management to promote investment and provide support for Thai enterprises to internationalize there.

This qualitative study employed the methods of documentary analysis and in-depth interviews. The scope of study covered Thai (Public) Companies Limited (Thai

PCL) listed on the SET 100 Index, which ranks the largest 100 companies classified by size. These enterprises are operating their businesses in emerging markets, especially BRICS. The key informants were selected from top executives of eight Thai enterprises that have internationalized their businesses in BRICS. These top executives were business practitioners with a comprehensive knowledge of their business. In order to obtain valid data for this research, the researcher used the triangulation method. The data from related documents were cross checked with the data from the in-depth interviews with these executives and government officials in operational positions in the government agencies.

It was found that the BRICS contexts affecting Thai enterprises were the political context, the legal context, and the socio-cultural context. The motives for internationalization of businesses in BRICS were to find new markets, to have higher efficiency, and to secure resources. This study revealed that the inter-organizational networks consisted of seven major organizations: 1) Thai enterprises in BRICS; 2) commercial organizations in BRICS; 3) associated groups in BRICS; 4) Thai government agencies in BRICS; 5) BRICS government agencies in BRICS; 6) Thai government agencies in Thailand; and 7) BRICS government agencies in Thailand.

The key success factors of Thai enterprises internationalizing their businesses in BRICS were the following: 1) the inter-organizational network of 7 main organizations; 2) adaptability to political and legal changes in BRICS; 3) informal relationships; 4) the potential of local staff; 5) suitability of the entry mode strategy; and 6) lessons learned from failures.

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My dissertation would never have been completed without the assistance of the top executives and the international business practitioners of eight Thai enterprises and Thai government officers that took part of their valuable time and provided very useful information for this dissertation.

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## **TABLE OF CONTENTS**

	<b>Page</b>
<b>ABSTRACT</b>	<b>iii</b>
<b>ACKNOWLEDGEMENTS</b>	<b>v</b>
<b>TABLE OF CONTENTS</b>	<b>vi</b>
<b>LIST OF TABLE</b>	<b>ix</b>
<b>LIST OF FIGURES</b>	<b>xi</b>
<b>CHAPTER 1 INTRODUCTION</b>	<b>1</b>
1.1 Statement of Problem	1
1.2 Background of the Bilateral Relationship Thailand and BRICS	10
1.3 The Objectives of the Study	12
1.4 The Scope of the Study	12
1.5 The Potential Contribution of the Research Study	13
1.6 The Structure of the Dissertation	13
1.7 Definition of Terms	15
<b>CHAPTER 2 LITERATURE REVIEW</b>	<b>16</b>
2.1 Internationalization	16
2.2 Entry Modes and Strategies	25
2.3 Inter-organizational Networks	38
2.4 Internationalization Versus Inter-Organizational Networks	42
2.5 Emerging Markets Context	48
2.6 Overview of Thailand's Trade	48
2.7 Overview of Thailand-BRICS Trade	50
2.8 Overview of Thailand's Foreign Direct Investment	53
2.9 Overview of BRICS Foreign Direct Investment	54

2.10 Overview of Thailand's and BRICS's Foreign Direct Investment	55
2.11 The Research Framework	58
<b>CHAPTER 3 RESEARCH METHODOLOGY</b>	<b>59</b>
3.1 Research Method	59
3.2 Unit of Analysis	61
<b>CHAPTER 4 THE INTERNATIONALIZATION PROCESS AND ENTRY MODE STRATEGIES OF THAI ENTERPRISES IN BRICS</b>	<b>65</b>
4.1 The Internationalization Process of Thai Enterprises in BRICS	65
4.2 Market Entry Modes of Thai Enterprises in BRICS	85
4.3 Perspective of the Thai Government on Support of Thai Investment in Emerging Markets and BRICS	99
<b>CHAPTER 5 CONTEXT AND THE INTER-ORGANIZATIONAL NETWORKS AFFECTING INTERNATIONALIZATION PROCESS OF THAI ENTERPRISES IN BRICS</b>	<b>103</b>
5.1 General Characteristics of the Sample	103
5.2 BRICS' Context Affecting Internationalization	109
5.3 The Inter-Organizational Networks Related Internationalization in BRICS	146
5.4 Analysis of the Inter-Organizational Networks for Internationalization Process of Thai Enterprises in BRICS	172
5.5 Analysis of the Inter-Organizational Networks of Thai Enterprises in BRICS Based on the Resource Dependency Theory, the Institutionalization Theory, the Strategy Approach, and the Social Network Approach	178
<b>CHAPTER 6 CONCLUSIONS AND IMPLICATIONS</b>	<b>191</b>
6.1 Conclusions and Discussion of Findings	191
6.2 Recommendations based on the findings	195
6.3 Theoretical Implications	198
6.4 Policy Implications	199

6.5	Limitations of the Study	201
6.6	Implications for Further Studies	201
	<b>BIBLIOGRAPHY</b>	<b>202</b>
	<b>APPENDICES</b>	<b>213</b>
	Appendix A Semi-Structure Questions	214
	Appendix B Dimensions and Measures of Market Potential for 2014	217
	Appendix C Thailand- BRICS Trade Value in 2011-2014	221
	Appendix D Demographic Characteristics of BRICS	239
	<b>BIOGRAPHY</b>	<b>250</b>

## LIST OF TABLES

Tables	Page
1.1 Potential Index (MPI) for Emerging Markets (BRICS)-2014	4
1.2 Rank of Potential Index (MPI) for Emerging Markets: Year to Year Comparison (BRICS)-2014	5
1.3 BRIC in 2000	6
1.4 Comparison of BRICS Economy During 1990 and 2010	7
1.5 The Potential of BRICS in Trade and Investment	8
1.6 Ease of Doing Business Ranking of BRIC 2014	9
1.7 The Number of the Industry/ Business of Thai Enterprises	13
2.1 Stages of MNE Evolution	18
2.2 Generic Internationalization Strategies of EMNEs	20
2.3 Literature Reviews of Internationalization	22
2.4 Foreign Entry Modes	29
2.5 Summary of Advantages and Disadvantages of Different Entry Strategies	33
2.6 Literature Reviews of Entry Mode Strategies	36
2.7 Literature Reviews of Inter-Organizational Networks	41
2.8 Literature Reviews of Internationalization Versus Inter-Organizational Networks	45
2.9 Thailand's Foreign Direct Investment and Net Inflow	53
3.1 Position and Responsibility of Key Informants	60
3.2 Thai Enterprises (TEs) Operating in Brazil, Russia, India, China, and South Africa (BRICS)	61
3.3 Summary of Research Methodology for Investigation of the Internationalization Process to Thai Enterprises that Operated in BRICS	64

4.1 Summary on the Market Entry Modes of Thai Enterprises in BRICS	85
5.1 Overview of the Eight Sample Thai Enterprises that have Internationalized their Businesses in BRICS	104
5.2 Summary of Politics and Types of Government of BRICS	113
5.3 Summary of BRICS's Foreign Trade and Investment Promotion Policies	117
5.4 Summary of the Socio-Cultural Context of BRICS in 2014	132
5.5 Urbanization of Population in BRICS	135
5.6 The Number of Internet Users in BRICS	144

## LIST OF FIGURES

<b>Figures</b>	<b>Page</b>
2.1 Relationship between Internationalization Strategy and Mode of Entry	26
2.2 Thailand-World Trade Values in 2009-2014	49
2.3 Thailand-BRICS Trade Values in 2009-2014	50
2.4 Thailand-BRICS Trade Balance in 2009-2014	52
2.5 Thailand's Net Foreign Direct Investment Inflows and Outflow in 2010-2013	54
2.6 Net Inflows of BRICS Foreign Direct Investment in 2013	55
2.7 BRICS Foreign direct Investment, Net Inflows and Outflows in 2013	55
4.1 The Internationalization Process of Thai Enterprises in BRICS	84
5.1 Inter-Organizational Networks of Internationalization of Thai Enterprises in BRICS	147

# **CHAPTER 1**

## **INTRODUCTION**

This introductory chapter is composed of seven parts: namely the statement of the problem, the background of bilateral relationship between Thailand and BRICS, the objectives of the study, the scope of the study, the potential contributions of the research study, and the structure of the dissertation and definition of terms.

### **1.1 Statement of the Problem**

At present moment, global trade and investment competition is increasing in its intensity, including rapid technology change, and the communication and transportation effect of globalization, resulting in the enterprises around the world having to diversify their patterns of international trade and investment. Therefore the ability to find new markets, new sources of raw materials, and better technology, especially superior technology, is the most important mechanism in driving business to grow over the competition (K Connect, 2011, p. 36).

Enterprises may choose to expand outside their domestic market to gain access to new customers, to achieve lower costs through economies of scale, experience, and increased purchasing power, to further exploit their core competencies, to gain access to resources and capabilities in foreign markets, and to spread their business risks across a wider market base (Thompson, Peteraf; Gamble, & Strickland, 2013, pp. 179-180).

Two major driving forces for business expansion to overseas are a home country driving force and a host country driving force. Home country driving force is related to market push factors, production cost factors, while business conditions in the home country are associated with market pull factors, higher production cost factors, and government policies. The host country driving force is associated with market pull factors, lower cost production factors, and the support of government policy.

Furthermore, organizations are faced with a rapidly-changing and complex environment, along with the need for dependence between organizations, both directly and indirectly. The linkage between organizations bring about many forms of inter-organizational networks, which include suppliers, customers, contractors, and strategic partners, community networks, civil society, and so on. Especially, many forms of inter-organizational networks have emerged when multinational enterprises have internationalized their business in emerging markets. They are confronted with complicated factors in their host country, such as rules and regulations, cultural and language differences, local beliefs, the manner of doing business in those countries, and so on. Hence, inter-organizational networks are very important for smooth operation and sustainable growth of the internationalization of the enterprise. As mentioned above, global trade and investment are becoming more important with the increasing trend of internationalization and inter-organizational networks. Enterprise executives are confronted with the challenge of determining which international markets to enter and the appropriate internationalization strategies for those countries.

### **1.1.1 Emerging Markets**

Over the next two decades, most countries in the world's growth in today's emerging markets or EMs (Cavusgil, Tamer; Ghauri, & Akcal, 2013). The term "emerging markets" was first used by Antoine Van Agtmael, an economist in the World Bank, at the end of the 1980s, to refer to rapidly-growing economies with rapid industrialization; at present, emerging markets are defined as countries that are in a transition phase from developing to developed markets due to rapid growth and industrialization (Cavusgil et al., 2013). There is no commonly-accepted definition of "emerging market." Arnold and Quelch (1998) mentioned that emerging markets (EMs) constitute a major growth opportunity in the evolving world economic order. According to the Devawongse Varopakarn Institute of Foreign Affairs (2013), emerging markets have two meanings: the first is that markets are in a period of change in the direction of being more and more complex, and the second meaning is that the markets in developing countries have the potential to develop further. The meaning of an emerging market is explained further in the following:

There is no commonly accepted definition of ‘emerging market,’ there are three aspects of a country’s economy that often underlie various definitions. First is the absolute level of economic development, usually indicated by the average GDP per capita, or the relative balance of agrarian and industrial/commercial activity. This overlaps with other categorizations such as ‘less developed countries’ (LDCs) or ‘Third World countries.’ Second is the relative pace of economic development, usually indicated by the GDP growth rate. Third is the system of market governance and, in particular, the extent and stability of a free-market system; if the country is in the process of economic liberalization from a command economy, it is sometimes defined as a ‘transitional economy’ (Arnold & Quelch, 1998).

Emerging markets exhibit high-growth development and have remarkable features in terms of economic potential that represents attractive business opportunities for Western firms. Moreover, emerging markets have more competitiveness in terms of geographical and demographic features. Some countries are large geographically and demographically and have a young labor force (Cavusgil, 1997).

Investment in emerging economies or emerging markets is a new trend of the world trade and investment. From the past to the present, global trade and foreign investment have focused on the U.S., European, and Japanese markets. Although the U.S., European, and Japanese markets have high demand because of the size of their economy, the U.S. and Europe economic crisis has made exporters realize the risk from exporting to these countries. Therefore exporters and investors have turned to emerging economies that are also big markets. If they want to spread the risk, they must look for new markets and not rely only on the developed countries (Wiwan Tharahirunchote, 2012). Michigan State University ranked the market potential of countries identified as emerging markets in the Economist magazine. These emerging economies comprise more than half of the world’s population, accounting for a large share of the world’s output, and having a very high growth rates. All indicators of enormous market potential as shown in Table 1.1 and Table 1.2 (Michigan State University, 2013; 2014). (See dimensions, weights and measures in Appendix B.)

**Table 1.1** Potential Index (MPI) for Emerging Markets (BRICS)-2014 (See Appendix B)

<b>Rank</b>	<b>Country</b>	<b>Overall Score (100)</b>	<b>Market Size (100)</b>	<b>Market Intensity (100)</b>	<b>Market Growth Rate (100)</b>	<b>Market Consumption Capacity (100)</b>	<b>Commercial Infrastructure (100)</b>	<b>Market Receptivity (100)</b>	<b>Economic Freedom (100)</b>	<b>Country Risk (100)</b>
1	China	100	100	4	100	98	56	9	23	80
7	India	46	37	36	77	57	14	9	47	64
8	Russia	36	19	41	71	51	81	8	28	64
20	Brazil	34	18	48	62	41	58	6	50	69
70	South Africa	18	6	46	62	1	60	10	55	59

4

**Source:** Michigan State University, 2014.

**Table 1.2** Rank of Potential Index (MPI) for Emerging Markets: Year to Year Comparison (BRICS)-2014

<b>Country</b>	<b>2014</b>	<b>2013</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2005</b>
<b>China</b>	1	3	3	2	2	2	1	3
<b>India</b>	7	9	6	9	11	11	9	9
<b>Russia</b>	8	13	19	21	9	12	13	11
<b>Brazil</b>	20	17	11	11	16	23	23	18
<b>South Africa</b>	70	26	26	24	25	22	24	22

**Source:** Michigan State University, 2013; 2014.

**Note:** No survey was conducted in 2006 and 2012 in this table.

### 1.1.2 BRICS

BRICS are often mentioned when emerging markets are discussed (Cavusgil et al., 2013). Initially, Jim O’Neill of Goldman Sachs mentioned ‘BRIC’ in a paper Building Better Global Economic BRICs published in 2001, saying that the acronym BRIC stands for Brazil, Russia, India, and China (O’Neill, 2001). They were part of an economic modeling exercise to forecast the global economic trend in the next half-century, as collectively BRIC would play an increasingly important role in the global economy (Singh & Dube, 2013). BRIC was mentioned again in Dream with BRICs: The Path to 2050 by Wilson and Purushothaman (Wilson & Purushothaman, 2003). This Goldman Sachs paper predicted that over the next 50 years, the BRIC economies could become a major force in the world economy, and that by 2050 the only industrialized/developed economies among the six largest global economies would be the U.S. and Japan (Singh & Dube, 2013). Table 1.3 demonstrates the economic indicators of early BRIC (excluding South Africa) in 2000.

**Table 1.3** BRIC in 2000

Country	GDP <sup>a</sup> (PPP); <sup>b</sup> 2000 \$ bn	Share of world total (%)	GDP (current prices); 2000 \$ bn	Share of world total (%)	Difference in share (PPP- current)	Population (mn)	GDP per capita (current prices)
Brazil	1,214	2.92	588	1.96	0.97	167.72	3,507
Russia	1,120	2.7	247	0.82	1.88	145.49	1,696
India	2,104	5.06	474	1.58	3.49	1,002.14	473
China	5,230	12.59	1,080	3.59	9.00	1,266.80	852

**Source:** Singh & Dube, 2013, p. 5.

**Note:** <sup>a</sup>GDP represents gross domestic product

<sup>b</sup>PPP represents purchasing power parity

BRIC was strengthened when South Africa became an official member country on December 24, 2010, bringing Africa into this important organization of rising global powers from Latin America (Brazil), Europe (Russia), and Asia (India and China) (Smith, 2011). After that, the acronym BRIC became BRICS. This was a

major manifestation which represented the important emerging markets all of the continents of the world, as Arakady Dvorkovich, Russian Deputy Prime Minister and the President's top economic advisor stated: "BRICS brought together the leaders of countries on four continents: Africa, Europe, Asia and Latin America" (Meyer & Pronina, 2011).

The emerging dynamics over the last decade have tended to support the prediction that the share of the world gross domestic product (GDP) would be a little over 10% and less than 4% in world trade in 1990. And BRICS now accounts for about 25% of the world's GDP and 15% of world trade (Singh & Dube, 2013). The increase in the GDP implies that the economic size of BRICS in terms of its share of the world GDP has expanded by 150% (Singh & Dube, 2013). BRICS growing important for the world economy is reflected in various economic indicators, as can be seen in Table 1.4.

**Table 1.4** Comparison of BRICS economy during 1990 and 2010

Country	Rank in the world	GDP (PPP bn)	GDP (\$ bn)		Share of the world GDP (%)		Per capita GDP (\$)	
			1990	2010	1990	2010	1990	2010
Brazil	8	2,172	508	2,090	3.3	2.9	3,464	10,816
Russia	6	2,223	-	1,465	-	3	-	10,437
India	4	4,060	326	1,538	3.1	5.4	378	1,265
China	2	10,086	390	5,878	3.9	13.6	341	4,382
South Africa	26	524	112	357	0.9	0.7	5,456	7,158

**Source:** Singh & Dube, 2013, p. 9.

**Table 1.5** The Potential of BRICS in Trade and Investment

<b>Countries</b>	<b>Brazil</b>	<b>Russia</b>	<b>India</b>	<b>China</b>	<b>South Africa</b>
<b>Characteristics</b>					
Area (Million Square Kilometer) (2014)	5 <sup>th</sup> 8,514,877	1 <sup>st</sup> 17,098,242	7 <sup>th</sup> 3,287,263	4 <sup>th</sup> 9,596,960	25 <sup>th</sup> 1,219,090
Population (Million) (July 2014)	5 <sup>th</sup> 203	9 <sup>th</sup> 146	2 <sup>nd</sup> 1,266	1 <sup>st</sup> 1,367	24 <sup>th</sup> 54
Labor Force (Million) (2013)	5 <sup>th</sup> 107.3	7 <sup>th</sup> 75.3	2 <sup>nd</sup> 487.3	1 <sup>st</sup> 797.6	32 <sup>nd</sup> 18.5
GDP (nominal) Total (2014)	7 <sup>th</sup> 2.246 Trillion	9 <sup>th</sup> 2.118 Trillion	10 <sup>th</sup> 2.048 Trillion	2 <sup>nd</sup> 10.355 Trillion	34 <sup>th</sup> 341.216 Trillion
GDP (PPP) Total (2014)	7 <sup>th</sup> 2.309 Trillion	6 <sup>th</sup> 3.492 Trillion	3 <sup>rd</sup> 7.277 Trillion	1 <sup>st</sup> 17.632 Trillion	30 <sup>th</sup> 683.147 Billion
Real GDP Growth Rate (2013)	137 <sup>th</sup> 2.3%	165 <sup>th</sup> 1.3%	108 <sup>th</sup> 3.2%	14 <sup>th</sup> 7.7%	143 <sup>th</sup> 2.0%
Export (2013)	23 <sup>rd</sup> 244.8 Billion	10 <sup>th</sup> 515 Billion	19 <sup>th</sup> 313.2 Billion	2 <sup>nd</sup> 2.21 Trillion	42 <sup>nd</sup> 91.05 Billion
Import (2013)	23 <sup>rd</sup> 241.4 Billion	17 <sup>th</sup> 341 Billion	12 <sup>th</sup> 467.5 Billion	3 <sup>rd</sup> 1.95 Trillion	34 <sup>th</sup> 99.55 Billion

∞

The statistics in Table 1.5 show that China ranked first among BRICS in many aspects, including the labor supply and demand within the country, which are key factors that enable China's economic potential to be the highest in the group. The country ranked second after China was India because of its large population and workforce, followed by Russia, Brazil, and South Africa, respectively (CIA World Factbook, 2014).

In addition, BRICS are becoming increasingly important on the world stage. It can be seen from the fact that all the BRICS are now members of major international and multilateral institutions, such as the World Trade Organization, the United Nations, the Group of 20 (G-20) and the U.N. Framework Convention on Climate Change, they are very active participants (Singh & Dube, 2013).

Regarding, the ease of doing business ranking in 2014 BRICS members were ranked as shown in Table 1.6. The World Bank (2014a) ranked the ease of doing business of 189 countries around the world. A high rank on the ease of doing business index means that the regulatory environment is facilitate the starting and the operation of a local firm.

**Table 1.6** Ease of Doing Business Ranking of BRICS in 2014

<b>BRICS members</b>	<b>Rank of Ease of Doing Business</b>	<b>Rank of Ease of Doing Business in BRICS</b>
South Africa	43	1
Russia	62	2
China	90	3
Brazil	120	4
India	142	5

## **1.2 Background of the Bilateral Relationship Thailand and BRICS**

Thailand has engaged in foreign trade and investment in China and India as business partners for a longer time than the other three countries. Since the Ayutthaya era, Ayutthaya was a Siamese kingdom that existed from 1351 to 1767 and was friendly towards foreign traders, including China and India (Wikipedia, 2013). This means that Thailand has had trade relations with China and India for up to six hundred years. This background of Thailand's trade and investment in China and India shows that they have had a long relationship, which has brought about mature internationalization.

Meanwhile, Russia, South Africa, and Brazil have only recently had trade relations with Thailand recently. Siam (as Thailand was formerly known) and Russia had the first contact on February 19, 1863 when two Russian ships docked at the Bangkok port on the Chao Phraya River. At that time the foreign relations between Siam and Russia continued during the reign of King Rama the fifth, with emphasis on international politics to resist the aggression of imperialism that had expanded dramatically. The two countries had good relationships with each other. Afterward, on June 23, 1899 the Russian-Siamese Declaration of Jurisdiction, Trade and Navigation were signed in Bangkok (Embassy of Russian Federation, Thailand, 2013). However, Thailand and Russia had a short interruption of bilateral relations that appeared after 1917 with the revolutionary regime change in Russia from absolute monarchy to socialism. In March 1941, the diplomatic relations between Thailand and the Soviet Union were established again. Later when the Soviet Union was dissolved in 1991, the Russian Federation held that the relations between Thailand and Russia should continue without interruption and this has been so until now (Wattana Koonwong, 2013).

Brazil and Thailand established diplomatic relations on April 17, 1959, for 54 years now (Royal Thai Embassy, Brazil, 2013a). Brazil was the first ranked trader in the Thai-Latin America trade in 2011, but had few foreign direct investments between the two countries. The threats to Thai enterprises in terms of investment in Brazil were several, such as complicated rules and regulations, lack of infrastructure and problems with language (Portuguese) (Thailand's Board of Investment, 2012).

Regarding South Africa, Thailand had its first official contact with South Africa in March 1992 with the establishment of consular relations. The South African Consulate-General Office was established in Bangkok in September 1992 and the Thai one in Johannesburg in October 1992. On December 9, 1993, Thailand and South Africa established full diplomatic relations, and the Consulates-General were upgraded to embassies (South African Embassy, Thailand, 2013; Department of South Asian, Middle East and African Study, 2013). The diplomatic relations between Thailand and South Africa have continued until present. As a result, trade and investment between the two countries has grown as will be discussed in the next section. This is a brief overview of the relationships between Thailand and BRICS.

International business is related to the internationalization that occurs through two mechanisms: 1) trade-the sale and shipment of goods and services from one country to another; and 2) direct investment-building or acquiring productive assets in another country (Grant, 2010, pp. 371-372).

Even though BRICS are interesting, as mentioned above, it can be seen that there are not many Thai enterprises that have invested in BRICS. Most of them are multinational corporations (MNCs) or multinational enterprises (MNEs), which have facilities and other assets in at least one country other than their home country, engage in production or service activities through their own affiliates, and run business from a global perspective.

According to the related documents and documents obtained from the government and the private sectors, focusing on Thai PCLs on the SET 100 index, China was the first among the countries with which most Thai (Public) companies internationalized their business in BRICS, (all 8 enterprises), followed by India (4 enterprises), Russia (2 enterprises but later one company's operation was suspended), South Africa (2 enterprises), and Brazil (2 enterprises), respectively.

The Thai Government, led by the Ministry of Industry and the Ministry of Commerce, has striven to promote foreign trade and investment to internationalize their business in BRICS. Despite the government's supporting Thai enterprises to go to these countries, there have been few of them that have reached out to BRICS. In addition, the majority of internationalization studies have used quantitative method, and lacked a deep perspective and other dimensions behind the phenomenon.

Therefore, it is interesting to study Thai enterprises that have decided to seriously internationalize their business in BRICS in order to bring about an understanding of the factors behind their decision making, including the characteristics and strategies that Thai enterprises have used in BRICS.

Finally, by learning from Thai pioneer experiences, this study can make recommendations for Thai enterprise executives to use suitable internationalization strategies and for the Thai government on how to design the foreign direct investment outflow policy to help Thai enterprises to be successful in BRICS, and this would be a valuable contribution to the development of the Thai economy in the future.

### **1.3 The Objectives of the Study**

The objectives of this paper are as follows:

1.3.1 To find out the internationalization process and entry mode strategies utilized by Thai enterprises for their operation in BRICS

1.3.2 To explore the contexts and the inter-organizational networks that are key success factors in the internationalization process of Thai enterprises in BRICS

1.3.3 To make recommendations for Thai enterprises that aim to internationalize their businesses in BRICS and for the Thai government sector to design the management networks to promote investment and to provide investment support for Thai enterprises internationalizing their businesses in BRICS.

### **1.4 The Scope of the Study**

The scope of the study is as follows:

1.4.1 This study explored the internationalization process and inter-organizational networks of Thai enterprises in BRICS. The unit of analysis of this study was Thai (Public) companies in five out of eight industries listed on the SET 100 INDEX which are operating in emerging markets, i.e., Brazil, Russia, India, China, and South Africa (BRICS).

**Table 1.7** The Number of the Industry/ Business of Thai Enterprises

<b>Number of Thai enterprises</b>	<b>Industry/ Business</b>
2	agro and food
2	financial
1	resources
1	services
1	property and construction

1.4.2 This study did not focus on performance nor did it discuss in details the market capital and financial aspects of Thai enterprises that have internationalized their businesses to BRICS. They are beyond the scope of the study.

## **1.5 The Potential Contributions of the Research Study**

The contributions of this research study are as follows:

The research findings will contribute to the body of knowledge in internationalization of businesses as the research will analyze and identify the internationalization process, entry mode strategies, and the inter-organizational networks that affect the internationalization process of Thai enterprises in BRICS.

The Thai Public and private sectors can benefit from this research, as its findings will serve as a guideline for the establishment of the Thai enterprise networks suitable for internationalization and entry mode strategies for BRICS. Also, the Thai government can design management networks to enter BRICS and support Thai enterprises to achieve their goal.

## **1.6 The Structure of the Dissertation**

The research study is composed of six chapters as follows:

### **1.6.1 Chapter One: Introduction**

This chapter is composed of seven sections: including a statement of the problem, the background of bilateral relationship between Thailand and BRICS, the

objectives of the study, the scope of the study, the potential contributions of the research study, the structure of the dissertation, and definitions of terms.

### **1.6.2 Chapter Two: Literature Review**

This chapter reviews the literature about internationalization and entry mode strategies, inter-organizational networks, the political, legal, and socio-cultural context in emerging markets, an overview of the trade of Thailand, an overview of the trade of Thailand and BRICS, and an overview of Thailand foreign direct investment. In addition, some studies by prominent scholars are summarized, and the framework of the study is proposed.

### **1.6.3 Chapter Three: Research Methodology**

This chapter describes the methodology for qualitative research, data collection, and data analysis.

### **1.6.4 Chapter Four: the Internationalization Process and Entry Mode Strategies of Thai Enterprises in BRICS**

This chapter focuses on the results of the research on the internationalization process, and the entry mode strategies implemented in BRICS.

### **1.6.5 Chapter Five: Contexts and the Inter-Organizational Networks Affecting the Internationalization Process of Thai Enterprises in BRICS**

This chapter focuses on the BRICS contexts: namely, the political context, the legal context, and the socio-cultural context. These contexts influence the internationalization of Thai Enterprises in BRICS. Additionally, the inter-organizational networks of Thai enterprises that affect the internationalization process in BRICS are discussed.

### **1.6.6 Chapter Six: Conclusion and Implementations**

After the analysis, the research conclusion, discussion of the findings, recommendations based on the findings, theoretical implications, policy implications, and limitations and implications for further study are presented in this chapter.

## 1.7 Definition of Terms

Terms	Definitions
BRICS	This acronym stands for Brazil, Russia, India, China and South Africa, which are part of an economic modeling exercised to forecast the global economic trend over the next half-century that would play an increasingly important role in the global economy.
Emerging Markets	The high-growth developing countries with remarkable features in terms of economic potential that represent attractive business opportunities for international firms
Internationalization	The process by which a firm gradually changes in response to the imperatives of international competition, domestic market saturation, desiring for expansion, entry to new markets, and diversification by doing trade and investment in foreign country
Inter-Organizational Networks (IONs)	A set of organizations related through common affiliations or through exchange relationships among organizations with collaboration of many actors (individuals and organizations) who bring required resources, power, including different knowledge and skills
Thai Enterprises (TEs)	Eight Thai (Public) Companies listed on the SET 100 INDEX which operate in BRICS

## **CHAPTER 2**

### **LITERATURE REVIEW**

The main purpose of this chapter is to review the literature and discussion on important definitions, theories, approaches, and studies of inter-organizational networks and internationalization, and entry mode strategies, including Thailand's and BRICS's trade and investment information. The research framework is also provided.

- 2.1 Internationalization
- 2.2 Entry Modes and Strategies
- 2.3 Inter-organizational Networks
- 2.4 Internationalization versus Inter-organizational networks
- 2.5 Emerging Market Context
- 2.6 Overview of Thailand's Trade
- 2.7 Overview of Thailand's and BRICS's Trade
- 2.8 Overview of Thailand's Foreign Direct Investment
- 2.9 Overview of BRICS's Foreign Direct Investment
- 2.10 Overview of Thai and BRICS Foreign Direct Investment
- 2.11 The Research Framework

#### **2.1 Internationalization**

Internationalization has been a significant issue and has attracted many strategic management, international business, and entrepreneurship researchers (Pham, 2008, p. 52). Deresky (2011, p. 458) defines internationalization as “the process by which a firm gradually changes in response to the imperatives of international competition, domestic market saturation, the desire for expansion, new markets, and diversification”. In addition, internationalization is both a threat and an opportunity. It is a threat because domestic markets are open to competitors from

different countries and it is an opportunity because it allows firms with small domestic markets to become global leaders. Internationalization is an outward strategic movement of an individual firm or larger corporations to cross-borders (Johanson & Vahlne, 1997; Piercy, 1981 as cited in Pham, 2008, p. 52; Grant, 2010, p. 371).

### **2.1.1 Multinational Enterprises (MNEs) or Multinational Corporations (MNCs)**

A multinational enterprise or a multinational corporation is also called a transitional corporation, which refers to a corporation that has facilities and other assets in at least one country other than its home country, is engaged in production or service activities through its own affiliates, and is operated from a global perspective. Moreover, very large multinational corporations from big countries have budgets that exceed those from many small countries (Deresky, 2011, p. 459, Investopedia, 2013).

Buckley and Casson (1976; 1988 as cited in Leroy-Beltran, 2003, p. 11) developed the internationalization theory which highlights the multinational firm. In order to reduce transaction costs to a minimum and earn higher returns, firms that expand their businesses often choose to abroad substitute for markets by internalizing, upward or downward market activities within their hierarchy.

Rugman, Verbeke, and Nguyen (2011, p. 759) note that internationalization theory is a general theory of MNEs. In the theory of MNEs the proposition is that an MNE goes abroad to further gain its firm-specific advantages (FSAs), also called “internalization theory,” and country-specific advantages (CSAs). Rugman (1981, 2007 and 2010) defines FSAs as unique capabilities of the organization, such as process technology, marketing, or distributional skills. The firms can use such capabilities for production, marketing, customization of services and for creation of networks and relationships (Rugman, 1981; Ramamurti, 2008); CSAs are factors that are unique to the business in each country such natural resource endowments (minerals, energy, forests), labor force, culture, tariff and non-tariff barriers, government regulations, and social networks of the ethnic community in the home country (Rugman, 2007). Porter (1990 as cited in Rugman, 2007) pointed out that CSAs formed the basis of the global platform from which the multinational firm

derived a home-base “diamond” advantage in global competition. Afterward, Rugman (2008) combined FSAs and CSAs into a two-by-two matrix that could be used to analyze and explain the competitive advantages of internationalizing firms (Ramamurti, 2008, p. 5).

Ramamurti (2008, p. 23, 36) has proposed stages of MNE evolution as in Table 2.1

**Table 2.1** Stages of MNE Evolution

	<b>Stage 1: Infant MNE</b>	<b>Stage 2: Adolescent MNE</b>	<b>Stage 3: Mature MNE</b>
Importance of home-country CSAs	High	High to medium, and falling	Medium to low and falling
Ratio of exports to overseas production	Exports exceed overseas production	Export and overseas production in balance	Overseas production exceeds export
Geographic footprint	Few countries in home region, unless EMNE is pursuing the low-cost partner strategy	Several countries, with emphasis on home region	Dozens of countries, in all major regions
Brand	Strong at home, unknown abroad	Strong at home, up-and-coming abroad	Strong global brand
Examples	Most EMNEs	Korean MNEs, such as LG or Hyundai	Western and Japanese MNEs, such as IBM, Siemens, Sony, or Toyota

**Source:** Ramamurti, 2008, p. 36.

Table 2.1 shows three stages of MNE internationalization: 1) the infant MNE or “international firm” refers to a firm taking the first step toward internationalization, relying on exports, modest overseas production in a few countries and unknown

brands; 2) the adolescent MNE refers to a firm that has had overseas investment and production in numerous countries, possibly concentrating in the home region, and owns up-and-coming brands; 3) mature MNE refers to a firm that operates in most major markets and regions, with extensive overseas production and research and also strong global brands (Ramamurti, 2008, p. 23).

### **2.1.2 The Internationalization Process and Strategies**

The internationalization process is a continuous process that occurs when a firm enters foreign markets (Johanson & Vahlne, 1977 as cited in Pham (2008, p. 55) According to Toulan (1997 as cited in Henon, 2010, p. 188), the internationalization process is placed on a continuum between short and long-term internationalization. While a short-term strategy depends on factors exogenous to firms such as economic and socio-political factors, a long-term internationalization is a combination of tangible and intangible internationalization, with stronger commitment by the firm to become competitive at the international level (Henon, 2010, p. 188).

Pham (2008, p. 60, 139) has proposed six steps of the internationalization process.

Step 1: The firm analyzes potential markets to identify the best markets to be focused on.

Step 2: Due to its constraints of resources, capabilities, and the competitive advantages, the firm prioritizes the foreign markets that it will expand to.

Step 3: The firm chooses an appropriate entry mode and a market entry strategy to enter a new foreign market.

Step 4: The firm identifies the customer groups to be served.

Step 5: The firm determines the products or services to be provided.

Step 6: The firm commits itself to the implementation of internationalization activities to ensure its internationalization success.

It can be concluded that internationalization is the process through which a firm gradually changes in response to the imperatives of international competition, the domestic market saturation, desire for expansion, entry into new markets, and diversification by conducting trade and investment in a foreign country.

Ramamurti (2008) has proposed the “Generic Internationalization Strategies of Emerging-Market Multinational Enterprises” He points out the factors that an

Emerging-Market Multinational Enterprise (EMNE) needed to succeed abroad. First, the firm must have Firm-Specific Advantages (FSAs) and products suitable to emerging markets, production and operational excellence, privileged access to resources and markets, adversity advantage, and traditional intangible assets that are valuable and inimitable. Second, it must have their home-country advantages or country-specific advantages (CSAs) so that firms can compete internationally. As seen in Table 2.2.

**Table 2.2** Generic Internationalization Strategies of EMNEs

Generic Strategy	CSAs	FSAs	Internationalization Path	Examples
1. Natural-resource vertical integrator	1. Natural resource endowment and/ or 2. Large home demand for natural resources	1. Privileged access to natural resources and/ or 2. Privileged access to home markets	1. Forward integration to downstream markets and/ or 2. Backward integration upstream to secure natural resources	1. Gazprom, Lukoil, Norilsk, Vale, AngloGold, PTT 2. Petrobas, ONGC, Indian Oil, CNOOC, Chinalco
2. Local optimizer	1. Low-income consumers 2. Under-developed 'hard' and 'soft' infrastructures	1. Ability to optimize imported products and processes to home market 2. Local-customer intimacy and local embeddedness	1. Target market: Other emerging markets	1. HiSense, Mahindra & Mahindra, Tata Motors, Shoprite, Marcopolo
3. Low-cost partner	1. Low-cost labor 2. Size of skilled labor pool, including engineers/ scientists, etc.	1. Process excellence 2. Project management 3. Ability to operate successfully in the adverse conditions of emerging markets	1. Target market: Developed countries 2. Up-market FDI to move up value curve 3. Down-market FDI to diversify supply locations	1. Wipro, Infosys, TCS, Dr. Reddy's, WEG, Sabo

**Table 2.2** (Continued)

<b>Generic Strategy</b>	<b>CSAs</b>	<b>FSAs</b>	<b>Internationalization Path</b>	<b>Examples</b>
4. Global consolidator	1. Large and rapidly growing home market 2. Price-sensitive customers	1. Production and project execution excellence 2. Late-mover advantages in scale, organizational processes, technology 3. Strong position in home market, with strong cash flows	1. Target: Global 2. Up-market FDI to acquire poorly-performing companies	1. Tata Steel, Hindalco, South African Breweries, Lenovo, Wanxiang, Cemex
5. Global first-mover	1. Large and rapidly growing demand in a new industry 2. Low-cost country for design, engineering, and production	1. Close to global frontiers of technology 2. Strong position in home market, including, possibility, state support	1. Target market: Global 2. Up-market FDI to acquire key technologies or capabilities, and customer access 3. Down-market FDI to gain market access and/or to diversify production bases	1. Embraer, Huawei, Suzlon Energy, Check Point, Teva

**Source:** Ramamurti, 2008, pp. 33-34.

**Table 2.3** Literature Review of Internationalization

Author (s) Year of Publication	Method	Results
Lin and Farrell (2013)	Document Analysis and Case studies	<p>Conceptual model and propositions:</p> <p>Internationalization Motivation</p> <p>P1: When entering African markets Chinese privately-owned enterprises (CPOEs) are likely to be driven by economic rationality, whereas Chinese state-owned enterprises (CSOEs) are likely to be driven by the domestic and geopolitical agenda of the Chinese government above and beyond economic motivation.</p> <p>Entry Approach</p> <p>P2: When entering African markets, CPOEs are more likely to be cognizant of host country risk and follow an incremental strategy, whereas CSOEs are likely to be less concerned about host country risk and pursue a more aggressive expansion approach, bypassing lower commitment entry mode choices.</p> <p>Local Embeddedness</p> <p>P3: When operating in Africa, CPOEs are more likely to engagement local African communities in business processes, whereas CSOEs are less likely to engage local African communities.</p>

**Table 2.3** (Continued)

<b>Author (s) Year of Publication</b>	<b>Method</b>	<b>Results</b>
Pham (2008)	Survey on the electronics & computer parts (E&C) and the textile & garment (T&G) industries, 168 companies, multiple regression analysis method	<p>Performance Outcomes</p> <p>P4: When operating in Africa, CPOEs are more likely to select financially viable projects that result in profitability, whereas CSOEs are more likely to select projects that result in underperformance.</p> <p>1) Thai E&amp;C companies had a better internationalization performance than Vietnamese E&amp;C companies did.</p> <p>2) Competencies in E&amp;C industries were better than that in T&amp;G industries.</p> <p>3) Competencies in Vietnam were higher than those in Thailand.</p>

**Table 2.3** (Continued)

<b>Author (s) Year of Publication</b>	<b>Method</b>	<b>Results</b>
Cattani and Tschoegl (2002)	Document Analysis	<ol style="list-style-type: none"> <li>1. Chase used both the mechanism of organic growth and contraction and the mechanism of reshuffling (at the same and at different times).</li> <li>2. Chase engaged in both adaptive and exploratory search in response to existing markets and new markets that the environment generated.</li> </ol>
Hong and Sun (2006)	Document Analysis	The strategic orientation of China's outward FDI as resource-seeking investment, increased number of Chinese enterprises were used cross-border M&A, joint venture and Greenfield investment to obtain accesses to advanced foreign technologies, managerial know-how, R&D establishments, and distributional networks and brand names in developed economies, also increasingly cultivated their technological and managerial leads in South-East Asia, Africa and Latin America.
Todd (2006)	Survey 1,400 American SMEs Multivariate regression analysis	The differences among SMEs with regard to entrepreneurial orientation and attitude towards internationalization. Management with a positive attitude towards internationalization results in positive relationship with regard to the degree of internationalization

## **2.2 Entry Modes and Strategies**

### **2.2.1 Strategy**

The word “strategy” is derived from the Greek word *strategia*, but the concept of strategy did not originate with the Greeks. The first treatise on strategy was written by Sun Tzu circa in the classic *The Art of War*, 500 BC (Grant, 2010, p. 14).

As a simple explanation given by Thompson et al. (2013, p. 4), a strategy means competing differently from rivals-doing what competitors do not do or, even better, doing what they cannot do. Grant (2010, p. 16) defines a strategy as a means by which individuals or organizations achieve their objectives. According to Pham (2008, p. 52) and Cullen and Parboteeah (2008, p. 221), a strategy can be referred to as a central, comprehensive master plan, or an integrated and externally oriented set of choices, stating how the firm will maximize its competitive advantages and minimize its competitive disadvantages to achieve the firm’s mission and objectives.

Thompson et al. (2013, p. 4) point out the differences between a business strategy and a corporate strategy, saying that a business strategy is a strategy at the single-business level, concerning how to improve the performance or to gain a competitive advantage in a particular line of business, while a corporate strategy is a strategy at the multi-business level concerning how to improve company performance or to gain a competitive advantage by running a set of businesses simultaneously.

### **2.2.2 Market entry objectives**

Cavusgil et al. (2013, pp. 205-206) refer to Buckley and Ghauri’s (1999) work, which explained entry strategies, saying that a firm has to be clear about its objectives and why it wants to enter a particular market. The three motives for investing in a market include: 1) market-seeking motives, in which a firm is attracted to a market due to its size and potential; 2) efficiently-seeking motives, in which a firm wants to enter a market because the market has special capabilities in a certain industry; and 3) resource-seeking motives, in which a firm invests in a market to obtain access to a crucial resource.

According to Thompson et al. (2013, p. 188), when a company decides to expand beyond its domestic borders, it has to consider the six primary strategic

options as follows: 1) maintaining a national (one-country) production base and export goods to foreign markets; 2) licensing foreign firms to produce and distribute the company's products abroad; 3) employing a franchising strategy; 4) establishing a subsidiary in a foreign market via acquisition or internal development; and 5) relying on strategic alliances or joint ventures with foreign companies.

Which option to employ depends on a variety of factors, including the nature of firm's strategic objectives, whether the firm has the full range of resources and capabilities needed to operate abroad, country-specific factors such as trade barriers, and the transaction costs involved (the costs of contracting with a partner and monitoring its compliance with the terms of the contract, for example) (Thompson et al., 2013, p. 188).

Levi (2006) as cited in Pham (2008, p. 55), proposed the relationship between internationalization strategy and mode of entry, as seen in Figure 2.1.



**Figure 2.1** Relationship between Internationalization Strategy and Mode of Entry

**Source:** Levi (2006 as cited in Pham, 2008, p. 55).

Modes of entry or entry modes differ in the degree of control over foreign operation in internationalization strategies. Hinging on the business environment and firm's capabilities, the firm must choose the best entry mode for effective entering of foreign markets.

### **2.2.3 Factors Influencing Entry Strategies**

Moreover, Cavusgil et al. (2013, p. 246) explain the factors influencing entry strategies that a firm must be concerned about as follows.

2.2.3.1 Decision on cost of entry: The cost of the investment itself affects the choice of entry mode. Equity-based ventures require significant levels of human and financial capital because the firm must think about the following: 1) the geographic distance makes physical distribution more difficult; 2) the firm has to deal with multiple environments; 3) the firm engaged in global marketing has to deal with multiple currencies and exchange-rate variations, and transactions in various currencies entail administrative costs and difficulties; 4) the firm engaged in international marketing are often in conflict with home governments regarding employment opportunities and other resources outside the country; and 5) the firm is also often in conflict with the host country with remittance of its profits back to their home country or head office, ownership of local facilities, and competition with local firms.

2.2.3.2 Cultural and institutional distance. The firm's challenges, which are the difference in language, business customs and ethics, lifestyle and values, and other cultural dimensions, will often cause uncertainty and psychic distance (Conway & Swift, 2000 as cited in Cavusgil et al., 2013, p. 248). The firm must be concerned about the different cultures that require different behavioral patterns from it, Hence, one of the primary challenges of international business transaction is to operate effectively in a multi-cultural setting (Ghauri and Cateora, 2010 cited in Cavusgil et al., 2013, p. 248).

2.2.3.3 The liability of foreignness. The firms may face liability of foreignness (LoF), which is the extra cost incurred to an international firm in the host economy when it goes overseas markets. Such a cost may arise due to distance and unfamiliarity with the environment, marketing, know-how, and institutions of the host country (Zaheer, 1995 as cited in Cavusgil et al., 2013, p. 248).

2.2.3.4 Control and commitment. The firm can choose the control and commitment option, based on the transaction of specific assets, external/internal uncertainty and free-riding potential.

2.2.3.5 Timing for entry. Besides the entry mode, the timing of market entry plays a critical role in emerging markets (Pan & Chi, 1991 as cited in Johnson & Tellis, 2005).

1) First-mover advantages. The entrepreneur moves quickly into a new venture and establishes the business before other companies (Cullen and Parboteeah, 2008: 797), and the firm that enters the market first may gain access to resources and be able to purchase assets at lower prices as first entrants (Cavusgil et al., 2013, p. 248).

2) Latecomer advantages. On the other hand, latecomers can analyze the strategies of first entrants and they can learn from the failure or successful experience of the first-mover pioneers. Latecomers can utilize advanced technologies more easily, and can benchmark against best practice as well as niche markets (Cavusgil et al., 2013, p. 253).

#### **2.2.4 Entry Mode Strategies**

Cavusgil et al. (2013, pp. 206-243) classify that the main entry strategies into three categories as stated below

Trade-based entry activities focus on purchasing of resources internationally or exporting products. Thus, companies whose strategy is to maintain operations in their own country may engage in international trade through global sourcing, which refers to buying products or services from foreign suppliers. Alternatively, they can produce in their own country and export to customers in other countries.

Contractual entry modes in international business refer to activities such as licensing and franchising, where the firm engages in agreements with international partners, enabling the partner to use their intellectual property in exchange for fees.

Investment entry modes or equity-based business activities involve direct investment abroad. The investment may result in joint ventures, wholly-owned subsidiaries, mergers and acquisitions, depending on the type of deal. However, all of these strategies involve the ownership of equity and investment of capital (Cavusgil et al., 2013, pp. 207-208).

The details of each mode are given in the following Table 2.4.

**Table 2.4** Foreign Entry Modes

<b>Foreign Entry Modes</b>	<b>Details</b>
<b>Trade-based Entry</b>	
Exporting	Refers to shipping products/services produced in the company's home country to other countries for marketing.  This is a good way to minimize risk and experiment with a specific product.
Indirect Exporting	This is exporting through domestic intermediaries, placing the burden of responsibility on sales contacts, negotiations and product delivery on the intermediary within a firm's home market.
Direct Exporting	This is exporting through overseas intermediaries and requires the manufacturer's familiarity with the procedures of export shipping and international payments.
Global Sourcing	This refers to the purchase of products or services from external suppliers.
Outsourcing	This is the purchase of value-added activities from suppliers from external suppliers.

**Table 2.4** (Continued)

<b>Foreign Entry Modes</b>	<b>Details</b>
<b>Contract-based Entry</b>	
Licensing	The licensing firm gives the right to another firm in the host country to produce and/or sell a product under a licensing agreement. This option is a useful strategy for the company that has a very well-known trademark or famous brand name, but it does not have sufficient funds to enter the foreign market directly.
Franchising	The franchiser gives the right to another company to open a retail store using the franchiser's name and operating system under a franchising agreement.
Technology Transfer Projects	These are often achieved by means of various situation-oriented, non-exclusive vehicles. Technology and service expertise can be exchanged by standard export arrangement or project work, licensing agreements, joint ventures, and direct investments.
Management Contract	A company can use its personnel to assist a firm in a host country for a specified fee and period of time. The company can earn some income from its investment and keep the operations going until local management is trained.
Contract Manufacturing or Subcontracting	This is a cross between licensing and investment participation. A host company secures a product or a manufacturing process from a home manufacturer and produces under contract for the home firm. The product can then be exported or marketed locally.
Turnkey Operations	These are the contracts for the construction of operating facilities in exchange for a fee. The facilities are transferred to the host country or firm when they are complete.

**Table 2.4** (Continued)

<b>Foreign Entry Modes</b>	<b>Details</b>
Build-Operate-Transfer Concept	This is a variation of the turnkey operation. Before transferring the completed facilities to the host country at little or no cost, the company operates these facilities for a fixed period of time to earn back its investment, plus a profit.
Production Sharing	This is the process of combining the higher labor skills and technology available in the developed countries with the lower cost labor available in developing countries.
Countertrade	This is an ancient form of trading that has emerged at different times in world commerce. It refers to a transaction characterized by a linkage between exporters and importers of goods or services, in addition to or in place of financial settlements.
Barter	This involves a direct exchange of goods without involving cash transfers.
Clearing	This involves the establishment of clearing accounts to hold deposits and to make withdrawals for trade.
Counter Purchase	In such an agreement, the parties will sign two separate contracts specifying the goods and services exchanged. If the exchange is not of equal value, a partial payment will be made in cash.
Buyback	In another form of countertrade, a home company agrees to supply technology and equipment and receives payment in the form of goods produced by the same plant until a final payment is made for the technology.

**Table 2.4** (Continued)

<b>Foreign Entry Modes</b>	<b>Details</b>
Offset	This is often found in defense-related sectors and in sales of high-priced items. Such conditions are very commonly placed on defense and other large-scale contracts and can take many forms, such as co-production, licensing, subcontracting, and joint ventures.
Non-equity Collaborative Ventures	This is the engagement in a project-based contractual relationship. Each partner is expected to contribute to the project as defined by the contract, e.g. research and development activities.
Strategic Alliances	These are formed by two or more companies in the quest to utilize each other's competitive strengths and achieve their targets more efficiently or at a lower cost.
Consortia	These are large-scale projects where different firms will fulfill different tasks and share the profit as defined by a contract.
<b>Investment Entry Modes</b>	
Cross-licensing Agreement	This is an agreement that gains access to each other's technology which is licensed.
Market Subsidiaries	These are the marketing and distribution networks in foreign countries to exploit the potential of spin-off sales and to create a mechanism to offer good after-sales service facilities.
Joint Ventures	Companies in a joint venture combine the resources and expertise needed to develop new products or technologies. It is the most popular strategy used to enter a new country, especially to enter a country that restricts foreign ownership.

**Table 2.4** (Continued)

<b>Foreign Entry Modes</b>	<b>Details</b>
Wholly-owned entry strategies	These are associated with high levels of commitment and control. Such investments involve the transfer of an entire enterprise to the target market, and enable the company to exploit its competitive advantages in that market. Once a company has decided to enter a market with a wholly-owned subsidiary, it has two choices in entering that particular market: (a) an acquisition, or (b) a Greenfield investment.
Acquisitions	This is the purchase of another company already operating in a host country. It is a quick way to move into a foreign market.
Green Field Investment	Here a company builds its own manufacturing plant and distribution system in the host country.

**Source:** Adopted from Cavusgil et al., 2013, pp. 206-243; Pham, 2008, p. 54.

The advantages and disadvantages of different entry strategies are summarized in Table 2.5.

**Table 2.5** Summary of Advantages and Disadvantages of Different Entry Strategies

	<b>Advantages</b>	<b>Disadvantages</b>
Export	<ol style="list-style-type: none"> <li>1. Low-cost entry as the firm does not invest in the market</li> <li>2. Low risk as the firm can withdraw from the market</li> <li>3. Enables the company to enter the market rapidly</li> </ol>	<ol style="list-style-type: none"> <li>1. Sensitive to trade barriers</li> <li>2. Limits possibilities for local responsiveness</li> <li>3. Hinders the firm from learning about the market</li> <li>4. Higher distribution costs</li> </ol>

**Table 2.5** (Continued)

	<b>Advantages</b>	<b>Disadvantages</b>
	<ul style="list-style-type: none"> <li>4. Less risk of loss of know-how</li> <li>5. Hedges against dependence on a single market</li> </ul>	<ul style="list-style-type: none"> <li>5. Prone to issues related to distribution networks</li> </ul>
Contractual agreements	<ul style="list-style-type: none"> <li>1. Low capital requirement</li> <li>2. Can be used to overcome ownership restrictions</li> </ul>	<ul style="list-style-type: none"> <li>1. Risks due to knowledge transfer</li> <li>2. Lower levels of control</li> </ul>
Strategic alliances	<ul style="list-style-type: none"> <li>1. Enable the firm to benefit from the complementary assets of the partners</li> <li>2. Increase the efficiency of the firm</li> </ul>	<ul style="list-style-type: none"> <li>1. Possibility to result in the loss of know-how</li> <li>2. Managerial issues among partners</li> </ul>
Joint ventures	<ul style="list-style-type: none"> <li>1. Reduce the cost of the project by spreading costs among partners</li> <li>2. Lower political and economic risk</li> <li>3. Enable companies to utilize local know-how</li> <li>4. Enables companies to access markets which restrict foreign entry</li> </ul>	<ul style="list-style-type: none"> <li>1. Mismatch between the objectives of partners</li> <li>2. Risk of creating a potential competitor</li> <li>3. Risk of losing know-how</li> <li>4. Managerial challenges among partners</li> </ul>
Wholly owned	<ul style="list-style-type: none"> <li>1. The company can maintain control over operations</li> <li>2. Can capitalize on low-cost labor</li> <li>3. Avoids import costs and transportation costs</li> <li>4. Ease of access to raw materials and supplies in the new location</li> <li>5. Reduced risks of losing know-how</li> </ul>	<ul style="list-style-type: none"> <li>1. Length of time necessary for establishing operations</li> <li>2. High levels of investment</li> <li>3. Entry barriers in the target market</li> <li>4. Lack of local market knowledge</li> <li>5. Vulnerability to political stability and economic sanctions</li> </ul>

**Table 2.5** (Continued)

	<b>Advantages</b>	<b>Disadvantages</b>
Acquisitions	<ol style="list-style-type: none"> <li>1. Take less time than establishing a Greenfield subsidiary</li> <li>2. Can gain access to intangible assets of the acquired company</li> <li>3. Reduce market risk by accessing the local customer base of the acquired company</li> </ol>	<ol style="list-style-type: none"> <li>1. Risk of overpaying if the management is too optimistic</li> <li>2. High levels of investment required</li> <li>3. Issues related to integrating the acquired company into the parent firm</li> </ol>

**Source:** Cavusgil et al., 2013, p. 245.

The literature related to international market entry strategies can be summarized as follows.

**Table 2.6** Literature Review of Entry Mode Strategies

Author (s)	Year of Publication	Method	Results
Mutinelli and Pisquotello (1998)	Sample of FDI undertaken by Italian firms of mining and manufacturing industries over period 1986-1993 Regression Coefficient	<ol style="list-style-type: none"> <li>1. Joint venture is the best solution when technological opportunities and the tacit non-codifiable element of skills, competencies, routines and operational practices assume a crucial role.</li> <li>2. Joint ventures are particularly important in the internationalization strategy of small-sized firms.</li> <li>3. Joint ventures are the favored internationalization device for less experienced firms which prefer to co-operate with local partners representing a precious accumulation point for information on the local economy and environment.</li> </ol>	
Brouthers and Hennart (2007)	Document analysis from empirical articles published in academic journals that dealt with the choice between contracts and equity and between full and partial equity.	The form of foreign market entry depends on the characteristics of the parent firm, on the characteristics of the operation, on the relationship between the two, on the situation in the industry entered, and on the characteristics of both the country where the MNE was based and the country that it was entering.	

**Table 2.6** (Continued)

<b>Author (s)</b>	<b>Year of Publication</b>	<b>Method</b>	<b>Results</b>
Canabal and White III	(2007)	Document analysis from empirical studies in international entry mode research during 1980-2006	Theory and constructions of entry mode studies: transaction cost analysis of 48 studies OLI/ location factors 19 studies/ culture/ cultural distance 15 studies/ control 13 studies internationalization 13 studies/ risk 12 studies/ institutional theory 10 studies/ resource-based view 10 studies/ foreign direct investment 8 studies/ organizational/ competitive capabilities 7 studies/ knowledge/ KBV 6 studies and uncertainty 6 studies
Zhang et al.	(2013)	Ordinary least squares and one case study	<ol style="list-style-type: none"> <li>1. The strategic entry of Chinese private enterprises (PEs) in Africa tended to invest in countries where Chinese investment has already concentrated</li> <li>2. More Chinese PEs engaged in manufacturing and service than agriculture and mining and quarrying</li> <li>3. Chinese PEs take higher risk by choosing subsidiary companies to enter Africa.</li> <li>4. Both Chinese private enterprises (PEs) and Chinese stated-owned enterprises (SOEs) are driven by the motivation of market seeking, not by resource seeking</li> <li>5. China's imported from the host country also facilitate Chinese companies' investment in Africa</li> </ol>

## **2.3 Inter-organizational Networks**

### **2.3.1 Networks**

Networks refer to a set of nodes in which the persons, agencies, organizations actors, agents, egos, vertices, sites, units and so on associated with the structure of ties (as ties, relations, alters, edges, arcs, links, connections, bonds), both directly and indirectly linked, which can ramify and are valuable in that network. It is a set of ties causing dyadic social relations and each relationship sets a different network. This different relationship is presumed to have ties with different functions (Borgatti & Foster, 2003, p. 992). However, inter-organizational networks have different theoretical approaches from networks in many aspects: access to resources, power, trust and status and so on (Cook, 1977; Galaskiewicz, 1985; Burt, 1992; Gulati, 1995; Powell, Koput, & Smith-Doerr, 1996; Uzzi, 1997; Zaheer, McEvily, & Perrone, 1998; Laurzen & Salter, 2006; Kim & Higgins, 2007; Bergenholtz & Waldstrøm, 2011).

### **2.3.2 Inter-Organizational System**

The inter-organizational system assumes that a numbers of organization voluntarily form a consortium in order to accomplish the commitment objective among the organizations. No organization is able to meet such an objective with its own independent activities. Therefore, the members of the organization sought to make decisions consistent with deliberation and persuasion conducted on their responsibilities under aggregation. The consequences are the interdependence of organizations, which is the basis of the exchange of resources, and will continue to focus on creating the most profitable for the entire system (Whetten, 1982; Durkheim, 1964; Soittrakul Attamana, 2006).

### **2.3.3 Inter-Organizational Networks**

Inter-organizational networks (IONs) refer to a set of organizations related through common affiliations or through exchange relationships among organizations with the collaboration of many actors (individuals and organizations) that bring the required resources and power, including the different knowledge and skills, to meet complex challenges (Galaskiewicz, 1985; Ebers, 1997; Hoberecht, Joseph, Spencer, & Southern 2011; Jones & Van de Ven cited in E. Kessler, 2013).

Inter-organizational ties are viewed as a means by which organizations manage their dependence on specific actors controlling critical resources. Broadly defined, the sources of environmental dependence encompass two sets of organization-level considerations: resource procurement and uncertainty reduction (Galaskiewicz, 1985 as cited in Gulati & Gargiulo, 1997, p. 4). Inter-organizational networks are similar in essence to inter-organizational relations as some scholars put them in the same category (Soittrakul Attamana, 2006) Nevertheless, IONs emphasize the networks of organization in many aspects such as the exchange of information, the centrality of power, strategic resources, and the linkage among the actors (individual or organization). In order to obtain the efficiency and effectiveness of the organization, Rugman and D'Cruz (2000, p. 100) point out that the business network's relationships are the facilitating mechanism for achieving the strategic purpose of the network.

The formation of inter-organizational networks is on a dynamic process involving both exogenous dependencies as an independent structure of organizational resource dependence that provokes organizations to seek cooperation and endogenous embeddedness in which the emerging network gradually orients the choice of partners (Gulati & Gargiulo, 1997). Ebers (1997) points out that inter-organizational networks are related to the conceptualization of resource dependence theory, institutionalist [institution] theory, the strategy literature, social network analysis, institutional economics, and particularly internationalization theory. The main reasons for the formation of critical contingencies of inter-organizational relationships are: 1) necessity, when organizations are mandated through laws or regulations by higher authorities (e.g. government agency, legislation); 2) asymmetry, when one party exercises power or control over another organization or its resources; 3) reciprocity, when through co-operation organizations can pursue common or mutually-beneficial goals or interests; 4) efficiency, when through co-operation organizations can achieve higher input and output ratios; 5) stability, when through co-operation organizations can better prevent, predict, or absorb uncertainty affecting their activities; and 6) legitimacy, when through co-operation organizations can establish or enhance their reputation, image, prestige, or congruence with prevailing norms (Oliver, 1990 as cited in Ebers, 1997). IONs take advantage of a broader set of resources and the increased capacity

necessary to help solve some of the more wicked problems facing businesses and societies. Increasingly networks are being seen as enabling structures creating greater opportunities for advanced innovation, improved service delivery, distributed risks, and shared accountability, and the business world is also engaging in IONs to improve supply chain performance and profitability (Hoberecht et al., 2011). The literature related to Inter-organizational networks (IONs) can be summarized as follows.

Rugman and D'Cruz (2000, p. 2) mentioned that collaboration within the business network allows partners to accelerate organizational learning through access to the resources and expertise of other organizations.

**Table 2.7** Literature Review of Inter-Organizational Networks

<b>Author (s)</b>	<b>Year of Publication</b>	<b>Method</b>	<b>Results</b>
Bergenholtz and Waldstrøm	(2011)	Literature review based on a wide search of the web of science database and journal of Sociology, Business and Management, period of 1997-2008. The research focused on the methodological features.	Few previous studies have used the full methodological (and thus theoretical) scope of the available data; the most quoted papers and those appearing in top-ranked journals are more prone to using social network analysis than papers in general and there is a recent tendency among influential papers to go beyond a narrow application of social network analysis and to rely on multiplex relational data and whole networks.
Gulati and Gargiulo	(1997)	Test model using longitudinal data on strategic alliances in sample 166 organization of American, European, and Japanese business organizations in three different industries (new material, automotive products, and industrial automation) over twenty-year period (1970 to 1989).	The results of analyses show that both interdependence and network embeddedness factors have a significant impact on alliance formation. In such a dynamic situation, organizations manage the uncertainty associated with establishing new ties by embedding them in the network that results from prior ties. The new ties in turn alter that social network for the future. Networks are the residual effect of the past behavior and the driving force of future action. With the increasing structural differentiation of the network, the impact of endogenous embeddedness factors on ensuing tie

## **2.4 Internationalization Versus Inter-Organizational Networks**

Many papers on inter-organizational networks have discusses internationalization because internationalization is a complex and uncertain process. Companies that want to internationalize their business must cope with challenges in constrained resources and newness, which aggravate the challenges in the host country (Bruneel, Renko-Yli, & Clarysse, 2010). According to Eber (1997), inter-organizational networks have many different approaches to and related internationalization theories such as industrial economics, organizational economics, industrial marketing and purchasing, organizational sociology, game theory, resource dependence theory, population ecology, institutional theory, and social network approaches. Internationalization strategies concern local responsiveness, specialization, control of raw material sources, production, marketing, support of activities within a particular region, seeking location advantages, gaining economic efficiencies from operating worldwide, selling global products, using similar marketing techniques worldwide, establishment of worldwide operations, and the development of standardized products and marketing (Deresky, 2011).

Both Inter-organizational networks and internationalization are similar in the main approaches and theories and can be fruitfully aligned to resource dependence theory, institutional theory, the strategy approach, and the social network approach.

### **2.4.1 Resource Dependence Theory**

Resource dependence theory is a theory rooted in an open system framework it argues that all organizations must be engaged in exchanges within their environment to obtain resources. Through internationalized networking, organizations or multi-enterprises can access complimentary resources and/or capabilities or can closely coordinate their use of resources. Organizations form an inter-organization network and internationalize their businesses to have control over organizations that possess scarce resources. Alternatively, organizations may enter an inter-organization network in an effort to fill a perceived resource need. In this way, they expect to enhance their competitiveness to improve their products, to better market access, or have faster market entry, thus increasing their revenues in the host countries (Barringer & Harrison, 2000; Buckley & Ghauri, 1999 as cited in Cavusgil et al., 2013; Ebers, 1997; Pfeffer & Salancik, 1978).

### **2.4.2 Institutional Theory**

Institutional theory implies that institutional environments impose pressure on organizations to appear legitimate and conform to prevailing social norms. Organizations form inter-organization networks and internationalize their businesses in order to obtain legitimacy; or otherwise they have to succumb to isomorphic pressure to survive, they have to mimicking firms that have established the inter-organization networks and undertaken internationalization (Baum & Oliver, 1991; Gulati, 1999; DiMaggio & Powell, 1983; Scott & Meyer, 1983). The institutions often act as informational brokers that support the exchange of information among firms, encourage and facilitate mutual learning, and can thus foster the responsiveness, adaptability, and innovativeness of networked firms. Moreover, at the institutional level, research has pointed out how certain political, legal, cultural, industry, and/or regional environmental conditions impact the likelihood of network formation. The networking among firms is enabled and supported by regionally-embedded institutions as chambers of commerce, employees' unions, banks, science parks, universities, and training centers. Furthermore, these institutions often provide important resources (Ebers, 1997).

### **2.4.3 The Strategy Approach**

Strategies in the business context are used to achieve goals. Critical actions that make up a strategy involve resource allocation. A strategy implies some consistency, integration, or cohesiveness of decisions and actions. As mentioned earlier, strategy is used to compete with rivals with a different operational method. Especially, networked firms enjoy competitive advantages over non-networked ones (Ebers, 1997; Grant, 2011; Thompson et al., 2013). Organizations or enterprises achieve a competitive advantage whenever they have some type of edge over competitors in attracting buyers and coping with competitive forces. Four strategic approaches to setting an organization or enterprise with strong customer loyalty, competitive advantages are: 1) striving to be the industry's low-cost provider, aiming at a cost-based competitive advantage over competitors; 2) outcompeting competitors on the basis of differentiating features-for instance, a higher quality, wider product selection, added performance, valued-added services, more attractive styling, and

technological superiority; 3) developing an advantage based on offering more value for the money or best cost provider strategy and; 4) focusing on a narrow market niche within the industry (Thompson et al., 2013).

#### **2.4.4 Social Network Approach**

Brass, Galaskiewicz, Greve, and Tsai (2004) notes that the network refers to a set of nodes or actors (individuals, work units, or organizations) and the set of ties representing some relationship, or lack of relationship, between the nodes. The essentials of social networks are as follows: 1) social relations refer that the set of actors and the relations that connect and divide them; 2) embeddedness means that the actors are embedded within a network to the extent that they show a preference for transacting with network members or to the extent that social ties are forged, renewed, and extended through the community rather than through actors outside the community; 3) structural patterning means that beneath the complexity of social relations, there are enduring patterns of clustering, connectivity, and centralization; and the utility of network connections means that social network connections constrain and facilitate the outcomes of importance for individuals and groups (Kilduff & Brass, 2010).

The literature related to internationalization versus inter-organizational networks can be summarized as follows.

**Table 2.8** Literature Review of Internationalization Versus Inter-Organizational Networks

Author (s)	Year of Publication	Method	Results
Tain-Jy, Homin, and Ying-Hua (2004)	Survey 851 Taiwanese manufacturing firms (276 valid questionnaire) that have undertaken some direct investment in the US, China or South East Asia (including Thailand, Malaysia, the Philippines and Vietnam)	<p>1) The local linkage intensity of a foreign subsidiary differs by FDI location, entry mode, firm size, and the nature of the production network in which an investor is embedded.</p> <p>2) More local linkage will be pursued by an investor if he/ she is in search of distinctive and inimitable resources as opposed to homogenous and reproducible resources.</p> <p>3) Investment in local linkages always begins with the linkage that carries the lowest risk to the original business network.</p>	
Bruneel et al. (2010)	Utilized empirical data 114 young firms (12 years old or younger that lack experience) presented in descriptive statistics, correlations for the variables and multiple regression analysis	The lower the firm's experiential learning, the more significant are the effects of the start-up team's prior international knowledge base and the knowledge and skills acquired through key partners such customers, suppliers, and exchange partners.	

**Table 2.8** (Continued)

Author (s)	Year of Publication	Method	Results
Garri and Konstantopoulos (2013)	Mail survey methodology for data collection, along with personal visits to the targeted firms. The Key informant is internationalization manager/ director. Usable questionnaires are 158 from 750 questionnaires (20.93%).	<p>1) The existence of an internationalization-study and support department in a company possibly implies the existence of an internationalization department in the same company.</p> <p>2) The more years that the firm is internationalized, the more increases there will be in the probability that the company will have created an internationalization department.</p> <p>3) The existence of an internationalization department decreases the probability that the person at the head of the internationalized activity will have other responsibilities in the company apart from the internationalization activity itself.</p> <p>Summary: The internationalization of the firm leads in many cases to the modification of the company's structure, as new departments are created to support the company's business activities in foreign markets.</p>	

**Table 2.8** (Continued)

<b>Author (s)</b>	<b>Method</b>	<b>Results</b>
<b>Year of Publication</b>		
Sergeevich and Alekseevna (2015)	The methodological approach is based on analyzing pan-European projects of transnational inter-organizational cooperation and identifying networked linkages across the spatial reach of the Baltic region.	A number of geographical locations that exhibit active cross-border regionalization processes, successfully implementing the international cluster initiative policies. Moreover, the findings of these projects have a correlation between the level of urbanization of a territory and the number of ongoing international cluster initiatives.

## **2.5 Contexts of Emerging Markets**

Cavusgil et al. (2013, pp. 29-61) mention that political, legal and cultural contexts need to be considered because they exert an influence when doing business in emerging markets.

### **2.5.1 Political Context**

The political context is a set of formal institutions forming the government and interaction among these institutions. In other words, political parties, interest groups, trade unions, and legislative authorities are parts of the political system that govern the allocation of resource within a society with the aim to reduce external threats in order to assure stability (Cavusgil et al., 2013, p. 29).

### **2.5.2 Legal Context**

The legal system of a country is the mechanism which enables the interpretation and enforcement of laws. Moreover, the legal system includes institutions that maintain order, enforce legal rights, resolve conflicts, and protect property rights (Cavusgil et al., 2013, p. 32).

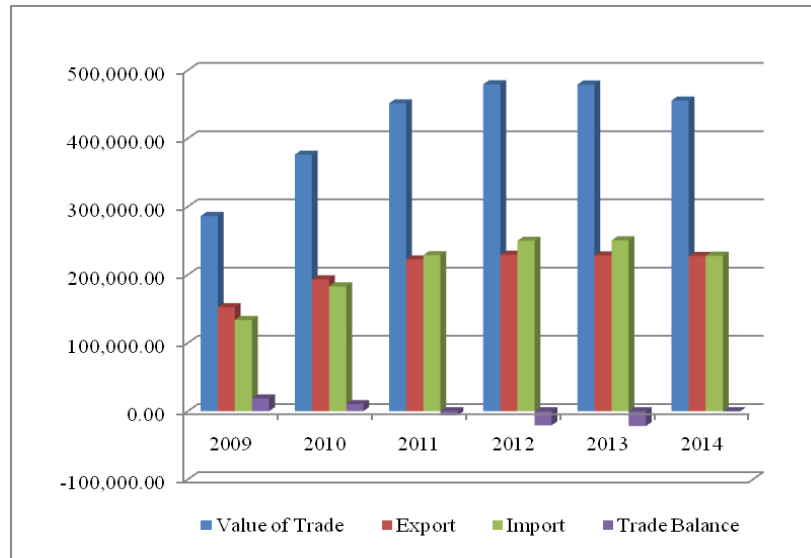
### **2.5.3 Socio-Cultural Context**

In doing international business, it is necessary to understand cultural differences in order to be able to offer the right business plan or the right product, and to communicate effectively with all the actors within the business network. Moreover, cultural differences are especially emphasized in the context of emerging markets because in international markets, business people need to understand and handle such differences (Cavusgil et al., 2013, p. 50).

## **2.6 Overview of Thailand's Trade**

The value of Thai trade from 2009 to 2012 grew gradually and declined gradually after 2012-2014. The data showed that a trade deficit started in 2011 and continued to 2014, and the trade deficit showed that Thailand still imported goods worth more than the value of exports until December 2014. Thai trade values increased steadily from 2009 until 2013 and fell in 2014, as shown in Figure 2.2.

(Value: Millions USD)



**Figure 2.2** Thailand-World Trade Values in 2009-2014

**Source:** Information Technology and Communication Center, Ministry of Commerce, 2014.

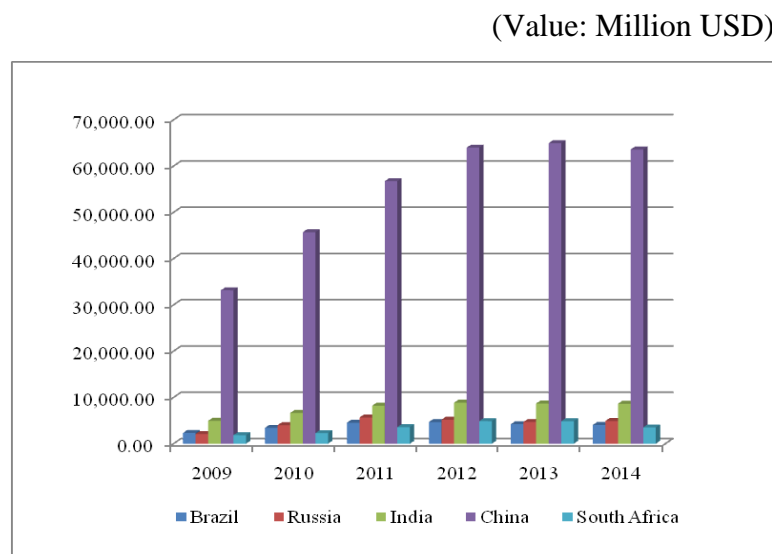
As an export-oriented country, Thailand is highly exposed to external economic shocks, with lower demand for Thai products, thus affecting the trade balance (Trading Economics, 2013). Thailand's major exports are motor cars, parts and accessories, computer parts and accessories, refined fuels, gems and jewelry, chemicals, plastic polymers, rubber products, integrated circuits, machinery and parts, and rubber, Table C1 in Appendix C shows the ranking and values of 10 items of Thai international exports during 2011-2014.

Thailand mainly imports crude oil, machinery, electric appliances, precious stones, iron and steel, and so on. Table C2 in Appendix C shows the ranking and values of 10 items of Thai international imports during 2011-2014.

The Information Technology and Communication Center, the Office of the Permanent Secretary under the Ministry of Commerce with Cooperation of Thai Customs Department (2014) reported that Thailand's main trading partners in 2014 were China (14 percent of trade values), Japan (12.6 percent of trade values), the United States of America (8.4 percent of trade values), and so on.

## 2.7 Overview of Thailand-BRICS Trade

Figure 2.3 shows the trade values between Thailand and BRICS during 2007-2014. Thailand had the highest trade value with China (63,582.74 million USD) in 2014, followed by India (8,654.33 USD million), Russia (4,913.64 million USD), Brazil (4,052.53 million USD), and South Africa (3,516.88 million USD).



**Figure 2.3:** Thailand – BRICS Trade Values in 2009-2014

**Source:** Information Technology and Communication Center, Ministry of Commerce, 2014.

China was the largest trade partner with a very large trade value (Information Technology and Communication Center, Ministry of Commerce, 2014.). In 2014 trade between Thailand and China reached 63,582.74 million USD. Thai-Chinese exports decreased-7.89 percent (from 27,232.70 million USD in 2013 to 25,084.40 million USD in 2014) (as shown in Figure C4 in Appendix C). Thailand's major exports were plastic polymers, rubber, chemicals, tapioca products, computer, part and accessories, and so on. Table C9 Appendix C shows the ranking and values of 10 items of Thailand-China exports, 2011-2014 in. Thailand imported machinery and parts, electrical appliances, computer, parts and accessories, chemicals, and so on

from China, with the total value of 38,498.30 million USD in 2014 (as shown in Table C10 in Appendix C). The bilateral trade between Thailand and India reached 8,654.33 million USD in 2014. Thailand's export to India grew 8.36 percent from 5,181.8 million USD in 2013 to 5,614.8 million USD in 2014 (as shown in Figure C3 in Appendix C). Its major exports were chemicals, plastic polymers, gems and jewelry, spark-ignition reciprocating internal piston engines and parts, and so on; Table C7 shows the ranking and values of 10 items of Thailand's export to India in 2011-2014 (Appendix C). Thailand imported chemicals, machinery and parts, precious stone, other metal wastes and scraps, plants and plant products, and so on from India, with the total value of 3,039.5 million USD in 2014 (as shown in Table C8 in Appendix C).

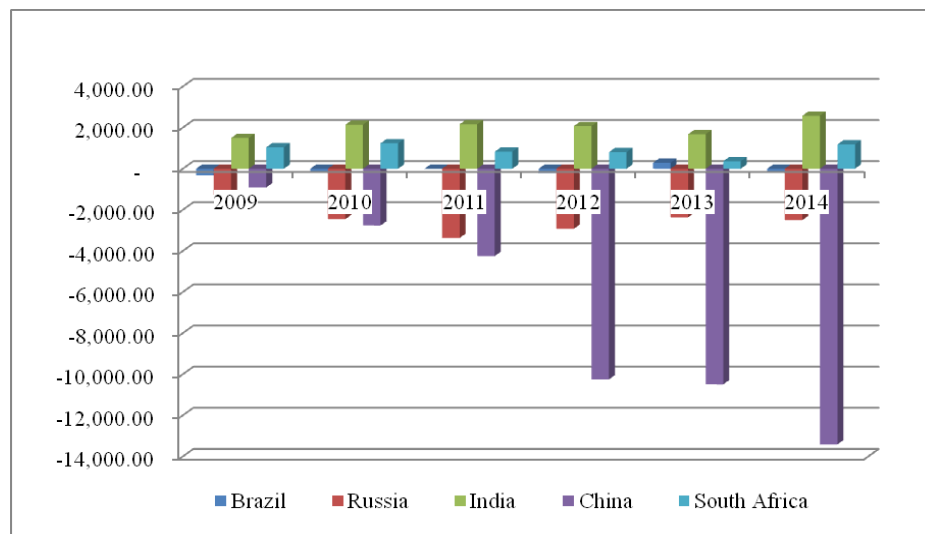
Russia was the largest Eastern Europe trader among the Commonwealth of independent states (CIS). Thailand and Russia had a value of trade in 2014 totaling 4,913.64 million USD. Thailand's export to Russia value grew 3.55 percent (from 1,163.8 million USD in 2013 to 1,205.2 million USD in 2014) (as shown in Figure C2 in Appendix C). The major exports were motor cars, parts and accessories, gems and jewelry, plastic polymers, prepares and preserved fruits, rubber products and so on. The ranking and values of 10 items of Thailand's export to Russia in 2011-2014 as seen in Table C5 in Appendix C. Thailand imported plants and plant products, machinery and parts, automotive parts, and so on from Russia, with the total value of 3,708.5 USD million in 2014 (as shown Table C6 in Appendix C).

In 2014 Thailand's export to Brazil had a trade value of 4,052.53 million USD. Thailand's export to Brazil decreased 14.06 percent from 2,252.4 million USD in 2013 to 1,935.7 million USD in 2014 (as shown in Figure C1 in Appendix C) The major exports were motor cars, parts and accessories, rubber, spark-ignition reciprocating internal piston engines and parts, plastic polymers, machinery and parts, and so on, as seen with ranking and values of 10 items of Thailand's export to Brazil in 2011-2014 are shown in Table C3 in Appendix C. Thailand imported plants and plant products, machinery and parts, automotive parts and so on from Brazil, for a total value of 2,116.9 million USD in 2014 (as shown in Table C4 in Appendix C).

South Africa was Thailand's largest African trade partner. It ranked twenty-second in Thailand's world trade value in 2013 (Department of Trade Negotiations, 2013). Thailand's value of trade with South Africa in 2009-2014 grew steadily from

2009 to 2012 and gradually declined after 2013 until 2014. In 2014, Thailand's value of trade with South Africa reached 3,516.88 million USD. Thailand's exports to South Africa declined at the rate of -9.91 percent in 2014 from 2,607.8 million USD in 2013 to 2,349.5 million USD in 2014 (as shown in Figure C5 in Appendix C). The major exports were motor cars, parts and accessories, rice, radio, television and parts, iron, steel and products, spark-ignition reciprocating internal piston engines and parts, and so on with ranking and values of 10 items of Thai - South Africa exports, 2011-2014 are shown in Table C11 in Appendix C. Thailand imported precious stones, silver bars and gold, other metal waste, scraps and products, chemicals, machinery and parts, pulp and waste paper and so on, from South Africa, with the total value of 1,167.4 USD million in 2014 (as shown in Table C12 in Appendix C).

(Value: Million USD)



**Figure 2.4** Thailand-BRICS Trade Balance in 2009-2014

**Source:** Information Technology and Communication Center, Ministry of Commerce, 2014.

Figure 2.4 shows that Thailand had a trade balance was a deficit, particularly with China and Russia. The Thailand-China trade balance in 2014 was at a deficit of 13,413.94 USD million, more than three times in 2011 when the deficit was 4,249.91 million USD. Next, the Thailand-Russia Trade balance in 2014 had a deficit of

2,503.28 USD million. In 2014, Thailand had a trade surplus with India, at 2,575 million USD, and South Africa, at 1,182.04 million USD.

## 2.8 Overview of Thailand's Foreign Direct Investment

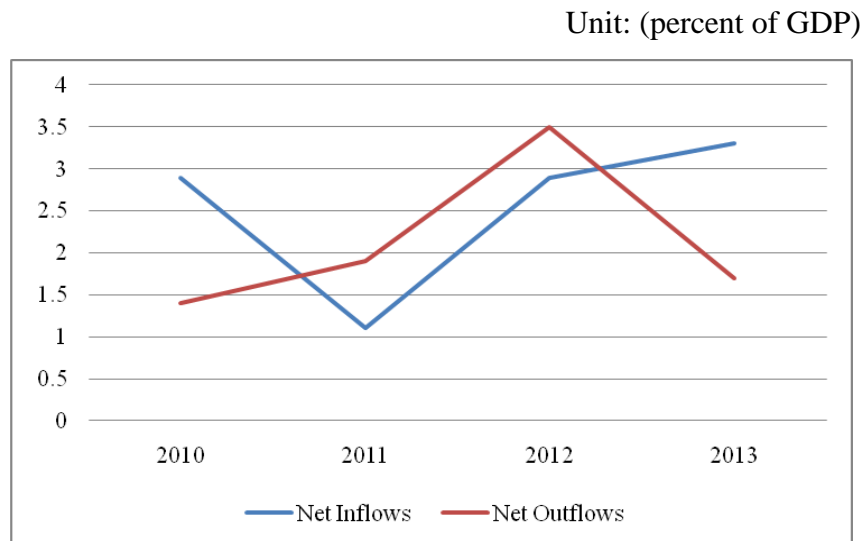
“Foreign direct investment (FDI) is a key element in international economic integration” (OECD, 2011, p. 100).

Foreign direct investment inflow enables a host country to sustainability earns revenue through investment of enterprises in an economy other than that of the investors. FDI inflow is the sum of equity capital, reinvestment of earnings, other long-term capitals, and a short-term capital, as shown in the balance of payments. Thailand's foreign direct investment is shown in Table 2.9 (World Bank, 2014b).

**Table 2.9** Thailand's Foreign Direct Investment and Net Inflow

(BoP, current US dollars)			
2010	2011	2012	2013
9,103,993,910	3,867,529,586	10,691,545,420	12,649,747,952

The gross domestic product of Thailand in 2013 was at 387.3 billion USD. Thailand's net foreign direct investment inflows had the highest rate, at 3.3% of the GDP, in 2013 and the outflow had the highest rate, at 3.5% of GDP, in 2012. While the FDI outflow was likely to drop, the FDI inflow tended to increase as shown in Figure 2.5 (World Bank, 2014c; 2014d).



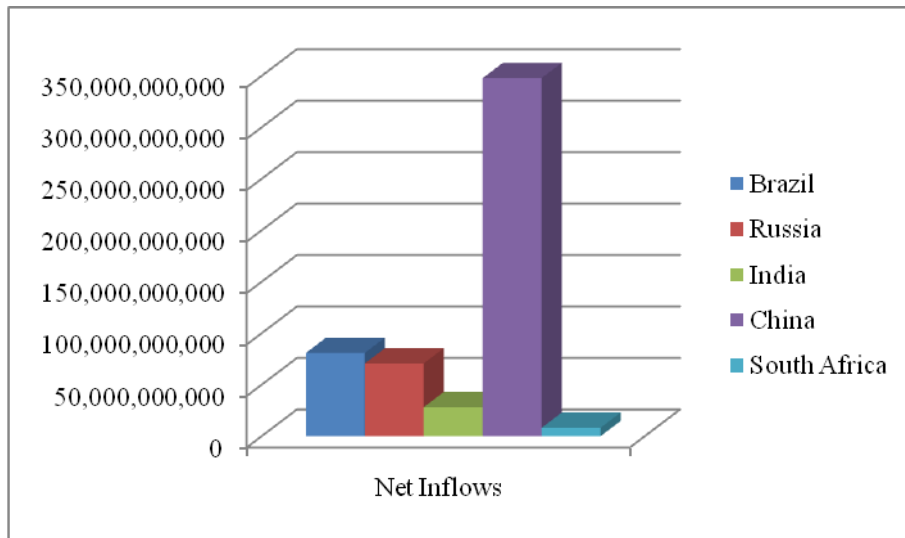
**Figure 2.5** Thailand's Net Foreign Direct Investment Inflows and Outflow in 2010-2013

Thailand's foreign direct investment outflow increased steadily after the Bank of Thailand (BOT) approved Thai enterprises' extension to invest abroad. From 2007 until 2013 the BOT allowed Thai enterprises to liberalize foreign direct investment. As a result, Thailand's foreign direct investment hit a record high in 2012.

## 2.9 Overview of BRICS Foreign Direct Investment

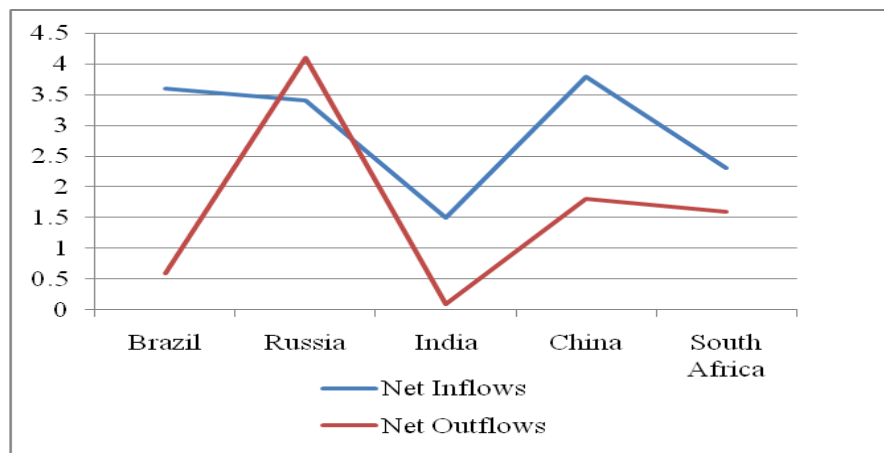
As shown in Figure 2.6, among BRICS, China got the largest foreign direct investment (FDI) (347,848,740,397 US\$) and the least was South Africa (8,118,153,643 US\$) (World Bank, 2014b). Meanwhile, Russia was the only country that had the net foreign direct investment outflow greater than the net inflow as seen in Figure 2.7 (World Bank, 2014c; 2014d).

Unit: (BoP, current US\$)



**Figure 2.6:** Net Inflows of BRICS Foreign Direct Investment in 2013

Unit: (percent of GDP)



**Figure 2.7** BRICS Foreign Direct Investment, Net Inflows and Outflows in 2013

## 2.10 Overview of Thailand's and BRICS's Foreign Direct Investment

At present, Thailand and BRICS do not have a high value of foreign direct investment because Thailand and BRICS are similarly emerging markets. After the gradual liberalization of international trade and investment, they invested much more in each other. China is the country where Thailand has invested most.

The trade relationship between Thailand and China is in many forms: foreign direct investment, joint venture, and branch agents. Being Thailand's largest trading partner, China has invested in Thailand since 2006 from March and until May of 2013, its projects promoted by the Office of the Board of Investment of Thailand are 227 projects, with the total value of 128,813.2 million baht (Thailand Board of Investment, 2013a). Meanwhile, the amount of FDI of Thailand in China in 2010 was 668.45 million dollars. In 2011, it increased 126.74 percent, and the worth of real investment was 101.42 million dollars, an increase of 97.11 percent from 2010 (Thailand's Board of Investment, 2013a).

In 2014 Thailand was ranked 35 among 140 countries that directly invested in India. From April, 2000 to August, 2014 the value of Thai enterprises investing in India was 178.80 million dollars (Department of Industrial Policy and Promotion, Ministry of Commerce and Industry of India, 2014). Indian investors seek investment promotion from Thailand's Board of Investment. In 2013, Indian investors requested investment promotion for 17 projects, and 16 projects were approved and the total value of investment was 1,620.8 million baht (about 50 million dollars), a decrease from 2012 when Thailand's Board of Investment approved a total of 25 projects and the total value of investment was 6,099.7 million baht (about 188 million dollars).

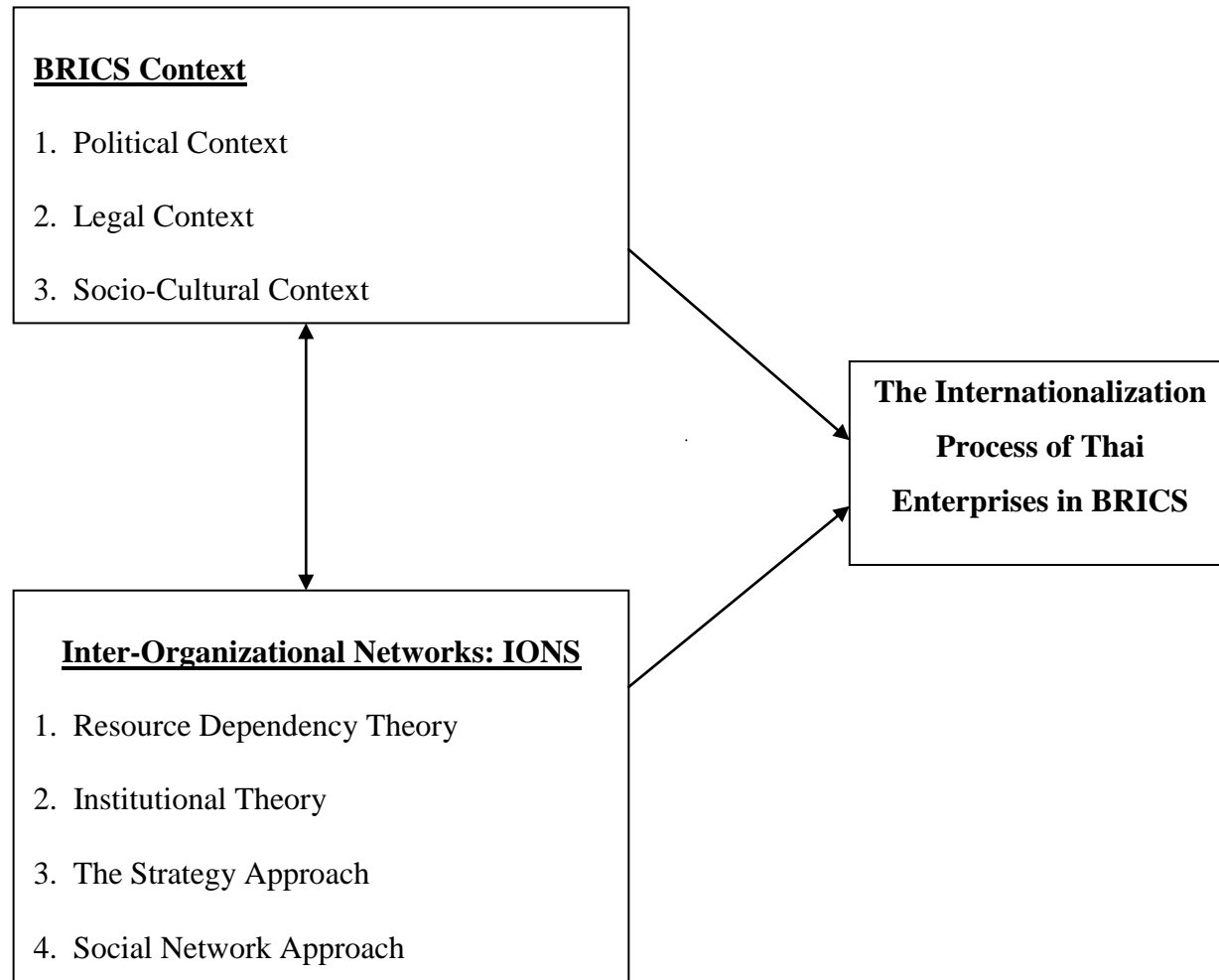
Russia submitted 3 investment projects to be promoted by Thailand's Board of Investment and two projects were approved, approximately 80 million baht in total. The often project has still been under consideration. Thailand has invested very little in Russia as well. The Thai enterprises that have invested in Russia are a cosmetics company, a feeding factory, and a livestock company (Department of International Trade Promotion, 2013c).

Brazil and Thailand have very little investment. For Brazil invested in Thailand had only one project approved in 1993 by the Thailand Board of Investment. This project was wire assembly production. On the other hand, in 2012 on behalf of Thai enterprises had a net profit of about 100 million dollars from a joint venture company which invested in Manaus. This enterprise is the manufacturer of electronic components that has invested in Brazil in 2010 until now (Department of International Trade Promotion, 2013b).

The amount of investment between Thailand and South Africa is still small. Only one South African project was approved in Thailand. It concerned the light

industry (jewelry) project value was 7.3 billion baht. The Thai investors that have invested in South Africa are mostly small and medium-size enterprises, including about 20 restaurants and spas. Currently, there are large investments in coal mines, agricultural products and processed foods, polymer trading, construction of hotels and golf courses, and so on (Department of International Trade Promotion, 2013d).

## 2.11 The Research Framework



## **CHAPTER 3**

### **RESEARCH METHODOLOGY**

This chapter provides readers with an understanding of the research methodology employed in the dissertation. This study utilized the qualitative approach. The set of open questions were used for in-depth interviews of the key informants in order to understand the phenomenon of the internationalization process, entry mode strategies and inter-organizational networks of eight Thai enterprises (TEs) that had operated in Brazil, Russia, India, China, and South Africa (BRICS). This study used the inductive method. The phenomenon was described after.

#### **3.1 Research Methods**

This research collected data from multiple sources, such related documents and interviews in order to gain information about different aspects of the studied phenomenon (Maxwell, 2013, p. 102). The research methodology was as follows.

##### **3.1.1 Documentation**

In the beginning, the archival data were collected from secondary sources to check the information. The materials or documents were derived from many sources, such as public annual reports, web-based report, and other related documents available.

##### **3.1.2 In-Depth Interview with Key Informants**

Babbie (2007, p. 306) states that “qualitative interviews are essentially a conversation in which the interviewer establishes a general direction for the conversation and pursues specific topics raised by the respondent”. DiCicco-Bloom and Crabtree (2006, p. 314) point out that individual in-depth interview allow the interviewers to so deeply into social and personal matters. In this research semi-

structured interviews were conducted and an audio recorder was used to collect the data which were later transcribed.

The key informants of this research were top executives of Thai enterprises that internationalized their businesses in BRICS. They were strategic persons and business practitioners with comprehensive knowledge about their enterprises operating in BRICS.

**Table 3.1** Position and Responsibility of Key Informants

No.	Position	Responsibility
1.	Senior Executive	Vice President and Acting President
2.	Chairman	Overseas Operation
3.	Chief Executive Officer	Subsidiary in China
4.	Senior Vice President	Setting and implementing Overseas Branch strategy
5.	Senior Vice President	International Trade and Business Development
6.	Vice President	Vice President for Finance International
7.	Senior Analyst	Strategy & corporate Planning Department
8.	Executive Vice President	Trading Operation
9.	Director	Human Resource and Organization Affairs
10.	Business Development Manager	Overseas Division

One overseas operational officer sent a letter of reply to the researcher's enquiry. The content of this letter was also used in data analysis. In order to achieve validity of the data in this research, the researcher used the triangulation method. The secondary data were cross-checked by the data from in-depth interviews of 10 executives, 1 operational officer and 3 government officials responsible for

investment promotion in the emerging market, particular BRICS. The totals of 14 key informants were in-depth interviewed.

In the in-depth interview process, researcher prepared a consent form for the key informants to sign. After transcribing the data from the audio recording, researcher sent an e-mail to key informants to check information, and asked them to e-mail back. This method helped not only to get accurate data but also to know what the key informants were willing to open to the public.

The duration of the data collection was three months, from September to November 2014.

### 3.2 Unit of Analysis

In this dissertation, the unit of analysis was at the organization level: eight Thai enterprises (TEs) that had operated in Brazil, Russia, India, China, and South Africa (BRICS). The choice enterprises in this study was based on the following criteria: 1) the enterprises were Thai (Public) companies limited (Thai PCLs) listed in the Stock Exchange of Thailand (SET) classified by size on the SET 100 Index and were the largest 100 companies and 2) these enterprises were operating their businesses in emerging markets, especially BRICS (Brazil, Russia, India, China and South Africa). For the above reasons, the selected eight enterprises operating in BRICS met all of the requirements in this research (See Table 3.1).

**Table 3.2** Thai Enterprises (TEs) Operating in Brazil, Russia, India, China, and South Africa (BRICS)

<b>Enterprise</b>	<b>Type of Enterprises</b>	<b>Industry</b>	<b>Sector</b>	<b>BRICS where Thai enterprises have Internationalized their business</b>
A	Private enterprise in the form of Public Company Limited under the supervision of Ministry of Energy	Resources	Energy & Utilities	China and Brazil

**Table 3.2 (Continued)**

<b>Enterprise</b>	<b>Type of Enterprises</b>	<b>Industry</b>	<b>Sector</b>	<b>BRICS where Thai enterprises have Internationalized their business</b>
B	Private enterprise in the form of Public Company Limited Under the supervision of Ministry of Transport	Service	Transportation & Logistics	Russia India China and South Africa
C	Private enterprise in the form of Public Company Limited under the supervision of Ministry of Finance	Finance	Banking	China and India
D	Private enterprise in the form of Public Company Limited	Agro & Food Industry	Food & Beverage	China India and Russia
E	Private enterprise in the form of Public Company Limited	Agro & Food Industry	Food & Beverage	China and India
F	Private enterprise in the form of Public Company Limited	Finance	Banking	China
G	Private enterprise in the form of Public Company Limited	Property & Construction	Construction Materials	Brazil Russia (Dormant) India China and South Africa
H	Private enterprise in the form of Public Company Limited	Services	Commerce	China

**Source:** Annual Report, 2013a-2013h; The Stock Exchange of Thailand, 2013a-2013h.

The researcher chose the sample of eight enterprises from 5 out of 8 groups of industry that had internationalized in BRICS. They were all business leaders that were listed in the Thai Stock Exchange Market's SET 100 Index. After data collection, content analysis was made to find out their similarities, differences, and linkages for expanding business in BRICS. Finally, the researcher drew conclusions from the findings and wrote the report. Table 3.2 summarizes all the research procedures, data collection, and data analysis.

**Table 3.3** Summary of Research Methodology for Investigation of the Internationalization Process to Thai Enterprises that Operated in BRICS

<b>Research Phase and Procedure</b>	<b>Objective</b>	<b>Data Source</b>	<b>Data Analysis</b>	<b>Outputs</b>
Phase 1: Secondary data collection	To find out the facts and to validate the information	Written documents interview and all related documents, public annual reports, web-based, magazines, and other available documents	Content analysis and synthesis	A list or a profile of Thai enterprises in BRICS. The triangular method was used to validate the findings for their reliability.
Phase 2: In-depth Interviews	To investigate the nature and characteristics of BRICS's context and the relations between internationalization and the inter-organizational network for Thai enterprises in BRICS	In-depth interviews of key informants confirmation to the data from secondary sources	Classification of the data from the interviews of eight sample enterprises that operated in five countries (BRICS) and comparison of the information with that from secondary sources	Findings from inductive inquiry and verification of the findings

## **CHAPTER 4**

### **THE INTERNATIONALIZATION PROCESS AND ENTRY MODE STRATEGIES OF THAI ENTERPRISES IN BRICS**

This Chapter 4 presents the answer to the first research objective, i.e., to find out the internationalization process and entry mode strategies utilized by Thai enterprises for their operation in BRICS. The details are as follows.

#### **4.1 The Internationalization Process of Thai Enterprises in BRICS**

The related documents and in-depth interviews of all the eight sample enterprises clearly show that having internationalized their businesses in BRICS, Thai enterprises need to acquire and maintain a key factor for organizational survival, i.e., resources because they have to rely on other countries or organizations that own the resources they need. Particularly in the present economic situation with high competition, companies with inadequate resources need to constantly acquire such external resources as raw materials, labor, capital, equipment, and knowledge in order to produce goods and services. Apart from physical resources, they need information and market shares. This is why it is necessary for the organizations to join networks (to be elaborated in Chapter 5). Until now, the eight Thai enterprises have been constantly expanding their businesses to cities in BRICS. The brief history of their establishment is given below (Annual Report, 2013a-2013h; The Stock Exchange of Thailand, 2013a-2013h; Personal communication of the Executives of the Enterprise A-H).

1) Enterprise A in the energy & utilities sector has expanded its business in two countries:

(1) Brazil: In Brazil, the enterprise is in the beginning stage of conducting surveys and production because Brazil's government has only recently granted it the right for exploration.

(2) China: Enterprise A started its business operation in China in 1987 but the operation was suspended in 1989. Later, it re-entered China. It set up a representative office in Guangzhou to study the demand and supply, and customer credibility. All transactions in China are made through its head office in Thailand.

2) Enterprise B in the transportation & logistics sector has invested in BRICS, with representative offices responsible for contacting customers (travel agencies) throughout the following four countries:

(1) Russia: There representative office is located in Moscow

(2) India: The representative offices are located in Karnataka, Tamil Nadu, Metropolis of Delhi, Andhra Pradesh, West Bengal, and Maharashtra

(3) China: The representative offices are located in Beijing, Chengdu, Guangzhou, Kunming, Shanghai, and Xiamen

(4) South Africa: There is only one representative office located in Johannesburg

3) Enterprise C in the banking sector has expanded its business in two countries as follows:

(1) China: Kunming

(2) India: Mumbai

4) Enterprise D in the food & beverage sector has expanded its business in three countries, which are:

(1) Russia: Moscow and Kaluga

(2) India: Karnataka and Tamil Nadu

(3) China: Six provinces and seven cities throughout China: namely, Beijing, Qinhuangdao, Hebei, Dongbeiya, Jilin, Dongying, Shandong, Cixi, Zhejing, Zhanjing, Guangdong, Ürümqi, and Xinjing

5) Enterprise E in the food & beverage sector has expanded its business in two countries as follows:

(1) China: Beijing

(2) India: Hyderabad

6) Enterprise F in the banking sector has expanded its business in one BRICS country:

(1) China: Shanghai, Xiamen, Beijing, Shenzhen, and Chongqing

7) Enterprise G in the construction materials sector This research studied only trading group that internationalized its business in five countries:

(1) Brazil: Strategic alliance with a local commerce company in Rio de Janeiro

(2) Russia: (The business was already suspended.)

(3) India: Gurgaon

(4) China: Guangzhou, Kunming, Nanning, and Foshan

(5) South Africa: Johannesburg

8) Enterprise H in the commerce sector has expanded its business in only one country:

(1) China: The subsidiary company in China holds 100% of the shares and its office is located in Guangzhou.

The majority of the offices/ branches of Thai enterprises are located in the capital cities or centers of commerce and investment of BRICS.

BRICS contexts and networks have led Thai enterprises to internationalize their businesses to BRICS continuously and systematically. The internationalization process to BRICS is comprised of 10 steps as shown in Figure 4.1.

#### **4.1.1 Vision of Thai Enterprises for Internationalization in BRICS**

The core visions of Thai enterprises for internationalization can be seen in each enterprise's documents. All the eight enterprises in the sample group are multinational enterprises, most of which have the following words in their visions "of the world," "a leading multinational company," "a leading company of the Asian region." After the top management and the operation officers have acknowledged the company's vision, the strategy planning division or overseas strategic planning division will be responsible for mutually defining specific vision for international affairs, linking the subsidiary companies with other divisions in the organization as well as setting a specific target in order to achieve the goal of internationalization.

As a senior executive from an enterprise in the food & beverage sector put it:

I have to determine the new direction and vision and review existing vision, missions, corporate strategy all over again. All employees need to be

reassigned before organizational restructure to be in line with the new strategy. Specifying the new vision will be done by a team, not by me. I just give questions, guidance and a framework, and the team does the rest. With my guidance and framework, the team attending my strategic meeting will be brainstormed starting with the new vision to formulate a new strategy, direction. (An executive of an enterprise in the food & beverage sector, personal communication, October 24, 2014).

#### **4.1.2 Data Collection: Secondary Data/Field Work/Feasibility Study/Market Research in BRICS**

After formulating vision for business expansion in BRICS countries, the next step was for Thai enterprises to collect secondary data from all related government agencies and private organizations in Thailand and BRICS. Mostly, the information from the government sector of the host countries was rather positive, encouraging foreign investors to invest in their countries, so Thai enterprises also necessarily supplemented the data by collecting the data from other economic analysis units, such as the Economist Intelligent Unit, or World Bank, along with the data from other reliable private organizations.

With regard to consumer behavior, sometimes the figures given by the government of each country were just projected. In order to obtain accurate data, we must screen the data, not consuming them right away when we have them on hand. I assume such data can show a big picture as they are derived from various sources. But we must crosscheck them with the actual consumer behavior too...Preliminary data crosscheck is necessary for whatsoever business. I look through both the big picture and the actual data. I also have information from the so-called private sector. We have to act like someone who doesn't believe in anything so easily. Therefore, projects that look so attractive in all aspects or make someone salivate must also be carefully crosschecked. I am in the agricultural industry, the animal husbandry industry, so mostly I will ask the private sector in my global network to check the information. For example, the company called Bleeder will help me check

information in these areas. The global medicine companies, such as Pfizer and Novartis, are other sources that have their own database. They have their own R & D. Or RABO, the Bank for Agriculture, is a reliable source. These private organizations provide reliable sources, bringing along provable facts that have already been crosschecked. Thus, I think, is what we must do to obtain facts for comparison to find out whether the data are true or not. (An executive of an enterprise in the food & beverage sector, personal communication, October 24, 2014).

The fieldwork was conducted to reconfirm the data obtained from related documents to find out whether the atmosphere or environment in BRICS was as presented in the reports. Thai companies usually meet and discuss with the government sector in BRICS, particularly ambassadors and/or commercial attachés, who could provide in-depth information from the actual situation in terms of opportunity and threat and other necessary information. This step was just self-introduction and after the meeting, the companies could initially evaluate the extent to which the Thai government agency in that country was ready to assist them and can see whether the government of that country was truly welcome foreign investors. In this way Thai companies can assess the circumstance more efficiently than consider only documents. The finding would lead to a feasibility study, which would take 6 weeks-2 years to find out the possibility, depending on the project size and the period of data collection. On the other hand, enterprises in the commerce group would mainly conduct marketing research to obtain the data.

We have to fly there to talk to the national bank of that country to see whether there is any possibility for business investment. We must talk with the Thai embassy, the Thai consular, the Thai Commercial Commissioner in the target country and also organizations concerned in Thailand. This is the way we work. We introduce ourselves, saying that we are from Thailand. We are interested in the possibility to do business there, and ask them what national bank of the country can do for us and how we can get licenses. We seem to know part of the answers when looking at the documents but they sometimes

need fine-tuning, too. Even though the report says that licenses can be acquired, we must make sure that that country still issue them, or that country just say so, while, in fact, it doesn't want us to get them. We need to gage their feelings before submitting an application. (An executive of an enterprise in the banking sector, personal communication, October 1, 2014).

Moreover, the field study was made to reconfirm that the atmosphere or environment in BRICS was as presented in the reports. Also, this was to find out whether the government truly opened the country to foreign investors or it just announced a policy. In addition, the field study would reveal whether Thai government agency in that country was ready to support Thai enterprises and if so, to what extent.

One more important thing is the governmental policy of that country. Our government supports enterprises to internationalize their businesses. In the governmental policy, of course, the government of that country must say, 'welcome'. We shouldn't forget we must coordinate with the embassy of the host country where we will invest, in Thailand. This is the first step. We start with informing them that we want to invest there. After that we will request the embassy to contact the relevant ministry in the host country. For the business like ours, we sometimes contact the Ministry of Livestocks or the Ministry of Agriculture and Cooperatives, depending on what we want to invest in. This is important. That country's governmental representatives or diplomats are the ones who take care of this. At the same time, Thai diplomats in the host country would have to take care of us and we informed them of what we would do. From my experience, some countries are very good, other countries are not so. If they are terrible, then we have to forget about it. We have to rely more on ourselves as we cannot completely depend on others. (An executive of an enterprise in the food & beverage sector, personal communication, October 24, 2014).

Furthermore, the field study is a way to accurately find out the possibility to invest. Enterprises in the commerce group will conduct market research whilst those

in other groups will study the feasibility to expand businesses as evidenced in the interview of an executive of an enterprise in the construction materials sector:

Actually, we searched general data on the internet and reports like EIU, or whatsoever that shows information. However, there was little public data on the internet, particularly about emerging markets. And you could not expect that all data would be valid. Finally, we had to inspect the actual market, to have a look and to get a feeling of how the trade was. (An executive of an enterprise in the construction materials sector, personal communication, November 18, 2014)

The length of time to conduct the feasibility study for business expansion differs, ranging from 6 weeks to a year, depending on business type, project size, and duration of data collection duration in the field. The following comes from the interview of an executive of an enterprise in the energy & utilities sector:

The feasibility period depends on each project. If it's a large-scale project that requires ten thousand million baht, it takes a long time, sometimes two years. Sometimes it cannot be completed on schedule. If it is not a big project, it may take only 3-6 months. (An executive of an enterprise in the energy & utilities sector, personal communication, October 30, 2014)

#### **4.1.3 Setting an Internationalization Strategy to BRICS**

Based on the interview of all Thai enterprises operating in a wide range of business groups, internationalization strategy must be in line with the corporate strategy, internationalizing capability of the company, and the environment or context of BRICS countries. The process requires teamwork between top-level and middle-level executives, and the operation unit. The operation unit is required to take part in the process, as it must put the strategy into action and it directly faces any problem that emerges. Setting strategies together is a crucial part so that all will work in the same direction and most companies in the sample will submit the strategic plan to the Business Unit Committee for consideration prior to passing on to the Board of Directors.

Our strategies are imposed by teamworking, not one specific unit setting the strategies but all parties. These strategies will be communicated to subsidiary companies through the managing units. Then, they will pass on from the top-level downward and everyone must think about how the strategies should be implemented to support the template. We must control our employees by setting a template called Game Boards. Each Game Board is made up of two dimensions. The first dimension is geography – where the company will go, what the company will do, and in which country. The green ones receive the top priority, followed by the yellow ones. The white ones mean not yet appropriate. The market attractiveness will be analyzed first. Additionally, we must see whether laws in that country support the overall business picture and how great the risk is. The other dimension is capability of the company: whether we are good at the business, compared to companies in the same business in those countries where we will invest. All of these will be analyzed and the outcome concluded. After that the summary picture mutually agreed by everyone will be plotted. (An executive of an enterprise in the energy & utilities sector, personal communication, October 30, 2014)

Furthermore, in setting strategies, the sample companies in the construction materials sector also considered major events in BRICS that affected the construction of basic infrastructure, such as hosting World Cup Football, the Olympic Games.

When we went to Brazil, we thought that when hosting FIFA World Cup, it would considerably demand building materials and there might be a chance to import the company's products ...Perhaps, we entered South Africa in 2009 before the FIFA World Cup tournament. These countries had many large-scale basic infrastructure projects, Olympic Games, World Cup Football; therefore, we believed that consumption of building materials in these projects would grow increasingly. In other countries not only gymnasiums were built but also hotels, accommodations, roads, and whatsoever that supported visitors who would travel or do other activities there. All these were considered as periodic consumption so we rushed in wait. (An executive of an

enterprise in the construction materials sector, personal communication, November 18, 2014)

The main strategies that Thai enterprises have utilized are 1) strategy of selecting specific groups of customers. For example, the banking sector's strategy for internationalization in BRICS is focusing on current customers who have invested in BRICS; 2) strategy of selecting products and services because they have outstanding points, high quality and adding value suitable for customer behavior in the target country and not because they are not prevailing in BRICS' market; 3) enterprises in the commerce sector used the strategy of building networks to enhance the competitive advantages through networks so as to be able to distribute products and render services in the target country. They also used inter-organizational knowledge exchange. In fact, all the sample companies have implemented this strategy as will be described in Chapter 5.

#### **4.1.4 Planning of Internationalization to BRICS**

Planning for internationalization in BRICS includes financial budget planning, personnel planning, and other managerial aspects. Like strategic formulation, this process is systematic and carries out by teamwork.

It took one year from January-December, to formulate the strategy. We asked for the Board of Director's approval in December. What was submitted for the Board's approval was an action plan of what we would do including a budget. In this plan, we elaborated what we would do in the first year, the 2<sup>nd</sup> Year, the 3<sup>rd</sup> Year, and the 4<sup>th</sup> Year and also the budget required in each year. The first stage was a study period and the enterprise spent only a small sum of money, probably ten million baht. In the second year, the study was more intensive and needed probably one hundred million baht. In the third year, we will make an investment and probably one hundred or one billion baht was used. To conclude, the budgets for project implementation may be one to one thousand million, two thousand million or three thousand million until baht before a project is completed. We must submit the project proposal to the

Board of Directors. (An executive of an enterprise in the energy & utilities sector, personal communication, October 30, 2014)

Furthermore, preparing a strategic and an operational plan to enter BRICS can also be proceeded simultaneously with presenting the project proposal to the Board of Directors. There is no need to wait for approval in order to spend a shorter operational duration after the approval.

Before submission of a project to the highest Board of Directors, the proposal will pass up to 2-3 committee levels. Meanwhile, we can go on preparing our work without waiting for approval from the Board to avoid the delay. The new branch in BRICS is not our first overseas branch. Our enterprise has steps to follow or a list of tasks to fulfill, which vary from country to country. Each country may have a different process to request for a license or approval. It's more like tailor made. But renting a location, recruiting employees, setting systems including documentaty work, e.g. printing an application form for financial loans, or deposit slips, and so on are all proceeded on a normal basis. After working on this to some extent, the project will be proposed for the Board's approval. Preparedness will also be made in the next stage. When the Board makes an approval, it will take a shorter time for work preparation. (An executive of an enterprise in the banking sector, personal communication, October 1, 2014)

The study of all the eight sample enterprises reveals that they have given importance to the personnel or manpower planning or personnel management as their first priority due to the fact that BRICS countries are emerging markets which are difficult to manage. The employees are a significant factor for the accomplishment or failure of the project. The majority of Thai enterprises having internationalized their businesses to BRICS will have manpower planning and personnel management. The feasibility study will be conducted, the strategy for market entry formulated, and motivation built for employees working in BRICS where they may encounter hardship in leading their lives. The employees stationed in BRICS must manage to

solve unexpected problems. In some cases, they should be able to communicate in the local language, or the third language besides English, as evidenced in the interview of an executive of an enterprise in the energy & utilities sector:

The first thing to prepare is “people.” “Who” will do the tasks must be determined, as it is seems that no one wants to go, especially the old generation. Normally, the enterprise will find persons who raise their hands to volunteer first. The employees inside the organization will be selected and their capacity built up. The ones sent overseas are our employees from all companies in the group. When we have confronted personnel problems, the solution is that the enterprise creates the Young People to Globalize or so called YP2G program. Another program is Managing People to Globalize or MP2G. We thinks that if new employees are trained in such a program, they can work at ease because they are still young. New employees need to go through the selection process under the supervision of HR, because not every employee can do this. The YP2G program is one of the strategies in all the plans to solve problems when the employees go abroad and feel frustrated - don't wanna go overseas anymore or wanna go back home. So, we need to select employees to join this program. When ready, they can travel to work abroad right away. The ultimate goal is when the training program is completed, all employees in the program must station overseas. (An executive of an enterprise in the energy & utilities sector, personal communication October 30, 2014)

This finding was consistent with the interview of the management of the enterprises in the commerce group that considers human resource planning as the first priority:

Human resource is the most important. The enterprise was already set up, and we must determine who will run it. Besides the product to be launched in mind, we must take “people” into account and decide who will do the job. Luckily, our enterprise has many potential employees. For example, our

General Manager in China is from Hongkong. He has been working with us for more than 10 years. Before this, he was once an executive of our partnership company for more than ten years. (An executive of an enterprise in the commerce sector, personal communication, September 23, 2014)

Moreover, in the planning process Thai enterprises in BRICS should also consider the geographical the weather conditions and of the countries where they want to invest. As these countries are large, transportation and logistics to distribute goods require planning. Although all the regions in BRICS are linked with various means of transportation, such large territories contribute to a high transportation cost and it is unavoidably more time consuming for transporting from one point to another point. Also, the weather may obstruct the operation. For example, the minus degree freezing climate in Russia can affect the building of factories in some areas.

One last thing to consider is geographical difference. In Russia, for example, it snows for 6 months. We must arrange well...all need to be planned. We must get to know the geographical environment of the country. If there are obstacles, we must know, how to handle them – how to take a short cut – so that everything will flow smoothly. Also, the work schedule needs to be arranged appropriately. (An executive of an enterprise in the food & beverage sector, personal communication October 24, 2014)

#### **4.1.5 Choosing the Entry Mode Strategy for BRICS**

Choosing the entry mode strategy to BRICS markets is related to internationalization strategies formulated by the overseas strategy team and depends on the results of the feasibility study. The study of the eight enterprises revealed that they used various entry mode strategies, depending on the characteristics of each country. The two main strategies used by Thai enterprises were 1) Contractual-based Entry Mode. In this mode, the partner company and the business alliance were important connections of Thai enterprises in BRICS. They handled franchising, and signing contracts with local companies to be dealers in the country; and 2) Investment Entry Mode. All the eight sample enterprises chose this mode to penetrate into BRICS

markets. They set up representative offices, subsidiaries, joint venture, wholly owned subsidiaries, apart from green field, and acquisition. These Thai enterprises principally used entry mode strategies that served the corporate objectives and were suitable for the context of the target country. More details will be presented later in 4.2.

#### **4.1.6 Submitting the Proposal of Internationalization to BRICS to the Strategic Investment Committee for Approval**

All the eight sample enterprises are multinational enterprises that have invested in more than one foreign country out of the Asian region. Formerly, when adopting the policy on business expansion in foreign countries, some Thai sample enterprises made neither any planning nor any review in a systematic way, leading to failures in business expansion in many foreign countries. For example, customers refused to pay money, and made default on debt repayment. Business expansion faced limitations by the regulations of the target countries, etc. Lessons learnt from such failures have made the enterprises in sample adjust their internationalization to overseas by conducting the feasibility study before submitting the strategic plan to the Business Unit Committee or the Strategic Investment Committee for approval prior to further submitting it to the Board of Directors for consideration and approval. An executive of an enterprise in the energy & utilities sector said:

An action plan should be made and a feasibility study should be conducted before proposing a project to the Strategic Investment Management Committee or SIM C for consideration. The Committee will then give some feedback – whether this project is good or bad, anything missing or what to add to make things clearer or to come to correct procedures. In other words, SIM C is like an assistant of the Management Committee or MC, which will meet every week. Projects should have the SIM C's consent before being presented in the MC meeting. Eventually, if the MC Committee agrees, the projects are then able to further be submitted to the Board of Directors. (An executive of an enterprise in the energy & utilities sector, personal communication, October 30, 2014)

Or in circumstances in which the investment is not large, some sample enterprises may allow the Business Unit Committee to make a final decision as is the case of the enterprises in the construction materials sector:

Internationalization requires the consent of the Board of Directors which, in turn, considers how much the capital investment will be. A big project that requires a large amount of money will be considered by the Board of Directors at the headquarters, not just the Board of Directors in the company. If a project needs low investment or we must follow the steps of the trading company, we mostly enter target countries in the form of a representative office so that the investment money will be fairly low. The approval will usually be finalized at the Board of Directors of the cement building material sector. (An executive of an enterprise in the construction materials sector, personal communication, November 18, 2014)

#### **4.1.7 Seeking Approval of the Board of Directors**

As the eight sample enterprises are all listed companies in the stock exchange, the internationalization project is obliged to be submitted to the Board of Directors prior to implementation of the strategy overseas. It usually does not take a long time for the Board of Directors to consider business expansion to BRICS, as everything has been screened by the Business Unit Committee or the Strategic Investment Management Committee beforehand. Moreover, as the majority of the committee members of all the eight sample enterprises are advisors and specialists from both the government and the private sectors, they might often some additional suggestions to internationalizing businesses in BRICS give as described in the interview of an executive of an enterprise in the commerce sector:

We spent approximately one year in this matter. After the day when we talked to the consul, we conducted a market survey to gain confidence. Then, we submitted the proposal of setting up a company and the amount of registered capital to the Board for approval. The Board spent only one day to consider the proposal, as all directors already agreed to it. China is the country where

everyone saw an opportunity, the Board therefore gave its support on the project. The project presenter had to give details of what they would do, with whom? and how? This was very essential to make the Board understand the project. When it was approved, we could set up the company. (An executive of an enterprise in the commerce sector, personal communication, September 23, 2014)

#### **4.1.8 Implementation of Internationalization in BRICS**

After all the authorized committees have already approved the project of business expansion overseas, the enterprise will implement the specified strategies. In practice, launching of internationalization strategies might not turn out exactly as outlined due to the context of competition and/or sudden change in the target country's regulations. To carry out the strategy, a counter plan must be in place to respond to such a change. The study of the internationalization strategies of the sample enterprises showed that they used their networks in order to set access to resources, enter the market, create competitive capacity, and enhance the learning of the organization, all of which could lead to the achievement of the objective of internationalization to BRICS. Three main issues in implementation of internationalization in BRICS were 1) human Resource Management 2) getting ready for the changing contexts in BRICS and 3) building networks and connections for internationalization in BRICS. The details are given below.

##### **4.1.8.1 Human Resource Management**

Thai enterprises give priority to personnel management or manpower planning due to the fact that BRICS are emerging markets, in which it is difficult to run businesses. The employees are a significant factor for the accomplishment or failure of the project because the employees stationing in BRICS must be able to solve unexpected problems. In some cases, besides English, they should be able to communicate in the local language, which is the third language.

Any of our projects is carried out under the Business Development Unit. We start recruiting employees to work in the project. They must work together in order to understand each other. This is also a way to prepare them to stay

together overseas for quite a long time. The assignment time will be longer and longer until they eventually can permanently station there. Our employees who have stationed in China now and can speak Chinese-they have an advantage in this point. (An executive of an enterprise in the energy & utilities sector, personal communication, October 30, 2014)

The statements above correspond to the interview of executives of the enterprises in many business groups invested in BRICS. They set a manpower plan and recruit and select qualified persons. The newly recruited employees will be trained and motivated to work in the countries where they may face hardship in living their lives:

In sending employees to BRICS, the HR and Management Department will first ask for volunteers. HR will interview the volunteers in person to assess if they are ready. If not now, when they will be ready. As I said, they normally have to station overseas for 2-3 years. A high turnover rate can cause discontinuous work, so we must be confident that the employees sent overseas will be able stay there until the end of the assigned term, as we don't want to ruin their work reputation as well as our work. So far, no one cannot put up with the assignment and has to be sent back before the term. However, the company will allow a grace period of 3-6 months for adjusting themselves, to learn new culture, and to get to know new line managers, new customers – all the things. In the first 3-6 month period, there will be no pressure on the employees. (An executive of an enterprise in the construction materials sector, personal communication, November 18, 2014,)

#### 4.1.8.2 Preparedness to Changeable Contexts in BRICS

As BRICS are newly industrialized countries, their regulations or laws need revision to reach the international standard. Therefore, Thai enterprises need to be ready to cope with legal change. Particularly the offices located in BRICS must report the most up-to-date information or analyze the data and predict what will happen in the future in the political, economic, social and cultural contexts, which

may affect the business in that country. This projection or situation analysis in advance will enable the overseas strategy team to prevent damages that may occur as a consequence so as to face the least damage.

I stayed in China for 9 years. Actually, I admit that many things have been considerably changed. Although China started to have an open economical system, it adopted managerial methods rather slowly – I meant during 1978. However, gradually liberal trade can be seen in many areas. Changes have been quite extensive and fast. Although China's economic drive started late, it could quickly catch up with other countries. At present, China's regulations are recognized as world's leading ones in many ways. Rules have been changed quite fast, so we have to stay close to the relevant local administrative authorities to learn about them and keep ourselves alert all the time-this has forced us to be up-to-date all the time. There might be some limitations but the good point is they keep developing and some restrictions were amended or lifted last year with a tendency to have more and more freedom. Compared to 5 years ago, this year have seen good changes for businessmen, especially foreign investors, as they have been given more freedom to compete in doing businesses. (An executive of an enterprise in the banking sector, personal communication, November 13, 2014)

#### 4.1.8.3 Building Networks and Connections to Internationalize Businesses in BRICS

The study of related documents and in-depth interviews of all the eight sample enterprises reveal that networks and connections are very essential to expand businesses in BRICS. All the enterprises have implemented the symbiotic interdependency strategy (Jones, 2007) for business expansion in BRICS because it is necessary to build competitive capability and to secure resources. Networks and connections are very crucial factors that enhance the competitive advantage of Thai enterprises in BRICS as described in Chapter 5.

#### **4.1.9 Success and Failure in Internationalization in BRICS**

Although Thai enterprises that internationalize their businesses in BRICS can currently run businesses overseas, the interviews show that some have succeeded and some have failed. The main causal factors are the target country's amendment of laws, rules and regulations, the personnel sent to the host country, and more and more severe competition in BRICS. Large Thai multinational companies were the first pioneers that entered these hardship countries. They often encountered many problems caused by both internal and external factors that were uncontrollable. Many enterprises failed and took their failure as a lesson in order to improve their work efficiency in BRICS. As an executive put it:

In the past, internationalizing business to overseas countries was not supported systematically or well planned. We might succeed in some countries but in other countries we also ended with a failure. Therefore, our enterprise now has a systematic decision making system. (An executive of an enterprise in the energy & utilities sector, personal communication, October 30, 2014)

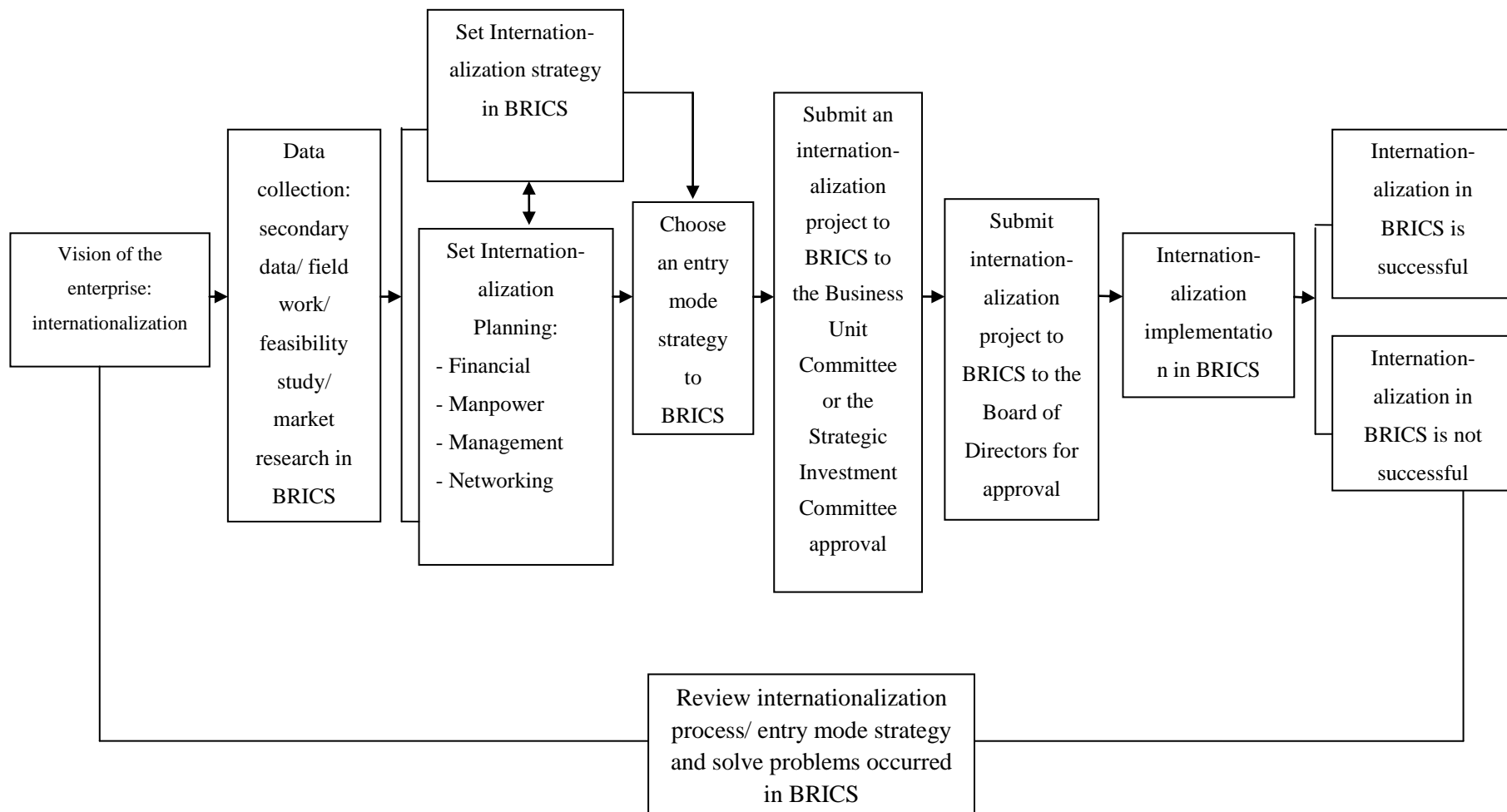
In spite of previous failure in investment, Thai enterprises finally managed to adjust their strategies to penetrate markets, filling in the gap and opening new channels to continue their businesses.

During 1985-1989, our enterprise expanded the business in China by setting up its subsidiaries in the country to penetrate the market through the investment entry mode. Later, the business operation was suspended. However, our company had to keep its status since we could not yet close down the business in China. Presently, we have adjusted our strategies to enter the market by setting up a representative office in Guangzhou in order to collect the data on demand, supply and credibility of customers. (An executive of an enterprise in the energy & utilities sector, personal communication, October 30, 2014,)

#### **4.1.10 Revision of Internalization Process, Entry Mode Strategies and Problem-Solving in BRICS**

Thai Enterprises that were pioneers to invest in BRICS in the past were unsuccessful due to problems and obstacles addressed in 4.1.9 Top-level executives played an important role in using lessons learnt as case studies of the organization. They had empirical data collected from former responsible officers, analyzed causes of business failures, and made a comparison with other successful enterprises in the same industry in BRICS. Then they came up with new strategies suitable for the environment in target countries in order to penetrate the market.

We failed in Russia. I learnt from the failure as the management recently assigned me to find out why. After that I studied the key to success in that industry. We must be open-minded. We must not think we are a global player and are always good at everything. From this failure, I started to ask myself, “Why did it fail?” – I checked the company’s vision and strategy for entering this country. Why did the company wanted to invest here? Because of what? I found out that the company believed that Russia was a big country that needed a great quantity of animal feeds, so we built a feed mill right away. We believed we could sell whatever we produced and we didn’t inspect the location at all. If I had been green, I might have ended up that way. I am saying this because I learned from a case study. I must be grateful to it. I do not brag. I always say that I thanked the past generation managers who made the report. Even though it was not a successful case, it made me learn. I never blame the pioneers. They faced difficulties. They might fail. But ones who never confront obstacles are those who never do anything at all. This case study is very beneficial to me. (An executive of an enterprise in the food & beverage sector, personal communication, October 24, 2014)



**Figure 4.1** The Internationalization Process of Thai Enterprises in BRICS

## 4.2 Market Entry Modes of Thai Enterprises in BRICS

The main objective of Thai enterprises going international is to explore natural resources and other resources to penetrate into BRICS markets. The business expansion of Thai enterprises is aimed at the growth of the organizations and also sharing risks that may arise in the mother country or other countries where they have made investment.

The market entry modes of all the eight sample enterprises vary, depending on the industry and the business group. Three categories of entry modes are the trade-based entry, contractual entry and the investment entry:

**Table 4.1** Summary on the Market Entry Modes of Thai Enterprises in BRICS

Thai enterprise Mode of Entry	A	B	C	D	E	F	G	H
Trade-based Entry Mode	-	-	-	-	-	-	-	-
Contractual Entry Mode	-	-	-	-	X	-	X	-
Investment Entry Mode	X	X	X	X	X	X	X	X

The study reveals that all all eight Thai enterprises have currently used only two modes of market entry which are 1) Contractual Entry Mode (two enterprises), and 2) Investment Entry Mode. All the sample enterprises have chosen the investment entry mode. The country where most Thai enterprises have invested is the People's Republic of China. The researcher will describe the contractual entry mode first, followed by the investment entry mode. The details are described below.

### 4.2.1 Contractual Entry Mode

Enterprise E, which is in the food & beverage sector, internationalized its business to China and India by the contractual entry mode through franchising and by the investment entry mode through joint venture and establishment of wholly owned subsidiaries in the target countries.

#### 4.2.1.1 Franchising

Franchising of Enterprise E's brand encompasses food products that are popular and have a famous brandname in Thailand, causing foreign entrepreneurs to buy its franchise to operate business in both China and India. When the franchisee's business has grown to some extent, the enterprise will make a review and will consider to be a partner with the franchisees for business progress. This market entry strategy starts from franchising to investing in the country as partnership if the enterprise sees an opportunity for business growth in the future.

Business in India is already in the form of franchising. Indian investors bought the enterprise's franchise to open the business. We made a study and found that we had a partner in India. Afterwards, we would consider whether the enterprise should co-invest with the franchisee in order to expand our business. If we let the franchisee run the business alone, the business might gradually grow. We looked forward to potential in the Indian market. It was likely to be high and we wanted to penetrate into a new market. The enterprise was interested in this. To open the market, we needed to talk to our franchisee about partnership to expand the business further. (An executive of an enterprise in the food & beverage sector, personal communication, October 10, 2014)

The advantage of franchising is that an enterprise can expand its business overseas rapidly with low capital, by using standard marketing with unique identity. The franchisee also has a strong motivation. Besides, this mode of market entry has low political risk. On the other hand, the limitations are that the enterprise has limited power to supervise all the operation of the franchisees and benefits obtained from the franchisees will be limited since the government sector of that country plays a role in controlling the operation to comply with the franchise agreement (Cavusgil et al., 2013: 230). The investment entry mode, joint venture, and wholly owned subsidiary will be discussed in 4.2.2.

#### 4.2.1.2 Strategic Alliance

A strategic alliance here refers to an alliance with whom a Thai company has signed a mutual agreement to work together as an importer or a dealer

for product distribution in BRICS. In the study, it was found that Enterprise G which sold construction materials of the parent enterprise entered the Brazilian market by strategic alliance mode. The objective of Enterprise G to enter Brazil during 2010-2011 was to support extensive expansion of domestic construction to host the FIFA World Cup. The feasibility study of Enterprise G indicated that the strategic alliance with local companies was effective. It appointed a local company as its agent in Brazil. The cooperation between the Thai enterprise and its strategic alliance company was clearly seen from the statements below.

We believed that when Brazil hosted the FIFA World Cup, it would significantly use building materials. So we considered this as a chance to export our products into Brazil...But we made a study and found that it was a country that mainly used Spanish and Portuguese, not English at all...We decided to make it be our strategic alliance. We worked together on one package. You had to conduct a feasibility study and find an opportunity before making an agreement on remuneration to have a representative distribute your products in Brazil...Our company entered Brazil around 2010-2011 but we did not directly do business there. We appointed an agent. The agent would report us twice a year about the customer feedbacks and an opportunity in the market. It helped us do screening and suggested adjustment. (An executive of an enterprise in the construction materials sector, personal communication, November 18, 2014)

A good point of strategic alliance is an enterprise will benefit from its strategic alliance's existing assets in that country while building strengths and simultaneously increasing the strengths of the enterprise. On the other hand, the limitation is the enterprises have to transfer knowledge, skills, or know-how that are the strengths of the enterprise to the alliance. Also, the enterprise must handle different issues, including problems that may occur to the business alliance. (Cavusgil et al., 2013, p. 245)

#### **4.2.2 Investment Entry Mode**

All the eight Thai enterprises have used the investment entry mode with one of the following six methods: namely representative office, subsidiary, joint venture, wholly owned subsidiary, greenfield, and merger and acquisition. The country where Thai enterprises have penetrated the market most is China.

4.2.2.1 Representative office: Two sample enterprises which entered the market with this mode are Enterprise A in China, and Enterprise G in China and India. Both Enterprise A and Enterprise G are trading companies under the parent company. Enterprise A set up its representative office to coordinate purchasings, supplying products such as petro-chemicals, petroleum products and polymers; similarly, Enterprise G set up its representative office to coordinate purchasings, and supplying building materials. The establishment of representative offices in these two countries has one common characteristic: to have representatives of the parent company for business coordination in China and India.

Thai Biz in China, Thailand Business Information Center (2014) points out that the representative offices in China have been set up with the main purpose of being representatives of the parent company to coordinate its business in China. The two main operational functions are 1) Coordination by having a representative in collaborating work related to selling products and services as well as purchasing (but the office cannot directly seek profits except that it is allowed in the international agreement). In addition, it cannot issue any invoice and quotation under its name. It solely acts as a coordinator for related work and facilitate the parent company; and 2) Undertaking marketing activities, such as conducting market research, arrangement of exhibitions, and dissemination of information about the company's products and services, etc. in order that the company can set a plan to expand its business in China in the future. Before establishing a representative office in China, the parent company is required by China's law to set up not less than 2 years. Although there is no capital requirement for setting up business there, this type of business is obliged to pay taxes as the State Administration of Taxation specified that a representative office shall pay an income tax, output tax, and value added tax calculated by the actual operational cost. Nevertheless, the tax paid by the representative office is rather low when compares to a wholly foreign-owned enterprise.

In case of China, we first set up representative offices in Guangzhou and Shanghai...In most cases, the first step is similar; that is, establishing satellite offices or representative offices to get feedbacks to see whether the enterprise can survive, and the financial return could cover the costs. We have our grace period of 2-3 years in the beginning, depending on the host country. It's also up to how long the government will allow us to stay there. In case of China, the representative offices can generate an income, so they have continued to operate there. Now there are four offices - in Guangzhou, Nanning, Kunming, and Puashan. (An executive of an enterprise in the construction materials sector, personal communication, November 18, 2014)

The finding is consistent with the in-depth interview of an executive of an enterprise in the energy & utilities sector concerning the setting up of representative offices in China. After penetrating the market by joint venture with a state enterprise, it was unsuccessful and the operation had to be stopped, and later the mode of entry was changed to the establishment of representative offices instead.

Looking back to China, in the perspective of our enterprise, we did not think we went there to invest but rather to trade so we set up representative offices only. This, however, was a contact point. The representative office in Guangzhou was responsible for collecting the data and meeting people in the local area. China is faraway and many provinces in China are in the industrial economic zones. For Chinese customers, we didn't know who was who, so we had to send our people to see if we could have customers. We had to make sure that customers could certainly pay for our products, not closing their offices down and escaping. (An executive of an enterprise in the energy & utilities sector, personal communication, October 30, 2014)

The establishment of representative offices has some good points. It is a direct mode of entry for investment. It requires less budget than other kinds of direct investment, and it is also very beneficial for foreign businesses that need convenience and flexibility in marketing, coordinating as well as building a relationship between

the parent company overseas and local customers. It can eventually help to drive products into the market. But the weaknesses are that representative offices do not have a legal status and cannot issue any invoice or quotation as aforementioned. They have to hire local employees through the recruitment agency in the local area. (Thai Biz in China, Thailand Business Information Center, 2014)

4.2.2.2 Subsidiary: Enterprise B is in the transportation & logistics group Russia, India, China, and South Africa offers airline tickets, cargo transport, and ground services to accommodate passenger travelling.

In every airline route, the company implements the same policy worldwide but the selling strategy will vary in different markets and locations and will depend on competition among airlines at that time. In terms of strategy for market penetration, we use the commercial mode of entry. We set up representative offices to provide bookings and issuing tickets. Overall, there are 3 periods in which a different strategy is used operate business. Period 1 is the reciprocal period. During this period airlines all over the world will exchange their traffic rights. For example, if our airline flies to a certain country that country will also request that their national airline be grant the traffic rights to Thailand. Period 2 is the liberal period, and Period 3 is the consumer behavior change period. These three periods force the company to adjust its strategy for internal management of the organization and its service procedures to respond to more severe competition in the airline business in the present time. (An executive of an enterprise in the transportation & logistics sector, personal communication, September 18, 2014)

And Enterprise C, which is in the banking sector, has established branches in China and India. These branches can do financial transaction through any existing branches but the rules and regulations differ, depending on transaction types and types of business industry. The setting up of Enterprise C's banking branch in China is described below.

The number of branches of foreign banks in China increased after China allowed free trade on finance on December 1<sup>st</sup>, 2006 in accordance with its agreement with World Trade Organization. Competition in financial business in China has become more and more severe. In the meantime, China has accelerated the development of its financial sector by learning from foreign businesses. In China, foreign banking business is under the supervision of China Banking Regulatory Commission (CBRC). Branches of Thai banks in China are required to have a minimum of 200 million RMB as the registered capital per branch and to have international standard management. A foreign bank can set up branches or representative offices if it is operated in the origin country for more than 2 years. The total asset of the headquarters in the country must be 20,000 million US dollars more. (Santee Seesutipo, 2014).

Enterprise C has operated its branch in Kunming since 1996. Currently, Enterprise C provides various kinds of financial services as lending, deposit, remittance, trade finance, and foreign exchange. It holds a license in transaction using RMB currency. The conditions of applying for a license for RMB currency business are 1) Setting up a branch which has run business in China for more than 3 years, 2) The branch has made a profit for 2 consecutive years before requesting for the RMB business, 3) No record of violating the rules and regulations of the Chinese government, 4) The branch management is modern and meets the international standard with a clear plan for business expansion, 5) The minimum registered capital must be increased to 300 million RMB, and 6) Other conditions that the Chinese government additionally requires must be fulfilled. Setting up branches in China is suitable for small banks because of low investment and gradual branch expansion. Since the management of the branch directly reports to the headquarters, not many officers are needed. Some business restrictions are inability to do business with small customers. Also, because the management directly reports to the headquarters, business expansion is slower than setting up a local banking cooperation. (Thailand Board of Investment, 2013a, pp. 5-33; Santee Seesutipo, 2014)

After the establishment of the branch in Kunming, the company set steps or a list of tasks to follow. There might be slight difference in practice. Because some countries may grant a license in a different way, the procedures for seeking approval may not be the same. They are tailor made. However, renting a location, recruiting employees, setting various systems are similar, including documents, such as application form for a loan, pay-in slips, etc., which need to be printed out. These are quite normal things to do. (An executive of an enterprise in the banking sector, personal communication, October 1, 2014)

#### 4.2.2.3 Joint Venture

From the interviews of executives and collection of secondary data from the sample enterprises, two enterprises found to use joint venture were Enterprise A and E.

Enterprise A had a joint venture with a Brazilian company with the proportion of 25% share in 4 concession sites of the Federative Republic of Brazil. In September 2014, an agreement was signed between its subsidiary and an oil & gas company in Brazil to explore Brazil's offshore resources (new). The company acquired 20% of the stake while other joint-venture partners held 65% and 15%, respectively (Prachathaturakij, 2014). This investment in Brazil was in the first step to explore resources in South America.

In Brazil, we've just invested. The investment is rather small. It's in the exploration and production period. We've just been granted the acquisition right for exploration and production business to explore one concession area. Normally the government of country would give us 3 years. After that we have to inform them whether we will continue exploring or not. We made a survey of the underground, the so called Seismic. It's measurement of waves to assess what can be found underground, how much the volume of oil and gas is and whether it is worth operating. Our company spent hundreds million dollars just on exploration and production. This must be clear during the exploration period. If the volume is high and we think it is worth undertaking,

we will submit a proposal to that country, Brazil in this case. We've just been granted the acquisition. (An executive of an enterprise in the energy & utilities sector, personal communication, October 30, 2014)

Enterprise E, which is in the food & beverage sector, has internationalized its business to China. Besides franchising and wholly owned subsidiary market entry modes, the sample enterprises have also used the joint venture mode to enter the Chinese market. Enterprise E possesses 49% of the share in most joint venture companies.

China and India are slightly different. China is the area that we already have footprints because our enterprise has invested in China for about 10 years. We have built our restaurant brand there for a long time. Recently, we have had a joint venture, with a local restaurant that, we think, has a potential brand in order to expand our business opportunity in China more and more...After the joint venture with that local partner, we don't stop. We also look for more potential, perhaps other joint venture partners. (An executive of an enterprise in the food & beverage sector, personal communication, October 10, 2014)

Market penetration by joint venture has an advantage of reducing the cost in different projects, as the costs can be shared among joint venture partners or alliance companies. Moreover, political and economic risk can be reduced and benefits can be gained through the partner companies, especially penetrating into markets in foreign countries where there are trade barriers against overseas companies. Meanwhile, the limitation of this market entry mode is the difference in the objectives between the company and its alliance company and the risk of the company to transfer to the alliance, knowledge, skills or know-how, which are the company's strengths. In addition, the enterprise also has a risk of building potential competitors (after the joint venture projects are completed) and the company has to handle management issues, including problems caused by the business alliances (Cavusgil et al., 2013, p. 245).

#### 4.2.2.4 Wholly Owned Subsidiary

Enterprise E in the food & beverage sector internationalized its business to Beijing in China by using the wholly owned subsidiary mode of market entry. Similarly, Enterprise H has set up a wholly foreign-owned Enterprise (WFOE), the office of which is located in Guangzhou. Thai Biz in China, Thailand Business Information Center (2014) pointed out that with this mode, all foreign companies invested 100%. They are required by law to have limited debts. Business set up in this way can invest in production lines, services, and commerces in China that can be sold in China or export overseas. Additionally, they can be expanded. This business type is popular among foreign investors because 1) foreign companies totally own the business; 2) they can reserve the ownership of technology and intellectual property; 3) they can manage and develop the internal structure of the organization; 4) they can preserve the traditional organization culture; 5) they do not have to confront risks from the withdrawal of partnership and from strategic decision-making; 6) they have an opportunity to employ many foreigners when compared to the representative office type, which can employ not more than 4 foreign employees; and 7) they can transfer the revenue in RMB currency back to their own countries. But they should remember that they are required to have capital for registration and operational capital to carry out the project and to increase the sale volume in China by themselves.

Enterprise H in the commerce sector set up a subsidiary, with the parent company in Thailand holding 100% of the share. The office is located in Guangzhou, China.

We think China is so big a market that we should definitely take an opportunity. Our company in China is an intertrade one. It is a wholly owned subsidiary. The parent company acquires 100% share of the Intertrade (Guangzhou). It is located in Guangzhou, an important port in the South of China, on the east coast. (An executive of an enterprise in the commerce sector, personal communication, September 23, 2014)

Enterprise F in the banking sector set up a bank in China. The parent company in Thailand holds 100% of the share. It has branches in Shanghai, Beijing, Xiamen, Shenzhen, and Chongqing. Enterprise F is in banking business which is different from other businesses. As a foreign bank operating in China, the enterprise must be under the supervision of the China Banking Regulatory Commission or CBRC. Enterprise F has made an investment as a local juristic bank in China with a minimum registered capital of 1,000 million RMB. If it wants to have additional branches, the registered capital will be 100 million RMB per branch. As for the conditions, the bank management must meet the international standard. The company must be set up and operated for more than two years. The total asset of the parent company in other countries must be at least 10,000 million US dollars-All required conditions must be met to do business in RMB currency and other additional conditions required by Chinese government must be fulfilled as well (Sande Seesutipo, 2014).

Business expansion to China is an important policy of each generation of management since China is a major market. However, in the early stage, my enterprise did not directly do the business. The bank branch was set up in Hong Kong 60 years ago. At that time, Hong Kong was like a door to China. Most of the enterprise's customers have been overseas Chinese since its first establishment. It was natural business expansion with a strong determination to support this customer group. Later, the Chinese government allowed foreign banks to do business in China, so we made a decision to set up a representative office in Beijing in 1986. When the conditions were suitable, we opened a branch in Shantou in 1992. Since then, we have continued expanding our business. Until present we have five branches including the Chongqing branch... At present, we are a registered bank in China... (An executive of an enterprise in the banking sector, personal communication, November 13, 2014)

Besides, the interview revealed that financial liberty has affected Thai banks registered as local juristic banks in China. Although China has allowed financial liberty since 2006, this doesn't make the market share of foreign banks increase, as China's banking sector is very strong and has already occupied the majority of the market. Thai companies have consequently adjusted their strategies by targeting specific groups of customers.

The market share of foreign banks in China, for example, is only 1.7% of the total banking system. Noticeably, it's going downward, not upward after China has joined the World Trade Organization. By 2006 China must liberalize its financial and banking sector for foreign banks. That is why foreign banks can open local banks in China, which are under the same conditions as Chinese banks. They are obliged to set up subsidiaries there. Since 2006 when China has liberalized its financial sector, our market share has gone down. China does not let go the market share ... Before the financial liberalization, Chinese banks had already been strong and already occupied the market. Chinese banks are divided into two groups. The first group China's four well-known big banks are CIBC, Bank of China, China Construction Bank, and Agricultural Bank of China. Banks of this group are even listed in the Hong Kong stock market. They are state enterprises. The other group consists of small banks. They are also registered in the stock exchange market...The market share of big four Chinese banks accounts for approximately 50 percent of the total. What I'm telling you is not that the Chinese government protects its bank but China is already strong in terms of technology, management, and personnel. We must accept that its businesses have extremely developed. For instance, the internet banking or phone banking is available, making it convenient for transaction through smartphones. Chinese banking is very advanced. (An executive of an enterprise in the banking sector, personal communication, November 13, 2014)

#### 4.2.2.5 Greenfield

Greenfield is a new direct investment from foreign countries. The parent company is the one who initiates new business in other countries by building up all infrastructures, factories, and accommodations. This helps create new long-term employment in the host country (Investopedia, 2014). Based on the in-depth interview of an executive of Enterprise D in the food & beverage sector, who entered the Russian market with a new investment mode, his enterprise has built factories for animal food production and distribution and its main products are, for example, pig feed, cow feed. After the pig farming was operated for a certain period of time, the enterprise had to adjust its strategy because of new investment problems. It was more time-consuming and took a long time before the company could operate to a full extent. During the operation it is necessary to analyze all the work processes and adapt the strategy to suit the environment and the circumstance of the country.

Our business can settle in Russia very slowly because even constructing a factory cannot be completed in three years due to many obstacles. If it snows for 6 months, we can't do it. We must change our procedures. The old or the same procedures do not work. We must run our business in line with Russian culture... What we concern is geographic difference. For example, it snows for 6 months in Russia. How will we work? What business we should do? We must have a plan. We must know the geographic environment of the country. If there is any obstacle, how could we prepare to handle it? How could we take a short cut? In order to make things run smoothly, the work schedule needs to be arranged appropriately. (An executive of an enterprise in the food & beverage sector, personal communication, October 24, 2014)

Greenfield has some advantages, which are 1) the company can make decisions on management, operation, and can monitor all aspects of its business, 2) it is able to benefit from the low cost workforce, 3) it is able to reduce the costs of importing and transportation, 5) it can easily to access raw materials and product origins in the places where the company has newly invested, and 6) it can reduce the risk of transferring its body of knowledge, skills, know-how to other companies.

Some limitations are 1) it takes a long time for the company to earn a profit because it is a completely newly established enterprise and therefore has many operating procedures to follow, 2) the company tends to use a large amount of investment money. If it is not a big company or does not possess a large amount of investment money, the liquidity problem will arise, 3) the company may face barriers to enter the target market (as a foreign owned company), 4) the company may confront the lack of knowledge about the local market, and 5) the company may be risky due to political instability and economic boycott in the host country. (Cavusgil et al., 2013, p. 245)

#### 4.2.2.6 Merger and Acquisition

Because Enterprise E wants to grow or expands its business in a short time, it has acquired restaurants in China. In a similar manner, Enterprise D which is also in the food & beverage sector has internationalized its business to Russia through the greenfield mode of market entry. However, when faced with an investment problem, it has changed to the merger & acquisition mode in response to the changing business context in the target country.

In response to its vision, my enterprise therefore has expanded its investment by setting up factories in large markets. In the past, the enterprise used the investment entry mode to penetrate BRICS markets. It was direct investment in the form of greenfield and the enterprise wholly owned the business. At present, however, with rapid change of business, the enterprise's investment mode has been changed to merging & acquisition in order to cope with severe competition in the world, which enables the business to be flexible and speedy. Moreover, merging & acquisition enables the company to gain a body knowledge and expertise of the purchased enterprise. Unlike other investment entry modes that might take a long time before the business can be settled and fully operate, its take a much short time with the use of this entry mode. (An executive of an enterprise in the food & beverage sector, personal communication, October 24, 2014)

Cavusgil et al. (2013, p. 245) point out that merging & acquisition has an advantages of 1) reducing time to penetrate the market; that is, company spends

less time for establishment than when greenfield investment is used; 2) the company can access intangible assets, such as knowledge, competencies of the employees of the purchased company; 3) the company can reduce marketing risk because it can get access to the existing customer base of the purchased company. However, the limitations are 1) the company might be risky to purchase the business at an overprice rate if it is too optimistic about the benefits to be gained; 2) the amount of investment is high; and 3) the company has to integrate the purchased company with the parent company.

### **4.3 Perspective of the Thai Government on Support of Thai Investment in Emerging Markets and BRICS**

The study shows that the majority of the Thai sample enterprises have used the investment entry mode; therefore, internationalization and inter-organizational networks are unavoidably related to Thai government organizations that are in charge of investment promotion. The in-depth interview of government officers at the high and the operational levels who are responsible for investment promotion in emerging markets, particularly BRICS, revealed the following:

#### **4.3.1 Promotion of Thai Investment in Emerging Markets and BRICS**

Thai investment promotion organizations in foreign countries aim to enable Thailand not to fall into the middle income trap. There are several procedures to do so: 1) development of know-how technologies to change the country from manufacturing or production industry to the service industry by enhancing human efficiency in producing more value-added products, 2) manufacture of innovative products that are more value-added, 3) investing in foreign countries to spread risk caused by domestic economic factors that may arise from the political context or economic fluctuation in Thailand. To do business overseas is a way to minimize risk of the manufacturing sector. It is also a way to generate income for the country, apart from exporting products from Thailand where presently production factors-labor wage, labor force, raw materials, public utilities-all raise the high production cost in the country. In consequence, the Thai government has tried to prolong the life of our

manufacturing sector, and one way is to relocate the manufacturing base to low operation cost countries and to expand the market at the same time, 4) reducing trade barriers of individual countries. Relocating the manufacturing base to the destination countries is one way to reduce NTB.

This is to relocate less value-added products which cannot compete in the country to foreign countries in order for the Thai economy to grow and for Thai businesses to be competitive. It is a way to form the production network. The core principle is production. It can take place anywhere in the world but the marketing brand must be located in Thailand. BRICS are the second or third target countries. The first priorities are Cambodia, Laos, Myanmar, and Vietnam (CLMV); the second priorities are other ASEAN countries, China, and India; and the third priorities are Russia, South Africa, and Brazil. Such ranking is based on scarce resources of Thai government sector in terms of workforce and budget. The focus is on the neighbor countries because of their close border, abundant resources, labor force, and markets, while BRICS provide a good opportunity because they are big markets and are rich in resources. But if ranked on the basis of worthiness for government support, ASEAN countries, China, and India are more worthy for investment than Brazil, Russia, and South Africa.

#### **4.3.2 Target Groups of Thailand's Investment Promotion and Support in Emerging Markets and BRICS**

Investment promotion for each business group is varies, as large-scale companies and small scale companies typically require different supports from the government. Large-scale companies are already have up-to-date information because they can explore deeply in the field of industry by sending experts to conduct a study directly. As large companies have plenty of capital, they have no problem about the initial cost of investment. They think the government support is useful to them if it enables them to access overseas projects. In other words, they can successfully make a deal through the government's coordination and advice. In addition, large companies need the government's protection while operating businesses in that country. In this sense, diplomatic relationship will play a key role. On the other hand, the readiness of small and medium sized enterprises (SMEs) differs from large-sized

ones. Small-sized companies are very small and are difficult to be successful in foreign countries. Meanwhile, many medium-sized companies that want to internationalize their businesses or are forced to do so. They are in the manufacturing and service sectors. They need great assistance from the government. Some do businesses only domestically; others sometimes travel to foreign countries but they are not serious in moving their manufacturing base there. Medium-sized companies are not as efficient as large-scale companies. Consequently, investment promotion organizations of Thailand mainly emphasizes on small and medium sized enterprises.

### **4.3.3 Methods of Promoting and Supporting Thai Investment in Emerging Markets and BRICS**

Methods of promoting and supporting Thai investment in emerging markets and BRICS are as follows:

4.3.3.1 Establishing the Thailand Overseas Investment Promotion Division, which is responsible for Thai investment overseas. Two years ago it was one sub division of the International Affairs Division. The Thailand Overseas Investment Promotion Division is equipped with 10-12 staff members to complete any mission as assigned.

4.3.3.2 Establishing the Thailand Overseas Investment Center (TOISC) This center is responsible for providing information, preparing an investment guidebook and an investment handbook, the contents of which range from investment policies, investment channels, cost of doing business and other necessary for doing business, in the form of websites and hardcopies for distribution in seminars.

4.3.3.3 Giving consultation and in-depth information gained from experiences of Thai businessmen investing in overseas countries in terms of regulations and, environment affecting investment. The consultant will give advice and related information to investors who are interested in overseas investment in BRICS. At present, this consultation is given to only investors wanting to make investments in China.

4.3.3.4 Business matching in Thailand and with the target countries with the purpose of creating business alliances and business networks for Thai businessmen.

4.3.3.5 Providing training for Thai investors who want to invest in foreign countries holding seminars on opportunities and trade and investment channels in foreign countries are arranged for investors and interested people by the Thailand Overseas Investment Center.

#### **4.3.4 Organizations Related to Promotion and Support of Thai Investment in Emerging Markets and BRICS**

Thai government organizations that work together to promote and support Thai investment in emerging markets and BRICS are the Department of International Trade Promotion, the Ministry of Commerce; Thailand's International Development Cooperation Agency, the Ministry of Foreign Affairs; the Department of Industrial Promotion, the Ministry of Industry; the Office of Small and Medium Enterprise Promotion (OSMEP), the Ministry of Industry; and the Office of Board of Investment (BOI), the Prime Minister's Office. Besides, there are government agencies that station overseas or Thai teams led by Thai embassies consisting of Thai diplomats and Commercial Attaché in the destination countries, who are core persons in coordinating, building a good relationship with government agencies of the destination countries and promoting Thai investment by holding Thai trade and investment promoting activities abroad.

## **CHAPTER 5**

### **CONTEXTS AND INTER-ORGANIZATIONAL NETWORKS AFFECTING THE INTERNATIONALIZATION PROCESS OF THAI ENTERPRISES IN BRICS**

This chapter reports the findings from annual reports, commerce and investment guide, related documents and from interviewing top-level executives and local employees working for eight selected Thai enterprises having invested in BRICS and a top-level administrator and officers of one government agency. A semi-structure questionnaire was used to answer the second objective of this research (i.e. explore the contexts and the inter-organizational networks that are key success factors in the internationalization process of Thai enterprises in BRICS).

#### **5.1 General Characteristics of the Sample**

This research studied the internationalization process and entry mode strategies used in the contexts of BRICS and examined the interaction between inter-organizational networks at the organizational level. The general characteristics of the eight sample enterprises investing in BRICS are described in Table 5.1 (Annual Report, 2013a - 2013h; The Stock Exchange of Thailand, 2013a-2013h; Personal communication of the Executives of the Enterprise A-H).

**Table 5.1** Overview of the Eight Sample Thai Enterprises that have Internationalized their Businesses in BRICS

Enterprise	Type of Enterprises	Industry	Sector	Countries that Thai enterprises have internationalized their businesses
A	State enterprise listed in the Stock Exchange of Thailand and under the supervision of the Ministry of Energy	Resources	Energy & Utilities	Presently, it runs business in 21 countries Algeria: EP (Development, Exploration) Australia: EP (E&P <sup>1</sup> ), Coal Mining Brazil: EP (Exploration) Brunei: Coal Mining Cambodia: EP (Exploration), Oil Marketing Canada: EP (Production) Egypt: EP (Exploration), Gas Pipeline France: Chemicals Indonesia EP (Exploration), Palm, Coal Mining Laos: Oil Marketing Madagascar: Coal Mining, Malaysia: EP (Exploration), Gas Pipeline, LPG, Mozambique: EP(Exploration) Myanmar: EP (E&P) Gas Pipeline

**Table 5.1** (Continued)

Enterprise	Type of Enterprises	Industry	Sector	Countries that Thai enterprises have internationalized their businesses
				<p>New Zealand: EP (Exploration)  Oman: EP (Production)  The Philippines: Oil Marketing  Singapore: Trading  United Arab Emirates: Trading, Polymer Marketing,  The United States of America: Chemical,  Vietnam: EP (E&amp;P), LPG</p>
B	<p>State enterprise listed in the Stock Exchange of Thailand and under the supervision of the</p>	Service	<p>Transportation &amp; Logistics</p>	<p>*Remark: 1 E&amp;P Exploration, Production  Besides, it set up 2 companies in China, but they were no longer in business. Instead, a representative office was set up in Guangzhou.  The enterprise offers 655 international flights per week in two main routes: Asia Regional Route (505 flights per week to 49 destinations in 19 countries) and Cross-continent Route (150 flights per week to 20 destinations in 15 countries). Representative offices have been set up in 34 countries: New Zealand, China, Hong Kong</p>

**Table 5.1** (Continued)

<b>Enterprise</b>	<b>Type of Enterprises</b>	<b>Industry</b>	<b>Sector</b>	<b>Countries that Thai enterprises have internationalized their businesses</b>
	Ministry of Transport			(China), Australia, India, Belgium, South Korea, Sri Lanka, Denmark, Indonesia, Bangladesh, United Arab Emirates, Germany, Japan, Vietnam, Pakistan, and South Africa. Nepal, Malaysia, the United Kingdom, the United States of America, Spain, the Philippines, Italy, Russia, Oman, Norway, Cambodia, Singapore, Sweden, Taiwan, Laos, Myanmar, and Switzerland.
D	Private enterprise in the form of Public Company Limited	Agro & Food Industry	Food & Beverage	The enterprise has expanded its business to other countries in the form of its wholly owned business (including subsidiaries and joint ventures) or dealers. It is also a terminal for exports from Thailand. It set up 43 companies in 42 countries worldwide: Canada, the United States of America, Mexico, Sweden, Denmark, the United Kingdom, Ireland, Netherlands, Germany, Belgium, France, Italy, Spain, Greece, Cyprus, Russia, Turkey, Nigeria, Angola, South Africa, Bahrain, Qatar, United Arab Emirates, Oman, Nepal, India, Sri Lanka, Maldives, Reunion,

**Table 5.1** (Continued)

<b>Enterprise</b>	<b>Type of Enterprises</b>	<b>Industry</b>	<b>Sector</b>	<b>Countries that Thai enterprises have internationalized their businesses</b>
				China, South Korea, Japan, Taiwan, Hong Kong (China), Laos, Vietnam, Cambodia, the Philippines, Malaysia, Singapore, and Mariana Islands.
E	Private enterprise in the form of Public Company Limited	Agro & Food Industry	Food & Beverage	The enterprise operates hotels, spas and restaurants and distribution and production to order in 25 countries: India, Sri Lanka, Maldives, China, South Korea, Laos, Vietnam, Cambodia, the Philippines, Malaysia, Singapore, Indonesia, New Caledonia, Australia, New Zealand, Jordan, Kuwait, Bahrain, United Arab Emirates, Saudi Arabia, Oman, Egypt, Kenya, Tanzania, and Mozambique.
F	Private enterprise in the form of Public Company Limited	Finance	Banking	The enterprise started its business in other countries 60 years ago. It has expanded its business to 12 countries. Now it has 27 overseas branches and 1 representative office in England, the United States of America, China, Hong Kong (China), Myanmar, Malaysia, Singapore, Japan, Taiwan, Laos, Vietnam, Indonesia, the Philippines.

**Table 5.1** (Continued)

<b>Enterprise</b>	<b>Type of Enterprises</b>	<b>Industry</b>	<b>Sector</b>	<b>Countries that Thai enterprises have internationalized their businesses</b>
G	Private enterprise in the form of Public Company Limited	Property & Construction	Construction Materials	The enterprise has expanded its business by means of establishing a trading company limited. Presently, it has 26 branches in 17 countries: the Philippines, Malaysia, Singapore, Indonesia, Vietnam, Cambodia, Myanmar, Laos, China, Hong Kong (China), Taiwan, India, Bangladesh, the United Arab Emirates, Jordan, Australia, South Africa, and the United States of America. Moreover, it has a strategic alliance in Brazil and business deals with Russia. However, the Russian deal was ceased in 2010.
H	Private enterprise in the form of Public Company Limited	Services	Commerce	In the present time, the enterprise has oversea offices in 5 countries: Cambodia, Laos, Myanmar, Vietnam, and China.

Accordingly, these Thai enterprises assigned 10 top-level executives directly responsible for driving business expansion in BRICS and operational staff working at the actual sites to be key informants for this research. Also, one employee in the operational unit sent a letter from abroad to answer the researcher's enquire and the information in the letter was used as a data source. The positions of key informants were Senior Advisory, Acting President, Division Director, Senior Director, Senior Vice President, Manager of Overseas Branch, Vice President International, Vice President of Finance International, President of International Affairs, Senior Analyst for Strategy and Corporate Planning Department, Executive Vice President of International Trading Business Unit, Chief Executive Officer, Business Development Manager, and an operational officer. They gave a clearer picture of business network expansion to foreign countries. To check the information for accuracy, three government officers were interviewed: 1 Deputy Director, 1 Group Director, and 1 operational officer. Therefore, the total key informants were 14. The work positions of the key informants were also considered when the data were interpreted, analyzed, and synthesized under the context of investment in BRICS.

## **5.2 BRICS' Context Affecting Internationalization Process of Thai Enterprises in BRICS**

The contexts that directly affect to the expansion of business in emerging market countries are political context, legal context, and socio-cultural context. (Cavusgil et al., 2013, pp. 29-61).

### **5.2.1 BRICS' Political Context**

The political context is the system consisting of institutions that form the government: political parties, legislature and, interest groups, trade associations, other relevant political associations. (Sakda Siriphattrasophon, 2012, p. 86). Politics is inseparable from economic, social, and cultural factors and others. Politics is related to conflicts and collaboration and keeps changing all the time, which affects international business. (Somchanok Passakonjaras, 2008). The political system can determine the nation's economic system. Three types of economic systems are Socialism, Individualism/Free market, and Totalitarianism (Cavusgil et al., 2013, p. 30).

### 5.2.1.1 BRICS' government type and stability

#### 1) Federative Republic of Brazil

Brazil declared independence from Portugal in 1822, but was still ruled by Constitutional Monarchy until 1891 when the Federative Republic was established. Brazil has been governed by military power since 1964. The civilian President was elected to rule the country under Democracy in 1985. Presently, there are more than 20 political parties in Brazil, which has a multiparty political system led by the Labor Party and other nine political parties in the Brazilian Parliament. The major political parties in Brazil are Partido Trabalhista Brasileiro (PT) and Partido do Movimento Democrático Brasileiro (PMDB). These parties together hold the majority of seats, while Partido da Social Democracia Brasileira (PSDB) and Democratas (DEM) are opposition parties. Brazil is a democratic federative republic whereby the President is both head of the state and head of the government for a four-year term but not more than two terms. The Cabinet members have been appointed by the President. There is no position of Prime Minister. The current President of Brazil is Dilma Rousseff. The country is composed of 26 states, and one federal district with 27 governors, and 5,570 municipalities (Royal Thai Embassy, 2015).

#### 2) Russia Federation

Russia is a democratic federal republic. The president is head of the state and of the government. He has sole authority for the administration of the state. The presidential term is six years and the elected president cannot hold the position for more than two consecutive terms. The current President is Vladimir Putin. He was officially appointed President on May 7, 2012, which is his third presidential term (two first presidential terms were during 2000-2008). Originally, the presidential term was four years. Appointed by the President, the Prime Minister is head of the government and all the Cabinet members. The current Prime Minister is Dmitri Medvedev. Russia Federation is divided into 8 federal districts Central, Southern, Northwestern, Far Eastern, Siberian, Urals, Volgo, and North Caucasian. It is composed of 83 federal administrative units: 21 Republics, 9 Krai, and 46 Oblast, and 2 federal cities are respectively. The two major federal cities are which are given a similar status Moscow and St. Petersburg. There are also 4 autonomous Okrug and 1 autonomous Oblast (Ministry of Foreign Affairs, 2014).

### 3) Republic of India

India is a republic with a parliamentary system. The President is head of the nation and is indirectly elected by the people through elected members of the Indian Parliament and the Legislative Assemblies of each State of India. The presidential term is five years, and the president can hold the position for two consecutive terms. The present President is Pranab Mukherjee, and the current Prime Minister is Narendra Modi who was directly appointed by the President and is the chairperson of the Council of Ministers. Decentralization in India is carried out under the federal system. There are 29 states and 6 union territories. The Constitution of India clearly divides power between the union/ central government and the state government. The central government is in charge of national defence, international policies, military affairs, railways, aviation and other transportation, finance and criminal laws, for instance. On the other hand, each state government is responsible for peace-keeping, law enforcement, economic, social, and cultural development. The individual states have their own state administrators with the Governor as the head of each state government who is directly appointed by the President of India (Department of Export Promotion, 2011).

### 4) The People's Republic of China

China started trade liberalization during the rulership of Deng Xiaoping. Presently, China is under communism and has been governed by the Communist Party of China (CPC) or the Chinese Communist Party (CCP) led by President Xi Jinping with five-year presidential term (eligible for a second term), a political institution that holds ultimate power and authority. The State Council and other related organizations are responsible for setting national development plans, policies, and measures, and for implementing strategies specified by the Communist Party led by Li Keqiang, who is Premier for a five-year term (eligible for a second term). The administrative structure of China can be divided into two levels: 1) the national-level administration (Central) by the central government that governs the entire country. This administrative level plays an important part in ruling the country. 2) Local administration. China's political system decentralizes power from the central administration by delegating power to provincial, municipal, autonomous and other local administrations. Currently, China has 23 provinces, 5 autonomous regions, 4

municipalities, and 2 special administrative regions (Thailand's Board of Investment, 2013a).

#### 5) Republic of South Africa

During the period of being the Union of South Africa until the first period of being the Republic of South Africa, the country was ruled by the National Party founded by South Africans White. After World War II, Apartheid was very intensive and South African people were divided into three racial groups: White, Colored (mixed races), and Black. Each racial group has different rights and restrictions. For example, each racial group was required to use separate public vehicles, toilets, schools, hospitals. Furthermore, the South African Black right to vote was restricted. This policy was implemented between 1948 and 1994, resulting in the South African White's monopoly of political power and having a much better quality of life than the South African Black. This racial discrimination regime sparked significant resistance and protests inside and outside of the country leading to negotiation to end Apartheid and finally non-racial democratic elections could take place. Since then South Africa has been more recognized internationally. At present, South Africa is a parliamentary republic led by the President, who is both head of the country and head of the government. The President is elected by the National Assembly and serves a five-year term but not more than two consecutive terms. The current President of South Africa is Jacob Gedleyihlekisa Zuma of the African National Congress (ANC) party that has won the majority of votes in every election since 1994 (Thailand's Board of Investment, 2013b).

BRICS have high political stability, particularly the People's Republic of China, the Russia Federation, and the Republic of South Africa whose leaders have ultimate authority, long-term dominance in the office as well as a clear plan for political successors. Regarding policies of BRICS, even though there has been political resistance in the country, the government can well handle the problem. The summary of politics and government type of BRICS is shown in Table 5.2.

**Table 5.2** Summary of Politics and Types of Government of BRICS

<b>BRICS Countries</b>	<b>Politics and Government Type</b>
Federative Republic of Brazil	Democratic Republic led by the President who is head of the state and head of government
Russian Federation	Democratic Federal Republic led by the President who is head of the state and head of the government
Republic of India	Parliamentary Republic led by President who is head of the state but the administrative role is assigned to the Prime Minister
The People's Republic of China	Communist State under Communist Party of China (CPC) or Chinese Communist Party (CPC), a political institution that holds ultimate power and authority led by the President
Republic of South Africa	Parliamentary Republic led by the President who is both head of the state and head of the government

#### 5.2.1.2 Political Context Affecting Thai Enterprises' Internationalizing their Businesses into BRICS

BRICS are emerging economies that vary in their political systems and have power strong. Some central administration; others decentralize power to local governments. These factors make Thai enterprises' internationalization face different operational problems in each area. The interviews reveal that the political context affecting Thai enterprises' internationalization into BRICS are 1) the local government's absolute power to give approval and to supervise business in the local area, 2) resistance from local people, and 3) implementation of the international relations policy.

1) Local governments have absolute power to give approval and to supervise business in the local area.

In BRICS, with very large land areas and decentralization of power to regional areas, local governments play an important role in BRICS. Even though the central governments of BRICS have promoted foreign trade and investment at the national level, the sample Thai enterprises have encountered many obstacles because the local governments have not positively responded to their doing business in local areas. To invest in local areas, foreign enterprises must be approved by local governments, which have directly affected to the direct investment of Thai enterprises as mentioned in the interview of executives of an enterprise in the energy & utilities sector and of an enterprise in the food & beverage sector:

For country-to-country projects, it is necessary to take the target country's policy and process into consideration, as it is not always the central government who has decision making power. In some countries, the center is at the provincial level, so any matter must be considered by the local government before submitting it to the national level... There is difference in the degree of control between the central government and the local governments. (An executive of an enterprise in the energy & utilities sector, personal communication, October 30, 2014)

The finding corresponds with the interview of an executive of an enterprise in the food & beverage sector as follows:

We need to know whether the central government is has full authority or whether the local government has more power. In many countries, the central government look after the whole national affairs ... We need to know if the central government has absolute power or not. If the local government holds power, we have to deal with it. (An executive of an enterprise in the food & beverage sector, personal communication, October 24, 2014)

It is necessary for Thai enterprises to contact and link with the local government in BRICS for their business to run smoothly and for prevention of operating problems that may arise. In most cases, Thai enterprises have conducted field studies to learn the real situation in the target areas before commencing their operation. Therefore they can foresee the government's tendency to open markets for foreign investors. However, when problems in operation arise, Thai enterprises are seeking assistance from their networks to resolve the problems. This study has found that besides the direct network with the government in BRICS, people groups in BRICS are also networks that link with the local government and can help prevent and solve problems that may happen in local areas.

## 2) Resistance from Local People

Direct investment in BRICS, especially factory building in the area by foreign enterprises like Thai ones may possibly cause certain effects on the community that lead to conflicts or disputes with local people due to misunderstanding or personal bias. Therefore, direct investment in certain areas may get resistance from local people, resulting unavoidably in operating problems. The resistance may also end up with government intervention in the area, and the business may be standstill or be damaged. Some Thai enterprises internationalizing their businesses to BRICS used to encounter local resistance as mentioned in the following interview:

In this area I can't do anything because they have blocked everything... Here I had a problem with villagers concerning swine waste. (An executive of an enterprise in the food & beverage sector, personal communication, October 24, 2014)

When there is resistance from a group of local people, Thai enterprises must coordinate with their networks that have some connection with some influential persons or groups in the area. This help to solve problems; to build good relations to better operational efficiency in local areas; to defense themselves from problems caused by influential persons who have special capability; to link with state officers, leader of the community, or villagers in the area; and to operate smoothly in a long run.

### 3) Implementing the International Relations Policy

There are three big countries that play an important role and significantly influence international affairs. They are China, Russia, and India. Russia was a former communist state while China now remains communist. Both countries are now members of international associations, such as World Trade Organization. Whenever China and Russia implement a military or international security policy, the implementation often brings about disputes with Western powers and other issues that inevitably affect international relations. Consequently, if powerful nations have boycotted some countries in BRICS, the boycott can affect Thai businesses in such countries. Once Russia was boycotted by Western nations, for example, its countermeasure caused a food shortage within the country. As a result, Russia put a lot of effort to boost domestic food production. Formerly, Russia was an alliance of Western countries, but after the conflict, Russia has strengthened its relations with Asian or Eastern countries. And this is a good opportunity for Thai enterprises in the food & beverage sector to do business with Russia. According to the interview of an executive of an enterprise in the food & beverage sector,

At that time, Russian goods were banned by Western countries, so Russia it reacted by banning their goods, too. There was a pork shortage in the domestic market, so it was a chance for our company. As other countries have turned their backs from it, Russia has tried to become alliance with Asian countries. Russia has to rely mainly on enterprises in the food and beverage sector from Asia like our enterprise. (An executive of an enterprise in the food & beverage sector, personal communication, October 24, 2014)

This issue could be considered as both an obstacle and an opportunity. Thai enterprises should be aware of and get ready for international relations policies that might be changed rapidly. The inter-organizational network with government organizations in BRICS, particularly the central government and associated groups like the Chamber of Commerce and Industries in the target countries, is a significant network to follow this issue.

### 5.2.2 BRICS' Legal Context

The legal context is the system of passing and enforcing laws, requirements, regulations, rules or orders by the country's top administration. Laws related to international business are passed to ensure order in commercial activities, resolve disputes, protect intellectual property, to taxes deal with and economic output, etc. (Sakda Siriphatrasophon, 2012, pp. 86-87).

Laws, regulations, and law enforcement in BRICS vary with a wide range of contexts of each country. Typically, the main policy supporting foreign businesses in the country is made by the central government (except Brazil) (Royal Thai Embassy, Brizil, 2014). But in practice enactment of laws and regulations in BRICS is mainly the responsibility of local governments. Although the central government has approved foreign business expansion, it might not be allowed in real business sites, or it may be illegal because of no permission from the local government. Also regulations in trade and investment can negatively affect business expansion of oversea enterprises. However, changes in laws and regulations are necessary for countries in transition. As members of World Trade Organization BRICS, they are required to modify their laws and regulations to be more international.

#### 5.2.2.1 Foreign Trade and Investment Promotion Policies of BRICS

Foreign trade and investment promotion policies of BRICS vary, depending on the context of trade and investment control by the government of individual countries as summarized in the following table.

**Table 5.3** Summary of BRICS's Foreign Trade and Investment Promotion Policies

<b>BRICS</b>	<b>Foreign trade and investment promotion policy</b>
Federative Republic of Brazil	As for the policy on investment promotion, Brazil's central government hardly promotes investment domestically and internationally, but in some poor areas such as the northern and northeast regions, investment is promoted by the central

**Table 5.3** (Continued)

<b>BRICS</b>	<b>Foreign trade and investment promotion policy</b>
	<p>government. The government has a policy on promoting investment in certain industries. It offers tax reduction, land purchase at a low price or a zero price, tax exemption for imported raw materials, etc. Due to high competition between states, municipalities also have a policy on investment promotion in various forms, such as tax exemption and supplying public utilities, e.g. electricity, roads, tap water service for setting up new factories, etc. Although Brazil has a policy to encourage investment from overseas by granting them the same right as Brazilian investors, the significant factors to consider are the red tape of the bureaucratic system, the complicated tax collection system, and laws, which protect workers more than employers. All these lead to a high production cost, which is so-called Brazilian Cost. (Royal Thai Embassy, 2014)</p>
Russian Federation	<p>Russia is the first-class trade and investment partner of Thailand in the Eastern European countries and the Commonwealth of Independent States. In Russia's point of view, it is necessary to build strong regional cooperation with Thailand as an important core of ASEAN. Russia seeks cooperation from Southeast Asian countries with Thailand as the base and the gate to this region. Russia itself can also serve as a bridge to link Thailand with the Commonwealth of Independent States (CIS). Thailand and Russia have agreed on the importance of food security and agricultural cooperation (Ministry of Foreign Affairs, 2014). After Russia became a member of World Trade Organization in August 2012, it has sought cooperation and integration of its business into the world</p>

**Table 5.3** (Continued)

<b>BRICS</b>	<b>Foreign trade and investment promotion policy</b>
Republic of India	<p>economy. Russia's import duties are expected to be reduced to a reasonable level to facilitate market access of businesses and services. Better investment, will enable Russian customers to benefit from price reduction and from more competition in the market. (Department of International Trade Promotion, 2013c)</p> <p>After the inauguration of the recent Prime Minister, India's investment and trade policy has permitted foreign investors to operate more industries than before, leading to the increasing number of foreigners investing in India. The Republic of India has supported liberal foreign direct investment by continuously reducing laws, regulations, and measures for investment from overseas in order to promote import and transfer of technology, to increase international monetary reserve, and to boost Indian business to compete internationally. Moreover, the Indian government has motivated non-resident Indians to invest in the country by granting the right to hold more shares than foreign investors. (Department of International Trade Promotion, 2014)</p>
The People's Republic of China	<p>China is currently under the 12<sup>th</sup> five-year plan. The Chinese government currently gives importance to foreign and domestic investment. The political risk in China remains low in terms of export or direct investment in the country. However, there is risk that Chinese government authorities may expropriate land and other properties without the consent of property holders. Because of its capitalist economy under the state's supervision, this risk still remains but not at a high rate. Most Thai enterprises investing in China have confronted restrictions in transferring their profit or turnover back to Thailand.</p>

**Table 5.3** (Continued)

<b>BRICS</b>	<b>Foreign trade and investment promotion policy</b>
	<p>In the People's Republic of China, there is also a large income gap between urban and rural areas and among regions. The degrees of control of the wholesale and retail system also differ from province to province. Furthermore, the local government still adheres to Mao Zedong's self-reliance policy and provincialism that prevents goods from other provinces from entering the area. There is no free trade competition among provinces, and marketing promotion of foreign enterprises has still been strictly controlled by the Chinese government. Though China is open to global trade after reforming its policies, legal structure, regulations, tax structure and restructure of all organizations to accommodate free trade, particularly to conform with the agreement of World Trade Organization (WTO) (Thailand's Board of Investment, 2013a), there are still restrictions as a result of laws, regulations and law enforcement for foreign investors.</p>
<p>Republic of South Africa</p>	<p>South Africa's investment promotion policy can be divided into two levels: Investment Promotion by the central government which covers all the nine states. Investment in each state will be made in special economic zones with the budget of each state. Apart from standard investment promotion for all industries, special investment promotion is also made in response to each company's demand; e.g. labor and job skills. Each investment promotion unit will help to supply labor and provide training. Besides, the South African government doesn't restrict foreign investor's share ownership and transfer of their profits and dividends from investment back to their own countries (Thailand's Board of Investment, 2013b).</p>

#### 5.2.2.2 Legal Context Affecting Thai Enterprises to Internationalize their Businesses in BRICS

The interview reveals that the legal context has affected Thai enterprises internationalizing in BRICS. The details are given below.

1) Thai enterprises do not know all aspects of the laws related to the internationalization to BRICS.

Despite carefully going through all relevant laws before starting international operation in the target country, Thai enterprises has still run into difficulties due to the lack of comprehensive knowledge of all aspects of internationalization to BRICS and not understanding the language of the legal text, which has caused operational trouble. Several times their enterprises have unknowingly done anything against the target country's laws, they will be prosecuted.

We had a problem with application for a work license, and were arrested by the police. We could not work because of a wrong license. No one knew anything about this. I learnt that there were hundreds of licenses. Everything required a license. We did not know about this because all laws were written in the Russian language. That was the problem. At first we did not think it was that complicated. We could fix it while operating the business. But we misunderstood about it. We were against the laws – everywhere. The police were also chasing our people. (An executive of an enterprise in the food & beverage sector, personal communication, October 24, 2014)

Thai enterprises in the energy & utilities sector faced similar problems. They not only lacked knowledge of related laws but also their operating forms and practices were controlled by the individual governments of BRICS. This resulted in the enterprises being unable to continue their operation. Although investors had already sold their business, they could not take money out of the country as stated in the following interview:

At that time, China started to open the country. One Chinese company and one Thai company were in agreement to expand their business. The Chinese company invited our company to co-invest; however, it was not successful and was later suspended because when we sold our goods, money was not allowed to send out of the country. In the past, our company didn't know about this restriction. We were new. When we were invited to do business there, we considered it a good opportunity. We then decided to join that Chinese company. However, when we found out the restriction that money had to be in the country only and that we could use only Chinese materials, we thought about what we would get. Finally, we kept expanding one business to the permitted areas only. At that time China wanted to expand its public utilities and to enable its people to access commodities. China was not able to produce goods on time, so it invited foreign enterprises to invest and this was our lesson. (An executive of an enterprise in the energy & utilities sector, personal communication, October 30, 2014)

## 2) The complication of regulations, laws, and law enforcement in BRICS

As mentioned earlier that BRICS administration is divided into the central government and local government. Laws, regulations, and law enforcement are complicated and differ from area to area. As stated in the investment manual prepared by the Board of Investment of Thailand, problems and obstacles in operating businesses in China are problems of restrictions, complicated regulations at many levels –national, provincial, and local levels. Investing in each type of business requires different approval processes (Thailand's Board of Investment, 2013a). The interview of an executive of an enterprise in the energy & utilities sector confirms the statement above.

Rules and regulations are somehow different from the international rules and regulations. The law enforcement is specific as far as I know. In China although local government appointed by the central government, they have more power in practice. Notification of temporary residence by foreign

employees is a good example. Though their houses are not far from each other, but if they are in the different control zones, they have to report to different local governments. Generally we think that wherever we live, the notification of temporary residences of aliens will be the same. However, in practice there is difference in this matter. The officers might call for some different documents and it might take a shorter or a longer period of time for consideration despite the same regulation is applied. (An executive of an enterprise in the energy & utilities sector, personal communication, October 30, 2014)

The statements above confirmed what enterprises in the banking sector emphasized about law enforcement, which was one restriction for running a business in BRICS. In business expansion to emerging markets, the regulations imposed by local governments and those imposed by the central government need to be observed. This is because when the regulations imposed by central government are enforced, the interpretation depends on local administrators of each province, city, and district-this is a real challenge for Thai enterprises and makes them contact the central and local government quite often.

### 3) Change of laws related to trade and investment in BRICS

Formerly, foreign enterprises in BRICS were confronted with inadequate or undeveloped legal systems which were amended so often. Such change might stem from their joining the World Trade Organization and from their forming an economic group. It was necessary for BRICS to modify their laws related to trade and investment to reach the international level. This resulted in both good and bad effects on Thai enterprises there. However, competition in business was more liberal, leading Thai enterprises to have a better opportunity to compete in the market. According to the interview of an executive of an enterprise in the banking sector:

At present, China's measures for management and control of regulations are recognized as world leading in many ways. One problem is that the rules have been changed so often that we have to stay close to the related local administrative authorities to learn and keep ourselves alert all the time. This

forces us to be up-to-date all the time. Frequent legal change may be a restriction, but the good point is China keeps developing their laws. Some restrictions last year were reduced with a tendency to have more freedom. But overall, compared to 5 years ago, this year sees many good changes for businessmen. Especially foreign investors are given more freedom to compete in doing businesses. (An executive of an enterprise in the banking sector, personal communication, November 13, 2014)

In addition, getting an opportunity from the change of laws was confirmed by the interview of an executive of an enterprise in the food & beverage sector as follows:

I don't consider laws and regulations of each country as a problem. I think each country needs to set rules that match the country. To invest in a foreign country, we must first accept their regulations because if we don't, we cannot comply with them. Rather, I consider this is what protects businessmen in running business in other countries...As I said, the regulations of each country have been changed because now everything moves toward internationalization. In the future we will be a member of AEC. China itself will have many organizations combined into one market. Therefore, each country which perceives that its regulations do not match international practice must definitely develop in this respect. (An executive of an enterprise in the food & beverage sector, personal communication, October 10, 2014)

On the other hand, change of laws and regulations also causes business damage to foreign companies in BRICS, especially those pioneering into the territories that have just been opened. According to the interview of an executive of an enterprise in the energy & utilities sector:

Our company has expanded its business to many provinces in China, e.g., Maoming, and mostly to Southern China. We were struggling at the start because of no expertise in China. It was difficult for us to install big fuel

storage tanks, as this involved many Chinese government departments. Control by the central government and that by the local governments differed. At that time our operation was not stable, because China's first economic plan was implemented. As we ran business for a while, its five-year economic development plan was changed. After that, our company began to be firm and so was China. China wanted its national oil company to grow as a flagship state owned enterprise. The Chinese government offered us two options: Option 1 was to sell the business to China and another option was not to sell it to China but to be unable to operate any longer. Finally, the company sold the business but could not take money out of China. Money was kept in China for many years. (An executive of an enterprise in the energy & utilities sector, personal communication, October 30, 2014)

Therefore, foreign enterprises internationalizing their businesses to BRICS need to understand and yet ready for such amended laws and regulations, using both proactive and reactive approaches (change in strategy) during the operation.

Regulations that we need to understand concern processes of 1) company registration, import registration, trademark registration, and request for permission from the Food and Drug Administration (FDA). We must try to understand all of these processes and quite a lot of regulations. China imposed many regulations which could be changed suddenly. Today, it is probably like this, but the next day all will change. We need to understand all these matters. (An executive of an enterprise in the commerce sector, personal communication, September 23, 2014)

As afore-mentioned, many Thai enterprises in BRICS did not think that changes in regulations of emerging markets would be a problem. They thought it was unavoidable that transition countries had to adjust their regulations for internationalization. The enterprises thereby assigned the surveillance unit to prevent losses and to find solutions to the problems resulting from changes in regulations.

Similarly, enterprises in the banking sector had to coordinate with related government agencies to learn about laws or regulations that might be changed at any times.

4) Delay in the legal processes by government authorities

Investing in emerging markets like BRICS, Thai enterprises have been confronted with a complicated process for company registration-paperwork and duration of the process – causing Thai enterprises internationalizing their businesses to BRICS to spend more time and higher operating costs because of the delay.

It took us more than half a year to register our company in China. Unlike Thailand, over there it is time-consuming. The amount of registered capital in Thailand is 1 million Baht at a minimum to open a company. There, it's not the same. The amount of registered capital depends on the location. Suppose you will establish a company at Silom, you are required to pay a larger capital than at Prakanong. Something likes this. I'm not sure this rule applies all over the country but in Guangdong it is like this. The laws of individual provinces may differ and there is much paperwork. The steps to register a company in China are not simple. We wasted almost a year for documentation and legal matters for this process alone. (An executive of an enterprise in the commerce sector, personal communication, September 23, 2014)

Thai enterprises have encountered this trouble, so they need to allot more time to deal with documentation for work efficiency as this is an impact of uncontrollable external factors.

5) Laws on foreign exchange control and income repatriate

To run an international business, – whether it is export overseas or investment – requires foreign currency. For a country which has a problem of inadequate main currency, the government of that country may pass the law to strictly control currency exchange, which brings about some limitation to international business. Besides, in sending profits back to the investor's country, there might be a limit of the amount and currency to send back to the country (Sakda Siriphatrasophon, 2012, p. 90).

Thai enterprises in BRICS, particularly in the banking sector, have experienced legal restrictions, especially in the initial step of establishing a business in BRICS. In requesting a work license, there are some restrictions for some transactions and especially income repatriate. In this case, the company has to run a business for a certain time to be able to receive a license for proceeding transactions to the full extent. The banking sector needs to consider this significant issue seriously before running a business in BRICS.

We need to consider whether the regulations in the target country are in favor of our business or are very strict. Mostly, the government of the target country will mainly protect local banks, so in issuing a license for business transaction, it will limit the operation of foreign banks to a certain degree. Foreign investors must consider whether they can transact with local people or are allowed to transact with foreign enterprises located in that country only, or whether they can transact in local currency or only in dollars. Forbidding transaction with local people is a way the government use to protect local banks against foreign banks. Otherwise, foreign banks might take all customers from them. (An executive of an enterprise in the banking sector, personal communication, October 1, 2014)

Besides, food and beverage business has encountered the problem concerning regulations for sending money across the border.

Money transaction between countries is difficult because the regulations are quite tough to protect the currency of the host country, especially China. In India, the tax system is quite complicated. To transfer money from India back to Thailand is not easy. (An executive of an enterprise in the food & beverage sector, personal communication, October 10, 2014)

#### 6) Tax System of BRICS

In principle, most countries have a policy to support free trade and foreign investment. In practice, however, the governments of many countries

have intervened international trade by means of measures so as to obstruct free trade (Sakda Siriphatrasophon, 2012, p. 92).

Thai enterprises that import and export to BRICS have been affected by different forms of tax measures: the import tax system as well as the domestic tax system. The tax systems are diversified and overlapped in some areas. In addition, the tax system has often been changed, causing Thai company groups to adjust their market entry strategies by delegating local representative enterprises to operate on their behalf.

A case of a complicated tax system in BRICS is doing business in Brazil. Brazil's tax system is widely known as one of the most complicated in the world. Trade and investment tax in Brazil can be categorized into 4 types which are 1) federal tax 2) social contribution 3) state tax and 4) municipal tax. Because of the complexity of the tax system, the Brazilian government has made the business operating process in Brazil more convenient by reducing procedures and adjusting the patterns to be similar in every area (The SEA-LAC Center, 2012). Due to the tax problem, Thai enterprises in the construction materials group in Brazil have chosen to have strategic alliance with local Brazilian enterprises. Instead of establishing their own offices, they have strategic alliances as agents to run the business. They work together with their alliances and report the performance twice a year to evaluate the feedback and market opportunity. Thai enterprises in the construction materials group are also faced with similar problems in India. India has a high import tax, approximately 30-50%. Each state has a different tax system, which is overlapped in some areas. Frequent changes in the tax system make it impossible to fix the same price all over the country. The solution is to let entrepreneurs in India import goods. The customers of Thai enterprises serve as both importers and distributors in the area.

Thai enterprises have solved the tax problem in BRICS by using the network. In order to reduce costs and to have smooth operation in the area, the most important network consists of commercial organizations in BRICS, especially business alliances, and local customers.

#### 7) Non-Tariff Barriers (NTB)

The government's policy or regulations that are non-tariff barriers are, for instance, limiting the import volume (quotas), import license

requirements, fixing the proportion of parts in the country, government regulations, and procedures or requirements for importing goods. However, due to more pressure on free trade and economic integration at present, it is hard to build a trade barrier by import tax collection. Many countries have widely turned to use non-tariff barriers instead (Sakda Siriphatrasophon, 2012, p. 93).

Thai enterprises in the energy & utilities sector, cannot fully trade certain kinds of goods, as the government sector in BRICS have limited their right and set quotas to keep the business for their domestic enterprises only. Similar to enterprises in the energy & utilities sector, quotas are set so as not to import too many goods into the country, which may affect local industries.

The energy business group, particularly crude oil, is considered by the China government as a military factor. So the Chinese government restricts the rights and the quotas of energy for foreign enterprises to keep the business for Chinese enterprises only. This is a barrier that Thai enterprises cannot penetrate this energy sector in China. So they have turned to focus on the second significant energy products after crude oil, such as petrochemical products, oil products, etc. (An operational officer of an enterprise in the energy & utilities sector, personal communication, October 30, 2014)

#### 8) Intellectual Property Infringement

Intellectual property infringement is one big problem in internationalizing businesses to BRICS, especially foreign enterprises that enter the market with their own product brands. Thai enterprises hardly sell products with their own brands as mentioned in the interview of an executive of an enterprise in the construction materials sector that wants to launch their products in the BRICS market:

With regard to intellectual property (IP), products with a brand are required to be registered as intellectual property. At first, we imported our products to China. A Chinese businessman noticed the brand awareness of our products, so he registered our brand for his own. It turned out that our products to be sold in the market could no longer use our brand and we had to label our

products with another brand instead. Later, we consulted with the Department of Intellectual property in Thailand. Thai officers then talked with China, saying that we initiated this brand and invited the Chinese IP committee to visit our plants in Thailand to see that the original brand actually belonged to our company. The Chinese businessperson who registered our brand was just an ordinary import-export operator attempting to find room to gain high profits. Finally, we had to register our brand in China to invalidate the former incorrect one. The Chinese government also assisted us to do so. If we had not won the case we could not use this brand in the market. If we had insisted on using it, we would have had to pay a fee to the person who had already registered the brand. This was a lesson that we learned. Now we registered our brand globally, covering all countries in our plan. (An executive of an enterprise in the construction materials sector, personal communication, November 18, 2014)

When facing Intellectual property infringement, Thai enterprises solved the problem by using the government networks in BRICS and the Thai government agencies in Thailand and by abiding the international law to deal with such a problem. After this trouble, Thai enterprises began to recognize the importance of intellectual property registration and registered Thai product brands covering the areas all over the world to prevent this problem to reoccur.

In conclusion, the network that Thai enterprises have contacted to resolve problems and to prevent further complication in the case of legal matters are commercial organizations, business alliances, customers, legal consultation firms, and groups of people in BRICS, especially the Chamber of Commerce, industrial groups, vocational groups, including the government sector of BRICS and Thai government sector in BRICS. And if the problem is complicated, involving the violation of international laws, Thai enterprises also contact the government sector in Thailand for cooperation in resolving it.

### **5.2.3 BRICS' Socio-Cultural Context**

The cultural elements cover aesthetics, values and attitudes, manners, gestures and customs, social structure, religion, education, and physical and material environment (Sakda Siriphattrasophon, 2012, pp. 63-67).

The socio-cultural context of BRICS reflects their hidden potential as attractive markets in terms of the number of population that accounted for 43% of the world's population in 2014 (3,000 million person in total), or almost half of the population of the world. Yet there live people of different in races, religions, and languages that foreign investors in BRICS need to know in order to understand the differences and handle cultural difference smoothly.

#### **5.2.3.1 Social Characteristics of BRICS**

Table 5.4 shows the number of population, world population rank, the increasing rate of population, working age population, races, religions, and languages in BRICS. (Central Intelligence Agency, 2014)

**Table 5.4** Summary of the Socio-Cultural Context of BRICS in 2014

Country	Population (million)	World population rank	Increasing rate of population (%)	Work age population	Race	Religion	Language
China	1,367	1	0.44	993.315	Hans, the rest are minorities e.g., are Zhuang, Hui, Uyghur, Yi, Tibetan, Miao, Manchu, Mongol, Dai or Tai, Gaoshan	traditional folk religions, Buddhism, Christian, and Islam, unidentified religion	Mandarin Chinese, Sichuanese, Hunanese, Cantonese, and Hokkien
India	1,266	2	1.25	812.337	Indo-Aryan, Dravidian, Mongoloid, and others	Hinduism, Islam, Christian, Sikhism, Buddhism, and Jainism	Hindi, Bengali, English, Telugu, Tamil, Urdu, Gujarati, Kannada, Malayalam, Oriya, Panjabi, Assamese, Maithili, and others

**Table 5.4** (Continued)

<b>Country</b>	<b>Population (million)</b>	<b>World population rank</b>	<b>Increasing rate of population (%)</b>	<b>Work age population</b>	<b>Race</b>	<b>Religion</b>	<b>Language</b>
Brazil	107.3	5	0.8	139.205	White, Mulatto- mixed white and black, Black, and Asia and Indigenous	Roman Catholic, Protestant, Other Catholic branches, other Christian branches, Spiritism, no Religion, and unidentified Religion	Portuguese, Spanish, German, Italian, Japanese, English, and Amerindian
Russia	75.3	7	-0.03	100.256	Tatar, Ukrainian, Bashkir, Chuvash, and Armenian	Russian Orthodox, Islam, Unaffiliated Christian, other Orthodox, Other beliefs or unidentified Region	Russian, Dolgang, Tatar, German, Chechen, and others

**Table 5.4** (Continued)

<b>Country</b>	<b>Population (million)</b>	<b>World population rank</b>	<b>Increasing rate of population (%)</b>	<b>Work age population</b>	<b>Race</b>	<b>Religion</b>	<b>Language</b>
South Africa	54	24	-0.48	31.668	Black African, White, Colored, Indian/ Asian and others	Protestant, Roman Catholics, Islam, Other Protestant branches, Other Religions, unidentified, and no Religion	IsiZulu, IsiXhosa, Afrikaans, English, Sepedi, Setswana, Sesotho,Xitsonga, siSwati, Tshivenda, isiNdebele and others

Besides, the potential in terms of the member of population that accounted for almost half the world's population, the urbanization of population (projection of 2010-2014) (Central Intelligence Agency, 2014) reflects the increasing growth of middle-class people living in cities, which in turn, reflects to increasing purchasing power as shown in Table 5.5.

**Table 5.5** Urbanization of Population in BRICS

<b>Country</b>	<b>Urban Population (Percent)</b>	<b>Urban Change (Percent)</b>	<b>Major City</b>
China	50.6	2.85	Beijing (capital), Shanghai, and Guangzhou
India	31.3	2.47	New Delhi (capital), Mumbai, Kolkata, Chennai, Bangalore, Hyderabad
Brazil	84.6	1.15	Brasilia (capital), Sao Paulo, Rio de Janeiro, Belo Horizonte, Porto Alegre, and Recife
Russia	73.8	0.13	Moscow (capital), Saint Petersburg, Novosibirsk, Yekaterinburg, Nizhniy, Novgorod, and Samara
South Africa	62	1.21	Pretoria (capital), Johannesburg, Cape Town (legislative capital), Ekurhuleni (East Rand), Durban, Vereeniging, Bloemfontein (judicial capital)

Thai enterprises have internationalized their business to the BRICS cities (Annual Report, 2013a-2013h; The Stock Exchange of Thailand, 2013a- 2013h; Personal communication of the Executives of the Enterprise A-H).

1) Enterprise A has expanded its business in two countries as follows:

(1) Brazil: It is in the beginning stage of surveying and production because the Brazilian government has recently allowed it to make an exploration.

(2) China: Enterprise A has once operated its business in China in 1987 but the operation was suspended in 1989. Later, it reentered the country by opening a representative office in Guangzhou, which has been assigned to study the demand and supply, and credibility of customers. All transactions in China are made through its offices in Thailand.

2) Enterprise B has invested in BRICS in the form of representative offices which are responsible for contacting customers (travel agency) throughout the following four countries:

(1) Russia: A representative office in Moscow

(2) India: Representative offices in Karnataka, Tamil Nadu, Metropolis of Delhi, Andhra Pradesh, West Bengal, and Maharashtra

(3) China: Representative offices in Beijing, Chengdu, Guangzhou, Kunming, Shanghai, and Xiamen

(4) South Africa: A Representative office in Johannesburg

3) Enterprise C has expanded business in two countries as follows:

(1) China: 1 branch in Kunming Branch

(2) India: 1 branch in Mumbai Branch

4) Enterprise D has expanded business in three BRICS countries which are:

(1) Russia: Moscow and Kaluga

(2) India: Karnataka and Tamil Nadu

(3) China: six provinces and seven cities throughout China namely Beijing, Qinhuangdao, Hebei, Dongbeiyi, Jilin, Dongying, Shandong, Cixi, Zhejiang, Zhanjing, Guangdong, Ürümqi, and Xinjing

5) Enterprise E has expanded business in two countries namely

(1) China: Beijing

(2) India: Hyderabad

6) Enterprise F has expanded its business in one country:

(1) China: Presently, there are five overseas branches: Shanghai, Xiamen, Beijing, Shenzhen, Chongqing

7) Enterprise G This research focuses on the trading group that has internationalized the business in five countries:

(1) Brazil: being a strategic alliance with a local commercial enterprise in Rio de Janeiro

(2) Russia: (Presently, the business has already been suspended)

(3) India: Gurgaon

(4) China: Guangzhou, Kunming, Nanning and Foshan

(5) South Africa: Johannesburg

8) Enterprise H has expanded its business in one country:

(1) China The enterprise holds 100% of the shares of the company in China and its office is in Guangzhou

The majority of the offices of Thai enterprises are located in capital cities or trade and investment centers of the target countries. It is obvious that Thai offices are situated in all major cities of BRICS. Business expansion to those cities is beneficial to Thai sample enterprises in terms of labor supply and market that concentrates in major cities as mentioned earlier.

#### 5.2.3.2 Socio-Cultural Context Affecting Thai Enterprises Internationalizing their Businesses to BRICS

BRICS have considerable cultural diversity because it consists of countries in Asia, Europe, South America, and South Africa. Moreover, each country has distinctive characteristics because of difference in races, religions. Thai

enterprises are inevitably faced with social and culture shocks through business contact. In this respect, socio-cultural contexts affecting Thai enterprises in BRICS are so follows:

#### 1) Local Socio-Cultural Context of BRICS

To engage in business in BRICS, Thai enterprises must learn the socio-cultural context of all local networks involved as business alliances, customers, associated groups, as well as the government agencies in BRICS. If the enterprises can understand such socio-culture, they will be able to prevent any trouble arising from misunderstanding, to become proactive and ready to deal with any difference and to appropriately obey social principles, so that their business will run smooth. As China is the country where many Thai enterprises set up businesses, the picture of business contact with the Chinese is the clearest among BRICS.

China is a country with a large population and diversified races, languages, religions, and cultures. With immense land, it offers both opportunities and obstacles at the same time. The differences have caused difficulty to access target customers by using a single strategy to reach all people. For example, the Chinese in the northern region are quite straightforward, outspoken, and open while the Chinese in the southern region love to say things indirectly or beat around the bush. These different habits of people make it necessary to find different ways to reach target customers. For northern customers, who are straightforward, we can get to the point directly in negotiation but may have to be better prepared for straight, ferocious response at the same time. Southern customers are indirect, so the negotiation technique needs to be adjusted to meet their habits and to be ready to interpret the responses from them as well. (An executive of an enterprise in the energy & utilities sector, personal communication, October 30, 2014)

A traditional way in doing business in China is to get together after the office hours. Drinking usually comes after the meal, as the word “alcohol” in Chinese means “long-lasting.” Therefore, drinking is common in doing a business with Chinese people. (Thailand’s Board of Investment, 2013a; an executive of an

enterprise in the construction materials sector, personal communication, November 18, 2014)

Cultures in terms of the protocol, customs, values, and business etiquettes in China and India are generally similar to eastern cultures. There might be differences in details depending on races, religions and beliefs. The differences are generally about seniority, humbleness, care of others' feelings, and relationships which vary from area to area. If we do not understand their culture, we might behave in an improper manner. (An executive of an enterprise in the energy & utilities sector, personal communication, October 30, 2014)

Even though Thai enterprises have run businesses in China for a long time, it is necessary to learn local cultures and to be open minded and ready to adjust themselves to such cultures.

Culture is important. As I have just said, we know Chinese culture but China is relatively enormous in size. Northern, central, and southern regions – all differ in culture. When we go to China, we must be open-minded. What we know may not be true for all regions, or what we think may not be real. We must be open-minded when we visit the country. Of course, we get to learn, understand, and adjust ourselves to local culture, to get along well with Chinese employees. (An executive of an enterprise in the banking sector, personal communication, November 13, 2014)

## 2) Languages of BRICS

Language is an important obstacle to internationalize businesses in BRICS since the majority of people in Brazil, China, Russia use local languages to communicate, while people India and South Africa can better use English to communicate so the communication problem is less serious than in the former countries. Although the Thai sample enterprises have prepared their employees to communicate in local languages to avoid this problem, language is still a main problem in the socio-cultural context of BRICS.

Language is another obstacle that can be easily found by new foreign investors in China. People in China use simplified Chinese or Mandarin as the official language but they have their own dialects in each area. Even though the majority of population are now educated and can speak Mandarin Chinese, there are still language barriers such as different accents and vocabulary, making it difficult to understand each other. Besides, in some areas like Hong Kong and Macau, people still use traditional Chinese characters. Even though the pronunciation is the same, the characters are different. Some characters are totally different from the official simplified language. At present, English is not widely used in China. Only some new generation businessmen can communicate in English, but mostly people prefer using Mandarin Chinese in communication. Mandarin Chinese is recognized as one of the official languages of the world and the United Nations. Generally, Chinese people expect that visitors can use their dialects. Visitors are admired if they can speak a little of the local dialects. In petrochemical and energy business, general language problems are how to pronounce the names of products, chemicals or scientific processes. China always use specific terms, not transliteration. The Chinese will change foreign names into Chinese ones. They might imitate sounds (but not similar) or translate some words into Chinese words. For example, the Chinese call Belgium, “Bīlìshí.” Or Chinese business partners call Propylene (chemical name) “bǐngxī”. The pronunciation is not similar to the original word. In China lubricant oil is called “rùnhuájì”. The word is translated into Chinese. So, doing business in China, Mandarin Chinese is not enough to communicate. One must know business technical terms which can be acquired from workplace and from familiarity. (An executive of an enterprise in the energy & utilities sector, personal communication, October 30, 2014)

Moreover, banking enterprises are faced with difficulty in delivering documents to local organizations because documents written in local language is required.

Generally speaking, language is a problem in every country. Some countries like India officially use English ... In some countries, the local language is a second language. People use the local language along with the official language all the time. For example in China, people use English and Chinese together. Enterprises normally send reports in English but use Chinese to report to Chinese banks. They want reports in their language. Similarly, the Bank of Thailand and foreign banks in Thailand may use some tables in a standard English format. As for letters, I think that Thailand is more lenient than China. China is quite strict. Letters sending to them must be in Chinese. (An executive of an enterprise in the banking sector, personal communication, October 1, 2014)

Besides cultural difference, language is what the local staffs in BRICS need to understand, as it is important for contact and for international business negotiation. Body language and written language are also necessary for communication. They must use them with care. Literal translation tends to have some limitation, compared to other kinds of language.

### 3) Manners and Customs in BRICS

Manners are appropriate behaviors that are expressed through gestures, speaking and dresses. On the other hand, customs means lifestyles and livelihood in specific circumstances, which pass on from one generation to another generation. To learn and understand business manners and customs are fundamental in countries with diverse cultures for negotiation, marketing goods, and managing business units. Customs are what business organizations need to know in order to avoid making mistakes. (Sakda Siriphatrasophon, 2012, pp. 64-65)

Customs and protocols at both local and international levels are very significant in BRICS. For international business, executives and local operators must deeply comprehend customs because lack of understanding of customs and protocols may have bad effects on business operation.

Foreign business coordinators must know foreign cultures and Western protocols. Diplomatic protocols, talking with minister, dress code, seating, manners, usage of spoken and written languages-all need to learn because

most Thai businessmen don't seem to know them. We need to deal with diplomats from the Ministry of Foreign Affairs who normally follow their protocols. Even though we have a business mind, we sometimes lack knowledge on this matter. (An executive of an enterprise in the food & beverage sector, personal communication, October 24, 2014)

Some business sectors give priority to customs and protocols in doing business. Particularly enterprises in the banking group must follow international customs of how to treat people in each position or level. If the other party does not comply with such customs, it is not acceptable and may affect the negotiation.

The business protocol is also important. In Thailand when entering a meeting room, we can sit anywhere. The boss sits at the head of the table but the rest are free to take any seat. We do not have any fixed seats for everyone. But some countries do not allow this. Our boss must sit here and other bosses must sit face to face. There is hierarchy of where to sit, so you cannot sit at a wrong seat, and not even at the wrong side. China has this protocol, but not so strict because it has opened the country for a long time now. Meeting in person is a banking protocol. If we are scheduled to meet a bank officer, they will have the officer in the same level as us to talk with us. But if it is our boss, we must tell them which level of the boss and then they will arrange an officer of the same level to meet him. Something like that. There is normal protocol in banking business. (An executive of an enterprise in the banking sector, personal communication, October 1, 2014)

#### 4) Consumer Preference in BRICS

Consumer preference is related to local culture. To present products to customers in BRICS, a company needs to survey local culture as well as consumer preference for products by conducting market research in order to find out the preference of local consumers before market entry. As an executive of an enterprise in the food & beverage sector put it:

Culture is what I think is important because if we want to make an investment, we need to study the culture to see what people of that country like, or what they consume. People in China and India, for example, differ not only in foods, but also miscellaneous items. We need to make a survey to know what additional things they want. So we send a team to find out the consumer trend. (An executive of an enterprise in the food & beverage sector, personal communication, October 10, 2014)

#### 5) Life Safety and Asset Security in BRICS

BRICS are in the transition period of economic development, so economic inequality is still high, and there is a rather big gap between the rich and the poor. Life safety and asset security have become another social problem that Thai enterprises in BRICS have unavoidably experienced, including the problem of crimes in some areas as well as the sanitary problem, etc. Thai enterprises in the construction materials group that have internationalized their businesses to some parts of Brazil and South Africa, for instance, have been faced with a high risk of life safety and asset security.

Except for the language problem in some areas another problem in Brazil is life safety and asset security. Sometimes we have sent only one employee to work alone, and we are quite worried about his safety. We will warn him about his safety. After 6 pm he must go home immediately. In South Africa, the safety problem still exists. The rented apartment must be located in a safety zone. Our staff staying in Johannesburg is not quite safe but as it is a business city, we have to be there. We must look for safe accommodations for our employees to stay... As for the staff's health, the company will offer a health insurance package for our employees or expats stationed in foreign countries. They will have a regular health check. Even consulting a psychiatrist is quite essential because some employees might experience culture shocks when they first stay there. This is essential especially for one who has to stay alone. Who will he consult with? (An executive of an enterprise in the construction materials sector, personal communication, November 18, 2014)

BRICS are regarded as hardship countries with socio-cultural differences. There are problems in life safety and asset security. Thai enterprises give importance to management of the employees who work in the target countries, starting from recruitment, selection, training to prepare them in many ways, such as on local language in BRICS, and to build their work motivation.

#### 6) Physical and Material Environment of BRICS

Sakda Siriphattrasophon (2012, p. 67) points out that the physical and material environments in BRICS are manmade and are different, depending on technology advance and economic growth. These have much influence on the country's cultural development and change. In this regards, material culture is defined as all kinds of technology utilized to produce goods and services. It is an indicator for measurement of the advance of the material culture.

According to the interviews, the physical and material environment does not affect Thai enterprises' internationalization of their businesses in BRICS, unlike other socio-cultural contexts mentioned earlier. The information on the number of internet users shows the penetration to goods and service markets in BRICS. The number of internet users in BRICS is more than one-third or 37.8% of the number of internet users in the world (Internet Live Stats, 2014). This is a tendency that Thai enterprises should consider when planning to internationalize their businesses in BRICS. The details are as follows.

**Table 5.6** The Number of Internet Users in BRICS

<b>BRICS</b>	<b>Internet users</b>
Federative Republic of Brazil	The number of internet users in Brazil in 2014 grew by 7%, accounting for 3.69% of the world's internet users (the fifth rank) in the world
Russian Federation	The number of internet users in Russia in 2014 increased 10%, accounting for 2.89% of the world's internet users (The sixth rank in the world).
Republic of India	The number of Indian internet users in 2014 grew 14%, accounting for 8.33% of the world's internet users (The third rank in the world).

**Table 5.6** (Continued)

<b>BRICS</b>	<b>Internet users</b>
The People's Republic of China	The number of internet users in China in 2014 grew 4%, accounting for 21.97% of the world's internet users (The first rank in the world).
Republic of South Africa	The number of internet users in South Africa in 2014 grew by 46%, accounting for 0.85% of the world's internet users (The 24 <sup>th</sup> rank in the world).

The number of internet users in China and in India ranked the world's first and second largest internet users, respectively. However, when comparing the proportion of internet users and the population number, it is unexpectedly found that Russia has the largest number of internet users among BRICS, while China and India tend to have the lowest proportion of internet users among BRICS. They have got the 4<sup>th</sup> and 5<sup>th</sup> rank, respectively. Internet access is also a channel for e-commerce, or buying and selling of goods and service online in BRICS.

E-Commerce, or trade through an online channel, is the most common in China. According to Kasikorn Research Center (2014), despite China's overall slow economic growth, e-commerce or online merchandising has grown continuously during three quarters of 2004. China's online retailing channel has expanded to 49.9%, comparing to the same period last year (YoY) which was worth 1.8 trillion RMB. This is one channel to distribute goods and services of Thai enterprises into BRICS.

An executive of an enterprise in the banking sector has expressed his opinion that BRICS, especially China, are already developed in terms of technology, management, personnel and, especially internet banking or phone banking, which is perfect for accommodating transaction through smartphones or even for purchasing plane tickets.

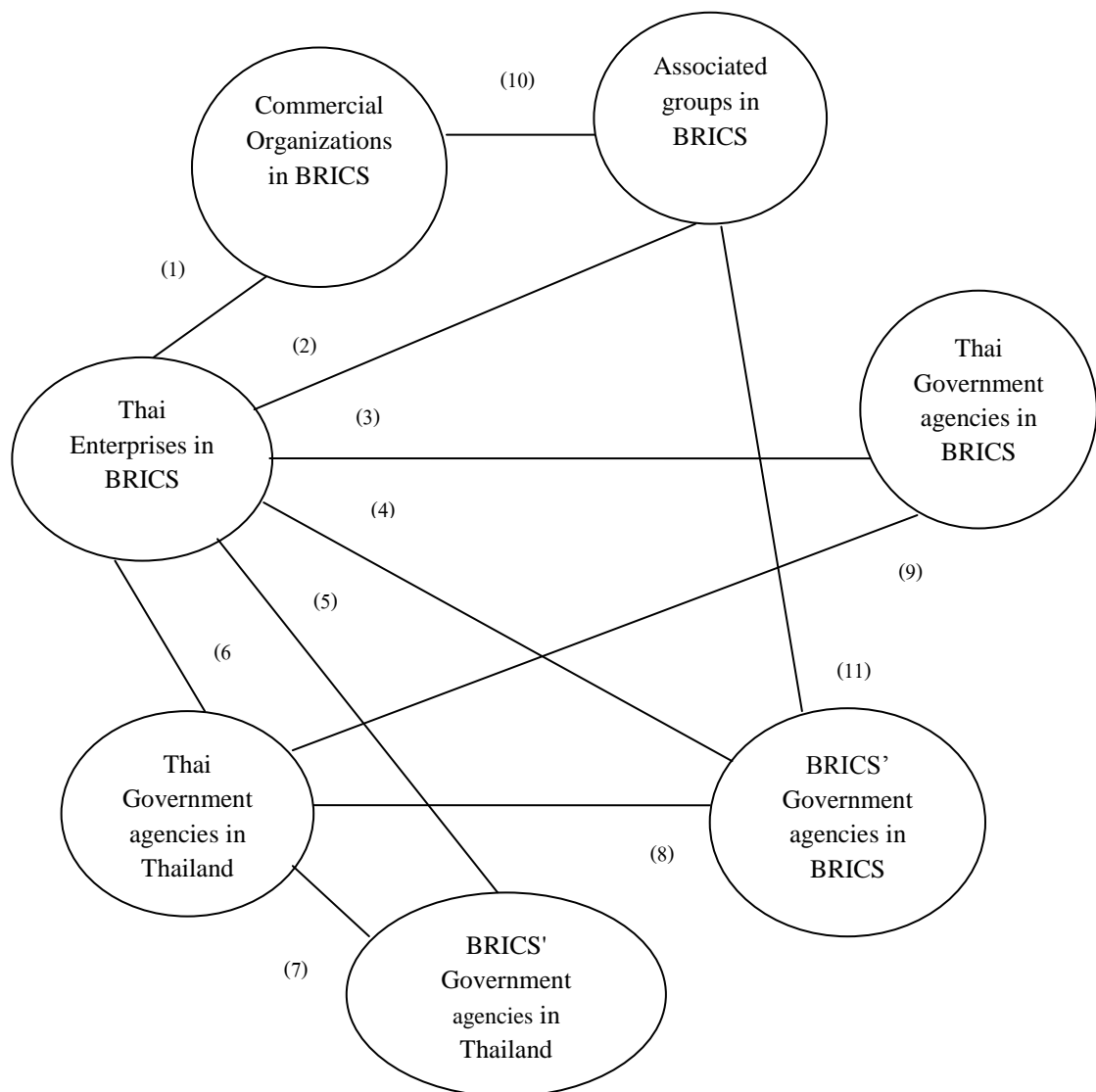
It can be concluded that the political contexts affecting Thai enterprises' internationalization of their business to BRICS most: 1) local

governments holding the real power in giving approval and overseeing businesses in their areas, 2) resistance from groups of local people, and 3) implementing the international relations policy. Next is the legal context 1) Thai enterprises do not know all the law related to internationalization their business to BRICS, 2) the regulations, laws, and law enforcement in BRICS, are complicated in practice, 3) there is often change of laws related to trade and investment in BRICS, 4) there is a delay in legal processes of the government agencies in BRICS, 5) laws on foreign exchange in BRICS, 6) the tax system of BRICS, 7) non-tariff barriers (NTB), and 8) intellectual property infringement. The socio-cultural context includes 1) local socio-cultural aspects of BRICS, 2) languages used in BRICS, 3) manners and customs in BRICS, 4) consumer preference in BRICS, 5) life safety and asset security in BRICS and 6) physical and material environment of BRICS.

### **5.3 The Inter-Organizational Networks Related to the Internationalization in BRICS**

Due to differences in political, legal, and socio-cultural contexts as mentioned earlier, Thai enterprises in BRICS must keep connection with the inter-organizational networks in order that the internationalization process will be completed successfully and the objectives achieved. However, if it does not succeed, Thai enterprises will have to depend on their networks to prevent and to tackle any problem on time. Thus, joining the inter-organizational networks by Thai enterprises is unavoidable if they are to internationalize their businesses to BRICS successfully. The enterprises typically use connections by means of resource dependence, institutionalization, the strategy approach, and the social network approach. For internationalization of business to BRICS there are 11 levels of inter-organizational networks: 1) the network between Thai enterprises and commercial organizations in BRICS, 2) the network between Thai enterprises and associated groups in BRICS, 3) the network between Thai enterprises and Thai government agencies in BRICS, 4) the network between Thai enterprises and BRICS' government agencies in BRICS, 5) the network between Thai enterprises and BRICS's government agencies in Thailand, 6) the network between Thai enterprises and Thai government agencies in Thailand, 7) the network

between Thai government agencies in Thailand and BRICS's government agencies in Thailand, 8) the network between Thai government agencies in Thailand and BRICS' government agencies in BRICS, 9) the network between Thai government agencies in Thailand and Thai government agencies in BRICS, 10) the network between associated groups in BRICS and commercial organizations in BRICS, 11) the network between associated groups in BRICS and BRICS's government agencies in BRICS as shown in Figure 5.1.



**Figure 5.1** Inter-Organizational Networks of Internationalization of Thai Enterprises in BRICS

### **5.3.1 The Network between Thai Enterprises and Commercial Organizations in BRICS**

The network at this level is established with a reciprocal objective. The most essential core is commercial connection for operating business in BRICS. There is often collaboration between network members e.g., strategic alliances, customers, and consulting companies, who gradually build trust and confidence in each other to achieve the objectives of business operation in BRICS.

5.3.1.1 Thai enterprises and their strategic alliances. All Thai enterprises give importance to the relations with business alliances since it is an essential factor for success or failure of their businesses. This connection is used to secure raw materials; therefore, a strong tie is important for the enterprises to access the owners of the resources. Furthermore, strategic alliances can also link Thai enterprises to local networks, which will be beneficial for product distribution in the market as well as for access to target customers. A strong tie can be built, as they directly make transactions and frequently contact each other. Generally, strategic alliances in BRICS range from government agencies to local private enterprises in BRICS. For example, enterprises in the logistics and transportation sector have strategic alliance with airlines in many countries to enhance seamless air travelling routes to respond to customers' need. Or Thai enterprises in the commerce sector cooperate with large gas and oil enterprises of the target country to distribute their products to 20,000 convenient stores nationwide. A Thai enterprise in the energy and utilities sector with an aim to be granted concession to explore resources has the national oil company in BRICS as its strategic alliance to get adequate resources to build stability of the energy supply. It is necessary to depend on strategic alliances that are in the countries that own resources. Also, the government to government network can also help in this matter.

Our partner which is a key factor allowing us to penetrate the market in China is the oil company group in China, which is a large company with a network of approximately 20,000 gas stations throughout China. There are convenient stores located at least 60% of gas stations in China, so we think they are important outlets. We have a connection with a high level executive of this oil

company who makes us confident that they are pleased to provide full support. This big network is likely to be a good channel for us. (An executive of an enterprise in the commerce sector, personal communication, September 23, 2014,)

Also, a Thai enterprise in the energy and utilities sector has joined hands with its strategic partner, the national oil company of the country, because it wants to make a bid for concession.

To have the capability to compete with domestic enterprises in the oil & gas business, we must first have partnership. An important partner is NOC (National Oil Company) of each country, such as PETRONAS, the National Oil Company of Malaysia. We should consider NOC as our strategic partner, not a competitor, because the characteristics of NOC are similar to state enterprises in that country. Therefore, we should look for partnership, especially NOC, so that the enterprise will run business in the Government to Government form. If we can get along well with NOC, we can do business together. Government to Government trade is one channel which will help our enterprise to be more competitive. (An executive of an enterprise in the energy & utilities sector, personal communication, October 30, 2014)

In the past, there was an enterprise in the energy and utilities sector that aimed to sell products in the local market and it had a state enterprise as a local strategic alliance. However, the business failed because of change of regulations after investment in that country. The local strategic alliance of that Thai enterprise lacked knowledge and skills at the initial period of opening the country. When the business operation had run for some time, the local alliance was stronger and there were changes in economic plans and regulations of the country. This resulted in the closedown of the operation. After the investors had sold their business, they could not send their money back to their country as previously described. Thus, in order to reduce risk that may arise in the future, Thai enterprises have adjusted their strategy, from joint venture to establishment of representative office, which is more flexible and requires a lower amount investment.

Strategic alliances also enable Thai enterprises to exchange knowledge (learning transfer) of consumer behavior and work procedures, to build a network and a good relationship with local organizations and local people during business expansion to BRICS.

My enterprise has penetrated the market through a trade-based method. What is important is choosing partners as they are a key success factor in expanding business in BRICS. Networks not only enable my enterprise to learn about knowhow, customer behavior, but also build local networks & connections. However, responsibilities, commitments, and incentives must be clear from the beginning. Besides, the local partners must also be trustworthy. (An executive of an enterprise in the construction materials sector, personal communication, November 18, 2014)

Furthermore, the interviewees in the food & beverage sector also stressed the importance of networks & connections, saying that “nowadays, partnership is necessary for doing business. If you don’t have any partner, you walk in like a blind person.” This is also the case with the food & beverage sector. Networks are essential to internationalize the business to BRICS. Partners take an important role in formulating the company’s strategy, ensuring that operation will run smoothly and in connecting with other relevant networks to strengthen the enterprise.

Our enterprise has expanded the business in BRICS. All the three countries we have penetrated are large and are very different in cultures. Our strategic partners come from the private sector and the public sector, both the central and local governments. They have made great contributions to the smooth operation of the enterprise. Such connections have helped set the direction in the implementation. We have both the global network and the global supplier, such as a world-class pharmaceutical company. Related information has been taken from the agricultural organization network, which is a reliable source. Such information can be validate and used for a cross check before we invest in the target country. This strategic partner enables our company to get global

resources in order to smoothly support the operation. (An executive of an enterprise in the food & beverage sector, personal communication, October 24, 2014)

The network of Thai and foreign enterprises in the same business can be a linkage that brings about advantages to the enterprises themselves and to their customers, who will have more convenience in using service. For example, the enterprises in the transportation and logistics sector have cooperated with strategic alliance airlines in many countries to connect seamless air travelling routes to respond to the customers' need.

For airlines industry, seamless travel service is an advantage and enhances competitive advantage. Joining hands with alliance airlines is thus very important because the alliance network will reduce the problem of passengers' long waiting time to connect flights. (An executive of an enterprise in the transportation & logistics sector, personal communication, September 18, 2014)

5.3.1.2 Thai enterprises and customers. Thai enterprises' purpose of internationalize their businesses to BRICS is to expand the market to target countries. Customers are a major factor for business. They are a crucial part for success or failure of the business. Therefore, overseas representatives of Thai enterprises are ones with whom they must create a close relationship, making them have satisfaction with the products and services. Thai enterprises utilize the inter-organizational network as a strategy and a social network. The strategies Thai enterprises have used in BRICS are: 1) Niche target strategy. The target customers are product buyers or service users, so the sample enterprises have to keep in touch with them to exchange products and services. For example, the banking group has internationalized the business to BRICS mainly through their existing customers that have invested in BRICS 2) Strategy of choosing prominent or best quality and value added products and services that are suitable for customer behaviors in the target country. Moreover, these products and services have not yet been widespread in BRICS markets. The

Thai enterprises in the commerce sector have used this strategy. 3) Network building strategy to create competitiveness through networks so that their products and services can be distributed in the destination countries and through exchange of knowledge among organizations. All the enterprises in the sample have utilized the network building strategy.

For stable and sustainable business expansion, our bank has focused on target customers, trying to provide services that support their financial need and to build a customer base with focus on providing best service to the target customers so that they can continuously expand their businesses in China. At the same time, the bank has used the existing networks in China to expand its customer base. So far the Chinese government has implemented a policy to encourage Chinese businessmen to invest in foreign countries. This is a good opportunity to expand our businesses along with the Chinese business group. (An executive of an enterprise in the banking sector, personal communication, November 13, 2014)

5.3.1.3 Thai enterprises and consulting companies: BRICS have all too often amended their laws and regulations and the tax collection systems differ from area to area. Differences are also found between the central government and the local government. It is therefore necessary for Thai enterprises to hire an experienced consulting company in BRICS to give advice about legal matters, accounting, etc. in order to prevent any trouble that might happen during the operation in BRICS.

Rules and regulations in China are somewhat different from the international system. The enforcement is also different. As far as I know, the regulations in China are divided into 2 levels: the national level mandated by the central government and the provincial level mandated by the local government. Therefore, it is crucial for foreign businessmen in China to have an accurate knowledge about them by consulting a local expertise company or a partner, not solely relying on the documents. (An executive of an enterprise in the energy & utilities sector, personal communication, October 30, 2014)

In banking business, although there is a unit of the company that follows such law amendment and regulation change, it is important to have a consulting company to give advice on legal matters and accounting to prevent mistakes that may occur from the operation there.

We normally assign a team to follow changes in laws and regulations. It is a big matter, so we also hire a consultant from outside. We think this is important. Some Thai businessmen tried to handle the matter themselves. They had better pay for a consulting company; otherwise, other issues might come up. There will be more trouble if they cannot go back home because the country is so strict with regulations. (An executive of an enterprise in the banking sector, personal communication, November 13, 2014)

### **5.3.2 The Network of Thai Enterprises and Associated Groups in BRICS**

The network at this level must be formed during the business operation in BRICS. Associated groups are the second most significant network after commercial organizations in BRICS. Associated groups in BRICS are composed of the Board of Trade and Industries, vocational group, individuals or influential persons in local areas, and local villagers. The Board of Trade and Industries and vocational groups are essential for Thai enterprises in providing information and in making suggestions to related government agencies in BRICS. One important type of associated groups is the vocational associations of foreigners in BRICS. In the banking group, the International Banker Association in each country will inform its members of the change in regulations related to the operation of the company in BRICS. It can also make suggestions to the regulator on behalf of the association/ group.

The networks and connections that affect the expansion of the banking industry are the International Banker Association in China and the Chamber of Commerce or the Federal of industries there. Such networks are significant as a channel to communicate with some relevant government agencies and also as a way to get quickly and clearly feedback or to update information about related regulations for operating business in China. (An executive of an enterprise in the banking sector, personal communication, November 13, 2014)

There are chances that foreign enterprises will go into conflict with people in local areas. The networks and connections of influential people can not only help or enhance operational efficiency in BRICS but they also help to protect the enterprises from problems caused by influential persons, to connect with other players in the local areas, such as government officers, community leaders, and to build a good attitude and understanding, leading to smoothness in operating business. The social network at this level can drive the inter-organizational network to achieve the corporate objectives.

They are owners of the area. We must respect influential persons who have special capability. I went to see one influential person. In this area I could not do anything because he totally blocked me out. I told him that I would help develop industry in his country. I introduced myself to him and informed him of our intention to enter his country. The industry had a very big market and with WTO coming, we all would be in trouble, so everyone should join hands. The problem I used to have with villagers were just pip poop. I promoted them to cultivate weeds and we bought weeds from them. There should be “give and take.” Then we become friends. I said, “You do your job and I do mine. But in this territory, please take good care of my subordinates working in your territory.” This person has a good connection with the governor, who is very powerful person. One day he introduced us to the governor and we got to know villagers there. “Let’s arrange a get together this evening or tomorrow. Tomorrow I will send my employees to join the villagers here.” We went on picnic together. We treated them with a simple meal. We got to know each other so the conflict ended. So we must adapt ourselves to their culture. The most important thing is adapting ourselves to their culture. Our behavior must suit people not only at the government level but also at the rural level-this is essential. (An executive of an enterprise in the food & beverage sector, personal communication, October 24, 2014)

Personal relationship must be built with good and raw material suppliers, customers, and business partners. This personal relationship was rooted a long time

ago in the time of pioneer managers and has been inherited to the present generation. Besides, a new personal relationship has been built, which is crucial for building trust and credibility of customers in BRICS.

In case of China, the network was built by one of our consultants. As I said, our enterprise is lucky, because we have many friends, not only in Thailand but also in foreign countries. So whatever we do, we usually consult our friends for their suggestion on what we should do, whom we should contact or talk with. It is an unofficial connection. It is a personal relationship. Do we have an organizational relationship? Yes, we do. But in China, business success depends more on personal connection than organization connection. (An executive of an enterprise in the commerce sector, personal communication, September 23, 2014)

Internationalizing businesses to some BRICS countries, personal relationship with associated group networks is very important for approaching commercial organization and BRICS government agencies. Sometime Thai enterprises cannot contact strategic alliances without introduction of associated groups with whom they have a personal relationship. This reflects local culture that business operation mostly relies on personal rather than business relations only. Particularly personal relationship in China, or the Guanxi system, is recognized as a key relationship system that can contribute to smooth operation of foreign businesses as mentioned in the following interview:

The network or the relationship system (Guanxi) is a sponsorship system that was rooted a long time ago in China. Life in China is simple with an extensive profound relationship network. We can do many things more easily than expected from personal to business matters. A good relationship is therefore one essential factor for commerce in China. For an instance, if the price and the quality of a product are more or less the same, partners will choose to buy the product from the enterprise with which they have a good relationship or which they know to some extent. Moreover, to contact a government agency,

if you know some officers or have a middleman to coordinate for you, you will get speedy service and a shortened process, and thus will save time and cost. Even for customs clearance, if an agent that has a good relationship with an airport authority or the Customs Office, the work process will be easier and more convenient. (An executive of an enterprise in the energy & utilities sector, personal communication, October 30, 2014)

The networks and connections with the government agencies for running businesses in BRICS are important for Thai enterprises to obtain useful news/information to act proactively and reactively.

The networks & connections are important in doing business in China, not because we will do things against the regulations but because the company will have a communication channel to access main relevant government organizations to give feedback or to get to know updated regulations. (An executive of an enterprise in the banking sector, personal communication, November 13, 2014)

Moreover, Thai enterprises in the commerce sector consider that the network of associated groups is one way to build competitive advantage for internationalizing their business to BRICS, too.

Competitiveness must be built in 3 aspects. The first aspect is 1) the products must be good and meet the demand from consumers. The products must be well selected to meet customers' demand. 2) The second aspect is that the company has channels for product distribution. 3) An alliance network must be built. The network is important as the Chinese give important to connections and personal relationship. So I think these three aspects are three essential things that can boost our competitive advantage, leading us to success in the Chinese market. (An executive of an enterprise in the commerce sector, personal communication, September 23, 2014)

### **5.3.3 The Network of Thai Enterprises and Thai Government Agencies in BRICS**

The major Thai government agencies in BRICS are the Royal Thai Embassy in BRICS, the workplace of officers from several ministries, such as the Ministry of Foreign Affairs, the Ministry of Commerce, the Ministry of Industry, etc. This level of connection or network will begin when Thai enterprises conduct a field study and collected the data through the government network. Moreover, when meeting with Thai government officers, Thai enterprises will be given in-depth information from actual sites in terms of opportunities, obstacles, and other necessary information. This is an opportunity for Thai enterprises to introduce themselves, show respect to them, and to notify that they have an intention to expand their businesses in that country. At the meeting, Thai enterprises can primarily assess whether Thai government agencies in that country are ready to help them and to what extent. Mostly, the connection between Thai enterprises and Thai government agencies in BRICS is a loose tie. They rarely contact each other but there are some opportunities that Thai government agencies in local areas will support or assist them when they have encountered problems in BRICS. For example, the commerce group can have the government agencies in BRICS introduce them to Chinese government agencies and local enterprises, leading to a more credible image of the enterprises in the international business arena.

We have mainly worked with the Royal Thai Consulate-General in Guangzhou and the Thai Ambassador in Beijing. The ambassador and the consul have given us a very good support, enabling our enterprise to penetrate into the Chinese market. For example, our enterprise in Thailand may be widely known but in China, no one knows our enterprise – Who are we? Are we trustworthy? However, the ambassador and the consul do not officially recommend us (endorse) but they can introduce us. As an Ambassador, or a consul, whatever he says is creditable. If we have to meet big enterprises, it will be easier for us. Particularly the ambassador in China, who is very supportive, sometimes accompanied us and told us not to say anything. He would speak for us. When we signed a contract with a significant strategic

alliance, a very big company, the Ambassador accompanied us and gave a speech in the big conference room. Our image was more reliable. The image is a very crucial matter. (An executive of an enterprise in the commerce sector, personal communication, September 23, 2014)

Likewise, the enterprises in the banking sector have contacted Thai government agencies in BRICS in order to get the data for decision-making on investment in BRICS.

We must talk with the Embassy. This is the way we work – talk with the embassy, talk with the Thai Consul, the Commercial Commissioner. Talk with both sides – Chinese and Thai government agencies. The Commercial Commissioner and the ambassador can give better information about how many Thai enterprises have already entered each country. (An executive of an enterprise in the banking sector, personal communication, October 1, 2014)

Our company has expanded its business to foreign countries for a long time, so the company is kind of being able to expand its business by itself. But formerly the Thai government also played a supportive role. On many occasions Thai government agencies met the Chinese government agencies. The Thai agencies concerned usually inquire us about our business plan, including the problems and obstacles in doing business in China. I think doing business in other countries you might be faced with similar problems. We exchange information with the ambassador, the consul, and the Ministry of Commerce. (An executive of an enterprise in the banking sector, personal communication, November 13, 2014)

However, not every enterprise will be supported by Thai government agencies in BRICS. Such support depends on the characteristics of individual officers, too. Thai enterprises have to, therefore, mainly rely on themselves to internationalize their businesses to BRICS.

There is a Thai ambassador in that country, the one who takes care of us and also the one we should respect. We must let him know what we are going to do. From my experience, Thai ambassadors in some countries are very good, but those in other are not as good as they should have been. Some are very terrible and we have to forget it. We need to help ourselves as much as possible because we should not mainly depend on them. I don't want to mention the country, or the name. At least, we must know the background of the ambassador. Before travelling there, I study his background – his family, and how he became an ambassador and what we could ask from him. If he is not okay, how about the commercial commissioner? When we study his character, we will get the answer. The best way is to talk with him. To me, I have expected most from the commercial commissioner because it is his direct responsibility. The commercial commissioner has to serve the ambassador. (An executive of an enterprise in the food & beverage sector, personal communication, October 24, 2014)

#### **5.3.4 The Network of Thai Enterprises and BRICS' Government Agencies in BRICS**

When Thai enterprises collected the data in BRICS, they contacted BRICS's governmental agencies, the investment promotion organization in the target countries, the Thai embassy, and the Consulate-General to see whether foreign investors were welcome or not because the government's policy might welcome for foreign investment but from the field study it was found that there were cases in which responsible agencies did not follow the government policy. For this reason, Thai enterprises should assess the situation rather than rely solely on the documents.

We had to fly there to talk with the national bank of that country to find out the possibility of investment in that country. We had to talk with the embassy, the Thai consul, the commercial commissioner in both the destination country and the government agencies in Thailand. We introduced ourselves that we were from Thailand. We were interested in the possibility of doing business there, what bank in that country should we contact. We knew some

information by reading the reports, but we sometimes needed to fine-tune the information too. As written in a report, a license could be applied but in reality they no longer issued it. Or they just wrote down in the report, but in fact they did not want us to apply for it. We needed to gage their feeling. If we submitted an application form, they might not consider it. (An executive of an enterprise in the banking sector, personal communication, October 1, 2014)

As an executive of an enterprise in the banking sector (2014) said, “This is another challenge. We must stay close to the government agencies concerned and must communicate quite a lot.” We must keep in touch with them and learn from them. We have to be alert all the time.” Change in regulations and different ways of law enforcement in each area make it necessary for Thai enterprises to communicate or to keep in touch with BRICS’s government agencies more often to be well prepared to deal with problems that may occur.

Before operating business in BRICS, Thai enterprises must cooperate with government agencies in the area for company registration, request for permission for transactions in the country, and solving of any problem encountered in BRICS too. As Thai enterprises have had many pressures when doing business in BRICS. They had to comply with laws, regulations, and traditions of each country or each local area. Institutionalization or compliance with the regulations is partly a reason for joining of the inter-organizational network in order for the company to survive and to be accepted in terms of reputation and image in the BRICS environment. This network is loosely tied. But if there is any problem, the members will contact each other more often to build a tighter network, depending on the circumstance.

Moreover, the network with government agencies also helps to tackle problems affecting Thai sample enterprises investing in BRICS. The case of an enterprise in the construction material sector is an example.

Eventually, we needed to register our brand once again to invalidate the former incorrect one. The Chinese government also came in to facilitate this. If we had lost, we could not use this brand in the market. (An executive of an

enterprise in the construction materials sector, personal communication, November 18, 2014)

Meanwhile, some enterprises have coordinated with BRICS government agencies in BRICS not so often, and their business contact is about normal things, they have got no promotion or any support a special case. The case of an enterprise in energy & utilities sector is an example.

As for assistance or support from the Chinese government agencies, our Guangzhou office hardly contacts related government agencies. Mostly we will contact them in a normal process, such as commercial registration or customs. (An executive of an enterprise in the energy & utilities sector, personal communication, October 30, 2014)

### **5.3.5 The Network of Thai Enterprises and BRICS' Government Agencies in Thailand**

Besides obtaining the primary data from Thai government agencies in Thailand, Thai enterprises also talk with BRICS' government agencies in Thailand prior to internationalize their businesses to BRICS, such as embassies, consulate-general of BRICS, which are one channel to receive important data such as the investment privilege and so on, including recommendations for internationalizing businesses to BRICS. This is also a way to link with related government and private networks.

One more important thing is the government policy of that country. Our government supports their enterprises to internationalize their business. Regarding the government policy, of course, the government must say welcome to create a positive feeling. Do not forget that we must coordinate with the embassy of the host country in Thailand. This is the first step. We start with talking to the embassy, telling them that we want to invest there, describing our investment and asking them to contact the central government, and the relevant ministry. Sometimes we contact the Ministry of Livestock or

the Ministry of Agriculture and Cooperatives, depending on what we want to invest in. This is important. The diplomats of that country will take good care of this. (An executive of an enterprise in the food & beverage sector, personal communication, October 24, 2014)

This network enables Thai enterprises to receive news and information in different angles, not just information from Thai government agencies or from research units. In most cases, this network is a loose tie since the members seldom contact each other.

### **5.3.6 The Network of Thai Enterprises and Thai Government Agencies in Thailand**

The Thai government agencies in Thailand are the Ministry of Industry, the Ministry of Commerce, and the Ministry of Foreign Affairs. Thailand's Board of Investment that supports and promotes Thai business expansion to foreign countries. This level of connection starts when a Thai enterprise collects the secondary data to get ready before internationalizing business to BRICS. The Thai enterprise will contact Thai state agencies in Thailand mentioned earlier which possess the database of basic information and in-depth data of BRICS. Apart from getting the data, it takes this opportunity to work with the agencies in many ways, such as attending meetings of government working team to express opinions, joining business trips to foreign countries for business matching, taking part in exhibitions and fairs, etc. It coordinates with such organizations to obtain information and work with Thai government agencies in Thailand to get promotion and support from them in expanding the business in BRICS as well.

For example, in a trip to meet the leaders of Thailand and of China, a study team would talk with them to find out any obstacle or any business opportunity that the state agencies could support. (An executive of an enterprise in the banking sector, personal communication, October 1, 2014)

Some enterprises haven't received any direct support or promotion since they are able to expand their businesses by themselves from the start. Other sample enterprises have been supported by Thai government directly and indirectly. Government to government collaboration is institutionalized under the laws and regulations of the state. This network is a loose tie. But if collaboration is required, there will be frequent contacts to strengthen the relationship, depending on the circumstance.

This level of network begins in the data collection period. The secondary data are to be gathered to internationalize the business to BRICS. Thai sample enterprises that have internationalized their businesses to BRICS usually coordinate with Thai government agencies in Thailand, especially the Ministry of Industry, the Ministry of Commerce, and the Ministry of Foreign Affairs, and Thailand's Board of Investment. They are sources of basic and in-depth information in BRICS. Apart from receiving information, Thai sample enterprises also work with government agencies in many other ways, such as attending the meetings of the government working team to express their opinions, joining business trips to foreign countries for business matching, taking part in exhibitions or fairs, etc. They request information from related Thai government agencies in Thailand to get useful data and to be promoted and supported by them in expanding their businesses in BRICS.

Trading companies will be promoted and supported by the Ministry of Foreign Affairs, which will arrange trips, exhibitions, or fairs. We will be subsidized to a certain extent: For example, when we join a trip, accommodation costs will be subsidized. Every time a trip of ministers or the business delegation is organized, the government agencies concerned will invite us to join it. And when an exhibition or a fair is arranged in a foreign country, sometimes they've reserved a big booth, and we'll be invited to share the booth. The government will subsidize the booth rental cost. Moreover, business matching is sometimes organized by the Ministry of Foreign Affairs, the Ministry of Commerce, and the Board of Investment (BOI). (An executive of an enterprise in the construction materials sector, personal communication, November 18, 2014,)

E enterprise in the commerce sector co-work with many government agencies in order to promote small and medium enterprises domestically, which will be beneficial for the enterprises themselves as a way to receive standard quality goods and also promote communities and small enterprises.

We ourselves also collaborate with many government agencies that promote small and medium enterprises (SMEs) like the Office of SMEs Promotion (OSMEP), Kasikorn Bank, Bank of Ayutthaya, the Department of Industrial Promotion under the Ministry of Industry, etc. Each of these organizations has its own customers so we request business matching in order to select goods that we want to export to other countries. (An executive of an enterprise in the commerce sector, personal communication, September 23, 2014)

The enterprises in the banking sector that internationalize their businesses to BRICS by themselves for a long time have received support from Thai government in the form of updated information for negotiating with partner countries. Such support from the government benefits all Thai enterprises in BRICS.

Our company has expanded its businesses to foreign countries for a long time so the company is able to expand business by itself. But formerly the government also played a supportive role. On many occasions Thai government agencies met the Chinese government. Thai enterprises to invest in China are usually inquired what about business plan we have or whether there is any limitation or obstacle in doing business in China. I think other countries might do the same. There is exchange of information with the ambassador, the consul, and the Ministry of Commerce. For example, in a trip to meet leaders of Thai government and China, an information team talked with the enterprises about their obstacles or any business opportunity that the government could support. (An executive of an enterprise in the banking sector, personal communication, November 13, 2014)

An executive of an enterprise in the energy & utilities sector under the supervision of the Ministry of Energy also pointed out that a close relationship was necessary when Thai representatives visited BRICS to discuss issues related to the business operation in the future.

Mostly, communication will be in the government to government form when the prime minister or ministers visit the target countries. The Ministry of Energy that has taken care of us will ask us if we have any issue for discussion. We will briefly present ourselves – It's a brief introduction. If the target country is interested in us, they may say OK; let's meet to talk about the business. This is a channel that we can access them but we cannot get all we have expected. This is a rather diplomatic, politic negotiation. Our company has a trade unit to process transactions with a lot of companies. We use this kind of network. It is a channel to talk with them. We can introduce ourselves, saying that we have met before. Something like this. Let's make friends. Don't forget us if you need anything. But in fact, no one says something like this. (An executive of an enterprise in the energy & utilities sector, personal communication, October 30, 2014)

Furthermore, the Thai government plays an important part in fixing some problems during the business operation in BRICS as was the case of an enterprise in the construction materials sector that encountered a problem of violating the intellectual property right:

The Thai government was really helpful. We consulted with the Department of Intellectual property in Thailand. The officer then negotiated with China, confirming that we initiated this brand and invited the Chinese committee to visit our plants in Thailand to see that the original brand was actually the brand of our company. The person registering the brand before us was an ordinary import-export businessman attempting to find room to take advantage of others. Eventually, we managed to register our brand once again

to invalidate the former incorrect one (An executive of an enterprise in the construction materials sector, personal communication, November 18, 2014,)

Similarly, the Thai government agencies also point out the importance of the inter-organizational relationship in BRICS where most enterprises that are able to internationalize their businesses by themselves are large enterprises. They do not need to depend on the government due to their readiness in everything such as capital, personnel, etc. However, the large Thai enterprises internationalizing their business in BRICS, which are emerging markets, are still dependent on the government for access to international projects and for advice.

Large enterprises in general are equipped with competence, knowledge, personnel to send overseas. Therefore, large enterprises have plenty of information, perhaps better than the government because they have studied the industrial field more deeply. They can send experts to conduct a study directly because they have a big capital. They have no problem with the initial investing cost. They also realize how they can get benefit from the government. They think the way to acquire overseas projects or to access those deals is to rely on the government agencies for the latter's recommendation and coordination. In other words, large enterprises want the government to protect and supervise them. Diplomatic relationship of the countries is important and the company management will play a role at the department level. (A government official of Thai government agency, personal communication, November 6, 2014,)

Not all Thai enterprises will be promoted or supported by the Thai government agencies in Thailand. Some enterprises state that they have no concrete support from Thai government as evidenced in the interview of an executive of an enterprise in the food & beverage sector which was a pioneer and penetrate the market by itself from the beginning.

When asked whether the Thai government agencies had promoted or supported the company to do business in China, Russia, India, and South Africa or not, I could give a clear answer that there was no concrete support at all. (Executive of an enterprise in the food & beverage sector, personal communication, November 14, 2014)

### **5.3.7 The Network of Thai Government Agencies in Thailand and these of BRICS in Thailand**

This level of inter-organizational network happens continuously between Thai government agencies e.g. the Ministry of Industry, the Ministry of Commerce, the Ministry of Foreign Affairs, and Thailand's Board of Investment and other government agencies, and embassies, Consulate-General of BRICS in Thailand. This network which is loosely tied may be strengthened when an issue requires more frequent communication, depending on the situation. There will be meetings, discussion, and exchange of ideas to develop trade and investment, or seminars to educate all interested people, etc.

Firstly, we surely have built a good relationship with the investment promotion organization. We have been in contact. When they visit us, we welcome the group and we also pay a visit to them....We have a good relationship with every country. Let's say we have a quite good relationship with all countries except China because China is so big, with many provinces. But we still keep contact with CCPIG ...We have received support in terms of information and services. There is no problem in collaborating with government agencies. We are ready. We can do it. We try to do activities. We try to find an opportunity. We are going to increase activities-a wide range of activities. Besides information, they lead us to trade and investment. We provide training for them and propose other things-projects that we initiated. (A government official of Thai government agency, personal communication, November 6, 2014,)

### **5.3.8 The Network of Thai Government Agencies in Thailand and those of BRICS in BRICS**

This level of inter-organizational network occurs when we work together to prepare to operate business internationally. This network is loose, but if there is an activity to do together, we often contact each other. This helps strengthen the network. An example of the tightening of the network was when Thai delegation travelled to BRICS to look for trade and investment opportunities between the countries or to sign a MOU between the governments, etc. The government agencies of both sides collaborate with each other. They exchange documents, itineraries, meetings, and prepare topics to discuss for the benefit of Thailand and BRICS. This collaboration will enable government officers to build a network between countries, which will bring about macro benefit to the country in the future.

Regarding the relations between the Board of Investment (BOI) of Thailand and government agencies in BRICS, China and India are okay, as they have closely worked with us. Many Thai enterprises have invested in China. The Ministry of Industry takes care of our business in India. There are seldom problems between the government agencies. We have a good relationship with India since they never say no. Furthermore, trips are continually arranged 4-5 times a year to take Thai businessmen overseas. We also have a very good relationship with South Africa. We organize an event with the investment promotion organization. However, we rarely deal with Russia, because we don't know who will be our partner. (A government official of Thai government agency, personal communication, November 28, 2014,)

### **5.3.9 The Network of Thai Government Agencies in Thailand and Thai Government Agencies in BRICS**

Thai government agencies in Thailand and Thai government agencies in BRICS are the networks that contact each other intensively, especially the government agencies under the same ministry. In developing trade and investment cooperation in BRICS, Thai government agencies also work with other related ministries. Each organization has collected information about opportunities and

obstacles in local areas and presented to the public through various media, such as the organization's website or its publications etc.

We have offices in BRICS except Russia, Brazil, and South Africa. In China and India, we set up offices which serve as our linkage. At The ministerial level we have our offices set up in such ministries as the Ministry of Foreign Affairs or the Ministry of Commerce. These organizations have given us assistance. We don't have any problem about building connections. (A government official of Thai government agency, personal communication, November 6, 2014,)

Moreover, this study has found that the inter-organizational networks of all 7 organizations are overlapped with the following two networks:

#### **5.3.10 The Network of Associated Groups in BRICS and Commercial Organizations in BRICS**

As stated earlier, internationalization of businesses to some countries in BRICS, the networks of associated groups plays an important role to access the commercial organizational network. A close relationship with associated groups, especially ones with personal or informal relationship with senior executives in BRICS, can help the group to meet actors outside the group, which can help access resources or others, i.e., customers who purchase goods or services and strategic alliances. Such connection is based on resource dependence. This social network brings about the most benefit to all related networks. It is a strong tie network, which enables Thai enterprises to be successful in BRICS.

Personal relationship has affected business expansion to other countries. For example, the vice president on investment of the enterprise is quite well-known, particularly in foods industry or retail food industry. We can use his connection to save time because it takes time to walk in on our own to find partnership. He builds up his network and when he talks with his friends, they will give him some suggestions. (An executive of an enterprise in the food & beverage sector, personal communication, October 10, 2014,)

Similarly, enterprises in the banking sector that seek customers in BRICS, whose managers or staff members who have a good relationship with local people can attract customers to use services than ones without relations with local people at all.

In practice networks and personal relationship can be useful to a certain extent. If a branch manager is well known and knows lots of people, he can at least attract many customers. But it doesn't mean that these customers from the connection will all become our customers. First, the limited capability of our service might not match their demand, and secondly, our risk might not be acceptable. At least, we can get a lot more raw materials. The manager or staff members who do not know anyone may be technically very competent, but he will get very tired. But if he knew a lot of people and often attends social events, he will have a good chance to attract more customers. (An executive of an enterprise in the banking sector, personal communication, October 1, 2014)

#### **5.3.11 The Network of Associated Groups in BRICS and BRICS Government Agencies in BRICS**

Besides linking with commercial organizations, the associated group network also connects to BRICS government agencies in the target country, especially to the vocational groups that are capable to coordinate with government agencies in local areas to get some suggestions related to the impacts of laws or regulations. This network is based on resource dependence and institutionalization and can enhance the smoothness of business operation of Thai enterprises, enabling them to quickly tackle problems that may happen in the area. In the case of enterprises in the food & beverage sector, connection with those at the local community and governor levels will create a good relationship and mutual understanding and reduce problems.

Moreover, the network and the personal relationship with influential persons in the area not only facilitate and increase efficiency the operation in BRICS but also help to connect with local state officers.

They are the owners of the area. We must respect influential persons who have special capability. I approached one....This person had connection with the governor, who was very powerful person. One day he introduced me to the governor and I also got to know villagers there too. I sent my employees to join an activity with the villagers. We went on picnic together, treated them simple with meals. We got to know each other so the problem of misunderstanding ended. (An executive of an enterprise in the food & beverage sector, personal communication, October 24, 2014)

One major player who has a wide connection with other people of groups is “the senior executive”, who is directly in charge of business expansion in BRICS. The inter-organizational network of this senior executive consists of many distinctive groups, but mostly the senior executive tends to contact the groups by himself in order to understand the internal contexts of BRICS, to solve any problem on time, and to prevent trouble that may arise in the future.

The most significant action that the senior executive must do is creating strategic partners. Regarding power structure, we must play an important role at the government level. We must study whether the central government has absolute power or it's the local government. If the latter has more power, we will go to the local government as our connection. I went to the local government myself and brought my employee along with me. When we arrived, I had to find time to meet him. We shook hands, sat, and talked with each other. To create a good relationship, I invited him to visit our business site on some occasions. Sometimes, he visited Thailand, we picked him up at the airport. If he wanted to play golf, I would accompany him. I must learn how to play golf too. Something like that. I must be aware that today he is powerful, but tomorrow he is not in that position anymore, I already look ahead to his potential successor. Similarly, our organization must prepare our successor. When I went there, I noticed who would be a potential successor. Don't make friends with only one person. I make friends with people when they were children or since they had no designation but had potential to rise to

power. Our eyes must be good. We must pay attention to details in every aspect, not just business...Once the president of our enterprise attended the economic forum, and I accompanied him. Our president had a chance to talk with Mr. Vladimir Putin, the leader of Russia, in person for 5 minutes. He had a translator. There, I had a chance to meet big bankers, and funding organizations in Russia. Afterwards, many persons came to us to present many things and now we have choices. This is what we must do and must adjust ourselves to the environment. (An executive of an enterprise in the food & beverage sector, personal communication, October 24, 2014.)

In this case, the senior executives of some Thai enterprises had an opportunity to meet leaders of BRICS, which could enhance the network building as well as create a good image to do business in BRICS in the future.

## **5.4 Analysis of the Inter-Organizational Networks for Internationalization Process of Thai Enterprises in BRICS**

### **5.4.1 The Inter-Organizational Networks of 7 Main Organizations at 11 Levels**

The network of 7 main organizations mentioned earlier is a success factor of internationalization of businesses to BRICS. The most significant network is the network of Thai enterprises and commercial organizations in BRICS, followed by the network of Thai enterprises and associated groups in BRICS. These two main networks enable Thai enterprises to obtain essential resources such as the raw materials, to distribute products, and to access customers, information, local authorities, and so on. The strong tie with these two main networks has given rise to more competitive advantage of the investors penetrating BRICS markets when compared to competitors who have a weak tie of these two main networks.

The network of Thai enterprises internationalizing their businesses in BRICS and government agencies of BRICS is beneficial to obtain useful information on trade and investment and to operate business in BRICS. Collaboration is necessary, Thai enterprises cannot lose contact with the networks. And whether the tie is strong or

weak depending on the situation at that time and the frequency of contact. Such a network enables the enterprises to comply with rules of internationalization. On the other hand, the network of Thai enterprises and government agencies of BRICS in Thailand is less important when compared to the network of BRICS's government agencies in BRICS due to the fact that they have rarely contacted each other so the tie is weak.

The network of government agencies of Thailand and that of BRICS does not play an important role in Thai multinational enterprises' internationalization of their businesses to BRICS. This is because Thai enterprises internationalizing their businesses in BRICS are multinational public enterprises which have potential to internationalize their businesses to BRICS by themselves, because they are ready in every way and because they are in the target group of the Board of Investment of Thailand, which emphasizes small and medium enterprises (SME). Promotion or support by Thai government agencies are not so concrete when compared to promotion of investment in Japan or Singapore, which is systematically supported. However, Thai government agencies partly help Thai enterprises to access projects in foreign countries, which solely require recommendations by the Thai government, and assist in solving some problems that enterprises cannot fix them by themselves.

However, inter-organizational networks of all the seven organizations are a main element of internationalization to BRICS. Without these organizations Thai enterprises will not be able to operate their business or cannot run their businesses smoothly and sustainably in a long run.

#### **5.4.2 Adaptation to Political and Legal Change**

The political and legal contexts are very important for internationalization of businesses to BRICS. It is the factor that can bring about success or fail of business operation in those countries. Adjusting themselves to the potential changes in political and legal contexts is therefore necessary for enterprises to survive in BRICS, which are a group of emerging economies with different characteristics of the political system, the government form, and the administration and the decentralization of power to local governments. Thai enterprises internationalizing their businesses in BRICS ought to be ready in all circumstances, as in many countries local

governments have absolute power to give approval and control businesses. Cooperation from local governments is necessary for flexibility and prevention of troubles. In addition, field research should be conducted to know the real circumstances in the area so that the tendency of opening market to foreign investors by local governments can be predicted. However, when problems in operation arise, Thai enterprises need to seek help from the network that can tackle the problems. Besides the network with government agencies in BRICS, associated groups in BRICS are also a network which can help connect with local governments that can help prevent and also solve problems in the areas.

Furthermore, direct investment in BRICS, especially factory building in the area, can bring about certain effects to the community. This may cause conflicts or disputes with local people due to misunderstanding or personal biases. Therefore, direct investment in certain areas where local people resist it may experience operating problems. Thai enterprises must coordinate with Thai networks that can contact to influential persons or groups in the area. This is not only to solve problems, to build a good relationship or to better operational efficiency but also to help to prevent problems caused by influential persons with special capability in localities. Moreover, state officers and leader of the community, or village can enhance smooth-running operation in a long run. In this way, connection with local people as well as groups of people and influential persons in local areas is very crucial.

China, Russia, and India are three big countries in BRICS play an important role and significant influence on international affairs. Russia is a former communist state, while China remains under the communist regime. China and Russia have implemented the military or international security policy, which has caused disputes with Western powers. This has inevitably affected international relations. That the governments of powerful nations have boycotted some countries in BRICS might negatively impacts business doing in such countries.

A conflict can considered as both an obstacle and an opportunity. Thai enterprises should be alert for the international relations policies that might be changed rapidly. The inter-organizational networks-with governments in BRICS, particularly the central government and associated groups such as the Chamber of Commerce and industries in the target countries – are important to learn the up-to-date situation.

BRICS laws are a factor that can yield positive and negative consequences to foreign enterprises operating their business in BRICS. However, there is now more freedom in doing business there, so Thai enterprises have more opportunities to compete in the market.

On the other hand, if Thai enterprises cannot adjust themselves to legal changes, damages may happen to their businesses and may lead to business failure. The national policies on supporting foreign business are set by the central government (except of Brazil) (Royal Thai Embassy, 2014) but in practice it law enactment, regulations along with law enforcement in many BRICS countries are under the responsibility of local governments. Despite getting approval for business expansion from the central government, an enterprise might not be allowed to operate its business in the real site (or illegal) because of no permission from the local government. This can cause bad results to foreign business expansion. Nevertheless, a change of laws or regulations is crucial for such emerging market countries as BRICS. This is partly a consequence of their joining the World Trade Organization. As member countries, BRICS are required to adjust their laws and regulations to be more international. Foreign enterprises internationalizing their businesses in BRICS need to understand amended laws and regulations and use a proactive approach along with reactive approach (alteration of strategy) at all times during the operation so as to find solutions to emerging problems and to predict or promptly react to any effect of regulations in time. Furthermore, hiring a local consulting company to handle accounting and tax payment will reduce the problem of the lack of legal knowledge as well as the problem of not understanding laws written in the local language. As for international law cases such as Intellectual property infringement, Thai enterprises internationalizing their businesses to BRICS must register their product brand to cover areas all over the world to prevent this problem to reoccur.

Thai enterprises in BRICS can tackle problems by coordinating with the networks of government agencies of BRICS and government agencies of Thailand before taking any legal action based on international laws. Moreover, the commercial network of BRICS, business alliances, customers, legal counseling enterprises, associated groups in BRICS, particularly the Chamber of Commerce and Industries, and vocational groups can be approached to tackle legal problems.

### **5.4.3 The Informal Relationship**

The informal relationship is part of socio-culture of BRICS. It is especially importance to internationalize businesses in China where more importance is given to personal relationship. Informal relationship of senior executives of the enterprises having networks in BRICS is significant to obtain resources that are necessary for operation. Senior executives may have informal relationship or personal relationship with local people before doing business in the area. Or they may build the relationship after establishing the business in the area. Anyway is okay. It is imperative that senior executives of the enterprises internationalize to BRICS have connections, especially with influential persons or organizations, for these relations can further connect networks of commercial organizations, groups of local people, and local governments. Such an informal relationship will help prevent trouble in the future and tackle current problems promptly. Therefore, personal relationship contributes to smooth penetration to BRICS markets and reduces risk to find partners without anyone to suggest or guarantee. This informal relationship has enhanced Thai enterprises' success in BRICS.

### **5.4.4 The Potential of Local Staff**

Local staff is another major factor for success or failure of the enterprise as they are operators to achieve the corporate objectives in BRICS, which are hardship countries to live and to work. Some staff members are sent from the parent company to station abroad; others are local people. The Human Resource Department plays an important role in personnel planning, appropriate recruitment and selection, employee retention, and motivation building. The employees working in BRICS need to be well-prepared in terms of attitude toward work, connection to the local network, self-adjustment to local culture/traditions, ability to communicate with the local language, and ability to make decisions and to solve problems in any case. If Thai enterprises select unqualified employees who cannot adjust themselves to the environment or who lack of motivation to work in the local area, business failure may result or objectives may not be achieved. Enterprises will need to change staff and waste money and time for human resource management. The organization will lose an opportunity to work continuously in the area, too.

#### **5.4.5 The Suitable Entry Mode Strategies**

Apart from vision, objectives, an international strategy that is in line with corporate strategy, and capability of internationalization, the enterprise that penetrates BRICS markets ought to find an entry mode strategy suitable to the context of that country.

In the modern international business world, there has been considerable change of entry modes from the past until present. Although a wholly owned subsidiary and Greenfield have some good points, that is, the enterprise is able to make decisions, operate, and supervise all businesses, there are some limitations when the business is just started. Many newly established businesses need a large capital. If an enterprise is not a large-scale one with high investment, it will experience a problem of lack of liquidity. Moreover, barrier from entry of the target market as foreigner owned enterprises, lack of knowledge of the local markets, risk from political instability, and economical ban from the internationalizing countries might also take place. Consequently, in order to protect the afore-mentioned problems, the enterprise that wants to internationalize its business in BRICS may select other strategies: 1) Being an alliance with local businesses to reduce effects from many kinds of taxes, including the import tax or the different domestic tax systems and overlapping of tax collection in some areas, as well as frequent change in the tax system. 2) Setting up representative offices to avoid the problem of high investment to enter the market and the problem of inability to withdraw funds from that country rapidly. 3) Joint venture to reduce capital. This strategy helps to share costs with partners, to reduce political and economic risks, and to get advantage of joint venture to penetrate markets banned from foreign enterprises to enter. 4) Merger and acquisition, which take a shorter period of establishment than greenfield investment. Also, this strategy enables the enterprise to approach to intangible assets of the acquired enterprise and to reduce marketing risk because it can get access to the existing customer database of the acquired enterprise.

#### **5.4.6 Lessons Learned of Failure**

BRICS are hardship countries that foreign enterprises have difficulties in operating their businesses. The pioneer enterprises entering BRICS for the first time

might confront many problems from controllable internal factors and uncontrollable external factors and finally failed. Senior executives must take the failure as a lesson to be learned as a case study. Empirical data need to be collected by interviewing former staff members and by exploring causes of business failure, problems, and limitations and comparison of the findings to other success cases in the same industry. Afterwards, the findings will be concluded to find solutions and to adjust the entry mode strategy suitable for the circumstance of the country in the future.

### **5.5 Analysis of the Inter-Organizational Networks of Thai Enterprises in BRICS Based on the Resource Dependency Theory, the Institutionalization Theory, the Strategy Approach, and the Social Network Approach**

Granovetter (1973) has divided the relationship networks into 2 types, which are a strong tie and a weak tie (loose tie). A strong tie is a relationship of intimate persons or trusted organizations. The members often keep in touch with each other and give reciprocal service. A weak tie is a distant or loose relationship. The members do not often meet. From the study, a strong tie is a network of Thai enterprises and the commercial organizations in BRICS and weak tie is a network of Thai enterprises and the government agencies of Thailand and those of BRICS. In some situations, the inter-organizational network can be a strong tie under the external environment, such as collaboration when activities are organized or problems solved together in business operation.

As presented in 5.3, the inter-organizational network of Thai enterprises internationalized their businesses to BRICS has linked people or organizations at many levels. Such a network is a linkage of a group of people or group of organizations that voluntarily to exchange news, resources or take part in activities to fulfill the objectives. These activities are performed with freedom, equality or trustworthiness of the network members. The inter-organizational network influencing the internationalization process of Thai enterprises in BRICS is related to Resource Dependence, Institutionalization, the Strategy Approach and the Social Network Approach.

### **5.5.1 Inter-Organization Networks: Resource Dependency**

To internationalize their businesses to BRICS, Thai enterprises have joined inter-organizational networks as they have to enter the markets with which they are not accustomed. Since the markets are distant and are located out of the ASEAN region, they have necessarily joined the inter-organizational networks in order to control the resource supply so that they can work more flexibly and reduce uncertainty that may occur during their operation in BRICS. They rely on resources in BRICS such as capital, raw material, labor, tools, and knowledge to produce goods and services effectively. The inter-organizational networks for resource dependency are:

1) Commercial organizations in BRICS are strategic alliances, which are suppliers of target difficult-to-find raw materials. They are non-exhausting resources. Because resources are important, it is necessary for Thai enterprises to closely contact suppliers that link the enterprises with resources owners. A strong tie is thus important for direct transactions with each other through frequent communication.

Due to inadequate domestic resources, enterprises in energy & utilities sector essentially depend on resources from overseas to create stability in energy. They join a network of strategic alliances that are suppliers to the national oil company of BRICS. There is connection not only between the enterprises and strategic alliances but also between inter-organizations, enterprises with the Thai government negotiating with the governments of the countries that are the owners of resources.

Our overseas investment today has mostly resulted from the survey. We focus on resources available locally. Normally, the share ownership of the existing resources in the country ranges from 10% to 50%, depending on the government of each country that allocates the shares. Our enterprise has the right to sell goods, so we import goods to sell in the domestic market. If the resources such as petroleum or gas surplus our country's demand, the enterprise will sell products in other countries. This is what we have invested. (An executive of an enterprise in the energy & utilities sector, personal communication, October 30, 2014)

According to the interview of an executive of an enterprise in the commercial sector, network dependence is necessary to acquire goods to meet the demand of domestic consumers. His enterprise needs to have a strong tie with the organizations which are suppliers.

The products we export are products of which we are a distributor in Thailand and other products from the SMEs network that are our connection. Because we are a trading company, we don't have many products of our own. Today the enterprise has to launch products with its own brand but the products are not many. Therefore, we still rely on products from suppliers. (An executive of an enterprise in the commerce sector, personal communication, September 23, 2014)

Furthermore, strategic alliances are significant actors to penetrate the market in BRICS as they enable Thai enterprises to access major resources, the distribution network, related news and information. They are brokers or bridgers that link Thai enterprises to outside networks. It enhances smooth and successful business operation. Being strategic alliances, the inter-organizational network members must trust each other. In this case, confidence or trust may come from being introduced by members of relationship networks or close friends.

A Thai enterprise in the construction materials sector has penetrated the market by signing contracts to be strategic alliances so that the latter will distribute its construction materials in the target counter. This can help reduce problems of management and taxes, to access resources, and to receive news and information from the target country through meetings to discuss business performance and to exchange knowledge. This strategy is useful as it is more convenient to penetrate the consumer market than setting a new enterprise overseas.

Our Enterprise entered Brazil around 2010-2011. We didn't go there by ourselves. We appointed an agent, who visits us twice a year to discuss about the feedback and the opportunity in the market. We help each other to screen... Employees from our enterprise will visit there once in a while but the

agent will be the one who comes to report to us. Our enterprise usually talks to the agent every month, and holds a monthly meeting to give feedback. After that we meet face to face twice a year. The agent stays here around half a month to report the performance and feedback in the market, and we discuss what the agent must do to improve the business operation. (An executive of an enterprise in the construction materials sector, personal communication, November 18, 2014)

2) Associate Groups in BRICS are, for example, the Chamber of Commerce, the Council of industries, vocational associations, influential persons and villagers in local areas. Vocational associations were formed by vocational people from many countries in order to exchange news, information, and opinions about BRICS so as to know updated regulations and to provide suggestions to the regulators under the name of the group. Thai vocational groups investing in BRICS have been loosely formed and they do not compete with each other. On the contrary, if circumstances that cause risk to the business, the members of the vocational group will help each other as much as they could do.

In China, we are a member of the foreign banks association located in megacities like Shanghai, Shenzhen. Our enterprise joined the association to exchange opinions and experiences with other banks. We get together to discuss with the government agency concerned to seek assistance, to explain things and to get and give feedback...Thai banks have loosely formed a group because there are not so many banks operating in China so they do not need to hold meetings for discussion all the time. In foreign countries, Thai banks don't compete but help each other as much as possible. We must accept that the Chinese market is so big, compared to Thailand. In foreign countries, we are friends. We exchange what we have. (An executive of an enterprise in the banking sector, personal communication, November 13, 2014)

The finding was supported by the interview of an executive in the same business group. Networks are necessary in foreign countries. An associated group is

usually a group of enterprises running the same business in Thailand. But when in BRICS, they have formed a group to access information and to exchange information and opinions. The group serves as a channel to give feedback to BRICS governments when the business has been affected by change of regulations. This relationship is not strong or is not closely tied as the status of competitors still remains in Thailand.

Thai banks in foreign countries help each other because they all are foreign companies. Similarly, foreign banks in Thailand have formed the international banker association in Thailand. And this is also the case for the journalist association or the rice association. The banking group also has an association in which banks are members. When the government of each country passes any law, the members in the group will be informed because their banks must comply with such laws. The association may give feedback to the regulator that some regulations are too strict and they cannot continue their business. (An executive of an enterprise in the banking sector, personal communication, October 1, 2014)

Apart from vocational groups that Thai companies in the same industry have loosely formed to exchange information or opinions, Thai sample enterprises in BRICS are also members of the Chamber of Commerce in that country and others. (Executives of an enterprise in the banking sector, 2014, October 1 and November 13, 2014, personal communication)

As foreign enterprises that expand business overseas, there are chances that they will have disputes or problems with local people. Their networks and connections not only help alleviate the problems and increase operational efficiency in BRICS but also can protect them from problems caused by influential persons with special capability, including government officers, leader of the community, and community people. The network also plays an important part in direct investment. The community is considered as a player who can negatively or positively affect foreign investment and who receive direct and indirect effects from the business operation. A good relationship with the community is crucial for effective investment. On the contrary, if foreign enterprises have a conflict with people in the community, the invested projects will be protested, causing a failure for business expansion.

Thai enterprises have built a personal relationship or unofficial relationship with senior executives that have networks in BRICS countries. The strong tie within company groups can also help the members to connect with major actors out of the group who can help to access resources. Strategic alliances and customers are important as seen in the personal communication of an executive of an enterprise in the food & beverage sector:

Personal relations can affect business expansion to other countries. The Vice President for investment of an enterprise is quite well known, particularly in the foods industry or retail food industry. We used his connection for the company's benefit because it took time to walk in on our own to find partnership. In business expansion, he went to talk with his friends, who introduced him to persons or organizations that we wanted to do business with...In the present time, networking is quite crucial. I think it's a channel for us to obtain information. Once I made a market survey and fortunately I had friends in this industry. He recommended that this company or that brand was good, but the owner was interested in finding partnership. He/she wanted to increase investment but might not have adequate capital. This is an inside source of news. (An executive of an enterprise in the food & beverage sector, personal communication, October 10, 2014)

This finding supported the statement made by an executive of an enterprise in the commerce sector that has invested in China, the country where personal relationship is more important than any other country in BRICS. Therefore, personal relationship will enable Thai enterprises to enter the Chinese market smoothly and to reduce time and effort in finding alliances.

Our enterprise is lucky. We have many friends, not only friends in Thailand but in foreign countries. So whatever we do, we will consult our friends to get their recommendation if we should do this? Whom should we contact? Whom should we talk with? This is unofficial connection, personal relationship. Does our enterprise have any organizational relationship?-Yes, but it depends on the

subject. If the subject is about China, I can get more information from personal connection than from organization connection. (An executive of an enterprise in the commerce sector, personal communication, September 23, 2014)

This study has found that most inter-organization networks of the eight Thai enterprises are semi-strong. A strong tie comes from frequent contacts with each other and a loose tie comes from the situations in each period or the external environment at that time. A loose tie is aimed at gaining information, networks, and power. Such resources are necessary for business operation in emerging markets, as they can create competitiveness. Also, they can connect the enterprises to outside the network or other networks for getting data and information as well as new knowledge to the enterprises in an easier way.

### **5.5.2 Inter-Organizational Networks: Institutionalization**

The Inter-Organizational network can help Thai enterprises in their institutionalization by enabling them to have legitimacy among organizations. The sample enterprises have had pressure in operating business in BRICS. They must comply with laws, regulations, and traditions in each country or each locality. Institutionalization is one strategy to have legitimacy, sustainability, and recognition, reputation and a good image in the context of BRICS for smooth and sustainable business operation.

Bank branches in BRICS must comply with Thailand's laws regulations. When the Bank of Thailand inspects banks, it also inspects their overseas branches, which cannot violate the regulations of the Bank of Thailand. Overseas branches cannot break the laws and regulations of the country where they are set up, they must comply with them; otherwise, they have to close the operation and go home too. In short, we must follow the laws and regulations of both countries. However strict the regulations are, we must observe them. (An executive of an enterprise in the banking sector, personal communication October 1, 2014)

In some countries, Thai enterprises in the sample have built connection with an organization or an institution that do the ranking of business companies there. This institutionalization helps create trustworthiness to the companies. Thus, the linkage to the outside organizational network enabling them to create their own Institutionalization.

Internationalizing business to other countries requires a large amount of capital. The company must be large. If a small company goes abroad, people there will not know it and will have no confidence in it unless some index shows its world rank. Our company is ranked ... in Fortune 100 that foreigners know. Fortune 100 ranks companies on the basis of their revenues. This factor can take our company out there. We are one of the world's leading companies. We are ranked one among 100 leading enterprises. This is one way to help expand our business further. One point is that in the present world, not the only economic aspect but also sustainability and social and community perspective are considered. That is why we have index is such as "Down Jones Sustainability Index", which divides companies into sectors. Our company is in the energy category and only 10% of enterprises in this world category are ranked on this index. We have been ranked the third for three consecutive years now. (An executive of an enterprise in the energy & utilities sector, personal communication, October 30, 2014)

Although a company is recognized because it has got the world's rank, which indicates that it meets the international standard, no advantage can be gained from such a rank when internationalizing the business to BRICS. On the contrary, the company is not widely known among local people in the area when compared to its competitors which are the World's multinational enterprises. In summary, the international ranking maybe a certificate but it does not affect business operation in BRICS. Thai enterprises also need to build a good reputation to be widely accepted domestically in terms of good governance and management for so that the enterprises will truly have potential at the international level.

### 5.5.3 Inter-Organizational Networks: the Strategy Approach

All the Thai enterprises in the sample have used different strategies to internationalize their businesses to BRICS and to have an opportunity to access customers in emerging markets, to reduce risks, and to create competitive capability in various aspects. Some strategies they have used are

1) Niche Target Strategy. The target customers include product buyers. They are customers that the sample enterprises have to keep in touch closely to exchange products and services on a daily basis.

The strategy to penetrate the BRICS market of the banking business group is to focus on target customers that invested in BRICS, particularly in China.

Our bank tries to focus on target customers. It tries to provide services to support their financial demand, especially Thai customers who want to expand their businesses to China. We offer various financial services, sending/receiving funds from overseas, financial loans, currency exchange, risk prevention, forward services. For a strong customer base we have done our best to serve these target customers so they can continuously expand their business in China. (An executive of an enterprise in the banking sector, personal communication, November 13, 2014)

2) Choosing prominent, best quality, and value added products and services that suit customer behaviors in the target country and that have not yet been widespread in BRICS markets.

To create competitive advantage, we must choose products that have good quality, and respond to the demand of consumers. Products must be well selected to meet the demand of consumers... (An executive of an enterprise in the commerce sector, personal communication, September 23, 2014)

3) Competitive advantage can be created through networks that can distribute our products and services in the destination countries and through exchange of knowledge between organizations. Thai enterprises in the commerce sector create

competitiveness by having strategic partners who have local networks. They join hands with Sinopec in order to distribute their own products in 20,000 convenient stores nationwide. Product distribution is not easy. This way enables the products to reach consumers conveniently, especially in such a large-scale country as China. Therefore, strategic alliances are tremendously significant for enterprises in the commerce business sector.

Besides choosing high quality products, an enterprise in construction materials sector also decorates its branches and arranges training for customers. For example, it brought the technical staff from India to be trained in Thailand to so that they will have familiarity with and expertise in production application. This will increase the sale volume domestically.

In India, we have built showrooms for our customers. Our enterprise helps design, decorate, and mock up new showrooms for them. We try to do branding everything. We have solved problem by using social networks, such as Facebook. Sometimes we hold seminars for technicians. We take Thai technicians to India to demonstrate some work to local technical staffs, such as smart board installation. Sometimes we bring technical staff to be trained in Thailand because we have a school in Thailand. It is like giving them a bonus, we give free shirts. Actually, the original products in Indian markets are gypsum. Smart board which is fiber cement board is a substitute product and the old generation staffs are not skillful in installing fiber cement board. They cannot cut the board well. They often complain that the pierced one is not nice. They will refuse to use it. So we have to train them. At least, let them know our product's advantages... We must educate them because nowadays selling products by just giving discounts or give some gifts is not sustainable. The market needs being educated continuously. (An executive of an enterprise in the construction materials sector, personal communication, November 18, 2014,)

#### **5.5.4 Inter-Organizational Networks: Social Network Approach**

When internationalization of Thai enterprises in BRICS was investigated, it was found that the enterprises applied both contractual entry modes and investment entry modes to penetrate markets. The linkages between organizations were different in terms of social network usage. Setting up representative offices to find customers and data is beneficial for selling products and services in the target country. Most Thai enterprises would only send 1-2 employees or hire 1-2 local employees. Therefore, the inter-organizational network was just at an individual level (between individuals and individuals) and/or at the organizational level, such as customers, alliance companies, government officers, local governments. However, there are more various networks if investment entry modes were used, these networks cover the public and private ones and local people, too.

Ramamurti (2008, p. 6) stated that in Thailand, the Chinese-Thai entrepreneurs have benefited from the social network with Chinese people in different countries including mainland China. In China, an unofficial but strong relationship (Guanxi) is essential for the smoothness or failure of business. Personal relationship is mainly emphasized. For this, Thai enterprises whose executives are of Chinese descent can use this Guanxi relationship to connect with partners or alliance enterprises in China. Therefore, Social network is essential to build an inter-organizational connection. “We will build networks and find alliances. The network is essential because Chinese people give importance to connections and personal relationship.” (An executive of an enterprise in the commerce sector, personal communication, September 23, 2014)

Employees at the representative office that the sample enterprises assigned to work are recognized as bridgers or brokers as previously indicated. The more they make contacts, the more benefits the company will get, as the employees at the representative office are a front line of the enterprise. They are regarded as important persons, the middlemen to obtain news that benefits the organization. If the employees at the representative office are efficient, they will be able to bring an opportunity for business expansion or get important news, such as regulation change that affects the organization, or innovation to create the enterprises' competitive advantage as evidenced in the interview of an executive of an enterprise in the banking sector as follows:

The relationship between local employees and customers is not of a great advantage compared to that of the office manager. If he is well-known and knows a lot of people, at least he can attract more customers into the office and have an opportunity to increase more new customers. (An executive of an enterprise in the banking sector, personal communication, October 1, 2014)

However, if the employees at the representative office lack connections or are not members of a local social network, this might cause work inefficiency and more limitation that might affect the company. It is likely that the representative office in that country has to be shut down. An enterprise in the construction materials sector is facing this problem in BRICS.

Our enterprise entered Russia a long time ago. At that time, we entered Russia to sell plastic resin. After 3-4 years the business was closed because the employees whom the enterprise sent there got married and lived in France instead. The enterprise tried to recruit a new employee but it was quite difficult. At that time we seemed to have many Russian candidates but as far as I know, they said they could go back to Russia but to their hometown only, not St. Petersburg. Many candidates insisted they would go if they could stay in other cities. We got 2 persons to go to Russia, but they requested to stay in their hometown ...In Russia, we encountered many obstacles. The employee that we had was female. She would work in St. Petersburg only. She did not want to go to other cities. Because people spoke only Russian, Thai managers who travelled there had trouble in communication. Moreover, when the enterprise shipped goods to somewhere far away, several problems arose. And it was difficult for the enterprise to make inspection, as the country was enormous. We didn't do business in local areas that we did not know. (An executive of an enterprise in the construction materials sector, personal communication, November 18, 2014)

The study of direct investment in BRICS of the sample enterprises revealed that alliances or partners were a crucial part contributing to the success or the failure. The enterprises must join the social networks of individual persons and organizations in both the government and the private sectors in Thailand and in BRICS.

## **CHAPTER 6**

### **CONCLUSIONS AND IMPLICATIONS**

This research aimed to elaborate the phenomenon of internationalization process that links Thai enterprises to inter-organizational networks in BRICS. In this chapter, conclusions, and discussion of findings, and recommendations based on the findings are presented. The research results will benefit enterprises targeting to internationalize their businesses to BRICS and the Thai government sector in designing the networks of management to promote and provide investment support for Thai enterprises to expand their businesses in BRICS.

#### **6.1 Conclusions and Discussion of Findings**

Modern organization theory that describes the phenomenon of internationalizing businesses to emerging markets focuses on internationalization and inter-organizational networks, as both government and private organizations cannot stay alone under an open system and a high dynamic circumstance. With radical change of political, legal, socio-culture contexts in emerging markets, the inter-organizational network has been created to link between associated groups or groups of organizations that voluntarily exchange news, resources, or do activities together in order to respond to objectives and the survival of individual organizations.

Thai enterprises that have invested in BRICS strive for major key factors for the survival of their organizations. They must have capability to secure resources in the target country. Intense competition of the economic situation at present has made their enterprises confront with limited domestic resources, so they have to seek for external resources – physical and information resources – to get raw materials, workforce, capital, tools, knowledge, and technology to produce goods and services. Besides, they need to acquire market shares. Consequently, it is necessary for the organizations to continuously collaborate through the inter-organizational network to internationalize their businesses to BRICS.

### **6.1.1 The Internationalization Process and Entry Mode Strategies of Thai Enterprises in BRICS**

The process to internationalize business in BRICS can be divided into 10 steps as follows: 1) Setting vision of the enterprise for internationalization in BRICS, 2) Collecting the data and conducting a feasibility study, 3) Setting an internalization strategy in BRICS, 4) Planning of Internationalization to BRICS, 5) Choosing an entry mode strategy to BRICS, 6) Proposing an internationalization project to BRICS for the Business Unit Committee's or Strategic Investment Committee's approval, 7) Proposing the internationalization project to BRICS for the Board of Directors' approval, 8) Implementation the project in BRICS, 9) Evaluating the success or the failure of internationalization in BRICS, and 10) Reviewing the internationalization process/entry mode strategy and solving problems that have arisen in BRICS. In BRICS' market the entry mode strategies of Thai enterprises used are the contractual entry mode and the direct investment entry mode.

### **6.1.2 The BRICS Contexts Affecting the Internationalization Process of Thai Enterprises in BRICS**

To internationalize their businesses to emerging markets in BRICS, the investors have unavoidably confronted with different contexts from Thailand, which has caused trouble in management. The contexts of the emerging market also have a direct impact on business expansion. These contexts include political context, legal context, and socio-cultural context.

Three BRICS contexts have affected Thai enterprises's internationalization of their businesses. The first is political context: 1) the local government's absolute power to approve and control business operation in the local area, and 2) resistance from groups of local people, and 3) implementing the international relations policy. The second is legal context: 1) Thai enterprises not knowing all legal aspects of internationalization to BRICS, 2) the complication of regulations, laws, and their enforcement in BRICS, 3) frequent change of laws related to trade and investment in BRICS, 4) delay due to the legal process of the government authorities, 5) laws on foreign exchange control and income repatriate, 6) tax system of BRICS, 7) non-tariff barriers (NTB), and 8) intellectual property infringement.

The last context is the socio-cultural context. With cultural diversity of BRICS due to their combination of people of different countries from Asia, Europe, South America, and South Africa and also due to distinctive characteristics of races and religions, Thai enterprises inevitably confront with social, culture shocks during their business contact. The elements of the socio-cultural context affecting Thai enterprises in BRICS are 1) local socio-culture of BRICS 2) language of BRICS 3) manners and customs 4) consumer preference in BRICS 5) life safety and asset security in BRICS and 6) physical and material environment.

### **6.1.3 The Inter-Organizational Networks Affecting the Internationalization Process of Thai Enterprises in BRICS**

Due to the aforementioned distinctive aspects of the political context, the legal context, and the socio-cultural context, it is crucial that Thai enterprises be engaged in the inter-organizational network to make the internationalization process successful. If any problem has emerged, Thai enterprises can still rely on the network to prevent and tackle problems promptly. Thai enterprises have joined the inter-organizational networks by means of resource dependence, institutionalization, the strategy approach, and the social network approach.

There are seven inter-organizational networks for internationalization of businesses in BRICS. They are 1) the network of Thai enterprises in BRICS, 2) commercial organizations in BRICS, 3) associated groups in BRICS, 4) Thai government organizations in BRICS, 5) BRICS government organization in BRICS, 6) Thai government organizations in Thailand, 7) BRICS government organizations in Thailand. There are 11 levels of inter-organizational networks, which are 1) the network of Thai enterprises and commercial organizations in BRICS, 2) the network between Thai enterprises and associated groups in BRICS, 3) the network of Thai enterprises and Thai government agencies in BRICS, 4) the network of Thai enterprises and BRICS's government agencies in BRICS, 5) the network of Thai enterprises and BRICS's government agencies in Thailand, 6) the network of Thai enterprises and Thai government agencies in Thailand, 7) the network of Thai government agencies in Thailand and BRICS's government agencies in Thailand, 8) the network of Thailand's government agencies in Thailand and BRICS's government

agencies in BRICS, 9) the network of Thai government agencies in Thailand and Thai government agencies in BRICS, 10) the network of associated groups in BRICS and commercial organizations in BRICS, and 11) the network of associated groups in BRICS and BRICS's government agencies in BRICS.

#### **6.1.4 The Contexts and the Inter-Organizational Networks as Key Success Factors for the Internationalization Process of Thai Enterprises in BRICS**

The contexts and the inter-organizational networks are key success factors of the internationalization process of Thai enterprises in BRICS. The details are briefly stated below.

1) The Inter-organizational network consists of 7 main organizations linked together at 11 levels. The most significant network for internationalizing the business to BRICS is the network of Thai enterprises and commercial organizations in BRICS, followed by the network of Thai enterprises and associated groups in BRICS.

2) For their enterprises to survive in BRICS, it is necessary to adapt themselves to changes in politics and laws. BRICS are a group of emerging economies with difference in characteristics of the political system, the government form, and the power of central administration and the power of local governments. The enterprises internationalizing their businesses in BRICS ought to be ready in any circumstance because local governments usually have absolute power to approve and control local business operation. Moreover, foreign enterprises internationalizing their businesses to BRICS need to understand and observe amended laws and regulations, using a proactive approach (preparedness) along with a reactive approach (alteration of the strategy) all the time during the operation. They must find solutions promptly and predict any effects from the regulations in time. Furthermore, hiring a local advisory enterprise to do some tasks, such as accounting and taxes, will reduce the problem of the lack of knowledge of different aspects of laws as well as the language problem because laws are written in the local language.

3) The informal relationship or the network, especially of senior executives of the enterprise with people in BRICS, is significant to obtain resources that are necessary for business operation. They can link the enterprises to powerful

persons or organizations, commercial organizations, groups of local people, and local governments. Connection through such an informal relationship can be used to prevent trouble from happening in the future and to tackle problems promptly.

4) The potential of local staff in the hardship countries to live and work in BRICS is very important. The Human Resources Department plays an important role in personnel planning, appropriate recruitment and selection, employee retention, motivation building for the employees to work in BRICS. It must prepare potential staff to build a positive work attitude, to have connections to local networks, to adjust themselves to local culture/ traditions, to be capable of communicating with the local language, and to make decisions wisely to solve problems that may arise.

5) The entry mode strategy is a key to success of the internationalization process. It must be suitable to the contexts of that country in order to prevent the aforementioned problems. Four entry modes are 1) alliance with a local business organization 2) setting up a representative office 3) joint venture and 4) merger and acquisition.

6) Lessons learned from a failure are very important to improve the internationalization process. A senior executive must collect empirical data by interviewing the former staff, exploring causes & factors contributing to business failure and limitations and compare the findings to other successful cases in the same industry in BRICS. Afterwards, these findings will be concluded to find solutions to problems and the entry mode strategy will be adjusted to suit the circumstance of the country in the future.

## **6.2 Recommendations Based on the Findings**

The study concerns the internationalization process and the inter-organization network in BRICS. Recommendations for the enterprises to internationalize in BRICS based on the major findings are as follows:

### **6.2.1 The Enterprises Internationalizing their Businesses in BRICS Should be Large Multinational Enterprises.**

To use the investment entry mode, the enterprises internationalizing their businesses in BRICS should be large multinational enterprises because they are ready

in the invested capital, knowledge in business, knowledge of BRICS's contexts, systems, procedures, and personnel management. The most important is such enterprises can create inter-organizational networks, personal and official connections more easily than small sized and medium sized enterprises. In addition, the enterprises to internationalize their businesses in BRICS must compete with both domestic and international enterprises so they must build their competitiveness.

Normally, Thai enterprises internationalizing their businesses in BRICS are large-scale multinational enterprises which are highly successful enterprises in their own country. But when they enter overseas markets, they have to compete with world competitors despite the fact that they are unknown there. Consequently, it is essential for them to build a good reputation and creditability in local areas to compete in severely competitive markets in BRICS.

### **6.2.2 The Enterprises Internationalizing their Businesses in BRICS Need to Conduct an In-Depth Study of BRICS's Political, Legal and Socio-Cultural Contexts.**

BRICS are emerging markets. Considering only the information about BRICS from related documents is not enough. The enterprises to internationalize their businesses in BRICS need to conduct field studies to find out the real economic atmosphere and observe consumer behavior-whether their products or services suit the behavior of local people and whether that country is appropriate for running business. The field study needs to be conducted for quite a long time before starting their business. They should also visit the target country because BRICS markets are highly dynamic. The field study can lead to the investors' better decision-making and can help them to find trustworthy partners as well as to build good relations with business alliances.

Understanding the authoritative structure of the country is very important for foreign enterprises to internationalize businesses in BRICS. Most countries are under the direct control of the central government. However, in some countries, local governments have more power to control investment than the central government does. There are also influential persons in the area who are a key factor for business success and who can also help to speed up the business expansion. The power structure is what foreign investors in BRICS must consider.

In addition, enterprises to internationalize their businesses in BRICS should make an in-depth study of trade and investment regulations, particularly in countries where English is not used as the official language. They must hire a legal advisory company to carry out some tasks and to prevent legal problems that may happen in the future.

All five countries or BRICS are considerably diversified in terms of races, religions, languages, and cultures. It is therefore necessary for Thai enterprises to internationalize their businesses in BRICS to understand, such as cultural differences since the investors must respect the distinctive characteristics of the target country and be ready to adjust themselves to its culture or identity.

An in-depth study of the BRICS context will enable the enterprises to set an internationalization plan, choose an appropriate entry mode strategy, and to properly implement the plan.

### **6.2.3 The Enterprises Internationalizing their Businesses in BRICS Need to Watch Closely the Political Situation and Change of Law in BRICS.**

As BRICS are newly industrialized countries, regulation or law enforcement needs to be consistently adjusted to reach the international standard. Therefore, Thai enterprises internationalizing their businesses in BRICS need to be ready for legal changes. Particularly the representative offices located in BRICS must report the most up-to-date analyzed information to the headquarters and predict what will happen in the future in the political and legal contexts that will affect businesses in that country. The projection or situation analysis will enable the overseas strategy team to prevent any damage that may occur. Or if there is any damage, it will be the least severe.

### **6.2.4 The Enterprises Internationalizing their Businesses in BRICS Must give Importance to Human Resource Management.**

Although most multinational enterprises have the capability of human resource management, the pioneers are usually faced with many difficulties in BRICS. The enterprises must emphasize human resource planning, selection and recruitment, training, including retaining and rewarding the staff sent from the parent

enterprise and the local staff who work in BRICS. The enterprises must provide training for the BRICS staff in order to prepare them in terms of work attitude, connection to the local network, self-adjustment to local culture/ traditions, ability to communicate with the local language, and ability to make decisions to handle problems in any circumstance. Moreover, the enterprises need to give psychological advice to the BRICS staff sent from the parent enterprise and must permit them to return to the mother country to reduce the work stress while working in the local area so that the enterprises can sustainably retain the BRICS staff.

#### **6.2.5 The Enterprises Internationalizing their Businesses Need to Join Inter-Organizational Networks of Both the Public and the Private Sectors.**

Thai enterprises internationalizing their businesses in BRICS need to link with 11 levels of networks of 7 major types of organizations, namely: 1) Thai enterprises in BRICS, 2) the commercial sector in BRICS, 3) associated groups in BRICS, 4) Thai government agencies in BRICS, 5) BRICS's government agencies in BRICS, 6) Thai government agencies in Thailand, and 7) BRICS's government agencies in Thailand. They must essentially link to the private sector networks, which are the network of Thai enterprises and commercial organizations in BRICS, and the network of Thai enterprises and associated groups in BRICS. The purpose of connection with these two main networks is to acquire essential resources of raw materials, to distribute products, to find customers, to get information, to contact local authorities, and so on. Moreover, the linkage between Thai enterprises and the public sector of Thailand and that of BRICS is a channel to receive important information for investment, to get recommendations for internationalizing businesses to BRICS, and to solve some problems that the enterprises cannot fix them by themselves.

### **6.3 Theoretical Implications**

In modern organization theory, the phenomenon of internationalizing businesses to emerging markets, or BRICS markets in this case, results from a combination of internationalization and inter-organizational networks. Organizations

of both the government and the private sectors cannot stay alone under an open system and a high dynamic circumstance. With radical changes in political, legal, socio-culture contexts in emerging markets, inter-organizational networks have been created to link between associated groups or groups of organizations that are willing to exchange news, resources, or do activities together in order to respond to the customer demand, to meet the objectives, and to enable the organization to survive. Activities in the network are so well that the members can freely and equally exchange reliable information with each other.

To internationalize businesses to emerging markets, it is necessary for business organizations to join inter-organizational networks to acquire necessary resources to decrease uncertainty that may arise without such resources. The network members can enhance goods production and services efficiency and effectiveness, which correspond to the concept of resource dependence. In addition, complying with laws, regulations, and international standards, enterprises will be accepted by the countries they have internationalized their businesses. This corresponds to the concept of institutionalization. The enterprises must focus on niche target customers. To become successful they must select prominent products and services of best quality and added value, and build networks. This corresponds to the concept of strategy approach. The use of networks to build a good relationship with other organizations in BRICS to ensure smooth operation, to reduce risks, and to have stability also corresponds to the concept of Social Network Approach. This approach leads to the sustainable growth of the organization.

#### **6.4 Policy Implications**

Enterprises internationalizing their businesses in emerging markets were pioneers in bringing the revenue into the country. Currently, most Thai enterprises internationalizing their businesses in BRICS have not only staff with capability and knowledge but also in-depth information of the industry. Meanwhile, they have to compete with large foreign multinational enterprises with enormous capital and support from their governments. Although the Thai government has a policy to promote internationalization, there are still some limitations. For example, BRICS are

not the first priority for investment, promotion, and the government mainly aims to support small and medium enterprises. However, the Thai government can support and promote Thai multinational enterprises by building a strong network of the government sector and the private sector. Moreover, the Thai government can help link the enterprises with BRICS government organizations both in Thailand and in BRICS to enhance trade and investment cooperation. This is the most important in enabling Thai enterprises to be vigorous and sustainable in internationalizing their businesses in BRICS. The Thai government should support the linkage of public and private networks to maximize Thai enterprises benefits as follows:

#### **6.4.1 The Integration of Government Networks for Missions in BRICS**

The Thai government should have a process of building an integrated network of all public agencies concerned to promote trade and investment systematically and to reduce confusion and overlapping in operation. Besides, government officers should work together in the form of a working group in each target country, such as the Russia Trade & Investment Center, etc.

#### **6.4.2 The Integration of the Government and Private Networks for Missions in BRICS**

Both the government and the private sectors can form a network responsible for promoting investment in BRICS. The enterprises operating businesses in BRICS should closely keep an eye on BRICS's agreements, laws and regulations for trade and investment that may have effects on Thai enterprises in order that they can be well prepared or can adjust themselves to cope with changing business circumstances promptly.

#### **6.4.3 The Integration of the Networks of Small and Medium Enterprises and Thai Enterprises in BRICS**

Since inter-organizational networks are significant to Thai enterprises that internationalize their businesses to BRICS, the Thai government can promote and support Thai small and medium enterprises to join the inter-organizational network of the government and the private sectors. Particularly, it should build a network of Thai

enterprises that have experience in operate businesses in BRICS in order to increase the strength and capability of small and medium enterprises to grow at the international level as Thai multinational enterprises have already paved the way for them.

### **6.5 Limitations of the Study**

This research was a qualitative research with a sample of only eight enterprises from the SET 100 Index that have invested in Brazil, Russia, India, China and South Africa, or BRICS. It did not include all enterprises expanding their businesses in such countries, and some sample enterprises invested through their affiliate enterprises therefore, the collected data in those countries where affiliated enterprises were located, did not cover all enterprises in the group.

### **6.6 Implications for Further Studies**

1) As this research focused on newly emerging markets in BRICS, further studies should include Thai enterprises internationalizing their businesses to other economic groups, such as ASEAN, ASEAN+3, ASEAN+6 and so on in the Asian region. The regional contexts may have both similarities and differences. The creation of the inter-organizational networks to internationalize businesses in the region may be different from that in the BRICS context.

2) This study was qualitative research, future studies should quantitatively study the factors found in this study.

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## **APPENDICES**

## **APPENDIX A**

### **SEMI-STRUCTURE QUESTIONS**

## SEMI-STRUCTURE QUESTIONS

### ภาษาไทย

1. สาเหตุใดบริษัทฯ จึงสนใจขยายธุรกิจไปยังประเทศบราซิล รัสเซีย อินเดีย จีนและแอฟริกาใต้
2. ผู้บริหารมีกระบวนการตัดสินใจอย่างไร สำหรับการตัดสินใจขยายธุรกิจไปยังประเทศบราซิล รัสเซีย อินเดีย จีนและแอฟริกาใต้
3. บริษัทฯ มีการเตรียมความพร้อมอย่างไร ก่อนที่จะไปทำธุรกิจในประเทศบราซิล รัสเซีย อินเดีย จีนและแอฟริกาใต้
4. อะไรคือ วิธีการเข้าไปทำธุรกิจในประเทศบราซิล รัสเซีย อินเดีย จีนและแอฟริกาใต้ของบริษัทฯ (ในระยะเริ่มต้นเป็นอย่างไร และมีพัฒนาการต่อเนื่องมาจนถึงปัจจุบันอย่างไร)
5. บริษัทฯ มีวิธีการสร้างขีดความสามารถในการแข่งขันอย่างไร เมื่อเข้าไปทำธุรกิจในประเทศบราซิล รัสเซีย อินเดีย จีนและแอฟริกาใต้
6. บริษัทฯ พบปัญหาและอุปสรรคใดบ้างในการเข้าไปทำธุรกิจในประเทศบราซิล รัสเซีย อินเดีย จีนและแอฟริกาใต้ และแก้ไขปัญหานั้นอย่างไร
7. เครือข่าย (Networks) หรือความสัมพันธ์ส่วนบุคคล (Connections) มีผลต่อการทำธุรกิจของบริษัทฯ ในประเทศบราซิล รัสเซีย อินเดีย จีนและแอฟริกาใต้ หรือไม่ หากท่านคิดว่ามีผล มีผลอย่างไร
8. บริษัทฯ มีแนวทางในการขยายธุรกิจในอนาคตไปยังอื่นๆ ในประเทศบราซิล รัสเซีย อินเดีย จีนและแอฟริกาใต้ หรือไม่ ถ้ามี มีแนวทางอย่างไร และถ้าไม่มี เพราะเหตุใด
9. ภาครัฐของประเทศไทยได้ให้การส่งเสริม และสนับสนุน บริษัทฯ ในการออกไปทำธุรกิจในประเทศบราซิล รัสเซีย อินเดีย จีนและแอฟริกาใต้ หรือไม่ หากมีการส่งเสริมและสนับสนุน ภาครัฐของไทยส่งเสริมและสนับสนุนบริษัทฯ อย่างไร
10. ภาครัฐของประเทศบราซิล รัสเซีย อินเดีย จีนและแอฟริกาใต้ ได้ให้การส่งเสริม และสนับสนุนบริษัทฯ ในการทำธุรกิจในประเทศบราซิล รัสเซีย อินเดีย จีนและแอฟริกาใต้ หรือไม่ หากมีการส่งเสริม และสนับสนุน ภาครัฐของประเทศนั้นส่งเสริม และสนับสนุน บริษัทฯ อย่างไร
11. ท่านมีข้อเสนอแนะใดบ้าง สำหรับภาคเอกชนผู้ที่ต้องการจะเข้าไปทำธุรกิจในประเทศบราซิล รัสเซีย อินเดีย จีนและแอฟริกาใต้ และหน่วยงานรัฐซึ่งมีหน้าที่ส่งเสริม และสนับสนุนการค้า การลงทุนไทยในประเทศบราซิล รัสเซีย อินเดีย จีนและแอฟริกาใต้

**English**

1. What is the reason of the enterprise expanding the business in BRICS?
2. What is the process of decision making of the executive of the enterprise to expand the business in BRICS?
3. How does the executive of the enterprise plan and prepare to operate the business in BRICS?
4. What is the approach of an enterprise that operating its business in BRICS? (Since initial phase until present phase)
5. How does the executive of the enterprise created the competitiveness when operates the business in BRICS?
6. What is a problem or an obstacle of an enterprise when operates the business in BRICS?
7. Have the networks and the personal connections of the enterprise affected on operating the business in BRICS? How does it affect the business there?
8. Does the enterprise have any plan to expand business in other BRICS countries?
9. Have Thai government agencies promoted or supported the enterprise to expand the business in BRICS? How did they support the enterprise?
10. Have BRICS government agencies promoted or supported the enterprise to expand the business in BRICS? How did they support the enterprise?
11. Do you have any suggestions for Thai enterprises that aim to expand their businesses in BRICS and for Thai government agencies that are responsible for supporting Thai enterprises expanding their business in BRICS?

**APPENDIX B**

**DIMENSIONS AND MEASURES OF MARKET  
POTENTIAL FOR 2014**

**Table B1** Dimensions and Measures of Market Potential for 2014

<b>Dimension</b>	<b>Weight</b>	<b>Measures Used</b>
Market Size	25/100	1. Electricity Consumption (2011) <sup>1</sup> 2. Urban Population (2012) <sup>1</sup>
Market Intensity	15/100	1. GNI per Capita Estimates Using PPP (2012) <sup>1</sup> 2. Private Consumption as a percentage of GDP (2012) <sup>1</sup>
Market Growth Rate	12.5/100	1. Average Annual Growth Rate of Primary Energy Use (Between years 2007-2012) <sup>2</sup> 2. Real GDP Growth Rate (2012) <sup>1</sup>
Market Consumption Capacity	12.5/100	1. Consumer Expenditure (2013) <sup>4</sup> 2. Income Share of Middle-Class (2011) <sup>1</sup>
Commercial Infrastructure	10/100	1. Cellular Mobile Subscribers (2012) <sup>3</sup> 2. Households with Internet Access (2012) <sup>3</sup> 3. Main Telephone Lines (2012) <sup>3</sup> 4. Number of PC's (2012) <sup>4</sup> 5. Paved Road Density (2013) <sup>4</sup> 6. Population per Retail Outlet (2013) <sup>4</sup> 7. Percentage of Households with Color TV (2013) <sup>4</sup>
Market Receptivity	10/100	1. Per Capita Imports from US (2013) <sup>7</sup> 2. Trade as a Percentage of GDP (2012) <sup>1</sup>
Economic Freedom	7.5/100	1. Economic Freedom Index (2014) <sup>5</sup> 2. Political Freedom Index (2013) <sup>6</sup>
Country Risk	7.5/100	1. Business Risk Rating (2014) <sup>8</sup> 2. Country Risk Rating (2013) <sup>9</sup> 3. Political Risk Rating (2014) <sup>10</sup>

Data used are those available for most recent year. All sources were accessed in April 2014.

**Source:** Michigan State University, 2014.

- 1) <sup>1</sup> Source: World Bank, *World Development Indicators*
- 2) <sup>2</sup> Source: U.S. Energy Information Administration, *International Energy Annual*
- 3) <sup>3</sup> Source: International Telecommunication Union, *ICT Indicators*
- 4) <sup>4</sup> Source: Euromonitor International, *Global Market Information Database*
- 5) <sup>5</sup> Source: Heritage Foundation, *The Index of Economic Freedom*
- 6) <sup>6</sup> Source: Freedom House, *Survey of Freedom in the World*
- 7) <sup>7</sup> Source: U.S. Census Bureau Foreign Trade Division, *Country Trade Data*
- 8) <sup>8</sup> Source: Swiss Export Risk Insurance, *Country Risk Survey*
- 9) <sup>9</sup> Source: Coface, *Country Risk Survey*
- 10) <sup>10</sup> Source: Credimundi, *Country Risk Survey*

#### **Changes as of 2014**

As of 2014, the MPI is going to be calculated for those 87 countries which have been selected according to the following criteria:

- 1) Countries that are in the top 100 performers in terms of Total GDP
- 2) Countries with a population of one million or more.
- 3) Countries for which reliable data is available for the majority of the indicators used.

Also, the weighting of the dimensions used to calculate the index has been changed as follows:

<b>Dimension</b>	<b>Until 2014</b>	<b>After 2014</b>
Market Size	20.00	25.00
Market Intensity	14.00	15.00

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<b>Dimension</b>	<b>Until 2014</b>	<b>After 2014</b>
Market Growth Rate	12.00	12.50
Market Consumption Capacity	10.00	12.50
Commercial Infrastructure	14.00	10.00
Market Receptivity	12.00	10.00
Economic Freedom	10.00	7.50
Country Risk	8.00	7.50

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## **APPENDIX C**

### **THAILAND-BRICS TRADE Value in 2011-2014**

**Table C1** The Ranking and Values of 10 Items of Thailand - International Exports  
During 2011-2014

(Value: Millions USD)

Rank	Items	Value: Millions USD			
		2011	2012	2013	2014
1	Motor cars, parts and accessories	16,984.6	22,912.6	24,401.1	24,548.2
2	Computer, part and accessories	17,064.2	19,056.6	17,750.9	18,313.2
3	Refined fuels	10,091.9	12,881.3	12,729.3	11,309.7
4	Gems and Jewelry	12,301.1	13,147.6	10,085.4	10,080.3
5	Chemicals	8,293.3	8,516.4	9,105.8	8,609.6
6	Plastic polymers	8,802.6	8,531.7	8,956.3	9,689.5
7	Rubber products	8,391.5	8,409.8	8,511.0	8,006.1
8	Integrated Circuits	7,910.4	6,689.0	7,199.9	7,502.6
9	Machinery and parts thereof	6,114.8	6,239.5	6,786.8	7,203.8
10	Rubber	12,697.8	8,745.8	8,233.5	6,021.5
Total 10 Items		108,652.3	115,130.2	113,759.9	111,284.5
Others		113,926.9	114,105.9	114,744.9	116,289.1
Total		222,579.2	229,236.1	228,504.9	227,573.6

**Source:** Information Technology and Communication Center, Ministry of  
Commerce, 2014.

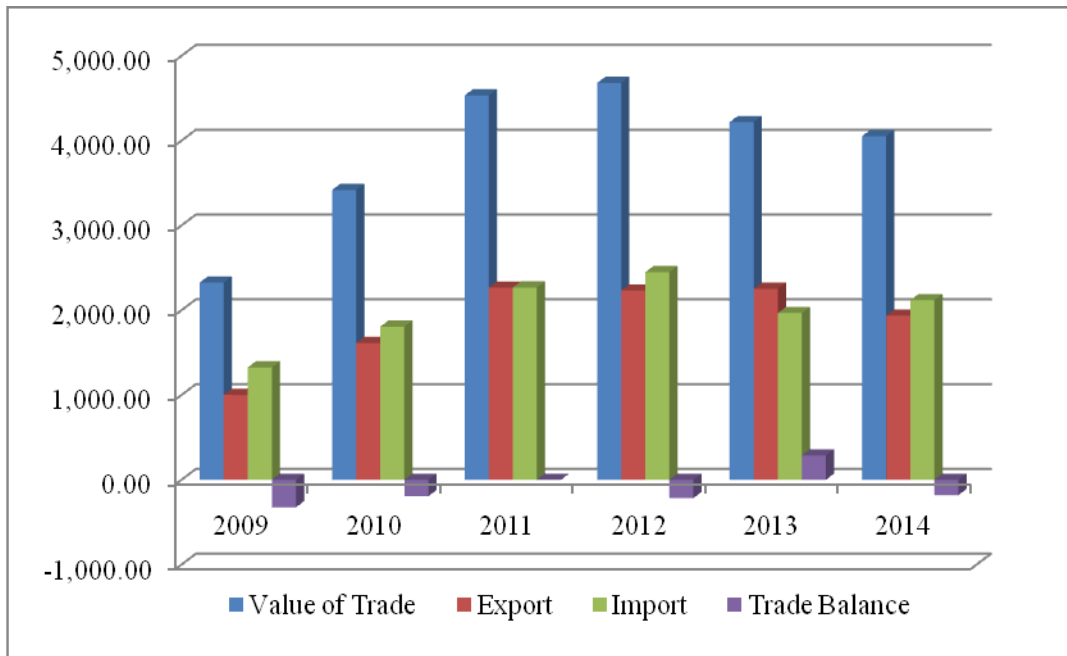
**Table C2** The Ranking and Values of 10 Items of Thailand - International Imports  
During 2011-2014

(Value: Millions USD)

Rank	Items	Value: Millions USD			
		2011	2012	2013	2014
1	Crude Oil	32,897.4	35,843.2	39,345.8	33,216.5
2	Machinery and parts thereof	19,970.3	26,176.6	23,182.4	21,374.9
3	Electrical machinery and parts	13,349.9	17,005.2	15,169.7	15,290.3
4	Chemicals	14,818.9	14,773.1	14,372.9	14,527.0
5	Iron, steel and products	13,908.3	15,165.1	13,931.1	12,802.3
6	Integrated Circuits	10,107.7	9,175.7	9,214.9	9,688.6
7	Automotive parts and accessories	6,529.8	12,608.7	11,912.5	9,061.6
8	Precious stones, jewelry, silver bars and gold	19,917.6	15,804.8	17,823.6	8,870.3
9	Computer, part and accessories	8,608.7	9,360.1	8,500.5	7,903.0
10	Other metal waste, scrap and products	8,951.4	8,128.5	8,042.4	7,867.5
Total 10 Items		149,060.1	164,040.9	161,495.7	140,602.0
Others		79,719.7	85,947.1	88,911.1	87,350.3
<b>Total</b>		<b>228,779.7</b>	<b>249,987.9</b>	<b>250,406.8</b>	<b>227,952.3</b>

**Source:** Information Technology and Communication Center, Ministry of  
Commerce, 2014.

(Value: Millions USD)



**Figure C1** Thailand-Brazil Trade Value in 2009-2014

**Source:** Information Technology and Communication Center, Ministry of Commerce, 2014.

**Table C3** The Ranking and Values of 10 Items of Thailand - Brazil Exports  
During 2011-2014

(Value: Millions USD)

Rank	Items	Value: Millions USD			
		2011	2012	2013	2014
1	Motor cars, parts and accessories	313.5	468.0	430.8	349.3
2	Rubber	370.2	213.0	237.5	165.6
3	Spark-ignition reciprocating internal piston engines and parts thereof	206.1	205.0	191.3	161.9
4	Plastic Polymers	106.8	75.5	95.7	134.3
5	Machinery and parts thereof	272.3	168.9	170.0	127.1
6	Automotive parts and accessories	75.7	98.2	121.7	123.3
7	Iron, steel and products	68.9	88.2	79.6	110.4
8	Rubber products	167.0	139.5	137.9	106.9
9	Computer, part and accessories	50.5	38.8	68.1	54.0
10	Yarn and fibres	98.6	105.0	63.4	44.5
Total 10 Items		1,729.7	1,599.9	1,596.0	1,377.2
Others		536.3	632.2	656.3	558.5
<b>Total</b>		<b>2,266.0</b>	<b>2,232.0</b>	<b>2,252.4</b>	<b>1,935.7</b>

**Source:** Information Technology and Communication Center, Ministry of Commerce, 2014.

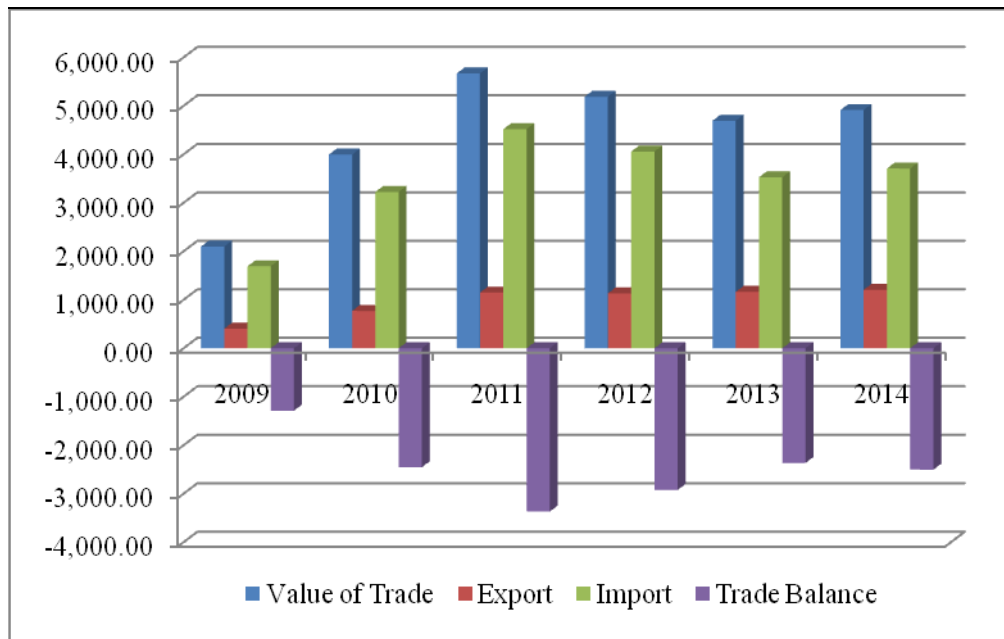
**Table C4** The Ranking and Values of 10 Items of Thailand - Brazil Imports  
During 2011-2014

(Value: Millions USD)

Rank	Items	Value: Millions USD			
		2011	2012	2013	2014
1	Plants and Plants Products	1,366.5	1,473.8	1,237.9	1,439.8
2	Iron, steel and products	272.3	218.8	52.5	142.4
3	Animal and animal products	33.8	50.6	85.7	104.3
4	Yarn and fibres	70.5	170.7	91.2	73.5
5	Automotive parts and accessories	36.9	159.2	87.7	66.9
6	Machinery and parts thereof	90.5	84.4	103.6	56.8
7	Pulp and waste paper pulp	16.4	37.0	29.4	49.1
8	Chemicals	35.0	39.4	23.7	35.3
9	Medical and Pharmaceutical Products	21.9	33.7	32.6	31.2
10	Other metal waste, scrap and products	100.2	34.7	30.9	23.7
Total 10 Items		2,044.0	2,302.3	1,775.2	2,023.0
Others		222.9	145.6	190.2	93.9
<b>Total</b>		<b>2,266.9</b>	<b>2,447.9</b>	<b>1,965.4</b>	<b>2,116.9</b>

**Source:** Information Technology and Communication Center, Ministry of Commerce, 2014.

(Value: Millions USD)



**Figure C2** Thailand-Russia Trade Value in 2009-2014

**Source:** Information Technology and Communication Center, Ministry of Commerce, 2014.

**Table C5** The Ranking and Values of 10 Items of Thailand - Russia Exports  
During 2011-2014

(Value: Millions USD)

Rank	Items	Value: Millions USD			
		2011	2012	2013	2014
1	Motor cars, parts and accessories	393.9	410.2	314.8	291.4
2	Gems and Jewelry	28.8	25.2	65.4	129.9
3	Plastic polymers	53.3	68.8	56.6	79.6
4	Prepared and canned fruits	55.3	43.9	57.4	57.5
5	Rubber Products	41.0	42.0	41.2	51.5
6	Machinery and parts thereof	12.4	29.1	35.0	45.3
7	Electrical household appliances	50.3	62.9	64.5	38.2
8	Prepared and canned seafood	26.8	27.6	36.2	34.7
9	Spark-ignition reciprocating internal piston engines and parts thereof	3.5	6.8	26.4	31.7
10	Rice	24.1	6.7	15.3	30.1
Total 10 Items		689.4	723.3	712.7	789.8
Others		460.1	409.6	451.1	415.4
<b>Total</b>		<b>1,149.5</b>	<b>1,132.8</b>	<b>1,163.8</b>	<b>1,205.2</b>

**Source:** Information Technology and Communication Center, Ministry of Commerce, 2014.

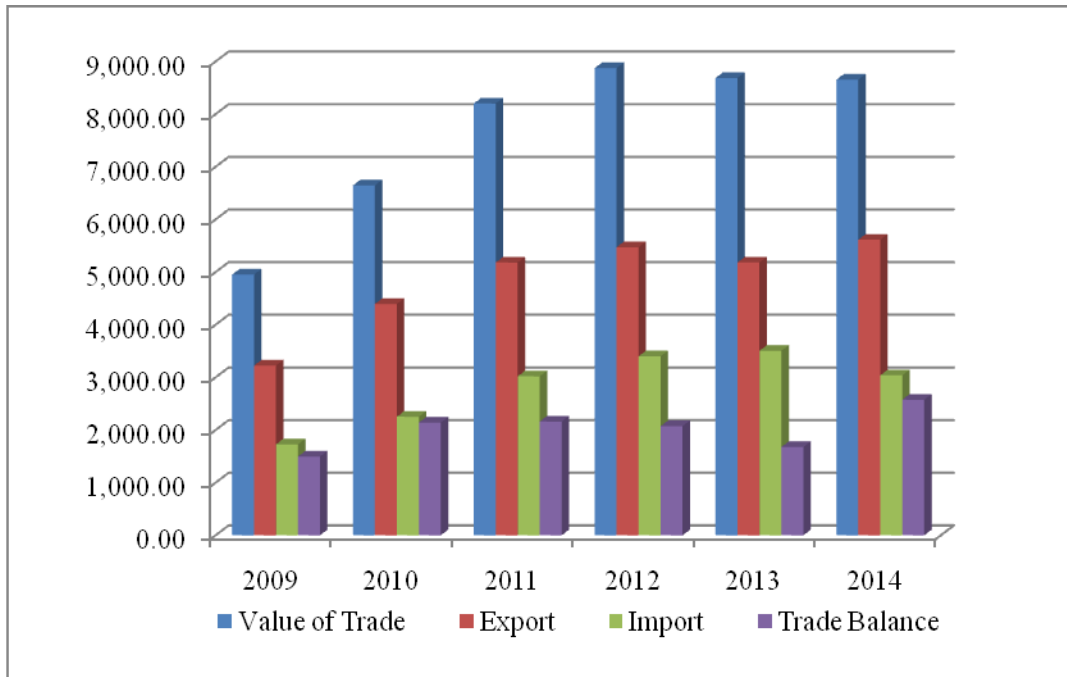
**Table C6** The Ranking and Values of 10 Items of Thailand - Russia Imports  
During 2011-2014

(Value: Millions USD)

Rank	Items	Value: Millions USD			
		2011	2012	2013	2014
1	Crude Oil	2,602.5	1,985.2	1,940.0	2,461.7
2	Iron, steel and products	1,210.5	1,184.4	574.5	491.3
3	Fertilizer and pesticide	366.3	459.3	478.1	298.0
4	Precious stones, jewelry, silver bars and gold	17.4	18.3	251.5	129.7
5	Other metal waste, scrap and products	65.2	126.6	90.9	83.3
6	Refined fuels	-	97.8	19.9	54.0
7	Natural Gas	40.7	-	-	46.4
8	Plants and Plants Products	56.6	59.2	64.7	44.3
9	Fresh seafood, Chilled and frozen seafood, processed and semi-processed	45.7	42.7	29.4	26.4
10	Mineral and mineral products	30.1	22.8	19.5	17.8
Total 10 Items		4,435.0	3,996.5	3,468.6	3,652.9
Others		83.9	59.7	60.9	55.5
<b>Total</b>		<b>4,519.0</b>	<b>4,056.2</b>	<b>3,529.5</b>	<b>3,708.5</b>

**Source:** Information Technology and Communication Center, Ministry of  
Commerce, 2014.

(Value: Millions USD)



**Figure C3** Thailand-India Trade Value in 2009 – 2014

**Source:** Information Technology and Communication Center, Ministry of Commerce, 2014.

**Table C7** The Ranking and Values of 10 Items of Thailand-India Exports  
During 2011-2014

(Value: Millions USD)

Rank	Items	Value: Millions USD			
		2011	2012	2013	2014
1	Chemicals	734.3	578.6	503.1	607.4
2	Plastic polymers	487.9	461.5	480.4	582.1
3	Gems and Jewelry	442.1	388.0	379.2	351.6
4	Spark-ignition reciprocating internal piston engines and parts thereof	288.8	381.0	334.6	311.0
5	Motor Cars, Accessories and Parts	267.1	297.9	275.0	310.5
6	Iron, steel and products	195.2	640.0	332.0	285.8
7	Air-Conditioners and parts	158.7	264.3	231.0	277.6
8	Machinery and parts thereof	258.4	271.1	273.0	252.5
9	Radio, television and parts thereof	85.5	149.2	141.7	223.1
10	Rubber	289.1	244.6	217.2	217.3
Total 10 Items		3,207.2	3,676.2	3,167.1	3,418.8
Others		1,974.3	1,797.1	2,014.7	2,196.0
<b>Total</b>		<b>5,181.5</b>	<b>5,473.3</b>	<b>5,181.8</b>	<b>5,614.8</b>

**Source:** Information Technology and Communication Center, Ministry of  
Commerce, 2014.

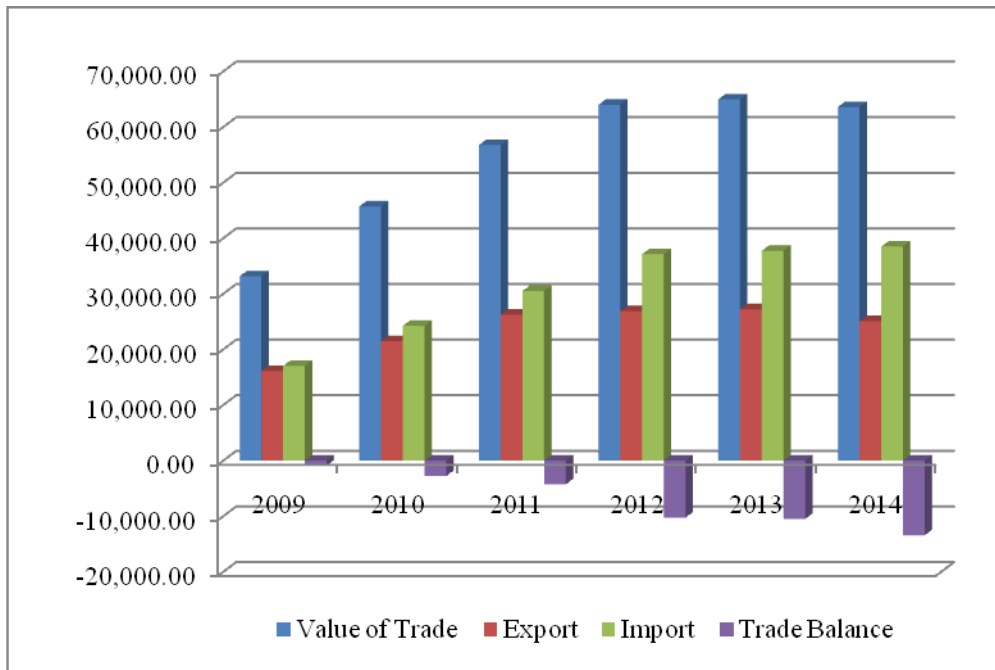
**Table C8** The Ranking and Values of 10 Items of Thailand - India Imports  
During 2011-2014

(Value: Millions USD)

Rank	Items	Value: Millions USD			
		2011	2012	2013	2014
1	Chemicals	312.5	289.7	303.1	339.6
2	Machinery and parts thereof	280.0	397.2	317.9	282.7
3	Automotive parts and accessories	136.5	223.0	225.5	279.3
4	Precious stones, jewelry, silver bars and gold	655.1	678.2	531.3	251.5
5	Other metal waste, scrap and products	195.7	104.6	116.3	215.0
6	Plants and Plants Products	246.5	405.7	378.4	208.0
7	Ships and Boats	22.2	62.8	21.7	187.1
8	Medical and Pharmaceutical Products	139.7	137.9	140.9	172.1
9	Iron, steel and products	66.8	156.9	431.5	155.4
10	Refined fuels	137.0	43.2	46.7	125.2
Total 10 Items		2,192.0	2,499.1	2,513.2	2,215.9
Others		828.1	901.3	991.1	823.6
<b>Total</b>		<b>3,020.1</b>	<b>3,400.4</b>	<b>3,504.3</b>	<b>3,039.5</b>

**Source:** Information Technology and Communication Center, Ministry of Commerce, 2014.

(Value: Millions USD)



**Figure C4** Thailand-China Trade Value in 2009-2014

**Source:** Information Technology and Communication Center, Ministry of Commerce, 2014.

**Table C9** The Ranking and Values of 10 Items of Thailand-China Exports  
During 2011-2014

(Value: Millions USD)

Rank	Items	Value: Millions USD			
		2011	2012	2013	2014
1	Plastic polymers	2,440.8	2,587.0	2,871.0	3,041.0
2	Rubber	4,613.8	3,612.9	3,768.4	2,752.9
3	Chemicals	2,681.4	2,916.4	3,198.2	2,625.7
4	Tapioca Products	1,359.1	1,496.3	2,008.3	2,330.8
5	Computer, part and accessories	4,299.1	4,501.2	2,631.1	2,099.4
6	Rubber products	1,795.4	2,120.0	2,318.4	1,781.1
7	Refined fuels	299.6	1,194.4	1,896.2	1,324.3
8	Wood and wood products	914.3	952.3	1,104.6	1,099.7
9	Integrated Circuits	685.1	389.6	457.7	531.3
10	Electrical household appliances	598.7	607.7	613.1	502.7
Total 10 Items		19,687.3	20,377.9	20,867.0	18,089.0
Others		6,563.5	6,491.9	6,365.8	6,995.4
<b>Total</b>		<b>26,250.8</b>	<b>26,869.8</b>	<b>27,232.7</b>	<b>25,084.4</b>

**Source:** Information Technology and Communication Center, Ministry of Commerce, 2014.

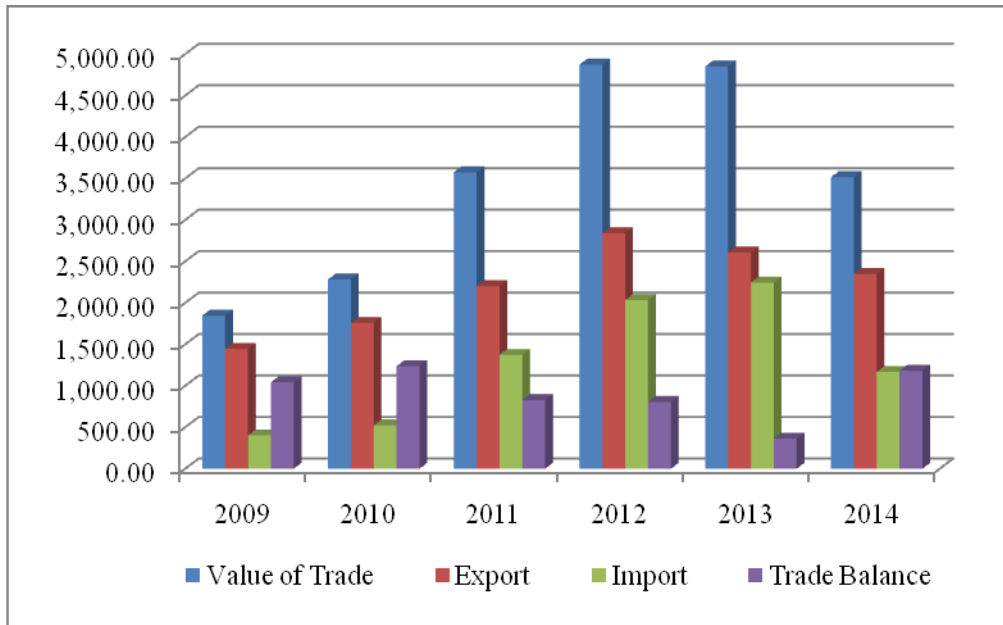
**Table C10** The Ranking and Values of 10 Items of Thailand - China Imports  
During 2011-2014

(Value: Millions USD)

Rank	Items	Value: Millions USD			
		(2011)	(2012)	(2013)	(2014)
1	Electrical machinery and parts	3,987.4	4,791.8	4,976.4	5,136.5
2	Electrical household appliances	2,885.6	4,041.9	4,029.8	4,137.6
3	Machinery and parts thereof	2,851.8	3,974.1	3,981.4	4,054.8
4	Computer, part and accessories	3,826.0	4,289.1	3,573.8	3,108.3
5	Chemicals	2,151.6	2,323.1	2,436.5	2,729.0
6	Iron, steel and products	1,665.1	2,209.5	2,059.8	2,306.8
7	Metal products	859.6	1,081.7	1,161.7	1,338.3
8	Automotive parts and accessories	366.3	1,226.0	1,421.0	1,312.4
9	Other metal waste, scrap and products	794.5	951.0	908.9	985.6
10	Plastic Products	593.4	750.4	804.4	922.3
Total 10 Items		19,981.3	25,638.6	25,353.8	26,031.7
Others		10,519.4	11,482.1	12,373.4	12,466.7
<b>Total</b>		<b>30,500.7</b>	<b>37,120.7</b>	<b>37,727.2</b>	<b>38,498.3</b>

**Source:** Information Technology and Communication Center, Ministry of Commerce, 2014.

(Value: Millions USD)



**Figure C5** Thailand-South Africa Trade Value in 2009-2014

**Source:** Information Technology and Communication Center, Ministry of Commerce, 2014.

**Table C11** The Ranking and Values of 10 Items of Thailand-South Africa Exports  
During 2011-2014

(Value: Millions USD)

Rank	Items	Value: Millions USD			
		2011	2012	2013	2014
1	Motor cars, parts and accessories	521.2	618.3	817.2	676.5
2	Rice	332.5	226.1	231.6	239.4
3	Radio, television and parts thereof	180.4	186.3	157.2	164.4
4	Iron, steel and products	104.1	122.7	128.7	116.6
5	Spark-ignition reciprocating internal piston engines and parts thereof	58.9	41.8	121.4	114.1
6	Rubber products	100.2	108.8	111.2	110.0
7	Prepared and canned seafood	81.4	174.6	143.4	108.4
8	Machinery and parts thereof	64.5	75.5	85.2	81.7
9	Refined fuels	33.4	496.4	64.8	80.3
10	Chemicals	27.7	95.0	103.1	74.8
Total 10 Items		1,504.4	2,145.5	1,963.8	1,766.1
Others		697.7	694.2	644.0	583.3
<b>Total</b>		<b>2,202.1</b>	<b>2,839.7</b>	<b>2,607.8</b>	<b>2,349.5</b>

**Source:** Information Technology and Communication Center, Ministry of Commerce, 2014.

**Table C12** The Ranking and Values of 10 Items of Thailand-South Africa Imports  
During 2011-2014

(Value: Millions USD)

Rank	Items	Value: Millions USD			
		2011	2012	2013	2014
1	Precious stones, jewelry, silver bars and gold	805.6	1,447.9	1,599.7	570.5
2	Other metal waste, scrap and products	146.6	93.4	172.0	173.3
3	Chemicals	128.8	147.1	132.2	165.5
4	Machinery and parts thereof	24.9	96.5	114.6	87.3
5	Pulp and waste paper	104.4	88.4	66.2	70.3
6	Automotive parts and accessories	33.4	33.1	29.1	28.8
7	Iron, steel and products	42.0	31.2	31.4	14.7
8	Beverages, mineral, aerated water and spirits	8.6	10.2	9.8	11.7
9	Animal and animal products	4.7	8.4	14.6	10.7
10	Refined fuels	3.5	4.2	3.4	4.1
Total 10 Items		1,302.5	1,960.3	2,173.0	1,136.9
Others		71.1	73.9	71.5	30.6
<b>Total</b>		<b>1,373.6</b>	<b>2,034.2</b>	<b>2,244.5</b>	<b>1,167.4</b>

**Source:** Information Technology and Communication Center, Ministry of  
Commerce, 2014.

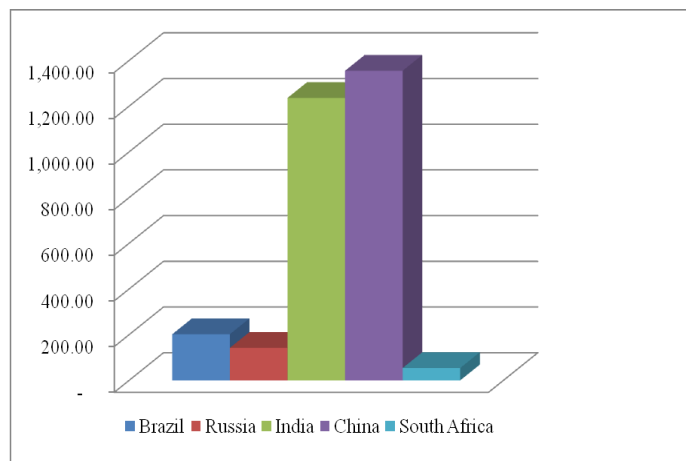
## **APPENDIX D**

### **DEMOGRAPHIC CHARACTERISTICS OF BRICS**

## Demographic Characteristics of BRICS

### 1) Population

In 2014, China's overall population is 1,370 million, the largest population in the world, followed by India with the population of 1,267 million. The population of Brazil is 202 million, which ranks the fifth largest population in the world, and the population of Russia is 142.470 million, which ranks the ninth largest population in the world (CIA World Factbook, 2014; World Bank, 2014). It has been projected that in the middle of the year 2014, the population of South Africa will be 54 million (World Bank, 2014; CIA World Factbook, 2014; and Statistics South Africa, 2014) as shown in Figure D1.

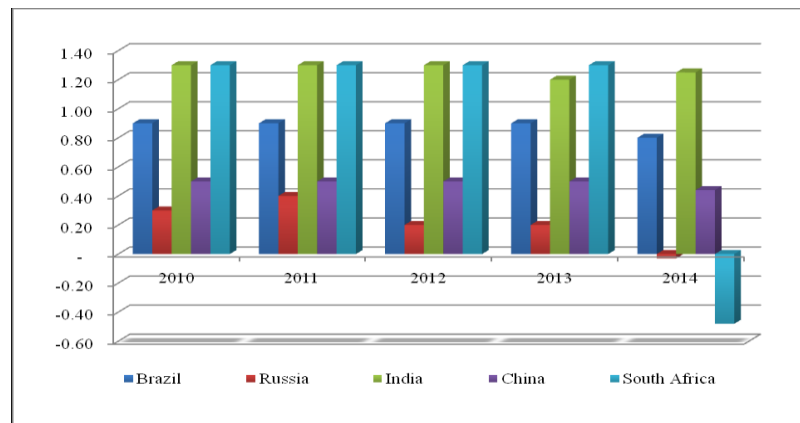


**Figure D1** Population in BRICS 2014

### 2) Population Growth Rate

According to World Bank statistics (World Bank, 2014), the population growth rate of Brazil has remained unchanged since 2010 (0.9 percent) and (0.9 percent) 2013. The CIA World Factbook predicted that in 2014, the population growth rate of Brazil would increase by 0.8 percent, while Russia's population growth rate has declined since 2010 from 0.3 percent to 0.2 percent in 2013 (World Bank, 2014). The CIA World Factbook projected that the Russia's population growth rate would come to minus rate in 2014, or -0.03 percent. The population growth rate of India, World Bank (2014), has remained stable since 2010 (1.3 percent to 1.2 percent

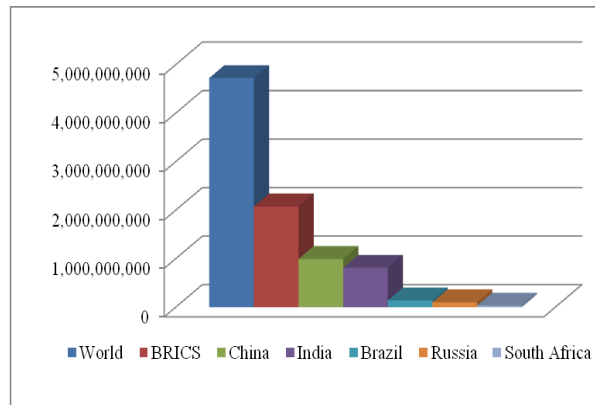
in 2013) and The CIA World Factbook estimated that by 2014, India's population growth rate would be 1.25 percent while China's population growth rate in 2014 was 0.44 percent. On the other hand, South Africa's population growth rate was stable during 2010 - 2013 (at 1.3 percent) (World Bank, 2014). The CIA World Factbook projected that South Africa's population growth rate would be -0.48 percent in 2014 (World Bank, 2014 and CIA Factbook, 2014) as shown in Figure D2.



**Figure D2** BRICS' Population Growth Rate

### 3) Working Age Population

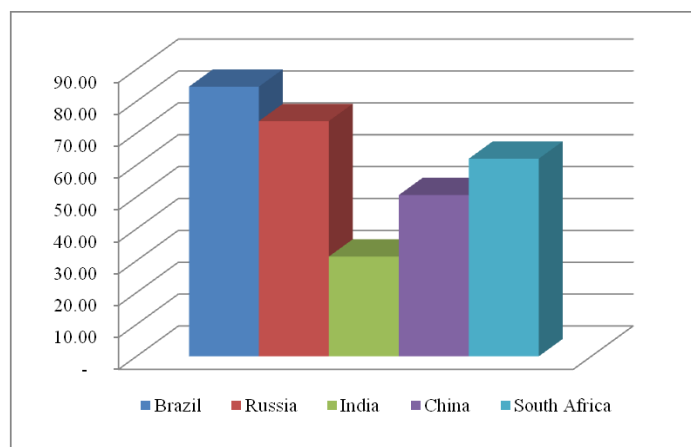
In Figure D3, the world workforce population or the working age population (between 15-64 years) was 4,723,199,916 persons in total (U.S. Census Bureau, 2014). The workforce of all BRICS countries-half of them are working age population of the world-is 2,076,781,000 persons surpassed by China, the top largest workforce (993,315,000 persons), followed by India (812,337,000 persons), Brazil (139,205,000 persons), Russia (100,256,000 persons), and South Africa 31,668,000 person respectively. It is clearly seen that the rate of workforce of BRICS is enough to support some industries invested by foreign enterprises that expand their businesses into BRICS.



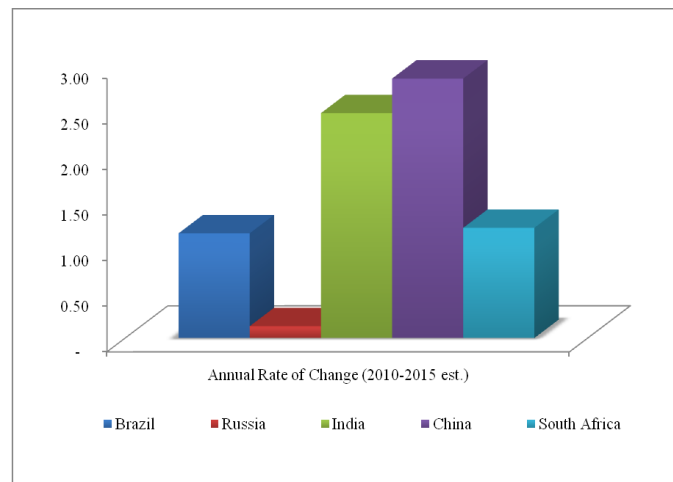
**Figure D3** Working Age Population in BRICS in 2014

#### 4) Urban of Population in BRICS

In 2011, the CIA World Factbook (2014) reported that the urban population in Brazil came up to 84.6 percent of the total population. The second largest percentage of the population living in urban areas was Russia (73.8 percent) followed by South Africa (62 percent), China (50.6 percent), and lastly India (31.3 percent) as shown in Figure D4. In short, the urban population was approximately 60.46 percent. The proportion of urban population in big cities of BRICS is large, making that Thai enterprises investing in BRICS countries usually concentrate in big cities because they is abundant in workforce and because the consumer markets are large.



**Figure D4** Urban Population in BRICS



**Figure D5** Annual Rate of Urbanization in BRICS (2010-2015 onwards)

Figure D5 illustrates that urbanization in Brazil reached 1.15 percent per year during 2010-2015 (projection). In 2011 people concentrated in capital cities, and major cities such as Sao Paulo (19.924 million), Rio de Janeiro (11.96 million), Belo Horizonte (5.487 million), Porto Alegre (3.933 million), Recife (3.733 million), Brasilia (Capital) (3.813 million) (CIA World Factbook, 2014).

Russia's urbanization increased by 0.13 percent per year during 2010-2015 (projection). In 2011 people concentrated in capital cities and major cities, such as Moscow capital (11.621 million), Saint Petersburg (4.866 million), Novosibirsk (1.478 million), Yekaterinburg (1.355 million), Nizhniy Novgorod (1.245 million) and Samara (1.166 million) (CIA World Factbook, 2014).

China's urbanization during 2010-2015 reached (Projection) 2.85 percent per year. The eastern China was more densely populated than the western China. The Chinese government also set a policy to accelerate urbanization of rural areas (CIA World Factbook, 2014 and Investment Manual of BOI).

Urbanization in South Africa around 2010-2015 was (projection) 1.21 percent per year. In 2011 people concentrated in capital cities, and major cities such as Johannesburg (3.844 million), Cape Town (Legislative Capital) (3.562 million), Ekurhuleni (East Rand) (3.357 million), Durban (3.012 million), Pretoria (Capital) (1.501 million), Vereeniging (1.2 million), and Bloemfontein (Judicial Capital) (468,000 people) (CIA World Factbook, 2014).

Capital cities or megacities have grown continuously. The five countries are currently unable to increase the urban growth in their local areas as the capital cities and megacities are overcrowded. However, Thai enterprises in BRICS aim to expand their businesses in the capital cities and megacities as well. This makes enterprises in the sample can recruit qualified employees to work there. Moreover, capital cities or business destinations are also significant markets of the enterprises in sample to launch and distribute their products.

### **6) Races**

Most Thai enterprises which invested in BRICS, have chosen to do business in capitals or megacities of the countries, where the issue of races is important. To smooth operations in the area, they need to understand the different practices of each nation which does business based on its culture traditions.

Brazil citizens are of four races: White (48.8 percent or 98.088 million), Mulatto-mixed White and Black (43.8 percent or 88.038 million), Black (6.8 percent or 13.668 million) and Asian and Indigenous (0.6 percent or 1.206 million). In other words, the ancestors of White Brazilians citizens are from European countries, such as Portugal, Italy, Germany, and Eastern Europe. Mulatto-mixed White Brazilians are of mixed White and Black ancestry, White and Amerindian ancestry, Black and Amerindian ancestry, for an instance. Black Brazilians are of African origin. Brazilian geneticists discovered that most Africans in Brazil descend from Angola and Mozambique ancestry who lived in the territories colonized by Portugal. Indigenous Brazilians or Amerindian in Brazil live along Amazon River basin. Brazilians with Asian races are of Japanese, Korean, and Chinese origins living in Sao Paulo. The diversity of races in Brazil makes Brazilian population more familiar with cultural diversification than people in other Latin America countries (Research for producing Trade and Investment Manual in Latin America countries (Brazil), July 2012).

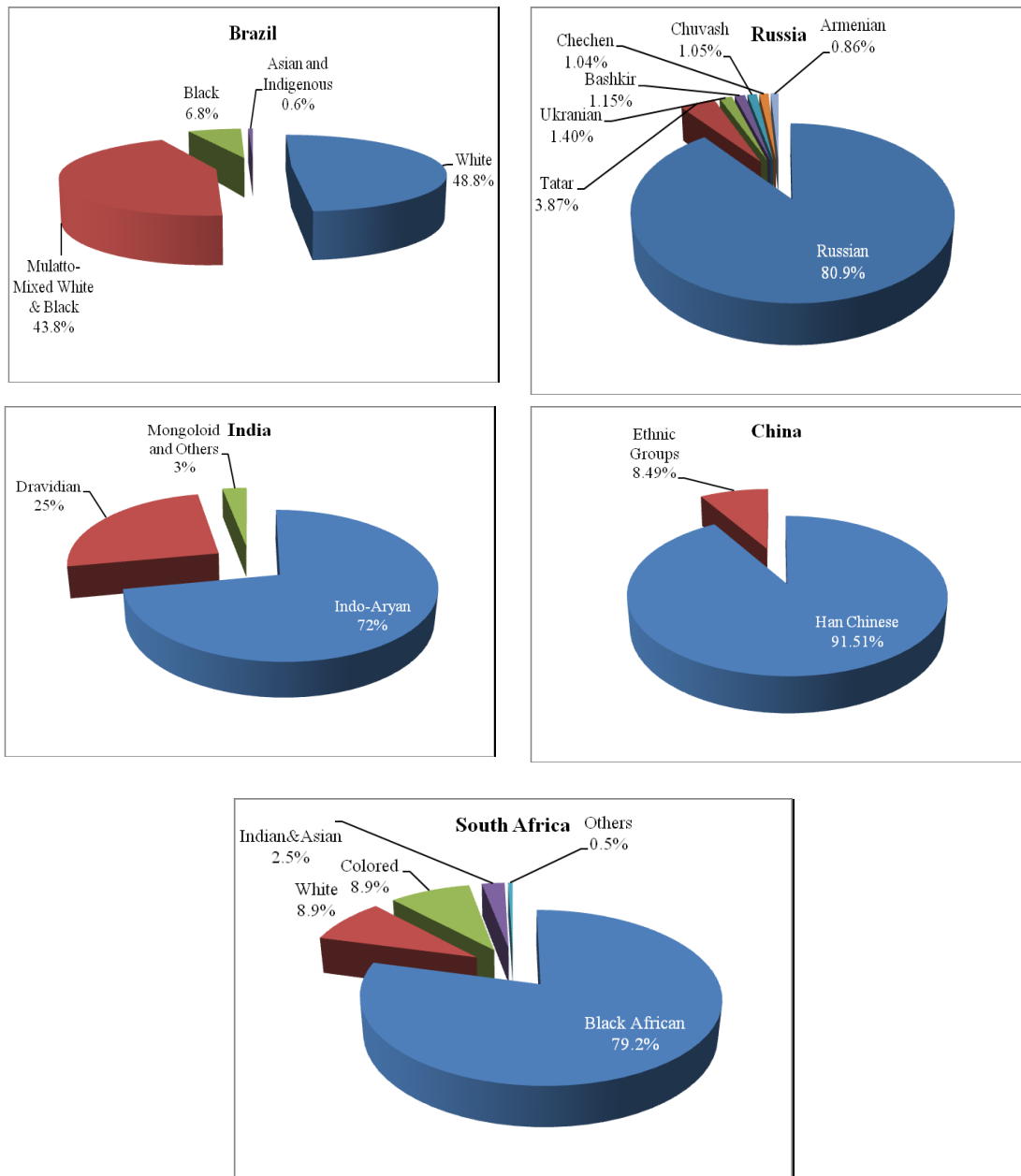
Russia is the world's largest country by area. According to Wikipedia (2014), it is a multi-ethnic country with more than 160 races of people living together. The population census in 2010 indicated that 80.90 percent of the population are of Russian race (111,016,896 people), and the rest are minority-About 3.87 percent or 5,310,649 people Tatar, Ukrainian (1.40 percent or 1,927,988 people), Bashkir (1.15

percent or 1,584,554 people), Chuvash (1.05 percent or 1,435,872 people), Chechnya (1.04 percent or 1,431,360 people), and Armenian (0.86 percent or 1,182,388 people).

India is a society with diversification of races, languages, religions, and cultures, castes, and language. The majority of people in India are Indo-Aryan (72 percent), followed by Dravidian (25 percent), Mongoloid and other races (3 percent) (Department of Export Promotion, Ministry of Commerce, 2011 and CIA World Factbook, 2014).

China has more than 56 multi ethnic groups living together. In 2011, Hans as the majority of Chinese people accounted for 91.51, followed by minorities the major tribes/ races are Zhuang, Hui, Uyghur, Yi, Tibetan, Miao, Manchu, Mongol, Dai or Tai, Gaoshan, etc. (Royal Thai Embassy, Beijing and CIA World Factbook, 2014)

South Africa is a multinational territory. The majority are Black African (79.2 percent), followed by White (8.9 percent), Colored (8.9 percent), Indian/ Asian (2.5 percent), and other nationalities (0.5 percent) (projection for the year of 2011) (CIA World Factbook, 2014) as illustrated in Figure D6.



**Figure D6** Nationalities in BRICS

**Note:** Percentage

### 7) Religions

BRICS have a diversity of beliefs and religions. In Brazil the dominant religion is Roman Catholics (64.6 percent), followed by Protestant (22.2 percent), Other Catholics (0.4 percent), other Christian (0.7 percent), Spiritism (2.2 percent)

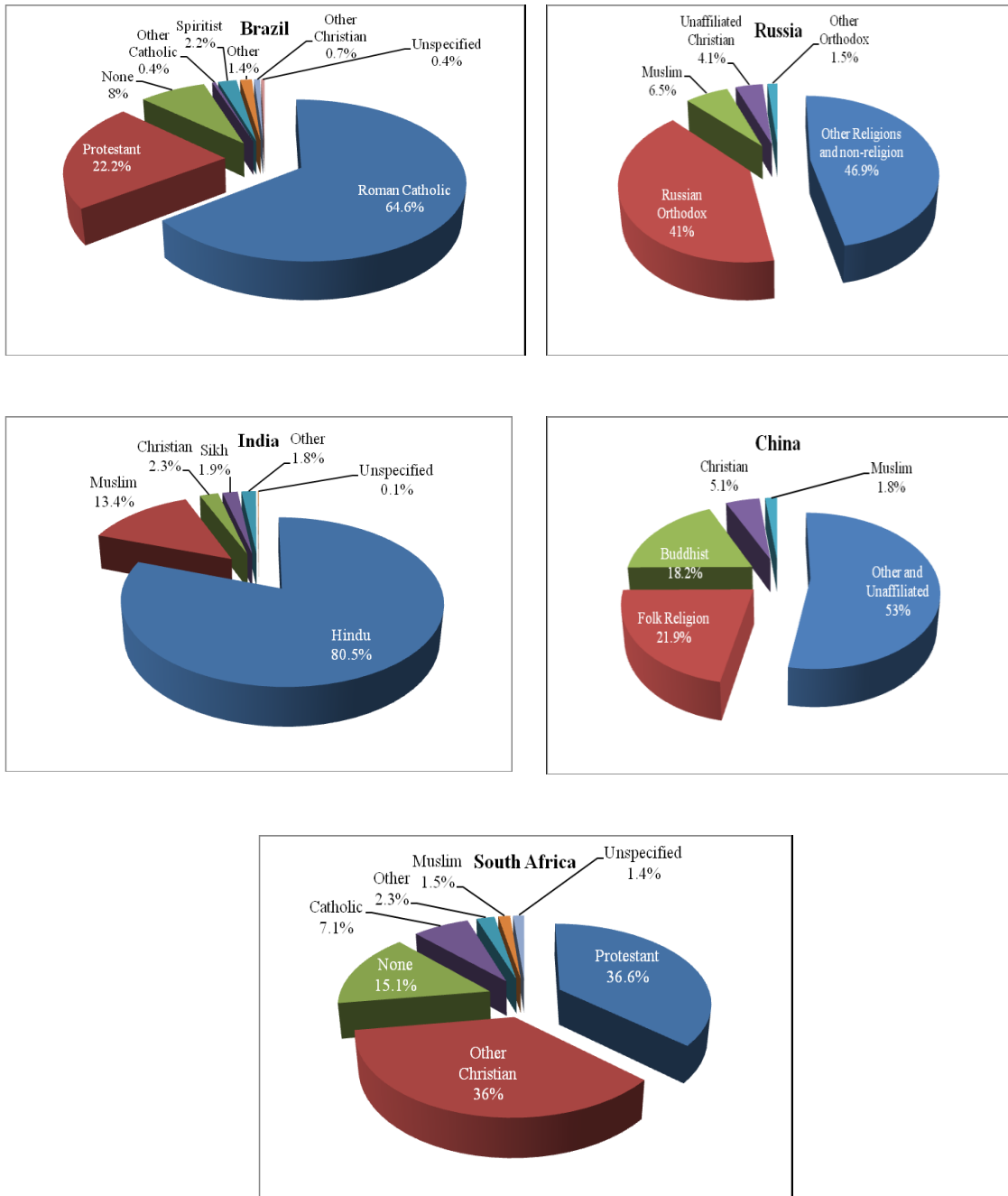
and Others (1.4 percent), No Religion (8 percent), Not Identified Religion (0.4 percent) (CIA World Factbook, 2014).

The religion that most Russian people believe in Russian Orthodox (41 percent), followed by Muslim (6.5 percent), Unaffiliated Christian (4.1 percent), Other Orthodox (1.5 percent) and Other belief or Not Identified Region (46.9 percent) (CIA World Factbook, 2014).

India is a country with many historic places, and different religions and beliefs going back thousands of years. Presently, the dominant religion of Indian is Hinduism (82 percent), followed Islam (13.4 percent). India is the world's third-largest Muslim country after Indonesia and Pakistan, respectively. Furthermore, other religious minorities throughout India are Christian, Sikhism, Buddhism, and Jainism (Department of Export Promotion, Ministry of Commerce, 2011, and CIA World Factbook, 2014).

Most Chinese people have no religion (53 percent), followed by traditional folk religions (21.9 percent), Buddhism (18.2 percent), Christian (5.1 percent) and Islam (1.8 percent), respectively. People in China believe in the concept of Theism (CIA World Factbook, 2014).

The majority of South Africa's populations are Protestant (36.6 percent), Catholics (7.1 percent), Islam (1.5 percent), Other Protestant (36 percent), Other Religions (2.3 percent), Not Identify Religions (1.4 percent) and No Religion (15.1 percent) (Census 2001 and CIA World Factbook, 2014) as illustrated in Figure D7.



**Figure D7** Religion in BRICS

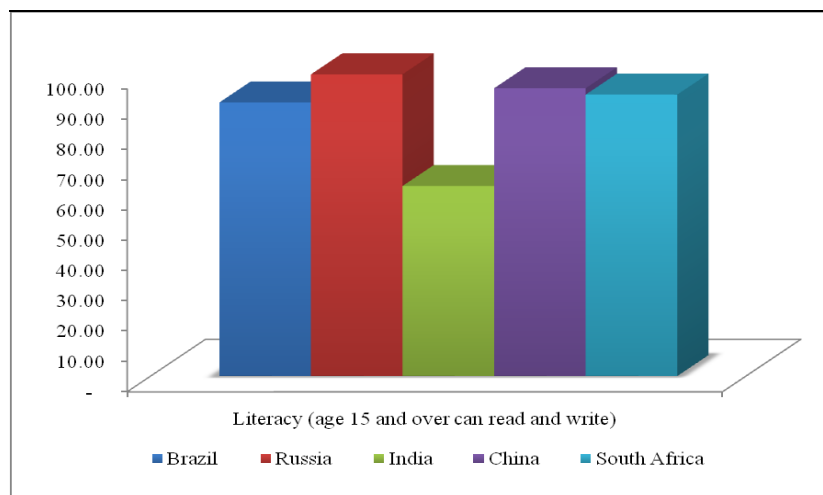
**Note:** Percentage

Although religions have no impact on the internationalization of Thai enterprises in BRICS, the local staff needs to understand the religions and beliefs in

the area (the social context) to avoid sensitive issue and to cope with cultural diversity in the area effectively.

### 8) Literacy

Most people in BRICS are literate people (Aged 15 or more can read and write): people are Russia (99.7 percent) (2010), followed by (China 95.1 percent) (projection 2010), South Africa (93 percent) (projection 2011), Brazil (90.4 percent) (2010) and India which has the lowest literacy level in BRICS (62.8 percent) (2006) [CIA World Factbook (2014)] as shown in Figure D8.



**Figure D8** Literacy in BRICS

**Note:** Percent

## **BIOGRAPHY**

**NAME**

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M.S. (Human Resource and  
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