

**UNRAVELING THE ENIGMA OF INTERNATIONALIZATION:
THE CASE OF THAI MANUFACTURING SMALL AND
MEDIUM-SIZED ENTERPRISES**

Apichart Thananan

**A Dissertation Submitted in Partial
Fulfillment of the Requirements for the Degree of
Doctor of Philosophy (Development Administration)
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ABSTRACT

Title of Dissertation	Unraveling The Enigma of Internationalization: The Case of Thai Manufacturing Small and Medium-Sized Enterprises
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Globalization, together with the reduction in trade barriers and development in information and communication technology, provide an opportunity for small and medium-sized enterprises (SMEs) to expand their business into foreign markets. SME internationalization has been widely researched in developed countries but little is known about how and why internationalization takes place in the developing countries and this lack of evidence in the literature provides strong grounds for this study.

This study contributes to a better understanding of the internationalization process of Thai SMEs in the manufacturing sector, focusing especially on a country where few studies on internationalization have been carried out. As internationalization is a complex phenomenon and is strongly influenced by the context in which it takes places, this study is the first to attempt to create a holistic understanding of the internationalization process of SMEs through the integration of various internationalization theories; namely, the stage model, the network approach, the international entrepreneurship approach, and resource-based perspectives. These perspectives examine the awareness, behavior, driving forces, and key factors relevant to SME internationalization. Therefore, the pattern and dimension of internationalization, including the mode of entry, market selection, and source of finance were investigated in this study, as well as the problems and challenges faced by SMEs and the driving forces and key factors influencing the internationalization process.

An interpretivist-constructivist paradigm and qualitative method were employed. Based on nine in-depth interviews with the owners/managers or key executives from the SME manufacturing industry, the study seeks to provide answers to three simple questions: why, when, and how firms begin their cross-border business

activities. The results are largely inductive and interpretive and are presented as emerging themes. The findings indicated that interrelated factors influence the internationalization process of Thai SMEs. Various foreign entry speed, low commitment entry mode, and broad market scope determined the pattern of internationalization undertaken. A traditional internationalization pattern was strongly evident, although some SMEs exhibited rapid and a “born-again” global internationalization pattern depending on their managerial capabilities, knowledge and access to information, or because of a change in management. Firms choose their main market without psychic distance reasoning. In other words, they do not choose geographically or culturally close countries as their main markets, but those with high demand and market potential. The findings showed that most of these companies opted for exporting as their preferred choice of foreign entry mode strategy as they were easier to establish, more flexible, required low resource commitments, and involved less risk. Sources of finance for international operations mainly centered on internally generated funds, such as family contributions, as the majority of SMEs were family-owned businesses. The main drivers of internationalization centered on key personnel characteristics and firm-specific factors, such as firm resource and firm competence. The finding clearly shows that while domestic and global forces motivate internationalization, aspects of government policy, the home political situation, and financial access inhibit the process. More importantly, the findings suggested that networking relationships, production capabilities, and domestic market conditions are all critical to the international expansion of SMEs.

The increasing emphasis on the SME sector for enhancing economic and social development in Thailand means that Thailand can make substantial contributions to socio-economic development and to the understanding of how promoting SME internationalization will increase those gains. A more targeted support base regarding SMEs’ needs, strong university-industry collaboration, easily-accessible financial sources, and coordination/integration among supporting agencies would assist with the internationalization of Thai SMEs. A result of this study not only assist Thai government in making more informed decisions when designing their SME-support programs, but also provide new knowledge and important insights to SMEs managers to improve their internationalization efforts.

Keywords: Internationalization Process, Manufacturing Sector, Small and Medium-Sized Enterprises (SMEs)

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TABLE OF CONTENTS

	Page
ABSTRACT	iii
ACKNOWLEDGEMENTS	v
TABLE OF CONTENTS	vi
LIST OF TABLES	ix
LIST OF FIGURES	x
CHAPTER 1 INTRODUCTION	1
1.1 Introduction to the Chapter	1
1.2 Background to the Research	2
1.3 Statement of the Problem	3
1.4 SMEs in Thailand: An Overview	5
1.4.1 Definition of SMEs	5
1.4.2 Profile of SMEs in Thailand	6
1.4.3 International Trade of SMEs	9
1.4.4 Institutional Mechanisms in Supporting SME Internationalization	11
1.4.5 Challenges and Issues of Thai SME Internationalization	13
1.5 Research Objectives and Research Questions	15
1.6 Scope	17
1.7 Research Contributions	17
1.8 Definitions of Terms	18
CHAPTER 2 LITERATURE REVIEW	22
2.1 Introduction to the Chapter	22
2.2 Internationalization Theories	22
2.2.1 Classical Theories of International Trade	22

2.2.2	The Stage Model of Internationalization	24
2.3	Inconsistencies in the Approaches to Internationalization	44
2.4	Dimensions of SME Internationalization	45
2.4.1	Entry Mode and Market Selection	45
2.4.2	Factors Influencing Market Selection and Entry Mode	51
2.5	Determinants of the Internationalization Process	53
2.5.1	Motives for Internationalization	53
2.5.2	Barriers to Internationalization	55
2.5.3	Firm-specific Factors	57
2.5.4	Key-Personnel Factors	60
2.5.5	External Factors	66
CHAPTER 3	RESEARCH METHODOLOGY	69
3.1	Introduction to the Chapter	69
3.2	Research Paradigm	70
3.3	Research Purpose	71
3.4	Research Approach	72
3.5	Research Strategy	73
3.6	Research Design	77
3.6.1	Research Time Horizon	77
3.6.2	Unit of Analysis	78
3.6.3	Population and Sampling	78
3.6.4	Data Collection Methods	81
3.6.5	Data Analysis	84
3.6.6	Quality Criteria: Validity and Reliability	86
3.7	Ethical Considerations	88
3.8	Summary of Methodology	89
CHAPTER 4	EXPIRICAL ANALYSIS	90
4.1	Introduction to the Chapter	90
4.2	Pretest	90
4.3	Findings from the Pretest	92
4.4	Analysis of the Findings	99
4.5	Full-scale Study	101

4.5.1 Individual Case Analysis	102
4.5.2 Summary of Individual Case Analysis	129
4.5.3 Comparative Analysis	135
4.5.4 The Nature of the Thai SME Internationalization Process	159
CHAPTER 5 DISCUSSION, IMPLICATIONS, AND CONCLUSION	160
5.1 Introduction to the Chapter	160
5.2 Discussion on Research Findings and Contributions to Theory	160
5.3 Implications for Researchers	170
5.4 Recommendations on Internationalization for Firms	171
5.5 Recommendations on Internationalization for the Government	175
5.6 Suggestions for Future Research	179
5.7 Conclusions	180
BIBLIOGRAPHY	184
APPENDICES	200
Appendix A Semi-Structured Interview Guide	201
Appendix B Informed Consent Form	204
Appendix C Request for Participation	206
BIOGRAPHY	208

LIST OF TABLES

Tables	Page
1.1 Definition of SMEs in Thailand	6
1.2 SME Landscape	8
1.3 Selected Definitions of the Internationalization of SMEs	20
2.1 A Review of the Uppsala Model and Innovation- Related Models	29
2.2 Inconsistencies in the Internationalization Approaches	44
2.3 Foreign Market Entry Modes	50
2.4 Factors Influencing Market and Entry Mode Selection	52
2.5 The Classification of Motives for a Firm's Internationalization	54
2.6 Perceived Barriers in Operating Business Abroad	57
3.1 Different Types of Research Purposes	72
3.2 Relevant Situations for Different Research Strategies	74
3.3 Four Types of Case Study	77
3.4 Value-added and Shares of SMEs in Manufacturing in 2011	80
3.5 Summary of Research Methodology Chapter	89
4.1 Findings from the Pretest	96
4.2 Basic Information on the Firms	
4.3 Interviewees' Background	
4.4 Firm International Activities	132
4.5 The Companies and Main Markets	141
4.6 The Motivation for Thai SME Internationalization	145
4.7 Barriers for Thai SME Internationalization	148
4.8 Value-added Elements Influencing SMEs Internationalization	151

LIST OF FIGURES

Figures	Page
1.1 Number of SMEs	7
1.2 SME Contribution to GDP	7
1.3 Employment by SMEs	7
2.1 Establishment Chain Model	25
2.2 The Uppsala Model of Internationalization	27
2.3 Internationalization and the Network Model	33
2.4 Speed and Timing of the Internationalization of Born Global and Born Again Global Firms	37
2.5 Types of the Born Global Firm	38
2.6 The Relationship Between the Management's International Experience and the Internationalization of SMEs	63
3.1 The Flow of the Interview Process for This Research	83
3.2 Case Study Method	86
5.1 Proposal of Model for the Initiation of SME Internationalization in the Context of Thailand	169

CHAPTER 1

INTRODUCTION

1.1 Introduction to the Chapter

This thesis reports on the research into the internationalization process of various small and medium-sized manufacturing enterprises in Thailand. As a newly-industrialized country, the Thai predominantly depends on small and medium enterprises (SMEs) in terms of job creation, GDP contribution, and exports. However, little is understood about the process of SME internationalization or how and why SMEs internationalize. This thesis seeks to redress this by investigating the patterns of internationalization, including modes of entry, market selection, awareness of international opportunities, the problems and challenges faced by internationalizing firms, and the key drivers influencing the internationalization process.

The internationalization process of SMEs in the manufacturing industries in Thailand warrants investigation because this sector produces goods for international trade. However, there is little empirical evidence on how and why Thai manufacturing SMEs internationalize. This study employed qualitative methods and an interpretivist-constructivist paradigm to explore the view and experience of SME practitioners through in-depth interviews conducted between March and June 2014. The results are largely inductive and interpretive and contribute to a better understanding of the internationalization of Thai SMEs.

The thesis consists of five chapters. Chapter 1 introduces the thesis and presents the background and research area, the problem statement, and the research objectives and research questions. Chapter 2 reviews the relevant literature on SME internationalization along with a discussion of its critics. Chapter 3 deals with methodological issues. It covers the entire span, from a basic scientific standpoint through research approach and design. It provides further explanation of the sampling, data collection process, and method of analysis. It concludes with a discussion of

research quality, which explains the triangulation and ethical issues in this study. In Chapter 4, the results are presented to determine the behavior and the key factors influencing the internationalization process of SMEs. Chapter 5 discusses and interprets the findings in comparison to the literature in order to develop a model of how and why Thai SMEs internationalize. Key implications for business practitioners and policy makers are also provided on the basis of these findings. The chapter ends with a discussion of the research limitations and suggestions for further research. The next section introduces the background to the research.

After the background to the research, the next section discusses the research problem in terms of the need and justification for conducting the research. The following section provides a review of the research setting in order to explain the business contexts of Thai SMEs and why the internationalization of SMEs is critical for the country. Next, the research objectives, scope, and the expected benefits of the study are elaborated. A brief overview of the significant operational definitions used in the study is also provided.

1.2 Background to the Research

Globalization, together with the reduction in trade barriers and tariffs due to the liberalization of world trade and regional economic integration, along with the development in information and communication technology, provide an opportunity for SMEs to expand their business into foreign markets. It has become easier for SMEs to reach the world market since costs have dramatically decreased from what they used to be in the past. Undoubtedly, SMEs have acquired more important roles in international markets in recent years and have rapidly expanded their business to international markets, using international diversification as an important strategic option to achieve growth. The Organization for Economic Co-operation and Development (1997) estimated that over one third of Asian export goods come from SMEs, while over one fourth of export goods in Europe and North America also belong to SMEs. Moreover, in some countries (such as Italy, South Korea, China), SMEs have played an important role in their economy; that is, SME entrepreneurs possess over 50% of exports in their respective countries.

Significantly, in East Asia, 90 percent of all business enterprises are SMEs, which suggests that they have a strong role in enhancing the countries' employment and socio-economic development (The Organization for Economic Co-operation and Development, 2007). Moreover, SMEs are also a source of innovation, generating exporting opportunities, and a source for future large-scale enterprises.

In Thailand, SMEs are generally recognized as being the most significant enterprises in accelerating the country's economic growth and development by generating income and employment, and hence a means to mitigate poverty problems (Dhanani and Scholtès, 2002; Paitoon Wiboonchutikula, 2002). SMEs also play important roles and functions in assisting large enterprises, particularly in the context of regional production networks (Chanin Mephokee, 2003), by being key sources of goods, services, and information and knowledge (Regnier, 2000).

The SME sector in Thailand continues to play a vital role in the country's industrialization programs, and represents the backbone of industrial development in the country (Krittakorn Sahakijpicharn, 2007). The 2012 statistics indicated that SMEs constitute 98.5% of all business, contributing about 37% of the GDP and 80.4% of total employment.

SMEs, which play a significant role as an endogenous source of growth and accelerated economic expansion, are confronted with international competition and are forced to compete in international markets. Hence, during the last few decades, SME internationalization has been the subject of increasing research interest among academic researchers, policy makers, and practitioners as the number of SMEs operating in international markets has been growing and the process of their internationalization has been accelerating (McDougall & Oviatt, 2000; Ruzzier, Hisrichet & Antoncic, 2006).

1.3 Statement of the Problem

In spite of the fact that the internationalization phenomenon can affect companies of all sizes in almost all countries in the world, most of the early studies on the internationalization of the firm were based on large manufacturing firms in developed countries, especially Nordic countries and the United States. Nonetheless,

only 32 of all 216 countries in the world are in the “developed” category, although internationalization is not a phenomenon exclusive to firms from developed countries. Moreover, the statistics reported by the United Nations Conference on Trade and Development (United Nations Conference on Trade and Development [UNCTAD], 2005) showed the growing share of developing countries in total world merchandise exports, service exports, and the outward stock of foreign direct investment (FDI) at 28%, 21%, and 13% respectively.

Furthermore, all research studies on SME internationalization share the view that the existing theories cannot satisfactorily explain the internationalization process of SMEs because the theories have been developed based on the assumptions about large firms from developed economies. In addition, the articles with empirical settings in developing countries suggest that firms from these countries do not follow the process implemented by firms from developed countries because they are framed at very different national economic and institutional development stages (Zafarullah, Ali & Young, 1998).

Despite the fact that Thai SMEs have been increasingly engaged in the international market, research into the internationalization of Thai SMEs is still at an embryonic stage. Some studies on SME internationalization have been found within the Thai context, for instance, *International Stages of SMEs Through Exporting* (Duangporn Siawsurat and Onel, 2011), *International Entrepreneurship Activities Among Thai SMEs* (Arunee Tanvisuth, 2007), and *Linking Entrepreneurial Orientation to Competitiveness: How Do Thai SMEs Make It Works Successfully* (Phapruke Ussahawanitchakit, 2007). Although these studies provided some evidence for evaluating the internationalization issue, none has exclusively provided a complete picture or understanding of the internationalization process of Thai SMEs in the manufacturing sector, such as why and how they internationalized their business, and what barriers are faced by these firms among those that did not internationalize. Therefore, there is a strong need for exploratory research in this untouched area.

1.4 SMEs in Thailand: An Overview

1.4.1 Definition of SMEs

In Thailand, an official definition of SMEs, proposed by the Ministry of Industry, covers the number of employees and the value of total fixed assets (excluding land), as shown in Table 1.1 (Brimble, Oldfield, & Manusavee Monsakul, 2002; The Office of SMEs Promotion [OSMEP], 2003). According to ministerial regulation issued in 2002, an enterprise employing up to 50 workers or with fixed assets, excluding land, not exceeding THB 50 million (approximately US\$1.6 million) in the manufacturing sector, is considered a small enterprise. An enterprise employing between 51-200 workers or with fixed assets, excluding land, greater than THB 50 million up to THB 200 million (that is greater than US\$1.6 million up to US\$6.6 million approximately) in the manufacturing sector is defined as a medium-sized enterprise (Chanin Mephokee, 2003; The Office of SMEs Promotion [OSMEP], 2003). Thus, Thai manufacturing SMEs are defined as firms with no more than 200 employees and fixed assets of no more than 200 million baht. A similar definition is used for SMEs in the service sector, while the definition is slightly different for SMEs in the wholesale and retail sectors. Any firm is considered an SME if either one of the above two variables meets the requirement of a smaller class.

Table 1.1 Definition of SMEs in Thailand

Type	Small		Medium	
	Employees	Fixed capital excluding land (million baht)	Employees	Fixed capital excluding land (million baht)
1. Manufacturing	Not more than 50	Not more than 50	51-200	51-200
2. Service	Not more than 50	Not more than 50	51-200	51-200
3. Trade				
Wholesale	Not more than 25	Not more than 50	26-50	51-100
Retail	Not more than 15	Not more than 30	16-30	31-60

Source: OSMEP, 2012.

1.4.2 Profile of SMEs in Thailand

According to the Office of Small and Medium Enterprises Promotion (2013), there were 2.7 million SMEs in 2012, accounting for 98.5% of all enterprises in Thailand (Figure 1.1 and Table 1.2), which were particularly dense in the trade and repairs (99.3%) area, and the service (98.89%) and manufacturing (86.75%) sectors respectively. The devastating flooding in 2011 seriously damaged all enterprises, but the SME sector is continuing to support economic growth and the job market in Thailand. In 2012, SMEs accounted for 37.0% of the GDP and 80.4% of the workforce (Figure 1.2 and 1.3).

The manufacturing sector constitutes Thailand's main industry, producing a wide variety of goods such as textiles and garments, plastics, footwear, electronics, integrated circuits, computers and components, automobiles and parts, and cement. Manufacturing was heavily concentrated in the Bangkok metropolitan area. Bangkok's role as the manufacturing center resulted from its position as the leading port, the largest market, and the transportation, communications, and financial center of the country.

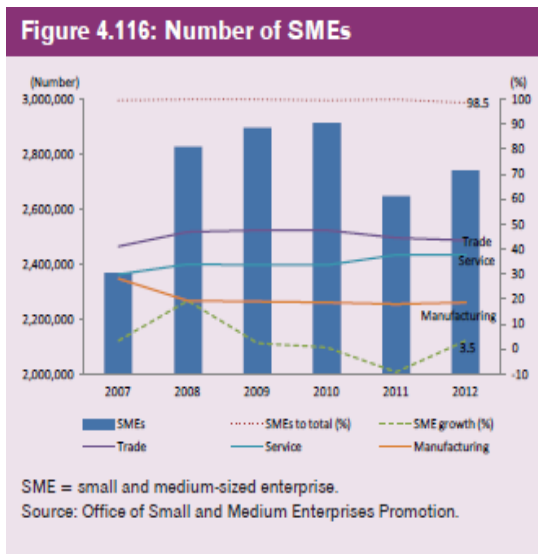


Figure 1.1 Number of SMEs

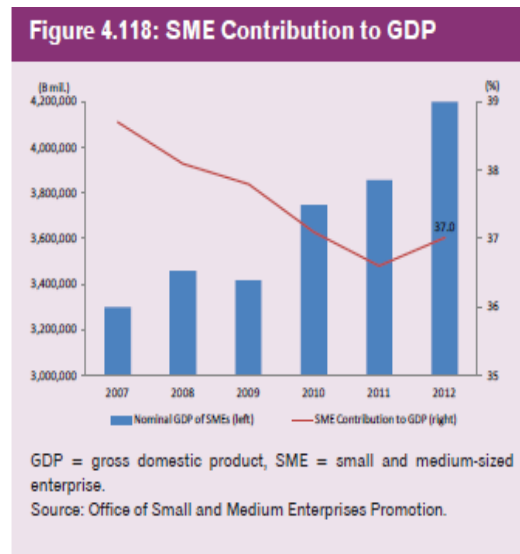


Figure 1.2 SME Contribution to GDP

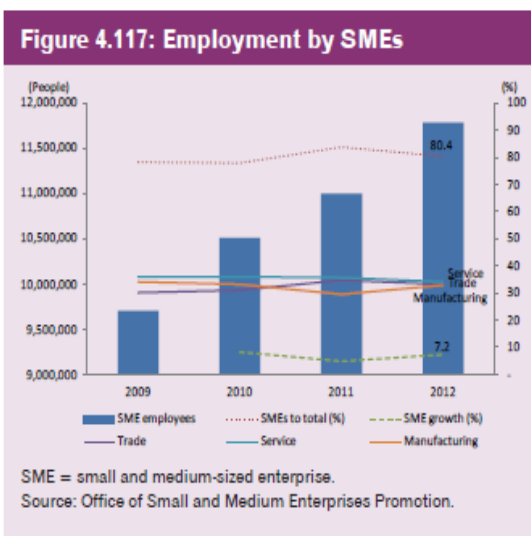


Figure 1.3 Employment by SMEs

The contribution of Thai manufacturing SMEs to the economy has traditionally been important in terms of business numbers, employment, and GDP. In 2012, the number of SMEs in the manufacturing sector was 477,142, accounting for 18.7% of the total SMEs and 86.75% of all establishments in the country.

In terms of the contribution to employment, manufacturing SMEs contributed to 32.7 percent of SME employment, equivalent to 30 percent of total employment.

The GDP value of small and medium enterprises in 2012 was 4,211,262.7 million baht or 37% of the country's GDP, whereby the GDP value of SMEs expanded 6.6%, an increase from the 0.6% rise from the year earlier.

The GDP structure of the country, as categorized by economic activity, showed that the agricultural sector constituted 12.3% while the non-agricultural sector constituted 87.7%. A breakdown of the GDP structure of the non-agricultural sector revealed that the manufacturing sector made the most significant contribution to the economic system at 34.0% of the total GDP. Second was the service sector with 31.3%, followed by the trade and maintenance sector at 12.9%.

The GDP structure of SMEs in 2012 was still greatly related to the service, manufacturing, and trade and maintenance sectors. The service sector was the most important economic activity with 33.3% of the GDP, an expansion of 7.2%. Second was the manufacturing sector with 30.9%; however, in 2011 it shrank 4.3% compared to 2010. The third sector was trade and maintenance at 27.7%, an expansion rate of 5.2%. In summary, the GDP structure of the country and that of SMEs are different. Concerning the country's GDP, the manufacturing sector had the most significant economic activity. However, as for the GDP of SMEs, the service sector was the most important.

Table 1.2 SME Landscape

Item	2007	2008	2009	2010	2011	2012
Number of SMEs						
SMEs (number)	2,366,227	2,827,633	2,896,106	2,913,167	2,646,549	2,739,142
SMEs to total (%)	99.6	99.7	99.8	99.6	99.8	98.5
SME growth (%)	3.3	19.5	2.4	0.6	(9.2)	3.5
Trade (% to SMEs)	41.1	46.7	47.4	47.5	44.5	43.5
Service (% to SMEs)	30.0	33.8	33.7	33.8	37.7	37.8
Manufacturing (% to SMEs)	28.2	19.3	18.9	18.7	17.8	18.7
Employment by SMEs						
SME employees (number)	8,900,567	...	9,701,354	10,507,507	10,995,977	11,783,143
SMEs to total (%)	76.0	...	78.2	77.9	83.9	80.4

Table 1.2 (Continued)

Item	2007	2008	2009	2010	2011	2012
SME growth (%)	3.1	8.3	4.6	7.2
Trade (% to SMEs)	27.3	...	30.0	30.9	34.8	33.2
Service (% to SMEs)	33.8	...	35.8	35.8	35.6	34.1
Manufacturing (% to SMEs)	38.9	...	34.2	33.3	29.6	32.7
SME Contribution to GDP						
Nominal GDP of SMEs (B bil.)	3,298.5	3,457.7	3,417.9	3,747.7	3,859.6	4,211.3
SME Contribution to GDP (%)	38.7	38.1	37.8	37.1	36.6	37.0
GDP Composition of SMEs (% to SME GDP)						
Mining	1.5	1.7	1.6	1.7	1.8	1.9
Manufacturing	30.7	32.0	30.4	32.3	31.2	30.9
Construction	6.3	6.2	5.9	5.9	5.8	6.0
Trade and maintenance	29.1	28.5	29.9	28.3	28.0	27.7
Service	32.2	31.4	32.0	31.6	33.0	33.3
Electricity, gas, and water supply	0.2	0.2	0.2	0.2	0.2	0.2
SME Exports and Imports						
SME exports (B bil.)	1,576	1,691	1,564	1,669	1,971	2,044
SME imports (B bil.)	1,453	1,772	1,384	1,810	2,383	2,467
SMEs to total exports (%)	30.1	28.9	30.1	27.3	29.4	28.8
SMEs to total imports (%)	29.8	29.8	30.1	30.0	31.0	31.9
SME export growth (%)	10.1	7.3	(7.5)	3.6	27.7	3.7
SME import growth (%)	(8.8)	21.9	(21.9)	28.3	21.6	3.5

Source: OSMEP, 2007b, 2011, 2012.

1.4.3 International Trade of SMEs

Thailand is an export-oriented economy as the export value constituted 62.34% of the country's GDP in 2012. The country mainly exports manufactured goods, with electronics, vehicles, machinery and equipment and foodstuff being the most important. Presently, its top export markets are the United States, Japan, the European Union, Singapore, Malaysia, Hong Kong, Taiwan, and China, with the United States and Japan jointly absorbing 36 percent of the country's exports (The Office of SMEs Promotion [OSMEP], 2011).

The Thai authorities do not compile statistics on the international trade of SMEs by sector of activity. However, some general observations can be made based upon the data provided in Table 1.2. SME exports are smaller than imports in scale, and the gap between them has been increasing. In 2012, SMEs imports were worth 2,466,993.64 million baht, accounting for 31.90% of the total import value, an increase of 3.52%. On the other hand, SMEs exports reached 2,043,664.97 million baht, accounting for 28.82% of the total export value, a significant decline from a peak of around 30.10 in 2009.

This sharp decline in the contribution of SMEs to overall exports is indicative of the increased difficulties being experienced by Thailand's SMEs in international markets, as they struggle to remain competitive in the face of intense competition from rapidly-developing regional economies, such as China, India, Vietnam and Indonesia, which have much lower labor costs. Moreover, the global economic crisis in 2009 severely cut Thailand's exports, with most sectors experiencing double-digit drops. According to the Thai National Shippers' Council newsletter in June 2014, Thailand experienced a decline in the export growth rate to its main export markets in the region including China, Japan, ASEAN by 9.5, 4.5, and 1.9 percent respectively (Thai National Shippers' Council [TNSC], 2014). For China, it has been the result of its economic restructuring policy, which focuses on domestic consumption and reducing the dependence on exports and imports, while for Japan and ASEAN it is due to the increase in consumption tax where consumers control their spending limit and tend to buy products that are worth their money. Even though its export to the EU and US increased to 5.4 and 0.6 percent respectively, the growth rate is still relatively low due to their gradual economic recovery.

Moreover, Thailand has experienced a decline in its export growth rate to emerging markets, which include Africa, Australia, Latin America by 3.4, 13.6, and 8.4 respectively, which means that these markets are strongly volatile and are affected by the global economic crisis. This shows that Thailand's export sector continues to be impacted by the slow economic recovery of major trading partners and risks in the global economy and financial markets.

Even though SME export industries achieved recovery from the 2009 global financial crisis, the flooding in 2011 slowed down export growth to only 3.7%. In

2012, as concerns international trade, the country's balance of trade showed a deficit worth 643,341.22 million baht. However, the trade balance of SMEs showed a deficit accounting for 423,328.67 million baht, implying that SMEs are importing more than exporting. Moreover, the White Paper on SMEs of Thailand has shown that only 0.7% or 20,300 SMEs out of 2.6 million SMEs are able to export. This reveals that Thai SMEs in a global business environment still face many issues and challenges which hinder their internationalization process. These problems highlight the need to study the factors influencing the internationalization of Thai SMEs in order to find the ways to support them to become more competitive in the international market.

1.4.4 Institutional Mechanisms in Supporting SME Internationalization

Recognizing the rapid changes in globalization and more intense competition from lowered labor cost countries, a variety of incentives, programs, and policies have been implemented by the government to strengthen SMEs and to enable them to deal with global competition. These include:

- 1) Long-term Strategic Planning: Long-term policies and institutional frameworks have been established to address the needs of SMEs. The Office of SMEs Promotion (OSMEP) was established with the SMEs Promotion Act, B.E. 2543 (2000) having the status of a governmental agency to ensure that SME development plans were on the right path. Starting its operation on 15th November 2001, it has become an important agency to coordinate all the government programs and policies for SMEs development. The Third SME Promotion Plan (2012-2016) has continued to outline key strategies for SME development. The policies aimed at enhancing their capability to become regional and global entities by focusing on more support for R&D and fostering greater cooperation with Thailand's trading partners in various regions of the world. In November 5, 2014, the OSMEP was moved from the Ministry of Industry to be under the authority of the Office of the Prime Minister.

- 2) Export Agent: The Department of International Trade Promotion (DITP) is being recognized as one of the most energetic units under the Ministry of Commerce of Thailand working proactively to support and promote Thai exports. Acting as a one-stop service center, the trade body provides trade information and advisory services, match-making link-ups, business networking, market analysis as

well as helps businesses find suitable trade partners. Various export initiatives have been launched to facilitate the engagement of SME firms in export activities. Thaitrade.com, the B2B e-marketplace, has pushed Thai products into the global market by helping buyers from around the world interact with verified Thai exporters and entrepreneurs. An SME pro-active program has recently been launched to subsidize entrepreneurs' booth rental costs for overseas exhibitions/trade fairs.

3) Financial Agent: Apart from policies and management support for internationalization, the Thai government also provides financial support to SME firms. EXIM bank provides various services and financing facilities to support the internationalization of Thai SMEs, such as pre-shipment financing, export suppliers' credit, packing credit plus, which provides a revolving credit line plus export credit insurance benefits to enhance Thai exporters' confidence in their new market expansion. In addition there are other facilities that are designed to protect commercial banks that finance the international activities of SMEs, and these indirectly benefit SMEs; they include the Thai Credit Guarantee Corporation and the EXIM bank Medium and Long-Term Export Credit Insurance.

4) Negotiator: In its efforts to ensure fair competition and opportunities for SMEs abroad, the Thai government actively organizes and participates in multilateral (WTO), regional or bilateral trade negotiations to reduce or eliminate trade barriers. The Office of Thailand Trade Representative (TTR) was established to be a special envoy of the Prime Minister in negotiation with foreign countries or with international organizations in relation to international trade and investment. In consultations with private sector representatives, the TTR organizes trade missions to help SMEs identify potential trading partners and exploit global market opportunities.

5) Tax Incentives: To enhance the international competitiveness of SMEs, the Board of Investment (BOI) launched a promotional incentive package to help SMEs enhance their machinery efficiency. SMEs which buy new machinery for the purpose of upgrading technology for production will be granted an import duty exemption on machinery, and a 3-year corporate income tax exemption.

6) Regional cooperation: The OSMEP's participation in many regional workshops, seminars, and programs is beneficial and allows SMEs to learn the methods and strategies that need to be implemented within the national SME sector,

and to strengthen their competitiveness to exploit opportunities in the international market. Under regional cooperation, OSMEP have engaged and participated in various SME international forums which include the APEC and ASEAN SME Working Group and the OECD Working Party on SMEs and Entrepreneurship.

1.4.5 Challenges and Issues of Thai SME Internationalization

SME firms in Thailand are struggling with various challenges in their process of internationalization, and these impede them from achieving economies of scale and competing in the international market. Deciding to enter new markets represents one of the most challenging options for SMEs. Based on assorted previous findings, this study summarized the internationalization challenges faced by Thai SMEs, and grouped them into six groups, which include: lack of market knowledge, limited access to financial support, lack of technology and innovation, human capital, business competition, and government policies.

1) Market Knowledge: One of the major barriers to successful foreign expansion by SMEs is a lack of international experience because they are new ventures. SMEs also lack information on overseas markets and foreign market access, which worsens their internationalization process. On top of that, they also lack information on potential markets, thus making them risk averse.

2) Financial Constraints: Thai SMEs lack access to loans or other forms of financial assistance. This comes from the fact that the commercial banks require a high ratio of collateral which has restricted enterprises' ability to internationalize.

3) Lack of Technology and Innovation: SMEs are unable to adopt the latest technology or, if they do, they adopt a low level of technology, have a low level of technological capability and ICT penetration, and have low levels of research and development (R&D). Most local SMEs in Thailand have not installed an Information Technology (IT) infrastructure, such as a Local Area Network, and less than 20 percent of SMEs have access to the Internet. Previous research suggests that whilst Thai SMEs perceived the Internet as a powerful channel for promoting and selling their products and services (Arunee Intrapairot & Anongnart Srivihok, 2003), research by the Electronic Commerce Resource Center (1999) found that only 29% of SMEs

had developed e-commerce capability for business transactions because of a perceived lack of support such as training programs dealing with security systems, technology use, law, and homepage construction. Moreover, SMEs have confidence in the more familiar regional and international trade shows than the B2B portals that offer a huge potential for marketing and supplying outside Thailand.

4) Human Capital: SMEs have faced a major problem in managing their human capital. The human resource constraints include the limited skills of workers, a shortage of skilled and talented workers, especially middle management, with language skills and international business experience. As a result, SMEs have not been able to upgrade the quality of their production for other countries and this has affected the quality of production as well as efficiency and productivity.

5) Business Competition: SMEs also lack experience in international business practice, and have a substantial orientation towards domestic markets rather than the global market. SMEs face intensifying global competition from other developing countries, primarily from the members of the Association of South East Asian Nations (ASEAN). SMEs also face competitive pressures from larger regional economies such as China and India that have advantages of scale in terms of market size and cost. In addition to this, SMEs have limited capabilities to cope with market liberalization globally. Liberalization has harmed local SMEs as they have to compete with cheaper, more innovative incoming foreign products and services, and compete for resources and capital.

6) Government policies: Another major challenge related to public policy is Thailand's bilateral FTAs and the ASEAN Free Trade Agreement (AFTA), which have resulted in an increasing intensification of competition. Furthermore, a high level of bureaucracy in government agencies contributes to the challenges. SMEs also face a problem from the government where there is a lack of awareness of all the institutional actions and programs to support the internationalization of SMEs. According to OECD Studies on SMEs and Entrepreneurship in Thailand (The Organization for Economic Co-operation and Development [OECD], 2011), it was discovered that the framework developed for the development of SMEs was not very comprehensive. There were also too many agencies or channels involved in implementing SME supporting programs, and most of them are not linked to each

other and are not coordinated. This causes great confusion for the firms concerning which organization to approach. Moreover, many of these programs were discontinued due to the unclear policies and lack of continuity.

Due to globalization, liberalization of world trade, and technological advancement in production, transportation and communication, Thai SMEs need to enter foreign markets in order to reap the new market opportunities and increase their competitiveness. Besides being an important factor behind propelling the country's economy, entering foreign markets is also seen as a significant strategy towards corporate growth, risk diversification, increased sales, and reputation/image building. Therefore, in order to promote the internationalization of Thai SMEs in the world market, it is essential to understand the behavior and factors affecting the internationalization process in order to provide the support that best suits these firms. Furthermore, SMEs that intend to internationalize also need to learn from the successful as well as unsuccessful experiences of those that have already done so in order to better develop their own internationalization strategies.

1.5 Research Objectives and Research Questions

The objective of this research was to describe and to gain a better understanding of the internationalization behavior (pattern and pace) of SMEs in the manufacturing sector in Thailand and to obtain better insight into what motivates and influences the internationalization process of these SMEs.

More specifically the goals of the researcher are as follows:

- 1) To determine how entrepreneurs become aware and gain access to information about international market opportunities
- 2) To explore the pattern (pace) and dimension (entry mode, market selection, and source of finance) of the internationalization of Thai manufacturing SMEs
- 3) To identify the driving forces that foster and hinder SME internationalization
- 4) To investigate the key factors affecting the internationalization process

5) To develop an integrated model which explains the initiation of internationalization of Thai manufacturing SMEs

In accordance with the planned objective of providing a better understanding of the Thai manufacturing SMEs process and the factors of internationalization, and based on a review of the literature, the study proposes research questions covering three broad areas of interest.

1) How is Awareness of a Firm's Internationalization Created Among Thai Manufacturing SMEs?

RQ1: How do SMEs become aware of international opportunities?

RQ2: What is their source of information for international business opportunities?

2) How do they Internationalize?

RQ3: How soon, after inception, do SMEs begin their foreign business activities?

RQ4: How do they choose a foreign market?

RQ5: What entry modes are used by Thai SMEs to enter foreign markets?

RQ6: How do they finance their international operations?

3) Why do they Internationalize?

RQ7: What are the motivational factors leading SMEs to internationalize?

RQ8: What are the barriers faced by SMEs in their internationalization process?

RQ9: What are the key factors affecting the internationalization process of SMEs?

RQ10: Do Thai SMEs use governmental support programs for their internationalization?

1.6 Scope

The qualitative study conducted in this dissertation will be limited to SMEs in the manufacturing industries in Bangkok, Thailand which plan to or currently engage in international business activities. The scope of this study is, therefore, restricted to one country and industry, which limits the ability to generalize the findings made in this study to other industries and countries. Future research may be conducted to extend this study to other SME sectors and other regions of the country.

1.7 Research Contributions

The study plans to contribute to the academic literature, policy makers, as well as business practitioners in the following four areas.

1) As mentioned in the problem statement, there are few studies that have investigated SME internationalization in developing countries. Most of these studies have been conducted in developed countries and focus on large manufacturing firms. This study is the first attempt to conduct broad empirical research on the internationalization of manufacturing SMEs within Thailand, a developing country where only a few studies have been carried out.

2) Due to the fact that internationalization is a complex area of research, it is unlikely that one particular theory or approach can fully explain the process. As a result, this study is the first attempt to create a holistic understanding of the internationalization process of SMEs through the integration of various internationalization theories and perspectives (stage theory, network theory, new venture theory, and resource-based view) and to develop an integrated model that explains SME internationalization for the manufacturing sector in the Thai context.

3) The findings of this study may be of value to practitioners and policy makers. The contribution for policy makers is related to the recommendations for SME support policy programs on a national as well as regional level. On the one side, the identification of the barriers to SME internationalization helps to identify the tools for recognizing how institutions can eliminate these barriers or help firms

overcome them. On the other side, a better understanding of the factors and motivations that lead SMEs to successfully enter foreign markets can be used for SMEs considering internationalization.

4) The investigation will serve as a basis for further quantitative research to augment the limitations of the qualitative analysis, i.e. finding correlations between certain key factors that influence the internationalization process.

1.8 Definitions of Terms

Several important operational definitions are included in this chapter. The definitions are as follows.

1) Dimension: The internationalization of firms is not a one-dimensional concept (to be analyzed only through the operation dimension) but is a multidimensional concept (Luostarinen, 1979). According to Welch & Luostarinen (1988) internationalization develops along five dimensions, which include product, personnel, organization structure, finance, and entry decisions. In comparison with decisions such as type of product, number and quality of personnel, organization structure, and financial issues, which are common activities in any growth strategy, entry decisions are considered as the core components and distinctive features of internationalization (Bradley, 1998; Anderson, 1997). There are three basic entry decisions that management has to consider before “going international,” which include pace, entry mode, and market selection.

(1) Pace or timing of entry refers to the time between the firm’s establishment and its first foreign market entry.

(2) Entry mode is the institutional arrangements which a firm can choose from to enter a foreign market (Root, 1998), such as exporting, licensing, franchising, joint ventures, and wholly-owned subsidiaries.

(3) Market selection or which market to enter is the criteria that determine the selection of the international market such as geographic proximity, potential growth of markets, and accumulated knowledge and the varied experience of the entrepreneur.

2) Internationalization: Multiple approaches to examining internationalization have been used in the extant literature. As a result, there is no common consensus on the definition of “internationalization” in the academic debate (Andersson, 1997). Chetty and Campbell-Hunt (2003) concluded that this term “is ambiguous and the definitions vary depending on the interest and phenomenon of the study.” As indicated in Table 1.1, some researchers tend to describe internationalization as “the outward movement in a firm’s international operations” (Johanson and Wiedersheim, 1975). This common feature has been broadened further by considering “internationalization” as “a process in which specific attitudes or orientations are associated with successive stages in the evolution of international operations” (Wind, Douglas, & Perlmutter, 1973). Further, a broadly-used view involving both sides of the internationalization process, i.e. outward and inward processes, is that of Welch and Luostarinen (1988). They define internationalization as “the process of increasing involvement in international operations” and this process has often been understood as gradual and sequential, consisting of several stages. Notwithstanding the importance of inward internationalization, this study will emphasize only the outward processes relating to the internationalization of SMEs. The reason for this is the focus on the expanding elements of SME internationalization. The findings of this thesis aim to lead to practical implications for managers of SMEs expanding in foreign markets.

In this respect the view of Chrysochoidis, Millar, and Clegg (1997), focused only on international expansion, corresponds more closely to the objectives of the thesis. They defined the internationalization of a firm as “the process of entering and initially developing operations in another country.” This is why internationalization within the scope of this thesis is understood as that defined by Chrysochoidis et al. (1997)

Table 1.3 Selected Definitions of the Internationalization of SMEs

Author(s)	Definitions	Focus
Johanson and Wiedersheim (1975)	“the outward movement in a firm’s international operations”	Firm’s operations
Wind et al. (1973)	“the process in which specific attitudes or orientations are associated with successive stages in the evolution of international operations	Process, firm’s operations
Welch and Luostarinen (1988)	“the process of increasing involvement in international operations”	Process, firm’s operations
Chrysochoidis et al.(1997)	“the process of entering and initially developing operations in another country”	Process, firm’s operations

3) Internationalization Process: The internationalization process is defined as the time period from the initial entrepreneur’s plan to the beginning of the firm’s internationalization, through the entrepreneur searching for possibilities for the firm’s expansion to one or more foreign markets until the firm actively operates in that market(s).

4) Manufacturing SMEs: This is a small or a medium-sized company that manufactures goods through a wholly- or partly-owned manufacturing plant.

5) Market Knowledge: The term market knowledge refers to the firm’s knowledge about foreign counterparts (customers, suppliers, distributors, competitors) and the general experience of how to do business in foreign markets.

6) Pattern: Pattern refers to the overt behavior exhibited by the firm in its internationalization process. There are three categories for the pattern of SME internationalization: traditional, rapid or born global, and network. The traditional pattern includes firms that gradually internationalize in an incremental manner through a series of evolutionary stages. The rapid pattern refers to firms that have internationalized rapidly within 6 years after inception. Network pattern emphasizes

how the role of linkages and relationships with foreign customers or suppliers can facilitate or even accelerate the internationalization process of the enterprises.

7) SMEs: In the past, many authors have noted that there was no single definition of SMEs in Thailand (Nattapong Thongpakde, Wisarn Puppahavesa and Bunluasak Pussarangsri, 1994; Allal, 1999). Various agencies have used different criteria such as sales per annum, net fixed assets, number of employees, and registered capital. On September 11, 2002, the Ministry of Industry introduced the definition of SMEs. This definition was based on the number of employee and fixed assets. An enterprise is categorized as an SME if it has employees of no more than 200 and fixed assets of no more than 200 million baht, excluding land and buildings. Since this research will employ organization theory to explain the internationalization process of SMEs, whose unit of analysis will be SME owners and/or managers, there will be a slight change to the definition of SMEs, in particular regarding the criterion for the number of employees. Therefore, the definition for Thai SMEs in this study is “A firm that employs 100 to 200 employees and has fixed assets of no more than 200 million baht, excluding land and buildings.”

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction to the Chapter

This chapter is devoted to a critical literature review of the current thesis research topic, the internationalization of SMEs. Although the literature on the internationalization process of Thai SMEs is virtually non-existent, it is helpful to delve into what earlier research has to say about the internationalization process of SMEs and to find out whether any tentative answers can be derived from earlier research findings. If answers can be found, it will then be necessary to evaluate their strengths and weaknesses. Therefore, this chapter reviews the firm-based models of the internationalization. Its emphasis is on theoretical and empirical studies, aimed at analyzing behavior and management problems at the firm level. Since the application of any theory is delimited by its set of boundary assumptions and constraints (whether implicitly or explicitly), this chapter discusses these matters in order to evaluate the applicability of the models built into previous research studies when they are put into the context of Thai SMEs.

2.2 Internationalization Theories

2.2.1 Classical Theories of International Trade

The path of academic research on the internationalization phenomenon describes internationalization from the perspective of nations. The classical school of thought of Smith (1776) explains international trade between countries through the absolute cost advantage. Building on Smith's theory of absolute advantage, Ricardo's theory of comparative advantage (1817) says that it is logical for a country to specialize in the production of goods which they are comparatively well endowed and export these goods in exchange for others which are poorly endowed. Smith and

Ricardo focused their attention on entire nations rather than on an individual firm. Later the interest of researchers moved towards the firm level of internationalization and was soon dominated by the investigations of MNEs and their foreign direct investment (FDI) activities, often known as the economic approach.

2.2.1.1 Transaction Costs Theory

According to the transaction costs theory (Williamson, 1964), the cost of conducting a business transaction may exceed the costs of organizing the exchange internally. The main argument is that a firm should economize on the costs of business transactions over time. This means that if the transaction costs are high enough the firm may prefer to internalize the activity instead of using economic agents. This theory has been broadened and also applied in connection with a firm's choice of foreign market entry modes. For example, when transaction costs are low, firms tend to rely on economic agents to deliver products to the target market, but as costs increase they tend to switch to more hierarchical internationalization forms, e.g. wholly-owned subsidiaries.

2.2.1.2 Monopolistic Advantage Theory

Monopolistic advantage theory holds that multinational companies (MNCs) exist because these firms have unique sources of superiority, which are unavailable to local firms. Hymer (1976) argued that MNCs have firm-specific advantages, as found in the form of superior manufacturing processes, brand names, differentiated products, organizational talents, or patented technology. Monopolistic advantage theory holds that MNCs first develop firm-specific advantage in their home market, which gives the firm superior production, marketing, and/or management, and then starts internalizing when assets cannot be safeguarded effectively through market transaction (McDougall, Shane & Oviatt, 1994).

2.2.1.3 Eclectic Paradigm

Dunning (1980) developed the eclectic paradigm, which consists of several combined insights from the above-mentioned theories to explain the firm's FDI. The eclectic paradigm provides the so-called OLI- formula. It states that a company invests abroad if it possesses the ownership (O), and locational (L) and internalization (I) advantage. Each of the elements of the OLI-formula is described as follows:

1) The ownership advantages are specific advantages to the company (not possessed by competing companies) and are related to the accumulation of intangible assets, such as foreign market knowledge and experience, proprietary ownership of technology, and organizational/human skills. The ownership advantage is a precondition for a firm to go international.

2) Location-specific advantage, refers to the availability of low-cost production factors, such as labor, energy or materials in a particular geographical area. The location specific advantage is a precondition for establishing production abroad.

3) Internalization advantages, resulting from the transaction costs theory, assumes that it is more beneficial for the firm to exploit the ownership advantages internally, rather than selling or licensing them to a foreign entity. The internalization advantage is a precondition for investing abroad.

Although the above-mentioned model/theories have been used to explain the determinants of a firm's internationalization, they focused on MNEs rather than on SMEs. Therefore, only those theories that are relevant to SME internationalization will be included in the theoretical framework of this thesis. However, they were discussed because they serve as a basis for some further theories and models.

2.2.2 The Stage Model of Internationalization

The stage model is the predominant, best-known and most powerful paradigm of internationalization (Johanson & Vahlne, 1990). Also known as the behavioral approach, it is commonly divided into two slightly different schools. The first is represented by the Swedish Uppsala Internationalization Model. The second one is the American Innovation-Related Internationalization Model. Both models share the view that the internationalization process is a slow and incremental one where firms increase their international activities in stages, through experiential knowledge. Lack of this knowledge is seen by both schools as a dominant barrier to entering foreign markets.

2.2.2.1 The Uppsala Internationalization Model (U-model)

The development of the Uppsala model goes back to the 1960s and 1970s in a research program at Uppsala University when Swedish scholars conducted

a number of empirical studies of four Swedish firms' foreign operations. Their observations showed that such "firms often developed foreign operations in small steps rather than making large foreign production investments at single points in time" (Johanson & Vahlne, 1990). Johanson and Wiedersheim (1975) presented the establishment chain model which argue that firms follow a sequential process divided into four stages (see Figure 2.1).

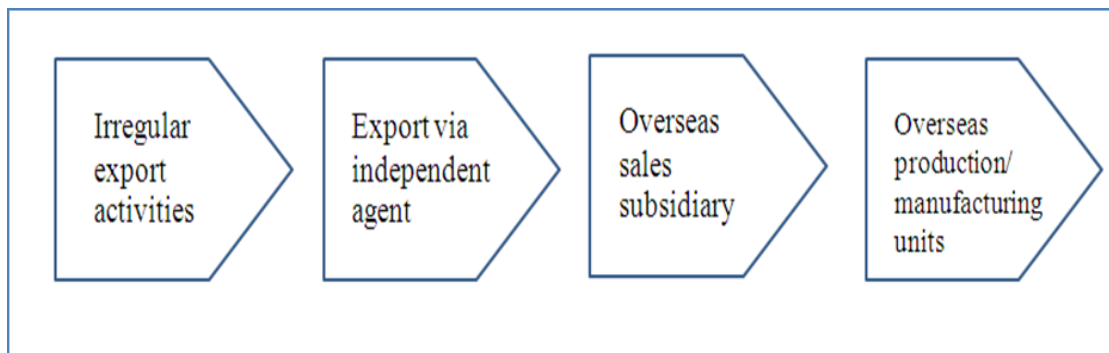


Figure 2.1 Establishment Chain Model

Source: Johanson and Wiedersheim, 1975.

In the first stage, firms have no commitment of resources to the foreign market, thus generating no regular export activities. This is in line with the model's assumption that firms develop first in the domestic market due to the lack of knowledge about the foreign market. In the second stage, due to its growing knowledge of the foreign market, the firm gradually increases its resource commitments to the market by exporting regularly through independent representatives or agents. By augmenting its commitment of resources to the markets, the firm proceeds to the third stage by establishing a branch or overseas sales subsidiary. The fourth stage refers to even greater resource commitment through production in the foreign country or FDI. Therefore, each step in this model represents an incremental increase in the resource commitments made by firms in their internationalization process.

Two fundamental concepts are considered as the main contribution of the U-model: the learning process and psychic distance. The U-model views internationalization as a process of gradual learning through experience gained from foreign markets. This process is based on a linear cumulative path, in which the absence of international experience reduces the propensity of the firm to engage in unknown markets. As a consequence, the firm initially focuses its activities on the national market in order to avoid unnecessary risks (Johanson & Vahlne, 1977). As soon “as the firm gains experience in foreign markets and it manages to internalize the knowledge gained, it is willing to underpin its subsequent stages committing more resources and controlling its operations abroad” (Luostarinen, 1979). According to Johanson and Vahlne (1977), the process of internationalization is the acquisition, integration, and gradual use of knowledge about foreign markets and operations through ongoing commitment.

Johanson and Vahlne (1977, 1990) created a model which explained the dynamic characteristics of internationalization. The internationalization process is understood by Johanson and Vahlne (1990) as the interaction between the successive knowledge development of foreign markets and the gradual resource commitment to international markets.

Figure 2.2 describes the interaction between two aspects of internationalization: the static aspects and the change aspects. The static aspects refer to the market knowledge about foreign markets and market commitment. The change aspects refer to current business activities and commitment decisions.

Market knowledge consists of objective and experiential knowledge. Both types of knowledge are needed when entering a market. The latter can mainly be acquired through experience in a specific market, while the former can be taught or transferred from one market to another. More precisely, objective knowledge concerns marketing methods and knowledge of certain characteristics of customers, while experiential knowledge is about the characteristic of each foreign market and encompasses its market structures, business habits, and cultural patterns.

Experiential knowledge is seen as the most crucial type of international activity as it allows firms to perceive and formulate new business opportunities and reduce the uncertainty and risks they may face when embarking upon further business activities in foreign markets (Blomstermo & Sharma, 2003).

Market commitment is composed of “the amount of resources committed and the degree of commitment abroad” (Blomstermo & Sharma, 2003, p. 22). The former is related to the level of investment in foreign markets and thus is quantifiable, while the latter denotes how difficult it is to find alternative uses for the resources and to transfer them to alternative usage.

Commitment decisions are related to decisions to commit resources to foreign operations. It is assumed that decisions are made in response to problems and opportunities which, in turn, are a consequence of experiential knowledge (Johanson and Vahlne, 2003). Decisions are also dependent on existing market risk and existing market uncertainty, that is, the decision-maker’s inability to estimate the present and future market-influencing factors perceived by the firm.

Current business activities are the prime source of experiential knowledge for the firm. It is through experience that the firm can perceive opportunities that may lead to market commitments.

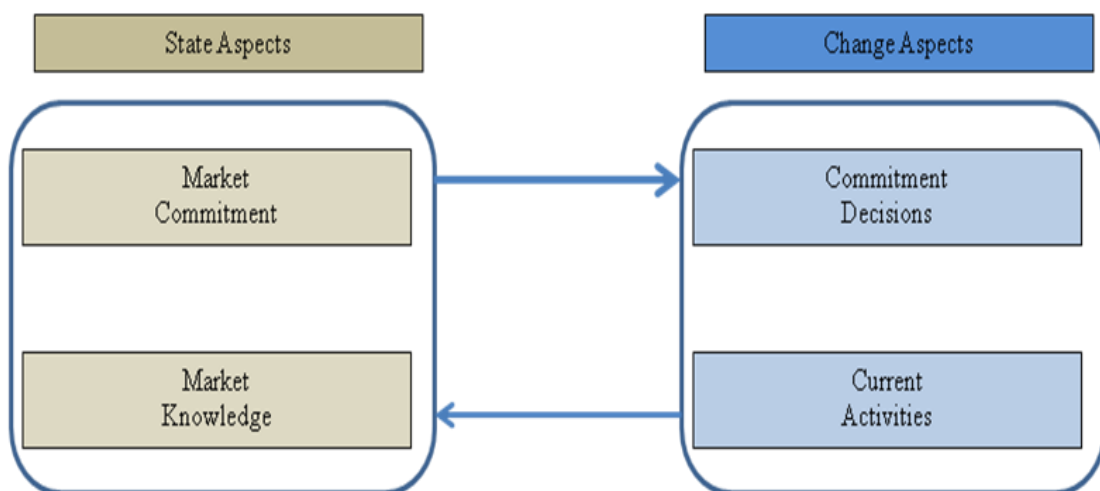


Figure 2.2 The Uppsala Model of Internationalization

Source: Johanson and Vahlne, 1977.

The model assumes that all the concepts interact with each other on a bilateral basis. Market knowledge and market commitment are assumed to influence decisions regarding the commitment of resources to foreign markets and the manner in which current activities are carried out and vice versa. The static aspect focuses on

the operation, commitment, and knowledge that the firm holds in the foreign markets, while the change aspect deals with the decision of the firm in committing more resources to foreign markets. In turn, the aspect of change enhances those of the state by increasing the market knowledge which stimulates further market commitment, creating a causal cycle. As a result, this feedback loop creates a learning cycle. The enterprise will increase the degree of international market entry as knowledge of foreign market improves. Thus, internationalization is a process of successive commitment to foreign markets.

The second contribution of the U-model is the concept of psychic distance, which is used to explain the progression of the firm's activities into foreign markets. Psychic distance refers to the sum of cultural, political, business practice, linguistic differences as well as other differences which influence the flow of information between the firm and the market (Laghzaoui, 2006). Johanson and Vahlne, (1977) developed this concept to explain that psychic proximity is a significant factor in terms of the firm choosing international market entry. They found that firms normally begin their operation abroad by entering a market close to and similar to the home country before expanding into more distant and dissimilar markets. In connection with the earlier-stated contribution of the U-model, the psychic distance separating SMEs from new foreign markets will diminish through the accumulation of international experience and knowledge.

2.2.2.2 Innovation-Related Internationalization Models (I-models)

Other behavioral models that emerged in North America in the late 1970s and early 1980s viewed the export development process as an innovation-adoption cycle (Reid, 1981). The term "innovation-related" was derived from the work of Rogers (1962) innovation diffusion theory, which considers each stage of a firm's evolution, from its disinterest in foreign markets to its decision to exploit them, as a type of innovation for the company. As evidenced in the literature, these models are very close to the Uppsala model (Andersson, 1993). (Table 2.1)

All of these models possess a common theme—proposing an incremental "stages" approach to export development and generally supporting the notion of psychic distance. Consistent with the U-Model, the I-Models have attributed the gradual pattern of export development to two reasons: 1) the firm's lack of

knowledge, especially experiential knowledge or knowledge that arises from current activities, and 2) uncertainty associated with the decision to internationalize.

Table 2.1 A Review of the Uppsala Model and Innovation-Related Models

Stage	Uppsala Model	Innovation-related Models			
	Johanson & Wiedersheim (1975) Johanson & Vahlne (1977)	Bilkey & Tesar (1977)	Cavusgil (1980)	Czinkota (1982)	Reid (1981)
1	No regular export activities	Management is not interested in exporting	Domestic marketing: the firm sells only to the home market	The completely uninterested firm	Export awareness: problem of opportunity recognition, arousal of need
2	Export via independent representatives	Management is willing to fill unsolicited orders but makes no effort to explore the feasibility of active exporting	Pre-export stage: The firm searches for information and evaluates the feasibility of undertaking exporting	The partially interested firm	Export intention: motivation, attitude, beliefs, and expectancy about exporting
3	Establishment of an overseas sales subsidiary	Management actively explores the feasibility of active exporting	Experimental involvement: the firm starts exporting on a limited basis to a psychologically close country	The exploring firm	Export trial; personal experience from limited exporting
4	Overseas production/ manufacturing units	The firm exports on an experimental basis to a psychologically close country	Active involvement: exporting to more new countries, direct exporting, increase in sales volume	The experimental firm	Export evaluation: results from engaging in exporting

Table 2.1 (Continued)

Stage	Uppsala Model	Innovation-related Models			
	Johanson & Wiedersheim (1975) Johanson & Vahlne (1977)	Bilkey & Tesar (1977)	Cavusgil (1980)	Czinkota (1982)	Reid (1981)
5		The firm is an experienced exporter	Committed involvement: management constantly makes choices in allocating limited resources between domestic and foreign markets	The experienced small exporter	Export acceptance: adoption of exporting/rejection of exporting
6		Management explores the feasibility of exporting to other more psychologically distant countries		The experienced large exporter	

The best known models of innovation are those of Bilkey and Tesar (1977); Cavusgil (1980); Reid (1981) and Czinkota (1982). Andersson (1993) pointed out that generally the models are relatively similar and the differences tend to be in the initiating mechanism of the international behavior of the firm, the number of stages, and the terminology used.

Bilkey and Tesar (1977) have conceptualized the process of export development on the basis of the firms' increasing involvement in exporting to psychologically more distant markets. Cavusgil's (1980) model was founded on management's successive decisions regarding exporting over a period of time. Reid (1981) views internationalization as an innovation adoption process. Czinkota (1982) adapted the first four stages of his model from Bilkey and Tesar's study and segmented the firms so as to be able to target government export assistance requirements effectively.

Criticisms of the U-I model

Although most researchers believe that different stage models can be widely applied in explaining the SME internationalization process, it has been questioned by several scholars. Andersson (1993) argued that the main problem of the model is that there is no explanation of why internationalization begins. Turnbull (1987) criticized that the Uppsala model is too deterministic and might be valid only at the early stage of internationalization when the lack of market knowledge and resources are limiting factors. Next, he viewed internationalization as a dynamic and not a linear process. Due to the rapid changes in the international marketplace, a firm can also de-internationalize from a market by dropping a product or reducing investments in a particular market or by withdrawing from international activities altogether (Calof and Beamish, 1995). A withdrawal can also lead to resources being used for activities in another market area or for a more competitive product that will contribute to a better competitive position (Rundh, 2006).

Some critics have challenged the theoretical part of the models, in particular, Johanson and Vahlne's emphasis on the internal development of a firm's knowledge (experiential market knowledge) and other resources by asserting that firms can gain access to market knowledge through other sources, such as business relationships, acquiring other organizations, hiring of personnel with experience or consultant from outside the firm (Forsgren, 2002). Granovetter (1985) stressed the role of concrete personal relations and networks in shaping the firm's market knowledge.

Other critics argue that many firms do not follow incremental patterns in their internationalization process and claim that firms go into international markets right from their birth or a few years after establishment (Oviatt & McDougall, 1994; Bell, 1995). They do not evolve gradually as do the traditional firms that begin operations in domestic markets and then move to international markets, but begin their operations by entering foreign markets.

The increased discrepancies in the stage approach in explaining certain international behaviors of SMEs require the introduction of other internationalization approaches, particularly the network approach and the new venture approach.

2.2.2.3 The Network Approach

The network approach is often regarded as an extension of the Uppsala process model. It was put forward by Johanson and Mattsson (1988), who concluded that the firm can acquire knowledge through the interaction with other actors (i.e. customers, suppliers, distributors, agents, government organizations) in the business network relationship; this is different from Johanson and Vahlne's view of knowledge as only being acquired through interaction with the market. Being connected with others allows SMEs to gain knowledge about foreign markets and access to required resources and capabilities (Johanson & Mattsson, 1988). Knowledge about foreign markets creates opportunities for the firm to internationalize (Liesch & Knight, 1999). As the learning curve on international opportunities increases, firms are triggered and motivated to internationalize (Luostarinen & Welch, 1997). Knowledge of a foreign market allows the firm to formulate strategic decisions which include market selection, foreign market entry mode, and product development (Coviello & Munro, 1995). Furthermore, firms not yet established as international players will utilize networks to build international contact.

The literature suggests that SMEs use a range of approaches to develop knowledge and identify trading partners (Hutchinson & Quintas 2008), such as government support agencies, trade associations and networks established both in the home country and internationally. Additionally, "trade events play an important role in providing information about competitors, new technology and potential partners" (Hanna & Walsh 2008).

The network approach aims to account for the international activities of firms with a particular focus on relationships. For Johanson and Mattsson (1988), internationalization is a process in which the firm develops business network relationships with other countries in three ways: extension, penetration, and integration. Extension is the first step taken by a firm to join the network through creating contractual relationships and partnerships with foreign partners. Penetration refers to the development of the firm's position in the network and the increase in resource commitment. Integration implies an advanced step in which the firm links itself to several networks and the coordination between different networks.

According to Johanson and Mattsson (1993), the degree of the firm's internationalization depends on both the networks established by the firm and the position of the firm in that network. Based on the perspective comprising these two aspects, they identify four types of internationalizing firms: the early starter, the late starter, the lonely international, and the international among others. These types are characterized by the degree of internationalization of the firm and the degree of internationalization of the market, as set out in Figure 2.3. Internationalization of the firm means the level of experience and knowledge about foreign markets while the internationalization of the market means the extent to which the firm has relationships or linkages with other firms abroad.

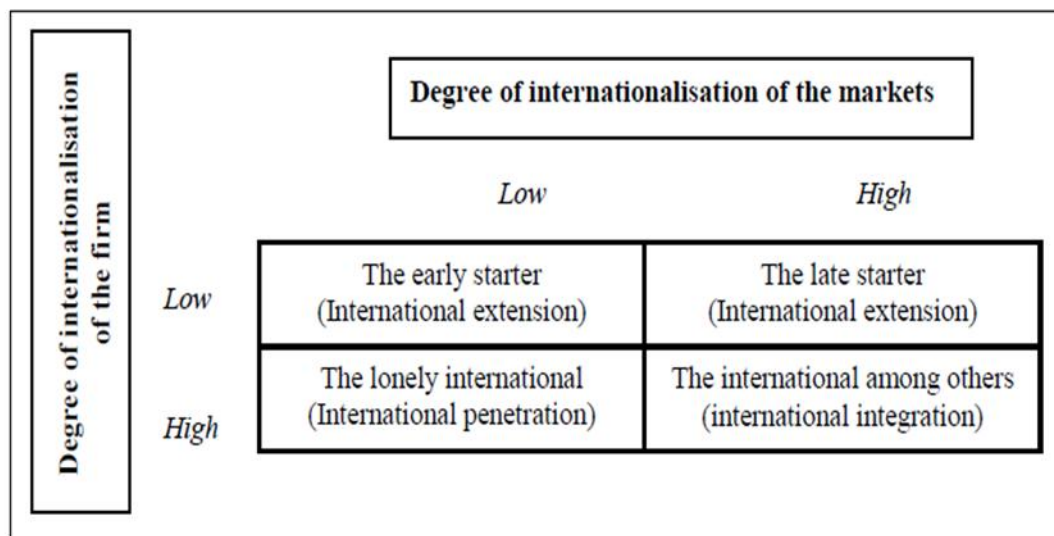


Figure 2.3 Internationalization and the Network Model

Source: Johanson and Mattsson, 1993.

The early starters have few and unimportant relations with firms abroad and thus have limited knowledge about international markets. Due to this fact, the firm uses local agents or trading houses or other firms that have experience in exporting in order to be able to begin international operations and to learn. Overall, in comparison with the other three firm types, the early starters have a low level of internationalization and foreign business knowledge.

The late starters represent a vulnerable situation for the firm. Even if the company has developed strong networks with foreign customers and suppliers, the firm itself lacks market knowledge compared to competitors. This puts the firm in a risky position as the firm may not be able to compete with the competitors' strategies.

The lonely international is where the firm has some links with foreign countries so it has previous experience and knowledge about foreign markets. It can therefore use its network in order to expand.

The international among others is a firm characterized by a high degree of internationalization, having developed and established resources in foreign markets. It can exploit its highly internationalized network position, which provides it with a higher level of business knowledge. A firm like this has many international contacts and is therefore able to respond properly to changes in the business environment.

In general, the network approach provides a complementary perspective to other internationalization models and assumes that internationalization strategies pursued by the firm are influenced by their position and condition in the network. In consequence, the relations with the network can drive, facilitate, or inhibit the internationalization process of the firm.

Criticism of the Network Model

The network theory of internationalization advances the knowledge of a firm's internationalization, indicating the idea that the internationalization process is a result of network relationships rather than a "sole effect" (Mtigwe, 2006). Nonetheless, some criticism of its shortcomings has been raised.

The focus of the network approach is on relationships per se while it appears to overlook key elements inside and outside firms which may influence the international involvement of firms (Loane & Bell, 2006). An essential internal factor, entrepreneurs, who are the major decision makers, seems to be neglected. This factor appears to be particularly crucial to small-sized firms with limited resources where the internationalization decision relies to a considerable extent on the entrepreneur's characteristics such as visions, attitudes, and orientation toward internationalization (Chetty & Campbell-Hunt 2003). Next, Chetty and Blankenburg-Holm (2000) indicate that firms may be pushed to internationalize by the influence of uncontrollable

external factors, such as unsolicited orders, intensive domestic competition, government policies, legal and political systems, etc. Thus, the network perspective of internationalization provides no explanation for the role that external elements play in firm internationalization.

Despite some shortcomings, network theory can shed light on how resources, activities, and actors within networks affect the different dimensions of the internationalization process of SMEs, whether at the level of individual firms or for groups of firms (Akohangas, 1998). In summary, the network of a firm is capable of providing the context for international activities, although further study is required on the resources and development strategies used by firms.

2.2.2.4 The International Entrepreneurship Approach

The early internationalization theories were useful in establishing single production facilities during the later stages of a firm's internationalization (Vahlne & Noedstrom, 1993), but they ignored the process aspects of internationalization. The stage model does handle this aspect but, like the economic approach, overlooks the possibility of individuals making strategic choices (Reid, 1983; Turnbull, 1988; Andersson, 2000) and is less appropriate for understanding radical strategic change, where entrepreneurs and top managers play an important role (Reid, 1981; Andersson, 2000). Since our interest is in the internationalization of SMEs, we cannot neglect the importance of entrepreneurs, who are seen as the main variable in SME internationalization (Miesenbock, 1988).

The next approach to SMEs' internationalization is the international entrepreneurship approach (McDougall, Shane & Oviatt, 1996). This approach provides an iterative learning perspective of internationalization by studying the proactive role of the entrepreneur as the opportunity seeking and internationally experienced individual that possesses the skills and knowledge to exploit market opportunities and commit resources in an efficient way, as well as the ability to create stable relationships with other firms, suppliers, customers, government, and media in order to achieve a competitive advantage.

An essential part of the discussion about international entrepreneurship is the emergence of born global firms in the early 1990s (Rennie, 1993). Such firms internationalize at a rapid pace either immediately or within one year of formation

despite constraints arising from limited financial and tangible resources and enter more than one foreign market, irrespective of the psychic distance involved. Therefore, this phenomenon constitutes a challenge to the traditional process model of internationalization.

International entrepreneurship appeared with this new category of firms. It was considered as an entrepreneurial act effectuated by an individual in a recently-created firm. However, several other researchers went further and included established companies (Zahra & George, 2002). According to them, entrepreneurial activity can be performed at any point in the life of an organization and can be the result of an entrepreneurial or management team, and not just of an individual. McDougall and Oviatt (2000) thus retained a broad conception of international entrepreneurship, in association with entrepreneurial orientation (Miller, 1983). They define international entrepreneurship as “a combination of innovative, proactive, and risk-seeking behavior that crosses national borders and is intended to create value in organizations.”

Oviatt and McDougall (2005b) then proposed a new definition of international entrepreneurship that is in line with progress in entrepreneurship, highlighting the concept of opportunity. They later defined international entrepreneurship as the “discovery, enactment, evaluation, and exploitation of opportunities across national borders to create future goods and services.”

Parallel to this progress in the field of international entrepreneurship, a new generation of internationalized firms has emerged: born again global firms (Bell, McNaughton, & Young, 2001). These companies are characterized by sudden and rapid internationalization after exercising activity in the domestic market alone (Figure 2.4). They seem to combine elements of both traditional theories of internationalization, essentially their initial development phase in the domestic market alone, with other elements from the born global model, in particular their rapid internationalization.

		Speed of internationalization
		<i>Rapid</i>
Timing of internationalization	Between creation and the 3rd year (Knight and Cavusgil, 1994, 2004; Madsen <i>et al.</i> , 2000)	Born Global or INV
	At least 5 years after creation (Bell <i>et al.</i> , 2001)	Born Again Global

Figure 2.4 Speed and Timing of the Internationalization of Born Global and Born Again Global Firms

The born again global firms' dramatic change in strategic focus was precipitated by a critical incident, or through a combination of several incidents occurring around the same time. The main incident identified was the change in ownership and/or management, often following a takeover of the firm by a national or international competitor. Another quite frequently-occurring event was where an existing domestic customer had suddenly internationalized and the firm had "followed" the client into a new market. All of the cases of acquisition identified by Bell *et al.* (2001) introduced new decision-makers with greater international orientation.

This sudden and rapid international development, which is identifiable in SMEs, is a development strategy that aims to increase company value and can be implemented in various forms of organization (Bell *et al.*, 2001). Regardless of the sector, all well-established SMEs that are not internationalized are potentially affected by adopting this type of international development strategy.

Oviatt and McDougall (1994) distinguished between different types of born global firms based on two dimensions: the number of countries in which the firm is active and the number of activities along the value chain that are coordinated internationally (Figure 2.5).

The international market-makers are firms that are mainly involved in export and import activities, either focusing on a few countries (export/import start-up) or serving a large number of countries (multiples traders), while the geographically-focused start-ups are firms that serve the specialized needs of a region by using foreign resources and by combining multiple value chain activities. The global start-ups finally, are the best example of the born global firms because they gain competitive advantage by controlling a large number of organizational activities in an unlimited number of geographical locations. These firms behave proactively; in fact they do not respond to the globalization of the market, but they acquire resources and sell outputs wherever in the world they have the greatest value.

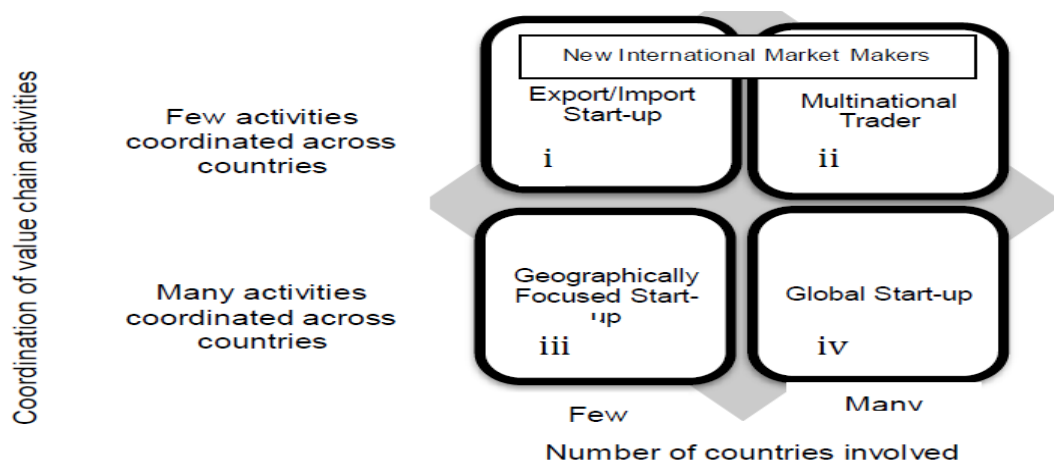


Figure 2.5 Types of the Born Global Firm

Source: Oviatt and McDougall, 1994.

Born global firms are usually perceived to be confined to a high technology business such as telecommunication, computer-based sectors, and information services. Nonetheless, some researchers have shown that they are not limited to such sectors. Indeed, they have shown that the phenomenon also occurs in sectors such as the wine, footwear, and furniture industries.

There are a number of characteristics unique to born-global firms. Moen and Servais (2002) argued that born global firms are characterized by a management team with international orientation. Born Global entrepreneurs perceive foreign

markets not as a mere extension or expansion of the domestic one, as do large multinational firms, but as the prime focus of the firm's core business. McDougall, Oviatt and Sharder (2003) came to the conclusion that managers of born global firms have comprehensive international and industry experience, and that they place more emphasis on innovative differentiation, quality and service than traditional firms do. The Swedish ready-to-assemble furniture firm IKEA and Israel's M-Systems, inventor of the USB flash drive, are illustrations of the born global firms. Rialp and Knight (2005) conducted a literature review of the most common characteristics of born global firms which included global vision, international experience, management commitment, personal and business networks and market knowledge, unique asset bases, value creation through product differentiation, niche markets, narrowly-defined customer groups and flexibility as important characteristics.

Madsen and Servais (1997) attributed the rise of born global firms to three factors: new market conditions (the emerging of niche markets), the ever-lowering barriers on trade, investment and financing as a consequence of trade liberalization, and technological developments in the areas of production, transportation, and communication which reduce international trade costs.

Criticisms of the Born Global Perspective

While growing attention is paid to the born global firms, the fundamental question remains concerning whether the born global phenomenon is completely new. The boundary between gradually internationalizing firms and rapidly internationalizing firms may be blurred when the international experience and exposure of entrepreneurs of the early internationalizers are taken into account (Madsen and Servais, 1997). Evidence points to the fact that the founder of a born global firm may have prior experiential knowledge about the international marketplace in his or her particular industry. This implies that decisions about additional market commitment do not necessarily have to be slow or incremental in such a firm. Therefore, the many basic assumptions and the dynamic processes (state and change aspects) underlying the internationalization processes of born global firms are not necessarily different from the Uppsala model.

Furthermore, it appears that recent studies on born global firms seem to identify these firms based on the salient criterion of time intensity or the length of

time taken for the firm to go international. However, no mention is made of the length of the learning process by management. These limitations in the born global studies suggest that the stage theories of internationalization are still applicable and valid for explaining the internationalization process of SMEs despite rapidly-changing business environments.

Furthermore, there is no consensus within the literature as to what constitutes a born global firm. The definition of born global varies, depending on criteria which define the firms in the extant literature. Central to the criteria are the notions of “time span” and “volume of foreign sales.” For instance, Moen and Servais (2002) stated that “Born Global are firms that have reached a share of foreign sales of at least 25 percent after having internationalize within three years from their foundation” while McDougall, Shane and Oviatt (2003) defined a Born Global as “a firm that began receiving revenues from international business activities while not more than 6 years old.” However, Knight and Cavusgil (2004) stated that “Born Global are firms that internationalize within three years from their foundation.” From the author’s point of view, relatively more emphasis should be placed on the “time to internationalization” given that the premise of the born global phenomenon is rapid internationalization. Furthermore, the 25% cut-off may be too restrictive in that the early internationalizer is often a “new” venture engaging in an international activity in its first year. Thus, this study will adopt Knight and Cavusgil’s (2004) definition as it considers no specific cut-off points regarding foreign sales or the length of years in business.

2.2.2.5 Resource-based View: Towards an Integrative Approach

In different works dealing with the internationalization of SMEs, we have identified three major approaches: the stage approach, the network approach, and the new venture approach. In spite of their prominent contributions, a number of researchers have also pointed out their limitations and thus call for new studies which could enrich the understanding of the internationalization process of SMEs. Faced by diversified theoretical approaches explaining SME internationalization behavior and processes, it is worthwhile creating an integrated framework that combines the contribution of different approaches by taking into account the specificities of SMEs (Coviello & McAuley, 1999). From the perspective of enriching the previous works,

the similar aspects of different approaches will be integrated towards an approach based on the concept of resources and competences (Penrose, 1959).

The concept of resources and competences can trace its origin in the work of Penrose (1959) and later on in the work of Wernerfelt (1984), Barney (1986), Hamel and Prahalad (1990). A majority of the researchers tend to define the resources of the enterprise as tangible assets and intangible assets that are combined, transformed, and put into value on the market according to the competence inside the enterprise (Herbert, 2002). For Barney (1991) the resources of the firm include all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. He emphasized that the resource should be valuable, rare, inimitable, and non-substitutable in order to sustain a long-term competitive advantage for the firm.

He classified the resources identified by different researchers into three categories: physical capital resources (Williamson, 1975), human capital resources (Becker, 1964), and organizational capital resources (Tomer, 1987). The physical capital resources include the technology utilized in the enterprise, geographic locations, and access to raw material. The human capital resources refer to the education, experiences, relationships, and judgment of managers and employees. The organizational capital resources contain the reporting systems, formal and informal planning, the control and coordination systems, as well as the informal relations in and outside the firm. For this study, the firm resources' category is made up of a combination of classifications.

The resource-based approach pays significant attention to intangible resources as a fundamental means of providing the firm with sustained competitive advantage as they are difficult to imitate (DeCarolis & Deeds, 1999; Ruzzier et al., 2006). The physical resources, including plants, equipment and technology, and some of the organizational resources such as organizational structure and reporting systems, are likely to be easy to imitate once recognized as valuable to business activities. On the other hand, the category of human capital resources has relatively higher potential to become a strategic resource in that the business experience and skills of managers are really valuable to the firm, rare, difficult to imitate and are not substitutable. These difficult-to-imitate resources can serve as drivers of sustained competitive advantage in overseas markets (Loane & Bell, 2006). Intangible resources therefore are likely to

be of particular importance to early internationalizing firms because most of them cannot afford to compete with larger companies on tangible resources (Peng, 2001).

The use of the concept of resources and capabilities seems to explain the exception to the earlier internationalization approach. The resource and competence approach constitutes, first of all, a framework to compensate for the insufficiencies of the stage approach by explaining how and why SMEs can pass certain steps in their internationalization. The SMEs whose managers possess extensive international market knowledge and experience could pass through some intermediate steps of the internationalization process (Gankema, Snuif & Zwart, 2000).

The development of the resource-based theory and the network perspective seems to have gone hand in hand. From the point of view of the concept of resources and capabilities, the relationships established in networks could facilitate SMEs' acquisition of information and useful resources in international markets (Shepherd & Wiklund, 2005). Alvarez and Busenitz (2001) and Rangone (1999) built a bridge between the resource-based view and entrepreneurship, implicitly proposing entrepreneurs as the source of sustained competitive advantage and moving the focus of analysis of the resource-based view from the firm level (Foss, Knudsen & Montgomery, 1995) to the individual level, but still in the context of resources. These authors suggest that entrepreneurs have individual-specific resources that facilitate the recognition of new opportunities and assembling of resources for the venture (Schumpeter, 1950; Alvarez & Busenitz, 2001; Penrose, 1959). Entrepreneurial knowledge, relationships, experience, training, skills, judgment, and the ability to coordinate resources are viewed as resources themselves (Barney, Wright & Ketchen, 2001). These resources are socially complex and add value to the firm because they are not easy to imitate and other firms cannot simply create them (Alvarez & Busenitz, 2001).

These developments show that all of these theoretical approaches explaining the dynamic process of internationalization of SMEs are based on the concept of resources and capabilities. The process of internationalization then seems to be the result of a combination of various resources and capabilities held or controlled by the SME (Laghzaoui, 2006).

Criticism of Resource-based Approach

Despite its explanatory power, the resource-based approach has been criticized from different perspectives. Given the heterogeneity of small firms and their operating environment, there are fundamental difficulties in seeking to identify and define the critical resources needed for internationalization. By focusing on the attributes that resources should possess to sustain a long-term competitive advantage, authors have proposed different characteristics of resources. Barney (1991), for example, argued that resources must be valuable, rare, imperfectly imitable and not substitutable, while Grant (1991) proposed that resources must capture durability, transparency, transferability, and replicability. These different perspectives indicate that these attributes are often relatively “broad and hazy” (Winter, 1995) and there are no clear boundaries between them (Anderssen & Kheam, 1998). Moreover, the mere existence of stocks of resources may not be sufficient for a sustained competitive advantage in a volatile business environment (Eisenhardt & Martin, 2000; Helfat & Peteraf, 2003).

Despite these shortcomings, the resource-based approach is viewed as providing a good portrait of how firms capitalize on their internal stock of resources and develop external resources to sustain a competitive advantage in the internationalization process. This perspective is therefore still regarded as providing a useful theoretical framework for representing small firm internationalization (Loane & Bell, 2006).

Although these approaches provide us with some insight into the complex phenomenon of the internationalization of firms and have made considerable progress in disclosing the nature and cause of internationalization during the past four decades, it is difficult to discuss a definitive theory of internationalization. In addition, the findings from empirical studies of SME internationalization during the last decade show that none of the approaches fully captures actual SME internationalization. Due to this deficiency, integration of different theories and models is required for a holistic understanding of the internationalization process of SMEs (Coviello & McAuley, 1999).

2.3 Inconsistencies in the Approaches to Internationalization

The above discussions confirm that there are inconsistencies in the prediction of the mainstream models of internationalization. Table 2.2 shows these inconsistencies. Despite their complementarities, the four models have different underlying assumptions about the key determinants of internationalization. The gradual-behavior-based (stages), rapid, and network approaches are based on the interplay of market knowledge and commitment, on the one hand, and relationship development on the other hand as means of overcoming limited knowledge and exploiting opportunities.

Internationalization is moreover viewed in the gradual-behavior (stages) and rapid model as a rational and purposeful planning process in which firms seek to optimize outcomes and minimize risks given limited knowledge. This contrasts with the network perspective, which views markets as networks and where internationalization is viewed as a more emergent and unplanned process stemming from the business linkages among firms and other organizations involved in an industry and market. The resource-based view links these perspectives because it allows for possible linkages between the learning aspect of the gradual, rapid, and network approaches.

Table 2.2 Inconsistencies in the Internationalization Approaches

Assumptions	Stage approach	Network approach	Rapid approach	Resource-based approach
Market knowledge	X		X	X
Market commitment	X	X		
Rational planning process (strategic decisions)	X		X	
Emergent and unplanned		X		X
Risk minimization	X			
Relationship formation & development		X		
Resource heterogeneity			X	X
Resource immobility (creation of competitive advantage)		X	X	X

2.4 Dimensions of SME Internationalization

The internationalization of firms is not a one-dimensional concept but is a multidimensional concept. Luostarinen (1979) proposed three dimensions for internationalization: the products to be offered internationally, the operations needed to enter foreign markets and market to enter. Welch and Luostarinen (1999) modified these dimensions and introduced five dimensions which included product, personnel, organization structure, finance, and entry decisions. However, in comparison with decisions such as type of product, number and quality of personnel, organization structure, and financial issues that are common activities in any growth strategy, the market entry strategies (which include the choice of entry mode and the choice of target market) are considered as the core components and distinctive features of internationalization (Bradley, 1998; Andersson, 1997). As a result, this study will concentrate on the firm's market entry strategy and determine the factors that affect market and entry mode selection.

2.4.1 Entry Mode and Market Selection

One of the most important SME decisions regarding the internationalization process pertains to the foreign markets an SME chooses to conduct business in, and the modes it uses to do so are considered to be the most critical for a firm's success abroad (Agndal & Chetty, 2007). Indeed, the decision relating to the selection of overseas markets and entry modes is considered to be the most critical for a firm's success abroad (Sakarya, Eckman & Hyllegard, 2007).

Firm characteristics such as international experience and ownership status have been debated in the literature regarding their role in impacting the entry mode choice and seem to be correlated with the initial resource commitment of the firm. According to the establishment chain model (Johanson & Vahlne, 1990), firms tend to start with low resource commitment in the home market due to limited information/knowledge about international markets. Lack of appropriate experience and knowledge increases the risk and uncertainty that is likely to constrain the market-servicing decision. However, over time, the firm's perception of foreign market risk reduces as it gains more knowledge of the foreign market; thus, gradually increasing its resource in the foreign market.

Besides international experience, the ownership status of the firm is also an important and influential factor in the entry mode choice. According to the study by De Vries (1993), family business tends to adopt low commitment or a less complicated mode of entry due to its conservative nature.

With respect to market selection, “psychic distance” is the most widely-used theoretical concept which influences firms’ international expansion (Brewer, 2001). Johanson and Wiedersheim (1975) describe psychic distance as the “factors (such as differences in language, culture, political systems, etc.) preventing or disturbing the flow of information between the firms and markets.” Nordstrom and Vahlne (1994) changed the definition as the “factors preventing or disturbing a firm’s learning about and understanding of a foreign environment.” It has been argued that a firm selects foreign markets according to geographical and psychological closeness (Johanson & Vahlne, 1990; Chetty, 1999). The basic reasoning for such a pattern is that high psychic distance between home and foreign market increases the risk of operating in a new market and the loss of a firm’s valuable resources. Transferring a firm’s capabilities to a psychically-distant foreign country is difficult and is often linked to steep learning curves in an unfamiliar environment. On most occasions, this is a fairly costly process. Therefore, firms usually enter geographically close and culturally similar foreign markets in order to increase their chances of successes in these markets.

Once a firm has decided to enter a foreign market, the question arises as to the best mode for entering the market. Root (1994) suggested that entry modes help companies determine goals, resources, and policy in order to channel their international activities toward sustainable international expansion. Firms can either use exporting, licensing, franchising, joint venture or sole ownership to enter foreign markets (Hill, 2007). Root (1994) classified licensing and franchising as a contractual mode, sole ownership and joint venture as an investment mode, and export as an exporting mode. According to Table 2.3, we can see a general comparison of different kinds of entry modes from the dimension of “control” and “required resources.” Therefore, managers should make their choice carefully because it directly affects whether the firm will succeed or not in its foreign expansion.

2.4.1.1 Exporting

Exporting has been traditionally regarded as the first step to entering international markets, serving as a platform for future international expansions. It is considered to be the most used strategy for SMEs because of the lack of resources (Dalli, 1995) and certain degree of market knowledge and experience (Root, 1994). Hill (2007) explains both advantages and disadvantages of exporting. One advantage for a firm that exports is that it avoids the cost of manufacturing in the host country; thus, there is low risk and low commitment of resources. This can also be seen as a disadvantage if the costs of producing the good are cheaper in the host country. The firm can gain a substantial economy of scale from its global sales volume when it is producing in the home country and exporting to the host country. Another important advantage of exporting is the international learning experience. The firm could gain initial experience by learning about the policies and procedures connected with international trade, opening up its management mindset and ways of thinking, and most importantly, by creating opportunities to connect with others for further involvement in internationalization. At the same time exporting firms face disadvantages such as the costs of transportation, low control of foreign operations, and even the low cost of the production of the goods in the host country. From country to country there are different laws that protect the home market. Some of them will do this by adding a tariff barrier which can make exporting more expensive.

2.4.1.2 Licensing

According to Root (1994) a licensing agreement is an arrangement whereby a company transfers to a foreign entity (i.e. another company) for a defined period of time the right to use its industrial property (such as patents, know-how, trademarks) in return for royalty. This is generally viewed as a supplement to exporting or manufacturing. Licensing is most apparent when country barriers make it difficult for the firm to participate in a foreign market, when the country is sensitive to foreign ownership, or when the firm wants to protect patents and trademarks against cancellation. Licensing is adopted as an alternative mode when foreign markets are too risky or small or when firms have limited resources or experiences operating with exporting and in manufacturing modes (Welch, Benito & Petersen, 2007).

One drawback which is similar to exporting is that licensing gives the firm less central or tight control. For the firm it is difficult to control its licensee through an agreement, except by establishing its own subsidiary. The licensee could be a major disadvantage for the licensor because of the difficulty in coordination. Technical know-how is a competitive advantage for the firm, whereas by selling the know-how the firm undertakes a huge risk of losing this asset to competitors. Because the licensor will receive the main technology and make full use of it, the licensor loses control by selling it to the licensee.

2.4.1.3 Franchising

Franchising is the cornerstone of international market expansion strategy for retail firms. Retailers franchise their brand and store concept in return for a franchisee fee and margin on any product sold within the store. The franchising mode is a rapidly-growing form of licensing. The only difference between franchising and licensing, according to Root (1994), is that the terms of contract or arrangements in franchising tend to be permanent while those of licensing exist for a given period of time. In the franchising mode, the franchisee provides market knowledge, capital, and personal involvement in management. The combination of both skills permits flexibility in dealing with local market conditions and also provides the parent company with a reasonable degree of control.

One of the problems when using franchising is quality control. The franchisee is often difficult to control, especially in the service industry where the franchisor will require the franchisee to adhere to the same standards of quality. If the franchisee does not strictly obey the rules of the franchisor, it could lead to a worldwide collapse of the international firm.

2.4.1.4 Joint Ventures

The joint venture is an arrangement whereby a firm shares equity and business control with the host country's partner. A joint venture has a lot of advantages. First, both of the firms share the cost as well as the benefits. By investing in and joining a local firm, the international firm can successfully explore the foreign market with the assisting firm. The international firm could thereby gain market knowledge from the local firm. Especially considering the political and economic issues in the international market today, this is an overwhelmingly popular way to

enter foreign markets. The local firm might have a way to influence the local government, which will smooth the market entry for its joint partner. Therefore, a joint venture is a less risky way of entering a market with high political and cultural barriers.

The disadvantage of joint venture is obvious in that the firm might have major conflicts with its partner. Regarding the shareholding of the firms, it is often difficult to maintain a balanced relationship. Once a firm is in conflict with the other party, it will petition for its relative share of ownership for more control of the firm. Thus the partner with stronger bargaining power will continue to lead an unsteady joint venture.

2.4.1.5 Sole Ownership

An alternative entry mode open to international firms is to fully-owned production facilities in the target market (Root, 1994). In this form of entry, firms own a 100 percent equity stake in the operation. Full ownership can involve either setting up a new operation in the foreign market or acquiring an established foreign firm. Unlike franchising and licensing, a full ownership mode reduces the risk of losing control over firm competence, provides tighter control over foreign market operations, and access to raw materials, cheaper or uniquely-skilled labour, technology, innovative operational methods.

The disadvantages of fully-owned production facilities are clear too. As long as the firm chooses wholly-owned subsidiaries, the cost is definitely high. Because of full ownership, the firm cannot get any assistance from the other party. While bearing the full cost of the investment in the foreign country, the firm still needs to bear the entire risk. The risk lies in the uncertain foreign market, and in the unfamiliar political and economic environment or cultural gaps. Doing business in a new culture, especially by choosing the entry mode of wholly-owned subsidiaries by acquisition, could create a lot of problems. The variety and diversity of the foreign business practice or country culture could be a significant issue for the firm to deal with. In addition, other problems may relate to integration issues which include some initial misalignment of objectives and operational procedures.

Table 2.3 Foreign Market Entry Modes

Entry Mode	Explanation	Advantages	Disadvantages
Exporting	The organization maintains its production facilities within its home country and transfer its products for sale in foreign Countries.	-Lower cost and risk -Fast	-Low control -Cost of transportation of goods -Cost of production maybe cheaper in host country
Licensing	An organization in one country makes certain resources available to companies in another in order to participate in the production and sale of its product abroad.	-Lower cost and risk	-No tight control -Risk for losing know-how
Franchising	A form of licensing in which an organization provides its foreign franchisees with a complete package of materials and services	-Lower cost and risk -Fast	-Quality control -Hard monitoring
Joint Venture	A variation of direct investment in which an organization shares costs and risks with another firm to build a manufacturing facility, develop new products, or set up a sales and distribution network	-Benefit from local partner -Share cost and risk -Political considerations	-Loss control of technology -No tight control of partner -Conflicts and battles (identifying the right joint venture partners is critical)

Table 2.3 (Continued)

Entry Mode	Explanation	Advantages	Disadvantages
Sole ownership	<p><u>Greenfield venture</u>: the most risky type of direct investment, whereby a company builds a subsidiary from scratch in a foreign country</p> <p><u>Wholly-owned foreign affiliate/acquisition</u>: a foreign subsidiary over which an organization has complete control, for example through acquisition</p>	<p>-Technology control</p> <p>-Tight overall control (due to full ownership)</p> <p>-100% share of profit</p>	<p>-Complex and time consuming</p> <p>-Full cost (higher investment/commitment) and risk</p> <p>-Culture problems</p>

Source: Hill, 2007.

2.4.2 Factors Influencing Market Selection and Entry Mode

With regards to foreign market and -entry mode selection, a considerable amount of literature (Johanson, 1997; Root, 1998) considered these two processes as distinct, where the decision related to which market to enter precedes the choice of entry mode. Koch (2001) was one of the few authors that pointed out how the processes of market selection and entry mode selection should be seen as two aspects of the same decision-making process. He proposed a holistic model known as the market and entry mode selection model or commonly known as the MEMS model, as shown in Table 2.4, to accommodate all of the factors influencing the market and entry mode selection process. These influential factors can be divided into three groups: internal, external, and mixture of internal and external factors.

The model indicates that internal factors, such as strategic orientation and objectives, strongly influence the stages of internationalization and that these are linked to external factors such as market competitiveness and probable risk. External factors such as the host countries' business environment and the feasibility of certain industries are affected by the companies' experience and measures in handling risks.

The following table concludes the interrelated forces affect market and entry mode selection, and demonstrates the complexity and dynamism of internationalization. This agrees with Johanson and Vahlne's (1990) suggestion that the internationalization process is a mixture of strategic thinking, strategic action, emergent developments, and chance and necessity.

Table 2.4 Factors Influencing Market and Entry Mode Selection

Forces	Factors for Market Selection	Factors for Entry Mode Selection
Internal	<ul style="list-style-type: none"> • Stage of internationalization • Company strategic orientation • Company strategic objectives • Overseas market selection experience • Company international Competitiveness • Calculation methods applied 	<ul style="list-style-type: none"> • Company size/resources • Market locus of control • Experiencing in using MEMS • Management risk attitudes • Market share targets • Calculation methods applied • Profit targets
External	<ul style="list-style-type: none"> • Country market potential • Competitive significance of the market • Anticipated overseas market risks 	<ul style="list-style-type: none"> • Characteristics of overseas country • Business environment • Industry feasibility/viability of MENS • Popularity of individual MEMS in the overseas market • Market growth rate • Image support requirements • Global management efficiency requirements
Mixed	<ul style="list-style-type: none"> • Own/Accessible resources • Networking • Similarity/Proximity of overseas market • Market portfolio congruity • Expansion sequence optimisation 	<ul style="list-style-type: none"> • Competitiveness, capabilities and Skills required/available for each • Sufficiency and reliability of information inputs

Source: Koch, 2001. pp. 352-353.

2.5 Determinants of the Internationalization Process

The factors influencing the internationalization process from past research can be categorized into four different factors: the motives for internationalization, barriers to internationalization, firm-specific factors, and key personnel factors. Understanding these influential factors helped derive the arguments and research questions for the current study.

2.5.1 Motives for Internationalization

Motivation explains “how behavior is initiated, energized, sustained, directed and stopped” (Morgan, 1997) and therefore is critical in explaining why SMEs internationalize. Morgan (1997) considers the study of Simmonds and Smith (1968) as the initial work about the factors stimulating the firm to internationalize. In the initial work, it was found that external, environmental factors predominantly stimulated the firm’s internationalization. Further works also highlighted the importance of internal or firm factors (Lee & Brasch, 1978). Internal factors are related to the impact of the internal characteristics of the firm while external factors are related to the firm’s domestic and foreign external environment.

Basically, the research has continued to investigate the external and internal factors motivating the firm’s internationalization and followed up with the differentiation regarding proactive and reactive factors (Czinkota, Johanson & Ronkainen, 2002; Hollensen, 2001). Proactive factors or push factors (Etemad, 2004) are forces compelling the firm to internationalize. The profit advantage, unique products, technological advantage, exclusive market information, managerial urge, foreign market opportunities, tax benefit and economies of scale are examples of proactive factors. One of the most influential push factors is the opening up of economies, which leads to regional economic integration. For instance, the liberalization of trade in the ASEAN countries through the formation of the ASEAN Free Trade Area (AFTA) and the ASEAN Economic Community (AEC) will create opportunities for SMEs in the region, thereby attracting them to internationalize.

These push factors described by Etemad (2004) can be explained by the resource-based view of the firm, which has recently emerged as a theory to explain

the competitive advantage of the firm. These resources and capabilities of the firm, if exploited and used appropriately, can act as push factors for the SME internationalization and thereby allow it to compete with its larger counterparts in the global market, since competition will no longer be on the basis of financial resources or size.

The reactive factors or pull-factors refer to a set of motivators caused by the firm's response to environmental pressures. Risk diversification, overproduction, declining domestic sales, excess capacity, saturated domestic markets, and proximity to international customers are some examples of reactive factors.

The integrative model of the motivating factors was proposed by Albaum, Strandskov, Duerr, and Dowd (1994). These authors brought together all of the investigated factors and divided them into a classificatory matrix with four cells: internal/external and proactive/reactive variables. The factors of each of the four groups are presented in Table 2.5.

Table 2.5 The Classification of Motives for a Firm's Internationalization

	Internal	External
Proactive	<ul style="list-style-type: none"> -Managerial urge -Profit and growth goals -Marketing advantages -Economies of scale -Unique product -Technological advancement -Exclusive market information 	<ul style="list-style-type: none"> -Foreign market size and opportunities -Change agents -Tax benefit (due to economic integration)
Reactive	<ul style="list-style-type: none"> -Risk diversification -Extend sales of a seasonal product -Excess capacity -Overproduction -Proximity to international customers 	<ul style="list-style-type: none"> -Unsolicited foreign orders -Saturated domestic market -Declining domestic sales

Source: Albaum et al., 1994.

2.5.2 Barriers to Internationalization

Perceived barriers can be defined as the uncertainty an individual faces when he or she cannot foresee the consequences of his or her decision. Barriers in operating businesses abroad include “all those attitudinal, structural, or operational constraints which hamper or prohibit the firm’s ability to initiate, expand or sustain international operations” (Leonidou & Katsikeads, 1996). Barriers may occur at any level of internationalization, from pre-export and other initial stages to extensive levels of international involvement (ibid.).

The perception of barriers also changes in regard to the international experiences of the firm. Shaw and Darroch (2004) found that for exporters and likely exporters consider the main barriers to internationalization include access to finance, cost-related factors, and government incentives. By comparison, according to non-exporters’ perception, firm size, lack of market knowledge, and experience are the most important barriers to internationalization.

The literature review shows the extant studies in relation to internationalization problems. Hamill (1997) identifies four main groups of the barriers to SME internationalization: psychological, operational, organizational, and product/market. Psychological barriers are closely related to the firm’s perceptions concerning the risks and profitability of exporting, including an ethnocentric rather than geocentric orientation. For example, in non-exporting firms, export challenges tend to be perceptual rather than experiential. Operational barriers refer to the problems encountered by firms in dealing with export paperwork, documentation, language problems, delays in payment, etc. Organizational barriers are related to the limited resources available to devote to the export effort and the lack of international experience. Product/market barriers relate to the suitability (or lack of suitability) of the firm’s product or service for foreign markets and the country selection decision.

Classification of the barriers in operating business abroad was also undertaken by Leonidou (2004), who distinguished internal barriers (those associated with the organization’s resources and capabilities and approach to exporting) from external barriers (barriers stemming from the home or host country environment, including foreign rules, regulations, tariff barriers, and different customer habits). He later came up with four group of barriers based on two dichotomies: external/internal and

domestic/foreign. Hence Leonidou's (2004) classification will be used in analyzing the empirical findings (Table 2.6).

2.5.2.1 Internal-domestic Export Barriers

The inhibitors to export initiation which concern this category lie within the domestic boundaries of operation and are reflected in the internal environment of the firm. In other words, these types of barriers relate to any obstacles within the firm that occur in its home country such as insufficient production capabilities, lack of managerial staff/time, and inadequately-trained staff for export activities.

2.5.2.2 Internal-foreign Export Barriers

Barriers of this kind are again issues within the firm but occur in foreign markets. Typically, these may include the inability to meet export product quality/standards, excessive transportation and insurance costs, and the inability to offer technical/after sales services.

2.5.2.3 External-domestic Export Barriers

In contrast to internal barriers, these constraints originate in the external environment of the firm but occur in its home country. Critical barriers of this type include excessive documentation requirements and inadequate provision regarding government export assistance, and incentive and promotion programs.

2.5.2.4 External-foreign Export Barriers

In contrast to external-domestic export barriers, these constraints arose from the external environment and experienced in the foreign market. Barriers in this category include distinctive foreign consumer preferences, the imposition of tariff barriers and regulatory import controls by overseas governments, competitive intensity, unfamiliar business protocols and practices, and exchange rate fluctuations.

Table 2.6 Perceived Barriers in Operating Business Abroad

	Internal	External
Proactive	<ul style="list-style-type: none"> -Managerial urge -Profit and growth goals -Marketing advantages -Economies of scale -Unique product -Technological advancement -Exclusive market information 	<ul style="list-style-type: none"> -Foreign market size and opportunities -Change agents -Tax benefit (due to economic integration)
Reactive	<ul style="list-style-type: none"> -Risk diversification -Extend sales of a seasonal product -Excess capacity -Overproduction -Proximity to international customers 	<ul style="list-style-type: none"> -Unsolicited foreign orders -Saturated domestic market -Declining domestic sales

Source: Leonidou, 2004.

2.5.3 Firm-specific Factors

Firm factors include firm resources, competencies, and demographics (Bell, Loane, Njis & Phillips, 2007). These components are discussed below.

2.5.3.1 Firm Resources

Hollensen (2001) states that the firm resources contain all of the inputs into the business process, which are financial, technological, and human and organizational resources. Amit and Shoemaker (1993) believe that “resources consist of know-how that can be traded, financial or physical assets, human capital, etc.” Among all of these theories, Barney (1991) goes further by stating that there are three kinds of resources, categorized as physical capital resources, human capital resources, and organizational capital resources. The physical capital resources encompass physical technology, property, plant, equipment, and access to raw materials. Human

capital resources include the “training, experience, judgment, intelligence, relationships, and insight of individual managers and workers in a firm” (Barney, 1991). Organizational capital resources involve the firm’s reporting structure, planning processes, control and coordination systems, information relations among workers within the firm, between firms, and its environment. He believes that once these resources are rare, valuable, inimitable, and non-substitutable, they will become the power for a company to gain competitive advantage over other firms.

The present author’s definition is in line with Barney’s (1991) definition, where resources are defined as all of the assets, capabilities, organization processes, and information that the firm controls in order to apply the strategy that will improve its competitive advantage. According to author’s opinion, for the SMEs that are willing to enter foreign markets, maximizing and developing the value of existing resource are an important part of their strategy.

2.5.3.2 Firm Competencies

Firm competencies provide sustainable advantages to the firm (Prahad, Hanel, 1990). The capabilities of a firm may be regarded as the key issue concerning internationalization (Moen & Servais, 2002). The first attribute that is part of the firm’s capabilities in this study is market knowledge and market commitment. Market knowledge is viewed as a resource in the Uppsala model which suggested a direct relationship between market knowledge and market commitment. These variables affect both commitment decisions and the way in which current activities are performed. Typical for the stage models is slowly growing market knowledge. In contrast, born global firms possess superior international market knowledge before their first foreign market entry (Smarma & Blomstermo, 2003).

The second attribute, value creating competences, covers the firm’s specific advantages through product/service differentiation, and innovativeness and quality leadership. These advantages can generate competitive and sustainable advantages when firms go abroad. A typical born global firm sees itself as owning or possessing a source of competitive advantage by way of its expertise, unique product/service features, lower price, better service, or a combination of these aspects. Therefore, the decision to internationalize is related to these distinctive competences.

The third attribute is related to the extent to which a firm has planned international strategies. Consequently, firms that formulate a good business plan are able to internationalize their firms competently (Abby and Slater, 1989).

2.5.3.3 Firm Characteristics

Firm characteristics have several indicators, such as firm size, age, structure, ownership status, and financial resources.

Firm size: The influence of a firm size on its ability to internationalize is one of the most studied areas on SME internationalization. Mason and Pauluzzo (2008) have argued that the bigger the firm, the more managerial, financial, and production resources it has for its internationalization ventures. On the other hand, research by the Organization for Economic Co-operation and Development [OECD] (1997) did not confirm a positive relationship between the size of the SME and its ability to internationalize. The research showed that the size of the SME was only important during the first phase of internationalization and would cease to be significant thereafter.

Age of the firm: The traditional internationalization theories, such as the Uppsala and Innovation-related model, propose that the firm has to go through various stages before it becomes fully internationalized. The conclusion would be that the older the firm the more it is able to internationalize. However, with the knowledge that some firms are born global and those others bypass several stages in the traditional model, then there seems to be no relationship between age and the ability of the SME to internationalize. In fact, research by the Organization for Economic Co-operation and Development [OECD] (2006) and Lu and Beamish (2002) concluded that the older the firm, the less it is able to internationalize. Their argument is that the older the firm, the more established would be its routes and practices and the higher the organizational inertia and the more resistance to pursuing internationalization.

Structure: The existence of an export department or international division in a firm's structure (Welch & Luostarinen, 1988) and the level of formalization and centralization (Jones & Coviello, 2005) affect the internationalization process.

Ownership Status: The fact that the firm is either a family or non-family business also makes a difference to its internationalization. The literature predominantly describes family businesses as structures with less propensity for risk compared to other types of business, as being more inert, tending towards conservatism, resistant to change (Sharma, Chrisman, and Chua, 1997) and, as such, not very entrepreneurial. This aversion to risk may prevent entrepreneurial opportunities from being seized aggressively and may be the reason for failure to pursue international growth strategies. Fernandez and Nieto (2005) found a negative relationship between family firms and export intensity.

Financial Resources: Lack of adequate financial resources has been identified as the highest weight factor limiting SME internationalization (Lopez, 2007; Rundh, 2006; and The Organization for Economic Co-operation and Development [OECD] 2009). Adequate financial resources are needed by SMEs that intend to internationalize to cover the costs associated with international market research, developing export markets, international exhibitions, increasing production capacity to meet export demand, shipment costs, and insurance and non-payment of delivered goods. One study showed that SMEs that taking advantage of family and third-party investment seemed to internationalize sooner and experienced a higher level of success than those SMEs that relied only on their own income (Arenius & Minniti, 2005).

2.5.4 Key-Personnel Factors

The key personnel in the SME can be the owners, managers, decision-makers or founders of the firms depending on their level of involvement in managing the firm (Bjerke, 2007). The importance of key personnel in influencing the firm's decision to internationalize has been discussed in many studies. Based on the extant literature, it can be summarized that the following characteristics of key personnel may influence their intention to internationalize.

2.5.4.1 Age

Some researchers have found that the relative youth of an entrepreneur is associated with international activities (Dichtl, Leibold, Koglmayr & Muller, 1984; Cavusgil & Naor, 1987). Abdul-Aziz and Wong's (2010) research found that management

with younger members (under 50 years of age) was an important factor with regard to the internationalization decision. However, other studies have found that the age of an entrepreneur had no significant empirical support with regard to internationalization (Manolova, Brush, Edelman & Greene, 2002; Davis & Harverston, 2002), whereas others found that the older age of the owners or founders of an enterprise stimulated the firm's internationalization process due to their broader networks as a result of longer tenure in the business (Stoian, 2007).

2.5.4.2 Educational Background

It has been proposed in the literature that educational background has a profound relation with knowledge, skills, problem-solving ability, discipline, motivation and self-confidence. Hence, more highly-educated entrepreneurs have better problem-solving skills. Moreover, better-educated entrepreneurs are more open-minded and are more interested in foreign affairs. The literature in the marketing field by Cavusgil and Naor and Oviatt et al. (quoted in Stoian, 2007). acknowledges that a high educational level is associated with more internationalization activities.

2.5.4.3 Work Experience

Leonidou et al. (quoted in Stoian, 2007) proved that work experience, previous occupations, technical experience, or product knowledge have been associated with the internationalization process. Entrepreneurs with previous experience in the same industry as the one they are currently involved in are more acquainted with possible business opportunities. For an international business, the contacts they had made during their previous employment may enable them to identify foreign market opportunities. Also, industry-specific experience allows entrepreneurs to become more acquainted with international markets (Stoian, 2007).

2.5.4.4 Global Outlook

A global outlook is critical in the firm's decision to internationalize (Reid, 1981). Such outlooks can vary between entrepreneurs. Differences in outlook are caused by factors such as age and level of education, the ability to speak foreign languages, the extent of foreign travel, as well as other factors (Reid, 1981). These differences shape the perceptions of the entrepreneur; in fact they influences their classification of important external environmental variables, and their preferences for strategies. Entrepreneurs with more positive attitudes toward international activities

are more likely to engage in international activities. As a result, born global firms are likely to be formed by entrepreneurs with a strong international orientation and that see the whole world as a potential market. These founders do not adopt a strong domestic focus but rather perceive the entire world as one (Rialp et al., 2005). Their management perceptions of the advantages of internationalization seem to be positively associated with international performance.

2.5.4.5 International Exposure

Past research has also considered the impact of the top manager's exposure to foreign markets on a firm's internationalization behaviors (Angelmar & Pras, 1984). The characteristics that have been found (though not invariably) to affect the decision to internationalize include: the extent to which the manager had engaged in foreign travel; the ability to speak foreign languages; knowledge about a foreign market; and whether the top decision maker was born, worked, or studied abroad (Reid, 1981).

Directly relevant to our focus on the influence of the top management team on the internationalization of SMEs is recent work by McDougall and her colleagues (Oviatt & McDougall, 1994), which shows that firms that are international from birth are typically founded by a team of individuals with international experience.

Two different behaviors whereby internationally-experienced management teams may influence the degree of internationalization of their firms can be identified, and their relationships are shown in Figure 2.6.



Figure 2.6 The Relationship Between the Management's International Experience and the Internationalization of SMEs.

The first behavior is the use of foreign strategic partnerships. Eisenhardt and Schoonhoven (1996) showed that more experienced top management teams are more likely to form partnerships because they have a better ability to know, attract, and engage partners. It is expected that decision makers with more international experience, are more likely to have in place a foreign business network, and are more likely to have developed the skills needed to identify and negotiate with firms in a different culture.

Moreover, partnerships formed in order to ease entry into foreign markets are likely to increase the degree of the internationalization of the firm. Eisenhardt and Schoonhoven (1996) pointed out that, in general, when firms are in vulnerable strategic positions, partnerships provide concrete critical resources such as specific skills and financial resources, as well as more abstract resources such as legitimacy and market power. These resources are particularly important when a new or young firm, with a poverty of resources, is attempting to increase foreign sales (Oviatt & McDougall 1994), and indeed, McDougall et al. (1994) reported that the owners of ventures that have international sales at start-up relied heavily on foreign partners.

The second behavior that internationally-experienced leaders may influence their firms to engage in, which will increase the degree of internationalization of their firms, is the speed with which foreign sales are first obtained after startup. Ghoshal (1987) has argued that organizations that internationalize earlier are likely to develop fewer routines and resources, which make it difficult for them to move out of domestic markets. McDougall et al. (1994) argued that a delay in entering foreign markets can be detrimental, and provided examples of "international from birth" firms which set out to establish international competencies from their startup.

What is of interest from this perspective is not how long a firm has been selling in foreign markets, but rather how long the firm delayed selling in foreign markets. SMEs managed by internationally-experienced teams are likely to delay less. Experience with, and knowledge of, foreign markets make it more likely that decision makers will consider mechanisms to sell outside the domestic market early on and be less likely to set up routines based on a purely domestic perspective.

2.5.4.6 Interpersonal Skills

Interpersonal skills explain the ability of key personnel to create networking and relationships with others at all levels. The social network developed by the SME owner/manager influences internationalization by acting as a source of up-to-date and timely information and by providing referrals concerning when to enter overseas' markets and which market to penetrate (Burt, 1997). It also provides information on procedures and regulations in certain markets and helps to identify appropriate foreign partners, suppliers, or agents as the channels of distribution (Bell, Crick & Young, 2004). For a born global firm the use of networks, both personal and business, is of crucial importance. These firms are embedded in international networks from the beginning (Kirwan, 2009). When looking at traditional firms the use of networks is looser and has to fit with the gradual path of internationalization. Therefore, networking and relationships can play a remarkable role by linking the SME with global markets.

2.5.4.7 Leadership

The last attribute concerning the key personnel factors is leadership, which is seen as the primary factor for SMEs in allocating further resources or

postponing further expansion. Clearly, internationalization, leadership, and firm performance are closely linked. Based on the firm's performance, leaders decide if they need to reach new markets and whether they have the operational ability to do so. An SME's leader must play an integral role in making the appropriate decisions about the appropriate degree of internationalization and the operational resources needed for such strategic effort. Among the model set of actions would be for leaders to conduct rigorous assessments with regard to the resources needed for pursuing additional globalization efforts. Once the results are known, additional resources should be allocated if necessary and if available. If the additional costs are not feasible, the process can be stopped. Therefore, an organization's leadership has two options that it can pursue: match a higher degree of internationalization with complimentary resources or postpone any new global expansion in view of resource limitations.

2.5.4.8 Entrepreneurial Orientation

Entrepreneurial orientation (EO) involves how a firm aligns its processes, practices, and managerial activities with new markets (Lumpkin & Dess, 2005). This is relevant to the international entrepreneurship and resource-based view. It involves strategic intentions and top management action, risk taking, and innovativeness and proactiveness (Smart & Conant, 1994).

Risk taking is associated with a willingness to commit large amounts of resources to projects where the cost of failure may be high (Miller & Friesen, 1978). It also implies committing resources to projects where the outcome is unknown. Innovativeness reflects a tendency to support new ideas, novelty, experimentation, and the creative process, thereby departing from established practices and technologies (Lumkin & Dess, 2005).

Proactiveness refers to the ability of a firm to anticipate change or needs in the market place and be among the first to act on them (Lumkin & Dess, 2005). With such a forward-looking perspective, proactive firms capitalize on emerging opportunities. Becherer and Maurer (1997) and Prashantham (2004) have argued that a high level of entrepreneurial orientation assists in the firm's growth and expansion, resulting in better firm performance.

2.5.5 External Factors

Turning to the external factors affecting SME internationalization, a range of divergent indicators can be identified. The external or environmental factors can be classified into five indicators: market characteristics, environmental characteristics, government support programs, sources of internationalization awareness, and the state of competition in the industry.

2.5.5.1 Market Characteristics

Market characteristics refer to the size and attractiveness of the market, sales potential, availability of infrastructure or facilities, and the degree of internationalization (Jones & Coviells, 2005; Root, 1994). The market imperfections approach identified by Ibrahim (2004) claims that suitable locations can create more benefits if a firm invests in a particular foreign market. Normally, large markets are targeted because they have more sales potential, which means that SMEs equipped with management determination and competencies can become significant players (McNaughton & Bell, 2004).

2.5.5.2 Environmental Characteristics

Environmental characteristics in the form of economic, social, political, technological, and legal conditions at home and in the host country also affect the internationalization process (Root, 1994). According to Lumpkin and Dress (2005), the environment is characterized by three elements: 1) dynamism, which explains the amount and speed of change; 2) munificence, which is the scarcity or abundance of critical resources required for international operation; and 3) complexity, which consists of the regulations, competition, and technological demand within the foreign environment. The firm needs to be alert to changes in the environment and if necessary, it must adapt to these changes (Gartner, 2005). This is vital since the source of information enabling opportunities to be recognized comes from the environment.

2.5.5.3 Government Support Programs

Among firms that have low or no intention to internationalize, institutions outside the firm, such as government agencies, chambers of commerce, industrial associations, and banks are expected to have an influence on the firm's decisions concerning international market expansion. In general, entrepreneurs require

accurate intelligent support and response to the reality of economic needs from their government. Entrepreneurs also perceive the creation of more accessible channels to new international markets and marketing assistance as one of most important services that a government can provide. Thus, the government should play an important role as an external assistant or facilitator for SME international expansion.

Government policy can assist entrepreneurs in accessing international activities and venture capitalists. Demick and O'Reilly (2000) concluded that capability support for SMEs involves training, counseling services, and network development that are designed to supply SMEs with information service, technical support, financial assistance, and management development.

Although most governments have strategies that assist with the business internationalization process, the paucity of budgets for the overall internationalization promotion is a common problem for governments (Jaffe & Pasternak, 1994). Cavusgil's study (1980) on the lack of budget brings about common policy of governments to give priority to firms that have a high potential to succeed internationally. Additionally, Evangelista's research (2005) found that some companies viewed government assistance as a wasteful exercise because of the large amount of paperwork and bureaucracy.

For Thai entrepreneurs, the lack of effective interaction and communication with the government brings about an inability to recognize actual entrepreneurial needs. As results, the Thai government cannot provide suitable assistance programs. As previous study by Rojtheeravanich (2007) has shown, the entrepreneurs perceived that their success came from their own abilities and perseverance. In addition, some of the problems come from the entrepreneurs' attitudes themselves. For instance, if entrepreneurs view the domestic market as having sufficient opportunities for growth, then they will be less likely to devote resources to expand their business internationally.

2.5.5.4 Sources of Internationalization Awareness

In order for a firm to internationalize, it needs to be aware of market opportunities. Based on the incremental internationalization perspective, Cyert and March (1992) posited that sources of information are generated and processed within the firm. In contrast, within the network approach, Granovetter (1992) claims that

information is embedded in the society from direct contact with individuals within and outside the firm, and information is gained first, from people that are willing to share information, and second, from organizations and/or institutions that can provide relevant information. Access to appropriate information can create strong international awareness, which is an important driver for SMEs to accelerate their internationalization process (Zucchella, Palamara & Denicolari, 2007).

2.5.5.5 State of Competition in the Industry

SMEs often have limited resources, shortage of labor, and ineffective management skills to cope with local and international market challenges. The characteristics of some SMEs as being new and small make them more vulnerable to adverse effects of intense competition. Hyunsuk and Lee (2012) have observed that the liabilities of newness and smallness put SMEs at disadvantages in domestic markets where mature organizations can leverage benefits such as brand recognition, market acceptance of their products, and supply chain control. The more turbulent the environment is, the more aggressive the firm must be in terms of competitive strategies and entrepreneurialism or change orientation if it is to succeed (E. Papulova & Z. Papulova, 2006). Rajesh, Suresh, and Deshmukh (2008) have argued that tough competition in the international market makes it necessary for the firms to improve the standards of their performance in many fields, such as productivity, the quality of their products, and cost.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction to the Chapter

Based on the research problem area and literature review, the previous chapter developed a frame of reference and several research questions to be answered in the current study. In this chapter, the path in which these questions should be answered, is described.

According to Jonker and Pennink (2009), the methodology is the domain or path for answering research questions. In other words, it is the researcher's choice of research method and practices. Although the choice of research method and practices depends upon the research problem and research questions that are asked, it should also reflect the researcher's paradigm or basic belief system which guides the researcher in the entire research process (Marshall & Rossman, 1999).

In this study, the methodological decisions and selected methods were based on the multilayer sequence introduced by Saunders, Lewis, and Thornhill (2009), called the "research onion." The methodological decisions mainly concern three outer layers: philosophies (section 3.2, Research Paradigm), approaches (sections 3.3 and 3.4, Research Purpose and Research Approach), and strategies (section 3.5, Research Strategy). Further, the particular methods and techniques for carrying out the research strategy (3.6 Research Design) cover the research time horizon, unit of analysis, population, sampling technique, and sample size, data collection methods, and analysis. The research quality criteria and ethical considerations are given in section 3.7 and 3.8.

3.2 Research Paradigm

According to Guba and Lincoln (1994), a research paradigm “reflects a set of philosophical beliefs about the nature of the world.” The research paradigm is the perspective that a researcher takes in obtaining knowledge on a particular discipline at a certain time. The research paradigm shapes the entire research process and gives direction to an appropriate research approach, design, and methods. Therefore, the philosophical assumptions underlying the research paradigm must be understood and clarified before research can be conducted (Thomas, 2004).

Within the research paradigm, there are philosophical assumptions involved, such as those concerning epistemology and ontology, which point out how researchers view reality, how to study it, and which method will be used to collect data (Bryman & Bell, 2007). The epistemological assumption is concerned with the study of knowledge and what the researcher accepts as being valid knowledge (J. Hussey and R. Hussey, 1997) Epistemology can be divided into two aspects: positivism and interpretivism. Positivism views knowledge as objective and that the researchers and research subjects are not involved in direct contact. The methodological approach uses deductive logic to test causal relationships and theories. (Easterby-Smith, Tharpe & Lowe, 2002). The majority of published research into SME internationalization has utilized the positivist paradigm by using hypothesis testing, large samples, and quantitative approaches (Bell et al., 2007). Unlike positivism, interpretivism views knowledge as subjective and that the researchers must have contact with the researched subjects in order to obtain the reality and meanings of certain phenomenon (Ticehurst & Veal, 2000). Investigations in using this paradigm are within the qualitative approach and utilize inductive reasoning or the grounded theory method to produce rich data for theory building (Cavana, Delahaye & Sekaran, 2001). Lately, more SME internationalization research has been conducted using qualitative approaches, such as case studies and interviews that involve small samples and non-numeric analysis (Chetty, Campbell-Hunt, 2004)

The ontological assumption is concerned with the nature of reality (Saunders, Lewis & Thornhill, 2009). Within ontology, there are also two aspects—objectivism and constructivism. Objectivism views that there is a single, external and objective

reality to any research question regardless of the researcher's belief, while constructivism views that there can be more than one reality and more than a single structured way of accessing such realities (Bryman & Bell, 2007).

Since this study aims at an understanding of the process of internationalization of SMEs in Thailand (social phenomena) through the impact of entrepreneurs that make choices based on their subjective, individual evaluation of alternatives under uncertainty, the interpretivist paradigm (from epistemological view) and the constructivism paradigm (from ontological view) seem appropriate. Both paradigms focus on the qualitative approach and this is how the author will carry out the study.

3.3 Research Purpose

Before addressing the issues discussed regarding methodology, a discussion about the objective of the study and the research purpose is carried out because not only do they illustrate the outcome of the study but they also identify the general orientation of the research, whether qualitative or quantitative (Sullivan, 2001) (Table 3.1). The research purpose can be either exploratory, explanatory, or descriptive (Marshall & Rossman, 1999). The exploratory research purpose is appropriate when the researcher has a lack of knowledge about research problem(s). Descriptive studies, as the name suggests, is undertaken in order to describe the phenomenon of interest, especially when the researcher possesses a certain amount of knowledge on the topic of interest. In explanatory research, the purpose is to explain the relationships between variables.

Since the author's knowledge regarding the Thai SME internationalization process is limited and there is no definitive theory that explains the internationalization process of SMEs in particular, the purpose of this study can be described as mainly exploratory.

Table 3.1 Different Types of Research Purposes

Types of Research Purpose	Description	General Research Questions
Exploratory	<ul style="list-style-type: none"> - To investigate little-understood phenomena -To identify or discover important categories of meaning -To generate hypotheses for further research 	<ul style="list-style-type: none"> What is happening in this social program? -What are the salient themes, patterns, or categories of meaning for participants? -How are these patterns linked with one another?
Explanatory	<ul style="list-style-type: none"> -To explain the patterns related to the phenomenon in question -To identify the plausible relationships sharing the phenomenon 	<ul style="list-style-type: none"> -What events, beliefs, attitudes, or policies shape this phenomenon? -How do these forces interact to result in the phenomenon?
Descriptive	<ul style="list-style-type: none"> -To document and describe the phenomenon of interest 	<ul style="list-style-type: none"> -What are the salient actions, events, beliefs, attitudes, social structures and processes occurring in this phenomenon?

Source: Marshall and Rossman, 1999.

3.4 Research Approach

According to Guba and Lincoln (1994), a research can be approached in two different ways, a quantitative or a qualitative way. However, a research can also be approached with the combination of both qualitative and quantitative methods. The distinction between the two research methods are how the data are treated and how they are dealt with analytically.

The quantitative research approach emphasizes transforming the data into numbers, quantities, and statistical models for the purpose of measurement and analysis. Researchers using this approach have a clear idea of what they are looking for and they often use tools such as questionnaires to collect data. This approach focuses on preciseness in terms of analyzing and measuring the data.

With a qualitative research approach, the researcher focuses gaining a better understanding of the research problem through detailed information about the subject matter. Researchers using this approach try to deeply understand phenomena in specific situations instead of focusing on numerical data and more emphasis is placed on processes and meanings that are not measured in terms of quantity, amount, intensity or frequency. Qualitative research often involves interviews and observations without formal measurement.

According to Sullivan (2001), when there is little theoretical support for a phenomenon, it may be impossible to develop precise hypotheses, research questions, or operational definitions. Hence, qualitative research is appropriate because it can be more exploratory in nature. Therefore, with respect to the views provided by Coviello and McAuley (1999) of the lack of any theory or model which fully captures the actual internationalization of SMEs, the qualitative approach was found to be consistent with the purpose of this study.

3.5 Research Strategy

Saunders et al. (2009) emphasized the importance of a research strategy and stated that it should be suitable to help the researcher answers her/ his research questions. There are many possible strategies available to a researcher. Yin (1994) has identified five: experiment, survey, analysis of archival information, history, and case study. An experimental strategy is often used in natural sciences to find the casual linkages between variables. A survey strategy usually has a deductive purpose in which quantitative data are gathered through questionnaires. Archival analysis is another strategy in which the focus is on past events and processes. A case study is opposite experimental strategy because it is not conducted in a very controlled context and it is associated with a need for a deeper understanding of the processes and phenomena.

Yin (1994) suggested that three conditions could determine the type of research strategy selected:

- 1) The type of research questions
- 2) The extent of control an investigator has over actual behavioral events
- 3) The degree of focus on contemporary as opposed to historical events

Table 3.2 provides an outline of the relative performance of each type of research strategy under each condition.

Table 3.2 Relevant Situations for Different Research Strategies

Types of Research Purpose	Description	General Research Questions
Exploratory	<ul style="list-style-type: none"> - To investigate little-understood phenomena -To identify or discover important categories of meaning -To generate hypotheses for further research 	<ul style="list-style-type: none"> What is happening in this social program? -What are the salient themes, patterns, or categories of meaning for participants? -How are these patterns linked with one another?
Explanatory	<ul style="list-style-type: none"> -To explain the patterns related to the phenomenon in question -To identify the plausible relationships sharing the phenomenon 	<ul style="list-style-type: none"> -What events, beliefs, attitudes, or policies shape this phenomenon? -How do these forces interact to result in the phenomenon?
Descriptive	<ul style="list-style-type: none"> -To document and describe the phenomenon of interest 	<ul style="list-style-type: none"> -What are the salient actions, events, beliefs, attitudes, social structures and processes occurring in this phenomenon?

Source: Yin, 1994.

Research questions are regarded the most significant condition for differentiating among different strategies. “What,” “who,” and “where” questions and their derivatives “how many” and “how much” are likely to favor survey and archival records, and tend to describe incidents or phenomena with the goal of predicting outcomes.

“How” and “why” questions are more exploratory by nature, and are likely to lead to the use of experiments, histories, case studies as the preferred research methods. This is because such questions deal with operational links needing to be traced over time rather than with mere frequencies or incidence.

The second criterion is the extent of control over behavioral events which the researcher can exercise. While an experiment is the only approach that requires control over events, history is the approach when there is no practical form of control and the event or phenomenon occurred in the past (Schell, 1992). On the other hand, if there is a high likelihood of focus on contemporary events, the case study is the preferred research strategy. The case study relies on many of the same techniques as a history, but it adds two sources of evidence not usually included in the historian’s repertoire: direct observation of the events being studied and interviews of the persons involved in the events. The case study’s unique strength is its ability to deal with a full range of evidence: documentation, artifacts, interviews and observations, beyond what might be discovered in conventional historical study (Yin, 2009).

Therefore, the case study approach suits the purpose of this study for the following reasons.

- 1) The research questions are of “how” and “why” question types.
- 2) The investigator has no control over the events and focuses on contemporary events.
- 3) Different sources of evidence are employed for data collection: interviews, observations, and documentation.

In order to provide further support for the research strategy adopted (case study), the author conducted exploratory case studies during the pilot phase that yielded invaluable results. The findings of the exploratory case studies not only assisted the researcher in refining the research questions, but also provided some clarification for the research design, particularly regarding the selection of cases.

Case study is an empirical inquiry that investigates a contemporary phenomenon in depth and within its real-life context, especially when the boundaries between phenomena and context are not clearly evident (Yin, 1994). Case study inquiry relies on multiple sources of evidence (i.e. observations, interviews, audiovisual material, documents and reports) and benefit from prior development of theoretical propositions to guide data collection and analysis (Creswell, 1998).

As summarized in Table 3.3, case study design can be categorized along two dimensions: the number of cases studied and the number of units of analysis (Yin, 1994).

Single case design is akin to a single experiment. Single case studies are appropriate when the case is special (in relation to established theory) for some reason. This might arise when the case provides a critical test to a well-established theory, or where the case is extreme, unique, or has something special to reveal.

Multiple case designs can be regarded as equivalent to multiple experiments which follow a replication logic. The replication logic is analogous to that used in multiple experiments (Hensen & Barlow, 1976). The idea behind this concept is that the more cases that can be marshaled to establish or refute a theory, the more robust are the research outcomes (Rowly, 2002). A frequent question is how many cases should be included in a multiple case study. According to literature, there is no simple answer to this question. Cases need to be carefully selected so that they either produce similar results (literal replication), or produce contrasting results but for predictable reasons (theoretical replication). The number of the cases may vary significantly, but ideally for theory building, the case research should stop when saturation of the data has been achieved, and the optimal number of cases ranges between four and ten (Eisenhardt, 1989).

Multiple-embedded case study design (Type 4) was adopted in this study. The researcher chose multiple cases by selecting several SMEs that were engaged in international business activities in order to explore the patterns and dimension of the internationalization process of SMEs. The use of multiple cases allowed the researcher to deal with more diversified cases thereby yielding a better analysis for the conclusion. The study used an embedded unit of analysis since the case firm owners, partners, founders and key executives were sources of information concerning the firms' internationalization activities.

Table 3.3 Four Types of Case Study

	Single-Case Design	Multiple-Case Designs
Holistic (single unit of analysis)	Type 1	Type 3
Embedded (multiple unit of analysis)	Type 2	Type 4

Source: Yin, 1994.

3.6 Research Design

Following the definition of the research paradigm, research approach, and research strategy of the study, the next step was to develop the research design. According to Yin (1994), a research design is the logic that links the data to be collected (and the conclusion to be drawn) to the initial questions of a study. In other words, a research design is a plan by which the strategy is to be carried out. It specifies the methods and procedures for the collection, measurement, and analysis of data.

3.6.1 Research Time Horizon

There are two main aspects of time horizons in social and management research: cross-sectional and longitudinal (Saunders et al., 2009). Cross-sectional research refers to data collection at a single point in time, like a snapshot. On the other hand, longitudinal study refers to continuous research within a particular phenomenon over a period of time in order to perceive change and development.

Due to time constraints and resource limitations, longitudinal design was not achievable in this study. The researcher was not able to follow or observe SMEs from the first to last stages of internationalization. The collected data were at a point in time as the researcher asked respondents to explain their current international business activities.

3.6.2 Unit of Analysis

The unit of analysis was the major entity that was analyzed in a study. It is the “what” or “who” that was being studied. In social science research, the typical units of analysis include individuals (most common), groups, social organizations, and social artifacts. The unit of analysis of this study was the CEO/founders/ key executives of Thai manufacturing SMEs involved with internationalizing their firms (organizational level).

The unit of analysis was restricted to manufacturing industries in Bangkok. Internationalization and the factors affecting this process may be experienced differently in other quarters, such as the service sector. Therefore, future research can extend this study to other SME sectors and other regions.

This study used a qualitative approach through which all of the identified factors affecting SME internationalization were based on interviews with SME owners or executives. Quantitative approach may be pursued in future research to estimate the relationship between the identified factors with the internationalization process.

3.6.3 Population and Sampling

According to Sekaran (1992), sampling is “the process of selecting a sufficient number of elements from the population so that by studying the sample, and understanding the properties or the characteristics of the sample subjects, the researcher will be able to generalize the properties or characteristics to the population elements.” Since a sample is a significant part which can guide the direction of the conclusion, it has to be thought through carefully (Miles & Huberman, 1994). This means that the researcher must have a plan in which the population and sample frame (a list of possible samples) are defined (Hair, Money, Samouel & Page, 2007).

Researchers follow a procedure that can be divided into two main categories: probability and non-probability sampling. In probability sampling, a sample of the population is selected by random selection so that each unit in the population has a known chance of being selected. On the other hand, in non-probability sampling, a sample is not selected randomly. In this sampling procedure, it happens that some units of the population are likely to be more probable of being selected than the others.

According to Hair et al. (2007), non-probability sampling is widely used in exploratory research. As the purpose of this research was exploratory, the research approach was qualitative and the research strategy was the case study, non-probability sampling was the proper method for the current research. Non-probability samples can be categorized as follows (Hair et al., 2007):

- 1) Availability or convenience sampling, in which the selection is based on sample availability. This is usually quick and cost effective;
- 2) Self-selection sampling, in which cases are selected based on their desire to be selected as samples;
- 3) Snowball sampling, in which the initial sample(s) direct the researcher to other samples until the required sample size has been reached;
- 4) Quota sampling, which is a non-probability version of stratified random sampling in which the strata are defined by the researcher. By considering the defined sample size, a quota from each stratum will be set;
- 5) Purposive or judgment sampling, a form of convenience sampling in which the researcher chooses the sample because he/she believes that it represents the target population.

The population of interest in this study was all SMEs that manufactured any kind of product and that were involved in the process of internationalization and the sampling frame was the Office of SMEs Promotion (OSMEP) database of the list of companies active in international operations/exporting. The SMEs that provide services in foreign market were excluded. In this study, the selection of sample was made using the convenience and judgment sampling techniques as samples (nine case firms) were selected from the OSMEP database to which the researcher has access and which the researcher thought was the most representative of the entire population. In addition, snowball sampling was used. This is where individual informants refer the researcher to other SME owners/ managers as potential informants.

Sample size

There is no ideal number of cases for multiple-case research (Eisenhardt, 1989). In order to ensure sufficient cases for replication, analyses and pattern matching, the nine firms were selected from the following highlighted industries chosen in terms of the percentage of total manufacturing value (Table 3.4). The nine firms were adequate according to Eisenhardt's (1989) suggestion that the multiple case researches require between four and ten cases.

Table 3.4 Value-added and Shares of SMEs in Manufacturing in 2011

Sector	Total value (million bht)	SME value (million bht)	Percent in Row Industry	Percent in Total
Food and Beverage	617,269.3	205,069.3	32.5	17.0
Furniture	273,859.0	156,555.1	57.2	13.0
Chemical and chemical products	225,762.0	148,074.2	65.6	12.3
Clothing and textiles	468,471.4	155,691.2	65.9	12.9
Machinery and Equipment	164,595.6	75,0006.9	45.6	6.2
Rubber and Plastic	151,203.8	67,023.7	44.3	5.6
Petroleum and Coal Products	152,035.2	65,555.4	43.1	5.4
Leather Products	113,383.7	54,101.6	47.7	4.5
Metals Products	106,917.6	47,757.7	44.7	4.0
Non-metallic mineral products (gems & jewelry)	158,186.9	43,255.5	27.3	3.6
Electrical machinery and apparatus	60,987.7	34,199.4	56.1	2.8
Basic Metals	43,967.0	26,205.8	59.6	2.2
Television and Communication	225,717.4	25,406.7	11.3	2.1
Publishing	29,239.6	23,353.1	79.9	1.9
Paper and paper products	64,268.6	15,080.3	23.5	1.3
Wood and Wood Products	15,925.9	11,305.9	71.0	0.9
Office machinery	183,058.8	10,647.4	5.8	0.9
Motor Vehicles and parts	370,271.6	10,106.1	2.7	0.8
Tobacco products	61,940.3	642.6	1.0	0.1
Total	3,580,777.0	1,205,025.3	33.7	100.0

Source: OSMEP, 2011.

The criteria for case selection were as follows:

- 1) The SMEs that were either internationalized or planning to enter the international market.
- 2) The SMEs were registered as members of the OSMEP and listed in its export directory.
- 3) The SMEs that have complied with the Ministry of Industry's definition of SMEs.
- 4) The SMEs that were established or had a central office in Bangkok.
- 5) The SME whose founders or managers were in the firm from its inception.

3.6.4 Data Collection Methods

According to Sekaran (1992), there are two categories of data: primary and secondary. Primary data are the ones that a researcher collects by himself or herself for a specific purpose or study. They are often collected through experiments, observations, and communication. Communication is further divided into two categories: surveys and interviews (Ghuari & Gronhaug, 1995). Secondary data refer to data that are collected by another researcher for another purpose or study, so they are collected from journal articles, websites, and internal documentation provided by the firms such as company profiles, product descriptions, and PowerPoint presentations.

For this study, both primary and secondary data collection was used. Primary data were collected by conducting in-depth interviews and direct observation and secondary data were obtained through documentary information, which included websites, journal articles, and news clippings.

3.6.4.1 Primary Data

1) Interview

The most-used method of data collection for case analyses is the interview (Peterson, 2004). Ghauri and Gronhaug (2005) suggested that in order to conduct an interview a researcher needs to know the background, expectation, and values of the respondents in order to avoid any annoyance during the interview. Thus, before conducting the in-depth interview, the researcher obtained secondary data

about the selected cases from journal articles, Internet searching, and propagation material related to the studied case firms in order to prepare for the interview and to become familiar with the firms and their business activities.

There are three main types of interviews: structured, unstructured, and semi-structured (Fontana & Frey, 1994). In the structured interview, researchers use a standard interview format and ask similar questions for all of the respondents. The researchers in the structured interview also use the same wording and follow the sequence of questions that is prescribed in the interview schedule. The second type of interview, called the unstructured interview, is very informal and loosely controlled where there may be just a single question that the interviewer asks and the interviewee is then allowed to respond freely and to raise related topics at the behest of the interviewee.

Semi-structured interviews are a mix of both types, in which the researcher has a list of a pre-determined set of open-ended questions on specific topics formulated according to the research questions as well as the information discovered from the literature, often referred to as an interview guide, to limit the interview within the scope of the study. The researcher is completely free to ask questions of the respondent in whatever sequence he or she wishes. Further, questions that are not included in the guide may be asked as they pick up on things said by interviewees.

In this study, semi-structured interviews were conducted to collect the primary data. The interview guide was primarily discussed with the researcher's advisor, Dr. Juree Vichitvadakan, who has extensive experience in qualitative studies. The interview guide was further piloted with four case firms in the pre-test phase. The aim was to prepare easily understandable questions for the interview, which would help gain insights regarding the proposed objectives. The recommendations from this group resulted in additional modifications to the interview guide. The final interview guide is presented in Appendix 1. Initially, the researcher contacted the respondent by email and fixed a time for the interview. In order to enhance the importance of the research and to encourage SMEs collaboration, a recommendation letter from Dr. Boon-anan Phinaitrup, Associate Dean for Academic Affairs of the Graduate School of Public Administration, was attached (Appendix 3).

As soon as the researcher had made an appointment with the respondent, the interview was conducted in person. The interview lasted between two and two and a half hours and were recorded using electronic voice recording equipment. The interviews were transcribed, and along with documentary and observational evidence, coded and analyzed using thematic and content analysis. Both the interviews and transcriptions were carried out in the researcher's native language, as English was not the first or native language for either the researcher or the respondents. Generally, the flow of the interview process followed the indicated sequence, as outlined in Figure 3.1, although in some cases they were adjusted for convenience and to ensure a comfortable atmosphere.

Opening Phase <ul style="list-style-type: none"> ▪ Greetings ▪ Introduce oneself ▪ Establish rapport by discussing general matters ▪ Describe study; the purpose and the importance of the research ▪ Appreciation for the willingness to participate ▪ Confirmation of confidentiality and anonymity ▪ Grant permission for tape recording the interviews 	<i>Enter Premise</i>
<hr style="border-top: 1px dashed black;"/> Question-answer Phase <ul style="list-style-type: none"> ▪ Questioning and Probing: Followed the 'interview guide' ▪ Listening: Practiced 'active listening' throughout the sessions ▪ Recording: Took notes on pertinent things mentioned or noticed during the sessions ▪ Timekeeping: Kept track to the agreed time ▪ Pacing: Maintained the momentum of the interview sessions by making them 'lively', avoiding lengthy silences, dealing with 'awkwardness' and averting exaggerate manners. ▪ Maintaining rapport: Sustained positive climate throughout the sessions and kept the interviewee 'in play' 	<i>First Question Last</i>
<hr style="border-top: 1px dashed black;"/> Closing Phase <ul style="list-style-type: none"> ▪ Clarifying: Asked whether any points needed to be clarified ▪ Thanks: In appropriate businesslike manner ▪ Follow-up: For further cooperation ▪ Appreciation: Presented 'momento' for appreciation 	<i>Answer Leave Premise</i>

Figure 3.1 The Flow of the Interview Process for This Research

Source: Thomas, 2004.

2) Observation

Observation is gathering data by seeing or witnessing people's behavior without their knowledge (Thomas, 2004) and can range from participating to merely observing the respondents' social behavior (Ticehurst, Veal, 2000). Scholars suggest that an interviewer can observe situations that interviewees have described and look for inaccuracies or distortions in actual events. According to De Geer, Horglund and Feastenson, 2004, observational evidence is useful in providing additional information about the topic being studied. In line with this view, the researcher observed what was going on around him throughout the in-depth interview phase process and recorded this in the field notes. For instance:

(1) The setting: Many interviews were conducted at the interviewees' premises so observation of the settings could be made. The appearance of the settings (i.e. condition of buildings or work spaces) would physically imply whether the settings might stimulate or discourage the internationalization of a firm;

(2) The atmosphere: Observing the relationships amongst the employees and their customers (i.e. the language they use to communicate, how they treat guests, etc.) could indicate their preparedness for internationalization.

(3) The interviewee: The observations made of the interviewee included identifying their position, gender, age, position, their decision-making roles in the firm internationalizing, their attentiveness toward the internationalization of the firm (i.e. education, personal goals, and vision) and their interpersonal and managerial skills.

3.6.4.2 Secondary Data

According to Yin (1994), documentary information is likely to be relevant to every case study. For case studies, the most important use of documents is to corroborate and augment evidence from other sources. Therefore, in addition to interviews and observations, the researcher obtained where possible documents such as websites, news clippings, company profiles/brochures/pamphlets, CDs, product descriptions, and PowerPoint presentations.

3.6.5 Data Analysis

The word-by-word transcript from the recorded interviews, handwritten notes made by the researcher during the interviews, information about the firms gained

from the firm's webpages, and the Internet and newspapers created the basis of the data for the three-step process analysis. The case analysis followed the data reduction, data display, and conclusion drawing/verification as proposed by Miles and Huberman (1994).

Eisenhardt (1989) recommended starting the data analysis with an in-depth study of the individual case, also called within-case analysis, in which each case is explained and described according to interviewees' experience and points of view about the internationalization of their firms. The aim of this within-case analysis is to screen through all the data, discarding the irrelevant data and identifying the theme within each case.

Next, the data from the individual cases were directly tabulated for a cross-case analysis. In this analysis, the results were displayed in tables and analyzed to search for the similarities and differences among the cases. Following this, pattern matching, also known as thematic analysis, was used to look for the common themes that transcended the cases. Thematic analysis was performed through the process of coding to create established, meaningful patterns. This analysis helped the researcher to find out whether the data were consistent with the previous internationalization theories and models.

The third and important step of the data analysis was the conclusion drawing/verification, which will discuss the findings from individual and cross-case analysis, answers to the proposed research questions, and suggestions for further study.

Figure 3.2 provides an illustration of the way in which the data were analyzed in the multiple case study approach as suggested by Yin (2003). The figure indicates that the initial step in designing the study must consist of theory development (initial set of propositions) and the selection of cases and the procedures for the collection of data. Next, each case study was conducted and individually reported, and convergence of evidence was sought. If some of the empirical cases did not work as predicted, modification had to be made to the theory. Lastly, cross-case report was undertaken to indicate any emerging themes and to explain why certain cases were predicted to have contrasting results.

An important part of Figure 3.2 is the dashed-line feedback loop, which represents the situation where an important discovery occurs during the conduct of one of the individual cases (e.g. one of the cases did not in fact suit the original design), which required the researcher to select alternative cases or to change the data collection protocol.

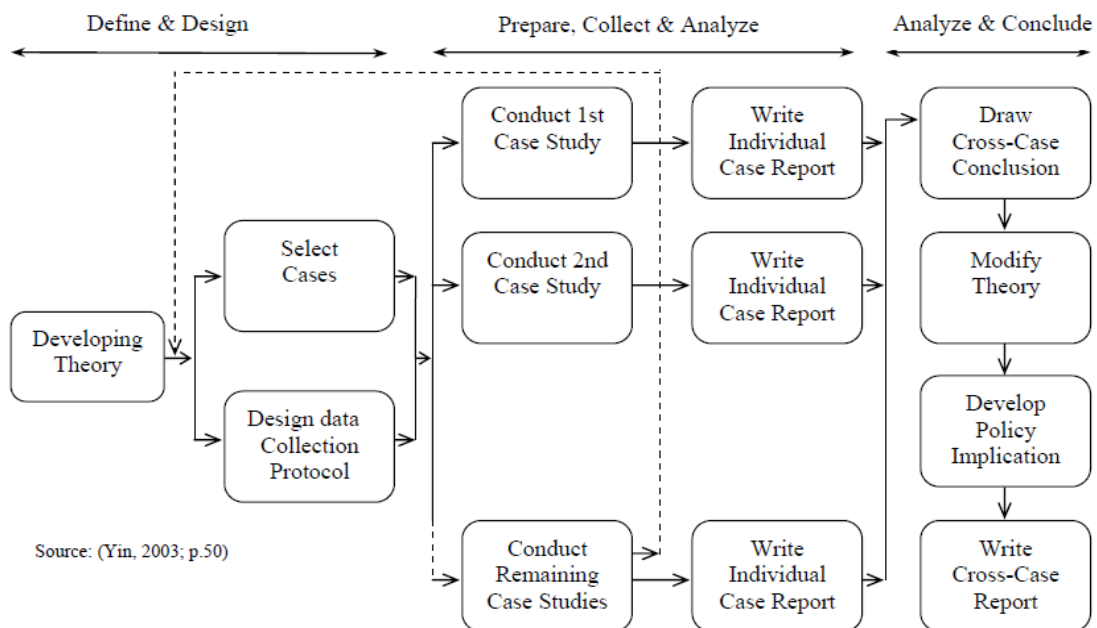


Figure 3.2 Case Study Method

3.6.6 Quality Criteria: Validity and Reliability

As Jacobsen (2002) has indicated, “research has to be effective and relevant (valid) and at the same time credible and trustworthy.” The current research addressed the validity and reliability issues by following a logical research design throughout the research.

3.6.6.1 Addressing Validity

Validity can be described as the tool to determine whether the research measures all the aspects for which it was intended to measure or not. According to Yin (1994), there are three different tests that can be used to determine the quality of the case study, and these are construct validity, internal validity, and external validity. Multiple sources should be used to enhance construct validity, and in the present

study the researcher collected data through interviews, observation, and documentation. Internal validity relates to the ability of a researcher to match the data to a given theoretical framework (Hesse-Biber, Leavy, 2006). For internal validity, the current research utilized coding by matching and contrasting the themes and subthemes that emerged. External validity implies that the research findings can be generalized across social settings. For external validity, this study used replication logic in multiple case studies. The researcher chose each case cautiously to complement others. Therefore, the selection criteria were formulated because the cases needed to be similar to the original case in some way in order to generalize the findings.

3.6.6.2 Addressing Reliability

Reliability or creditability in a study is demonstrated by being able to produce the same results when the study is replicated (Bloor & Wood, 2006). This was attained in the current research in the following ways:

- 1) In the interview guide, the researcher does not ask any leading questions that can influence the respondents to answer following the researcher's thoughts (questions asked are presented in the same way to each participant to minimize bias).
- 2) The respondents do not have any prior personal contact with the researcher (therefore the results of the research would not be biased).
- 3) Case study database or raw data (i.e. reviewed documents, interview field notes and transcripts) are available upon request so that other investigators can review the evidence gathered directly and not be limited to the written case reports.
- 4) Citations of the respondents are applied in case analysis.
- 5) Transcribed interviews are sent back to respondents to ensure that the researcher has interpreted the data correctly.

3.7 Ethical Considerations

Bryman and Bell (2007) discussed the idea that the issue of ethics should not be ignored in research. Ethical issues are concerned with the “appropriateness of the researcher’s behavior in relation to the right of those who become the subject of the researcher’s work” (Saunders, Lewis, & Thornhill, 2007). As a result, the researcher needs to comply with ethical codes of conduct, such as obtaining informed consent, protecting respondents from harm and risk, and allowing them free choice to participate in the research. In addition, the confidentiality and anonymity of the respondents must be guarded and protected (Miles, & Huberman, 1994).

The researcher strictly considered ethical standards in every phase of the research. For example, recommendation letters were sent to the targeted respondents prior to the commencement of the study (Appendix 3). These explained the research project and provided justification of how it would benefit SME international development in Thailand. Upon the acceptance of the interview, the respondents were requested to sign the letter of informed consent to ensure that they would not be exposed to risk during the fieldwork and that they were free to withdraw at any time they wanted without giving any reason. Further, assurance was provided that all information given during the fieldwork would be held in confidence and that no names or other information that identify the respondents would be used in any publications arising from the research without their written permission.

3.8 Summary of Methodology

Table 3.5 Summary of Research Methodology Chapter

Research Paradigm	Research Purpose	Research Approach	Research Strategy	Sample Selection Technique	Data Collection Method
Ontology		<ul style="list-style-type: none"> ○ Inductive ○ Deductive 	<ul style="list-style-type: none"> ○ Experiment ○ Survey ○ Archival Analysis ○ History 	<ul style="list-style-type: none"> ○ Probability ○ Non-Probability 	<ul style="list-style-type: none"> ○ Interview ○ Observation ○ Documentation
	<ul style="list-style-type: none"> • Exploratory 		<ul style="list-style-type: none"> ○ Case study 	<ul style="list-style-type: none"> • Convenience ○ Self selection 	
Epistemology	<ul style="list-style-type: none"> ○ Objectivism • Constructivism 	<ul style="list-style-type: none"> ○ Explanatory ○ Descriptive 	<ul style="list-style-type: none"> ○ Quantitative • Qualitative 	<ul style="list-style-type: none"> ○ Quota • Snowball • Purposive 	
	<ul style="list-style-type: none"> ○ Positivism • Interpretivism 		<ul style="list-style-type: none"> ○ Single • Multiple 		
			<ul style="list-style-type: none"> ○ Single unit of analysis • Multiple unit of analysis 		
Research Quality	<p>Reliability (research strategy conforms to research purpose, participant feedback of interview transcript, pilot interview)</p> <p>Validity (utilization of coding to match theme, replication logic through multiple case study design)</p> <p>Triangulation (data, theory, methodological triangulation)</p>				

CHAPTER 4

EMPIRICAL ANALYSIS

4.1 Introduction to the Chapter

This chapter is devoted to the discussion of the empirical findings and analysis of the internationalization of Thai manufacturing SMEs. As mentioned in Chapter 3, this research was implemented in two phases: a pretest and a full-scale study; thus, this chapter will presents the findings of both the pretest and the full-scale study which resulted from in-depth interviews with SME founders/managers from manufacturing SMEs. In this chapter, the analysis is according to the emerged theoretical conceptual framework in order to solve the research problem and answer the research questions.

4.2 Pretest

Prior to the implementation of the full-scale study, the interview guide was reviewed by the researcher's advisor. It was then pretested among four case firms that met the sampling criteria to affirm understanding of the interview questions, particularly the terminology being used and to obtain insight or new perspectives on the issues being studied.

To select the cases for the pretest, a total database of 2,179 companies across Thailand was obtained from the Office of SMEs Promotion, a governmental SME support organization. The database contained the contact information of potential respondents that fit the definition adopted for the SMEs in this study and that were currently active in a foreign market or that were planning to go international. The reason for choosing case firms with these criteria was to learn about the factors which affected their decision to enter a foreign market as they go through the stages of internationalization.

Due to the key role of the capital, Bangkok, in terms of providing the best essential facilities and infrastructure for international business activities compared to other cities, the sorted list was further delimited to include firms that were established in, or had central offices in, the capital. This criterion reduced the number of potential respondents (sampling frame) to 1,200 manufacturing firms.

All of the firms were first contacted by e-mail, and only 60 companies responded. Based on three criteria of “convenience, access, and geographic proximity” (Yin, 1994), the author selected four firms as the pilot cases whose managers or decision-makers accepted the invitation for interviews within the time period set by the researcher, which was between February and March 2014. Each interview was personally conducted by the researcher and took between two hours and two and a half hours.

In the informal conversational (semi-structured) interview, the owner/manager or other decision-makers were asked to tell the history of the firm’s involvement in international operations from the outset. In keeping with Marshall and Rossman (1999), the respondents were informed about the purpose of the study (Internationalization of SMEs in Thailand) and were requested to describe the internationalization process, as well as the history of all international activities until the present.

The review of the interviews showed that the information could be classified into seven categories:

- 1) Driving forces that influence the owner-manager’s decision for entering international operations
- 2) Methods and policies that they have used to start their operations
- 3) Methods, policies they use presently
- 4) Countries they are operating in or have operated in
- 5) The reason for selecting these markets
- 6) The future target market(s)
- 7) Plan for the future

4.3 Findings from the Pretest

4.3.1 Case 1- R.S. Gems International Co. Ltd. (Gems & Jewelry)

Mr. Somchai Pornchindarak founded R.S. Gems International Co. Ltd. in 1975. The company is the leading manufacturer, wholesaler, and exporter of aesthetically-designed jewelry. Its main products are rubies, sapphires, and emeralds. Over the years, the company has established a high reputation in the international market for gems and jewelry with huge numbers of overseas' buyers. Today, the company has fifty employees. Our respondent was Khun Apinya Porchindarak, daughter of the founder. She is responsible for sales and marketing in international markets. In addition, she is an advisor to the president of the Thai Gem and Jewelry Traders Association.

The company's internationalization process began at the same time as the company's establishment. Ms. Apinya did not focus on the domestic market to any great extent due to the low demand and purchasing power of Thai consumers. In the beginning, she did attend some local trade shows and events, namely the Bangkok Gems and Jewelry Trade Fair, by focusing on Thai high-end customers. However, the company did not receive good feedback. She said that the customers perceived that the price was too high and they were not willing to buy designed products which did not have a recognizable brand name. That was why the sales in the domestic market were only at 20%. Therefore, she thought that it would be difficult to survive in such a domestic market and she disagreed that the company should start with neighbor countries before expanding to more distant countries. She said that the company chooses countries by looking at the potential of the market. Initially, the company sold OEM (Original Equipment Manufacturing) products, which means that the products were sold under another company's brand. After a few years in the international market, she wanted to export to other countries by using her brand. Therefore, she went to international trade fairs in Hong Kong. The products received good feedback from customers. As a result, they regularly began to go to other international fairs in Korea, China, and Russia. Every year, the company participated in about ten trade shows. She explained that attending trade fairs was not only for the purpose of obtaining new customers, but also it was a way to retain good relationships with

existing customers. She said that she gained knowledge and experience about customers and markets from the trade shows. For example, she analyzed customers' preferences from top-selling products and she used this knowledge to design the products.

Currently, the company exports to about 40 countries and most of her customers are mainly from trade fairs. The company does not conduct any market research but gains market knowledge and experience from export activities. The company's main market is in Asia, for example, Russia and India. In the near future, the company plans to expand its market to Western European countries which include Switzerland and Italy, and Middle East countries, due to the high market potential there.

4.3.2 Case 2- Xongdur Thai Organic Food Co. Ltd. (Food & Beverages)

Mrs. Suwanna Jiwattanapaiboon established Xongdur Thai Organic Food Co., Ltd. in 2000. The company is leading manufacturer and exporter of organic food whose factory is located at Suphan Buri, central province of Thailand. The strategy of the company is to produce high-quality health foods using sustainable and ethically-sound agricultural processes. Currently, the company's main market is domestic, which accounts for 80% of total sales and the rest is from exporting. There are around 60-65 employees working in the company. Our respondent was Mrs. Pakinee Jiwattanapaiboon, who is the marketing manager of the company.

In the beginning, she sold products in the domestic market through wholesale and retail shops. During that time, she tried to build a brand and develop products. Also, she participated in local trade fairs such as Thai FEX-World of Food Asia and some events in shopping malls in Bangkok. She received good feedback from customers as her products were perceived as healthy food for a "Pure and Spiritual Diet." However, Mrs. Pakinee did not limit herself only to the domestic market. She was interested in exporting to bigger markets.

She stated that part of the idea of establishing Xongdur in the international market was the growing number of health-conscious consumers around the world. However, the main motivating factor was the move towards the ASEAN Economic Community (AEC) which not only offered greater opportunity for exports, but also

served as a new production base and source of raw materials for her products. In the end, through participating in international markets, their products gained a good image. As a result, their local sales also increased accordingly.

Even though the company is ready to increase its foreign sales due to the ownership of a 20-rai plantation area, and modern production technology and contract farming with almost 100 cereal farmers supplying raw materials to the firm, the company has chosen to maintain a moderate growth rate from international sales as it means a better quality of life for its workers in terms of more time for their families.

At present, the company has chosen to export by using local distributors that have expertise in their country. Accordingly, the company does not get involved in marketing activities toward end-customers. It exports to several countries, including Laos, Hong Kong, Singapore, Malaysia, and the Philippines. The reasons why she choose these markets is due to the similar consumption patterns there. She plans to expand their export activities to Cambodia, Japan, the US, and Canada. In 2015, the company plans to invest in new cereal machinery, which will cost 4 million baht, to increase production capacity and which will target a 20% international sales growth revenue.

4.3.3 Case 3-Marisara Fabric Creation Co. Ltd. (Garments)

Ms. Marisara founded the Marisara Fabric Creation Co. Ltd. in 2013. The company is a manufacturer of women's ready-to-wear clothes and produces the following types of garments: women's blouses, skirts, dresses, jackets, suits, coats, and trousers. During every new season the designers of the company create fashion collections, which offer comfort, elegance, and style. The factory manufactures clothing from high-quality materials and follows the world fashion trends. Our respondent was Ms. Marisara herself, who had previous work experience in the field of shipping, which helped her to identify international market opportunities.

Initially, she tried to build the company's brand by attending the BIFF & BIL fairs (Bangkok International Fashion Fair and Bangkok International Leather Fair) organized by the department of Industrial Promotion and the Office of the Consumer Protection Board. However, she had difficulty finding customers/distributors due to the fact that most potential customers did not know the brand so they did not trust the

product. Moreover, in the beginning, she was the only one that designed the products and lacked market knowledge regarding customers' tastes and preferences in each country. Later on, she used online media such as Facebook to attract customers but did not receive positive feedback. By the year end of 2013, she opened a shop at Terminal 21, a trendy shopping mall on Sukhumvit road. Due to high operating cost in terms of staff and utilities, she opened an online store via consignment contract with Zalora, Asia's leading online fashion retailer. Zalora Singapore is the current online shop. She plans to open other Zalora online destinations such as Malaysia, Hong Kong, and Indonesia provided that she can hire additional professional graphic designers to design the products.

This company follows a partial internationalization process, as the firm does not itself undertake any international activities but rather uses the sales force and distribution network of another firm, in this case Zalora's, in order to market its products. As a result, this company has not followed either the traditional approach or the born global approach to internationalization. There has been no gradual development of market knowledge or market commitment. Furthermore, internationalization behavior is not driven by proactive, internationally-experienced entrepreneurs but rather through the established distribution networks of the intermediaries.

4.3.4 Case 4-Nantita Co. Ltd. (Handicrafts)

Nantita Co Ltd. started in 1996 with Mrs. Montira Narongritthamrong at the helm. The company is the manufacturer and exporter of handicraft products, which include handbags, tissue boxes, jewel boxes, silk boxes, etc. Currently, the company's main market is international, which accounts for 80% of total sales, and the rest is from the domestic market. There are currently 215 employees. Our respondent is Mrs. Montira, who is a managing director.

Similar to R.S. Gems International Co. Ltd., the company initially operated as an OEM company and provided customized products during its first ten years after establishment. However, due to greater experience and knowledge of the foreign market, she tried to build her own brand by first focusing on the domestic market through leading retailers such as King Power. The products received good feedback so she decided to open two branches: one in Bangkok city center and another one near

Nonthaburi. Later on, she was approached by many foreign dealers which included Vietnam, Cambodia, Taiwan, China, and Ghana (still under due process) due to the initial waiving of license fees.

Following the full implementation of the AEC in 2015, she plans to expand the business to every ASEAN member country in order to reap the benefit of tax exemptions and gateways to other countries. As a result, she also has targeted the increase of foreign sales from 80% to 90% to meet the demand of the larger consumer market.

The findings of the pretest are summarized in Table 4.1. While the first row of the table shows the number of the company interviewed and the date of the interview, the next six rows provide general information about the firm, including the interviewee's position in the company. Rows 7 to 14 show the information about the internationalization of the firms categorized according to the seven aforementioned issues.

Table 4.1 Findings from the Pretest

1. Number/ date	1/ 16-01-14	2/23-01-14	3/04-03-14	4/05-03-14
2. Name	R.S. Gems International Co. Ltd.	Xongdur Thai Organic Food Co. Ltd.	Marisara Fabric Creation Co., Ltd.	Nantita Co. Ltd.
3. Date of Establishment	1975	2000	2013	1996
4. Number of employees	50	60-65	3	215
5. Value of fixed asset	4,000,000 baht	3,000,000 baht	500,000 baht	2,000,000 baht
6. Interviewee	Advisor to President of Thai Gem and Jewelry Traders Association	Marketing Manager-R&D	Owner	Managing Director
7. Nature of Business	Wholesaler, exporter, and manufacturer of gems (OEM): rubies, sapphires, emeralds	Healthy organic food manufacturer: instant beverage, multigrain cereal bars, breakfast	Manufacturer and sale of ready to wear cloth (dress, uniform) as well as designer of	Producer of hand-made handbag fashion and other fabric products

Table 4.1 (Continued)

		meals, food seasoning, baby food	lady garment (custom- made)	
8. Driving forces that influence the firm's decision for involving in international market	-potential of target market - tax benefit from FTA negotiations - experiential knowledge	Driven by forces of globalization esp. the launch of AEC in 2015, growth of firm, unique product (mixture of Thai wisdom) and strong branding, low domestic competition	Previous working experience of family business in the field of shipping at SMBP Co., Ltd which provide import and export customs clearance	Tariff exemption applicable for export, but not for import (amount levied subject to declaration of source of origin)
9. Method, policies used to start the operation	-participation in exhibition, trade fairs -Membership in Department of International Trade Promotion (DITP) of Ministry of Commerce and Thai Gems and Jewelry Association	-participation in Thai FEX-World of Food Asia organized by Chamber of Commerce -vigilant of int'l trade fairs and exhibition by governmental bodies and agencies -Membership in Office of SMEs Promotion -developing good relationship with the dealers	-start off with online media (Facebook), but later open store at shopping mall (Terminal 21) due to low sales level -participation in exhibition, trade fairs (BIF&BIL) organized by Department of Industrial Promotion and Office of The Consumer Protection Board - celebrity endorsement through Channel 3 program (low response rate)	Consignment agreement with King Power, the country's leading travel retailer

Table 4.1 (Continued)

10. Method, policies using at the present	-request market research done by DITP (target country demographic information), but due to inaccuracy or not up to date statistical data, probing directly to customer for current trends and preference -continue exporting to the main markets through agent/dealer and establish close relationship with customers by visiting them every six months -establishing web site and advertising in business directories	-export through agent/ specialized dealers due to their knowledge of the market and established network with potential customers	- continue with facebook page (new promotion) - introduce online store through webpage - continue participation in exhibition, trade fairs (BIFF&BIL 2014) - enter consignment contract with Zalora, Asia' s leading online fashion retailer which consists over 500 international and local brands and designers	export through independent dealers by waiving them the license fee in order to increase foreign sales volume
11. Countries having operated	Hongkong, Korea, USA, Russia, China, India	HK (Health store), Singapore (hospital), Malaysia, Myanmar, the Philippines (modern trade), Laos (retail store)	Singapore	China (Shanghai), Taiwan, Vietnam, Cambodia,
12. Reasons for selecting these markets	High purchasing power of foreign market particularly in Asian countries	-ease of market penetration due to similar consumer behavior	Proximity, ease of management (Zalora Thailand as reference)	Direct contact from dealers
13. The future target market	Switzerland (Basel), Italy (Vicenza)	Cambodia, Canada, US, Japan	Other Zalora online destination such as Malaysia, Brunei, Hong Kong, the	Every ASEAN countries after complete launching of AEC

Table 4.1 (Continued)

				Philippines, Vietnam, Indonesia, Australia and New Zealand	
14. Plan for the future	-targeting Middle East market	-To increase production capacity -targeting revenue growth of only 20% from international sales	No plan to expand production capacity through hiring more personnel or establishing factory due to two reasons: political unrest and increasing operating cost	-complete agreement with dealers from Ghana - consignment agreement with CP (Shanghai branch) due to excessive documentation requirements -exporting 90% of production	

4.4 Analysis of the Findings

4.4.1 The review of findings showed that most of the SMEs began their operations as an OEM), which manufactures products or components that are purchased by another company and retailed under that purchasing company's brand name (case 1 and 4). Due to their growing knowledge of the foreign market and perceived benefits and opportunities, SMEs strive to develop their own brand and gradually expand their operation abroad by exporting regularly through independent representatives or agents that have profound knowledge of the local market demand and preferences. However, some use innovative distribution channels through consignment agreements with online international retailers to save on operating costs (case 3). Based on the discussion so far, it could be concluded that the internationalization of the selected SMEs in Thailand is a complex and multidimensional process, the understanding and analysis of which require a holistic view.

4.4.2 Consistent with findings of previous SME internationalization studies (Miesenbock, 1988), the findings of the pretest confirmed that the entrepreneur is the key variable in SME internationalization. The findings showed that in almost all cases the owner-managers' background, experiences, competencies, motivations, attitudes and social relationships directly influenced the firms' activities in international markets. Although in most cases, environmental factors such as regional economic integration such as AEC, bilateral trade negotiations such as FTA had motivated firms in terms of exporting, it was the owner-manager's attitude and knowledge of the international market and his or her capability of adapting the firms' resources to the environmental opportunities that determined the process. For example, the owner-managers' capability in analyzing the international market enabled them to define their market segment or target market, and subsequently to find the appropriate method for entry that would enable them to export (case 1, 100%; case 4 more than 80%). In one case (number 2), industry-specific knowledge and the academic background of the owner-manager provided the possibility of product diversification that enabled them to enter the world market. In addition to owner-manager capabilities and competencies, the owner-managers' networking relationships had a determinant role in entry mode and market selection. For example, in case 1 and 2, being a member of an SME supporting agency such as the OSMEP and DITP not only acted as a source of up-to-date and timely information about the target market, but also provided referrals concerning when to enter overseas' markets and which market to penetrate.

4.4.3 No particular relationships were found between the type of industry and behavior of the firms. For example, cases 1, 2, and 4 (gems & jewelry, food & beverages, the handicraft industry), or case 3 (garment industry) followed different processes in their international operations.

4.4.4 Some similarities in competitive policies were found among those SMEs that were exporting most of their production (successful exporters) or were concluding long-term agreements in international operations with foreign companies regardless of the type of industry. Pricing policies was one of the major concerns; in one case, the price factor led to withdrawal from the domestic market (case 1), while in other cases it caused firms to focus on product quality and consequently changing the market segments in their international markets (case 2 and 4).

4.4.5 Other factors that directly influenced this process could be categorized as the environmental or external factors that identified the socio-economic characteristics of the domestic and foreign market. Problems such as the imposition of tariff barriers, excessive documentation requirements (case 4), and ongoing political unrest (Case 3) affected the internationalization process of the firms. Therefore, questions about the general national conditions are necessary for clarifying the problems and barriers that firms are encountering both domestically and internationally.

In summary, the findings of the pretest revealed three types of key drivers that influenced the internationalization process of SMEs in Thailand.

- 1) Characteristics of the entrepreneurs (owner-managers/decision-makers), with emphasis on their background, prior work experience, and international exposure
- 2) Characteristics of the firm, with emphasis on its resources, competencies, and entrepreneurial orientation
- 3) Characteristics of the general national conditions, with emphasis on identifying the problems, barriers and opportunities

4.5 Full-scale Study

At this stage, the empirical study of the internationalization process of Thai manufacturing SMEs is presented. Data for the second phase in order to complete the full-scale study were analyzed in a similar method as with the initial pretest. The respondents names used in the pretest were removed from the database to eliminate the chance of duplicate responses from the same firm in both the pretest and full-scale study. The study applied nine case firms drawn from a variety of industries, including food and beverages, furniture, chemical products, garment and textiles, machinery and equipment, leather products, metal products, and non-metallic mineral products (gems/jewelry), chosen on the basis of the rank of percentage of total manufacturing value. Between one and two interviews per firm were conducted between March and June 2014 in order to have a complete picture of the problem under investigation. Section 4.5.1 presents the individual case analyses. Section 4.5.2 presents a summary

of the individual case analyses according to three topics: basic firm information, founder's/manager's characteristics, and type and extent of international activities. Section 4.5.3 is devoted to cross-case analyses in which case firms are analyzed according to the planned research questions.

4.5.1 Individual Case Analysis

This section provides a narrative description in which each case is explained and described according to respondent's experience and point of view about the internationalization of their firms.

4.5.1.1 Case 1- Asia & Pacific Quality Trade Co. Ltd. (Food & Beverages)

1) Brief History of the Firm

This firm was established in 2005. It is situated in Trat, the country's most eastern province renowned as being the best place for mangosteen. As a result, the firm became the market leader and the largest manufacturer of organic mangosteen in Thailand with in a very short time after establishment under the premium brand A&P Orchard.

The history of the A&P Orchard dates back to 1959 as it was pioneered by the owner's parents. They were merchants trading in the municipal market of Trat province. Both of them settled this land by planting mangosteen. In that era, they focused solely on attaining the highest income. As a result, their products gained high acceptance in both quality and quantity through excessive usage of chemical fertilizers, such as pesticides and herbicides. The second generation began in the year 1982 when the owner inherited the orchard from his parents and restructured the manufacturing process through the reduction of chemical usage.

2) Founder's/Manager's Background

The owner of the firm is a university graduate in electrical engineering who started his own business nearly 30 years ago. He is a very well-experienced businessman that has very good knowledge of the domestic and world market. His first international business activity began in 1987 when he exported fresh fruit to the European market, namely the Netherlands and France, due to the peak period of the exportation of Thai fresh fruits and vegetables at that time, which was

under Prime Minister Prem Tinlasulanonda's administration. However, the firm happened to stop its operation 5 years later due to fierce domestic competition, lack of business knowledge and experience, and uncontrollable external factors, which included flight delays resulting in perished products and fraudulent business practices of the trading partner, particularly in France, which failed to make payment and completely disappeared by changing its company name. To prevent future business failure, he started to attend numerous training courses offered by government agencies, particularly the Basics of Exporting organized by the Department of International Trade Promotion, to gain more business skills and knowledge.

3) Firm characteristics

The main competitive advantages of the firm are: the quality of the product, competitive prices, packaging and a strong R&D team. According to market demand, the firm has succeeded in meeting all of the standards required by the organic food industry, particularly Halal, USDA (US Department of Agriculture), and IFOAM (International Federation of Organic Agriculture Movements). The staff members are very experienced and highly educated researchers and engineers focused on continuous research and development. For instance, its R&D team is led by a scientific team from the Mangosteen Research and Development Center (Thailand) which has been doing research on the beneficial effects of mangosteen for over 31 years.

At present, the firm has no international operation, but plans to export to Taiwan in 2015 through an agent after the construction of its own factory. Its main products are organic mangosteen fruit, juice, powder, jam and pericarp. Its long-term goal is to provide a sustainable income to the local community and to become a business model for agriculturists that plan to start their own organic farm.

4) Awareness of International Opportunities

His awareness of international business opportunities occurred during his former position as a manager of Aviation Refueling Department of Bangkok Aviation Fuel Services Public Company Limited, as he recognized that most Thai fruits and vegetables were sent back by international buyers due to their inability to meet the stringent measures and standards of the EU on food safety, as chemical residue was found on the fruit.

Due to the growing market demand for organic products by health conscious consumers around the world, he believes that there are ample international market opportunities for his product. As a result, he attended training courses about agricultural biotechnology and continuously reduced the use of chemicals in the manufacturing process and was able to achieve 100% organic production in 2004, and consequently started the food processing with the use of bio-nanotechnology under the current name of the Asia and Pacific Quality Trading Co., Ltd.

5) Information Sources

In addition to the family business that has been the main source of information about this industry, the owner believes that his participation in domestic food industry trade fairs, particularly THAIFEX-World of Food Asia, has provided him with international market knowledge. Participation in this exhibition every year gave him knowledge of the main international players in the organic food industry. The interaction and communication with these firms enabled the firm to bring supply and demand closer to each other.

6) Motivations

The main motivation for establishment of the firm was to resolve the falling prices of mangosteen due to overproduction. As the overseer of the project initiated by the Federation of Industries on the Promotion of Mangosteen Cluster, the objective of his firm was to generate a stable income for the orchardist thus pursuing the King's philosophy of the sufficiency economy through his innovative ideas of food processing as a value-addition to his products. This constituted a major adaptation to face the severe competition in the industry. This restructuring of production was seen as a crucial preparation for future growth and improving the competitiveness of the third generation, particularly strengthening their collaboration with other business partners both in the domestic and international markets, while preserving local wisdom and creating sustainable development for the organic mangosteen community enterprise of Trat.

7) Barriers

The infrastructure for exporting is not well established, especially with reference to the lack of government support in terms of access to

cheap financial sources. In addition, the recent political turmoil may have caused further depreciation of the Thai currency which inevitably reduced their foreign revenue and may have exacerbated the sluggish demand for the company's product.

8) Entry Mode and Market Selection

The main entry mode for entering the international market is exporting. After the completion of factory construction, A&P Orchard's exportation to target markets will be done in 2015 through agents. The main agents are the wholesalers or distributors in the target market. The agents that have contacted the firm for cooperation are from Japan, Taiwan, China, Hong Kong, and the UK. Future target markets include the Middle East and the EU.

9) State of Competition in the Industry

The competition in the domestic market is very intensive due to the existence of numerous domestic producers and free imports. However, a combination of high technology and knowledge of the market has enabled the firm to distinguish itself from competitors by relying on quality, innovation, and diversity of the products.

4.5.1.2 Case 2- Kullanard Grand Co. Ltd. (Food & Beverages)

1) Brief History of the Firm Characteristics

The firm was established in 2001 with a registered capital of 10 million baht. The firm is a family business and is privately owned. The factory is located in the middle of rich fruit farms in Chanthaburi province.

The idea of establishing this firm originated from the founder's passion for owning a small community business in his early childhood. Due to the fact that his family owns fruit farms and the problem of price control of raw materials by the middleman, he decided to sell processed fruit in order to have bargaining power over the price of raw materials.

The firm specializes in the manufacturing of processed fruit-snack products which include freeze-dried fruits and fruit crunchy rolls, preserved tropical fruits, mangosteen juice, durian cake, puffs, and chips, toffee, safflower juice, green tea wafers. The products are sold in supermarkets, airports, 5-star hotels as well as the Golden Place, a grocery store under the patronage of His Majesty the King.

2) Founder's/Manager's Background

The interviewee, who is the founder and managing director of the firm, is a university graduate in business administration and holds a master's degree in economics. As an experienced businessman that has excellent knowledge of the domestic and world market, he largely has pursued the growth of the firm all the way through innovation and improvement of products. By launching qualified products in the domestic market, he managed to increase foreign customers. Most of the time he would follow customer demands by improvement and modification of the products according to their orders.

3) Firm Characteristics

The firm is situated in Chantaburi, an eastern province of Thailand which is renowned for rich land for fruit. The founder has always been concerned about upgrading the technology and improving quality. Freeze-dry technology is being introduced to improve product durability. The staff members are very experienced as they are the local inhabitants focused on product development. Within the next few months, the firm will launch 20 more new products through partnership with Uni-President (Thailand) in order to increase production capacity, including such products as wafers, cookies, and biscuits which use freeze-dried fruits as ingredients. With the objective of becoming an Asia brand, the firm has focused on brand building by offering premium-quality and innovative products, which will lead to increased exports.

From the managing director's point of view, accessibility to raw materials, quality of the product, brand building, innovation, an experienced staff and production capacity development are the competencies of the firm.

4) Awareness of International Opportunities

The firm has a very strong position in the domestic market, but the managing director believes that the further growth of the firm depends upon entering foreign markets. He views that the upcoming ASEAN economic integration poses business opportunities for him to open branch out to Cambodia and other neighboring countries such as Myanmar or Vietnam, which can also be a gateway to China.

5) Information Sources

The network approach is their source of information, and they have taken part in both domestic and international exhibitions. For example, in Thaifex 2014, dealers in target markets have contacted the firm for cooperation and have become their agent. In addition to these sources, the firm uses its connection with SME supporting agencies, namely the Office of SMEs Promotion and the Department of International Trade Promotion, for news about business-matching activities as well as their market research as a roadmap for business expansion abroad.

6) Motivations

Different motives have led them in their international activities. The primary motive is growth, because it provides the possibility of quality improvement and position in the world market. The other motive for exporting is greater business and market diversification, which provides greater security for the firm. Therefore, it is necessary for the firm to keep its position in the international market to be able to respond quickly to market changes and to diversify risk even though there is less of a profit margin in international sales.

7) Barriers

The founder of the firm does not believe that he is facing any barriers in development or growth in the international market. However, the political unrest is the most important impediment as they have problems in preparing input materials and in establishing new foreign business relationships.

8) Entry Mode and Market Selection

Their main entry mode for entering international markets is exporting, either direct or indirect. Although they export directly to customers when orders are received, most of their exports are realized through agents and participation in trade fairs. The main reason for the firm engaging in exportation was the liquidity problem. Because the firm has to purchase the raw material, which is fresh fruit, with cash and sell it on credit term, it is inevitable that the firm has to face shortages in working capital. As a result, the firm has focused on selling more to foreign customers in order to solve the financial distress, as he is able to receive immediate payment.

The primary stage of their internationalization process was initiated through a consignment agreement with Charoen Pokhapand, who opened a

super brand mall in Shanghai. After this stage, in conjunction with the attainment of an OTOP Product Champion award in 2003, they received some orders from foreign customers, which resulted in more exports. Based on the market knowledge obtained during this period and the feedback received from customers, the firm is determined to become an Asia brand. However, this year, the management decided to limit exports to 40% of the resources and to increase domestic sales due to high domestic market demand resulting from the recent high influx of Chinese tourists, who view their products as a premium brand for souvenirs.

Although they are exporting to many different countries in the US, the European Union, the Middle East, Asia, and Australia, from the entrepreneur's point of view, none of these markets was selected purposely or on the basis of any certain criteria. The firm viewed that geographic distance did not impede its international expansion.

9) State of Competition in the Industry

From the managing director's point of view, competition in the domestic market is limited. Due to the lack of marketing policy and international business knowledge, the firm's domestic competitors have not been successful in the international market. In contrast, they have a very strong international competitor, namely China, which is the world's largest trader of fruits and vegetables. As mentioned earlier, the main competitive advantage of Kullanard's product is its prime location in Chantaburi province, which is the source of the raw materials for fruit. This factor has protected the firm from Chinese competitors even though they may have better technology and more capital.

With the objective of becoming an Asia brand, he knows that the firm is up against major well-known brands and he believes that his firm's products have high quality and that they can offer competitive prices on the world market.

4.5.1.3 Case 3- Expert Gems Co. Ltd. (Gems & Jewelry)

1) Brief History of the Firm

The Expert Gems manufacturing Co., Ltd. has been a well-known manufacturer of high-quality gems, especially blue sapphires, for more than 20 years. Established in 1988 by the founder and his wife, first as a household industry,

the company's operation covers every detail of the production process, from purchasing of raw materials to polished gemstones. In 2002, the company established a pioneer school in Chanthaburi in collaboration with the Ministry of Labor and Social Welfare and the Office of Non-Formal and Informal Education to strengthen the knowledge and skills of the local inhabitants. On October 10, 2003, the company was fully established to create brand awareness and to prepare the industry for exports. Currently, the company is a member of the Chantaburi Gems Trader Association.

2) Founder's/Manager's Background

The interviewee was the marketing manager of the company. She is a young active woman and very well experienced as she used to be employed at the Federation of Thai Industries as a project manager of The Upper Northeastern Provincial Cluster. The founder of the firm is also well experienced. During 2006-2007, he served as both the President of The Federation of Thai Industries of Chantaburi Province as well as a committee member of the research evaluation of The Gem and Jewelry Institute of Thailand (Public Organization). During his childhood, he was a worker in sugar cane fields, which generated little income to support his family. Due to his wide vision and entrepreneurial orientation, he practiced grinding gemstones each day after work until he was skillful enough to become a manufacturer.

3) Firm Characteristics

The main competitive advantage of the firm is the quality of the product and the ownership of their own factory. The company continues to maintain and improve the quality of blue sapphires via quality inspection with modern equipment and highly-skilled workmanship to reach the highest standard. Another advantage is its prime location in Chantaburi province, which is one of the three provinces of Thailand that has abundant source of its raw materials (blue sapphires). Moreover, due to the high dedication to meet the customers' satisfaction of an international standard, the firm is the first and only gems company in Thailand to be granted ISO 9001: 2000, which is concerns with an effective and efficient quality management system. They have also obtained both international and local laboratory certification from the Gemological Institute of America (GIA), the Asian Institute of

Gemological Sciences (AIGS), and The Gem and Jewelry Institute of Thailand (Public Organization). The firm policy is to promote Thai gems to international trade and markets, especially the EU, Russia, and the US.

4) Awareness of International Opportunities

Under the totalitarian regime, Chinese citizens are not allowed to have more than one child or own more than one car. Due to this legal restriction, the founder foresaw that there were ample business opportunities to introduce his products to this emerging market due to its high disposable income. This triggered the company's interest in exports to China and its establishment of two subsidiaries there.

5) Information Sources

After the establishment of a factory in Chantaburi, the founder pursued his master degree in management to find greater connections. His higher level of education has provided him with an extensive network of friends from various fields and disciplines such as law, marketing, and finance, which has provide him with fundamental business knowledge and preparation for exporting. In addition, his membership in the Department of International Trade Promotion's (DITP) exporter list has kept him abreast of overseas business matching events as well as trade fairs/exhibitions.

6) Motivations

Growth and perceived market opportunities are the main motivations. International markets give new business opportunities, which have led to growth even though they have gained much more profit in the domestic market. Furthermore, participating in international markets has made their products become widely known in the global market and this has led to product reliability.

7) Barriers

First in terms of barriers is the inability to offer competitive prices abroad due to the implementation of the 300 baht minimum wage regulation by the government, which increased production costs up to 20-30% for the company. In the meantime, the firm has had to decrease their export volume due to the shortage of raw material in Chantaburi in the last 15 years and the prevailing world economic recession, in particular in the EU and USA. This led the firm to reposition itself from only grinding gemstones to jewelry setting. Next is the lack of effective national

policy for export promotion. In comparison with the domestic market, international market sales have lower margins. As a consequence, the firm focuses more on domestic market by retail selling through shops in Bangkok and Trat.

8) Entry Mode and Market Selection

The company has entered the foreign market by indirect export through agents. They hesitated to provide more detailed information about how they established or maintained the networking with their agents as this information was confidential. The main market is Asia.

9) State of Competition in the Industry

There is no competition in the domestic market as most of the firms in Chantaburi province have grown and assisted one another for a long period. The interviewee admitted that there were still promising business opportunities for this industry provided that investment and the development of human resources in this area were not neglected. In order to maintain local knowledge and wisdom, the owner and the Chantaburi Gems Trader Association have collaborated with local academic institutions by offering training courses on gemstone manufacturing.

4.5.1.4 Case 4- Agri Business Co. Ltd. (Macghinery & Equipment)

1) Brief History of the Firm

As the leader in farm automation equipment manufacturing, the firm started its operation in October 2000 as a poultry farming and manufactured veterinary drugs for broilers in particular. Operating as an unregistered company during that time, the firm was an agent in buying and selling of chicken for a broiler export company and domestic slaughtering house. However, as the business grew, the company became registered on June 2001 under the name Agri Business. In 2003, the company expanded its business by building a factory and warehouse and concentrated on selling livestock feeding equipment.

2) Founder's/Manager's Background

The interviewee was the managing director of the firm, a middle age man, who graduated in animal science and has extensive experience in the livestock industry, as he used to work at Saha Farms Company and Cargill Meats Thailand Cargill, which is one of Thailand's largest exporters of frozen chicken and cooked chicken products respectively.

3) Firm Characteristics

Due to its extensive experience in the broiler business for three decades since 1985, the company is very keen about and specializes in automated farm systems. The company is the leader in farm automation equipment due to the farm management consultancy services offered by its expert team and diversity of products, which include an automatic poultry feeding system, a temperature and humidity controller, and a ventilation fan. Rather than focusing on mass production, the company provides tailor-made farm solutions to meet specific customers' demand and requirements. In addition, the company production is able to meet 40% of the local content requirements in order to receive benefit from tax reduction under the AFTA framework.

4) Awareness of International Opportunities

Regional economic integration, particularly the ASEAN Economic Community (AEC), poses an enormous potential for market expansion of the Thai machinery and equipment sector, especially livestock equipment to neighboring countries. Through the elimination of tariffs and non-tariff barriers, the company plans to increase its exports to neighboring countries, particularly Indonesia and the Philippines.

5) Information Sources

The interviewee's participation in international trade fairs for animal husbandry and processing, particularly VIV Asia, has offered plenty of opportunities for him to meet dealers/agents, suppliers and large-scale investment companies, which has provided him with knowledge of the main market leaders in each country.

6) Motivations

Even though the company is currently increasing its exports to neighboring countries, the owner initially focused on the domestic market as a supplier to local poultry producers, whose main business was exporting. However, to keep up with the force of globalization, especially regarding the regional economic integration, namely the AEC, the owner is eyeing international markets for growth in order to expand his business and to gain benefits from tax deduction and cheap raw materials, which will reduce production costs and increase the competitive advantage.

7) Barriers

Overseas transactions have been limited only to the border of Thailand due to regulatory hurdles and high tariffs. For example, the company can export its product to Myanmar only at the Mae Sot border checkpoint. The interviewee commented that the lack of finance is a secondary matter in terms of the limitations faced by SMEs. He viewed that the government should give priority to the facilitation of border trade and tariff elimination if SMEs will be able to expand their international operation.

8) Entry Mode and Market Selection

The main policy for entering the international market is indirect exporting as a supplier for MNCs. Therefore, the decision for market selection depends mainly on the current and future investment of multinational companies. For example, the reason for exporting to Cambodia and Myanmar is due to the overseas investment of the CP group. In 2015, the company plans to establish its commercial office in Xingtiao, China as a source for raw materials.

9) State of Competition in the Industry

Little competition exists in the domestic market as there are only 2 companies which operate in the industry. However, it is inevitable that fierce competition awaits the company in the international market if the company fails to obtain tax benefits as a result of FTA negotiation with the potential target market.

4.5.1.5 Case 5- AtEast Design Co. Ltd. (Furniture)

1) Brief History of the Firm

The company was registered in 2003 with registered capital of 2 million baht and became fully operational in 2005 after successfully launching their products at trade fairs. Today, the firm is a leading company in a wide range of decorative lighting products, accented furniture, and accessories. Their products can be seen at notable projects such as Oakwood Premium Mumbai India, the Sheraton Saigon Hotel, and Centara Grand Resort Maldives. Currently, there are three branches: two showrooms and one office.

2) Founder's/Manager's Background

The interviewee was with the managing director of the company. Even though she came from a family that worked in the civil service sector

throughout their lives, she was very passionate about owning her own business. Before deciding to leave her most recent job at one commercial bank, she conducted a market feasibility study and business development plan for more than a year to study the world market for home decorative items, particularly lighting products and furniture. With ample analysis of the prospects of the aforementioned business, the ingrained knowledge of financial management from previous work experience, and a shareholder team with profound architectural knowledge, she left her job to pursue her enduring dream of establishing her own business at the age of 34.

3) Firm Characteristics

The firm's strength lies wholly in its highly skillful and professional team, which is genuinely keen on their role either in accounting, marketing, or designing, particularly the ability of the designer team in sourcing new raw materials as well as their innate creativity in employing new tools and techniques. Another competitive advantage is commitment to on-time delivery and the provision of after-sales service such as replacement parts with no charges. Moreover, the products can also be tailor made to meet clients' needs and preferences by an experienced designer team.

4) Awareness of International Opportunities

The interviewee recognized that there were few entrepreneurs that truly specialized in home decorative products during the time at which she started her firm operation. In addition, there were few competitors in the market and even if they existed, their products lacked authentic design and uniqueness.

5) Information Sources

The main source of information for the firm about foreign markets is obtained through the Internet whereby the marketing staff will be responsible for searching for current regulations and safety requirements on electrical and electronic appliances stipulated by each target market. Apart from online information searching, customers (designers, entrepreneurs, and end users) that visit trade fairs are the pivotal source of information for current trends and regulatory affairs. For instance, from a long-standing business relationship established with an Iranian customer, she had learnt that it is mandatory for Thai goods exported to Iran to obtain a notarial certificate from the Embassy of Iran in Thailand due to national

security reasons. Other information such as tariffs and non-tariff regulations are obtained from SMEs supporting governmental agencies, namely the Department of International Trade Promotion (Ministry of Commerce) through their One-Stop Service.

6) Motivations

The main motivation for the firm expanding overseas was for more business and market diversification, which provided more security for the firm. The second is the authentic design and handmade products, which are unrivaled by competitors. The interviewee attested that most of the items are wooden products and 100% hand made with an eclectic design which reflects cultural and aesthetic values and thus helps add value to the product.

7) Barriers

The owner viewed that the main barrier to the internationalization process was the recent political unrest in Thailand, which has prevented business delegations and other visitors from participating in international trade fairs and which has resulted in lower revenue and sluggish demand for her product. Due to the fact that most of these fairs are held semiannually, the owner confessed that she has lost huge income consecutively for six months. In addition, problematic transportation/high shipping costs have led to export reduction in the foreign market, especially to the EU. Lastly, exchange rate risk is also another threat to her business. As a result, she hedged against exchange rate risk by buying forward on foreign currencies.

8) Entry Mode and Market Selection

The main entry mode is direct export, independent of sales representatives or agents. In terms of market selection strategy, a feasibility study is being conducted by the research team that not only collects economic and statistical data on the target market, such as GDP growth and income level, but also information on regulations and barriers to entry of the prospective country. Initially, the firm exported to the EU market, namely the UK, Spain and Italy. However, due to lower transportation and insurance costs as well as a lower psychic distance in terms of similar culture and preference, the firm is presently targeting the Asian market (Hong Kong, Singapore, and Japan) through texture and design modifications with an oriental mood.

9) State of the Competition in the Industry

Initially, the company aimed at the international market, as there was promising business opportunity there due to a low level of competition. However, through 1-2 years of foreign market pre-testing, there was a meager profit margin for the firm as it failed to compete with China in terms of pricing due to their mass production. As a result, the firm repositioned its marketing strategy by focusing more on the domestic market at the retail level in order to maintain adequate cash flow and liquidity.

4.5.1.6 Case 6- KK Interbrand Co. Ltd. (Leather Products)

1) Brief History of the Firm

The firm was established in 2010 and became international since inception. The initiation of the firm was the result of its previous business experience in the fashion industry in 2007. After completion of his master degree abroad, the owner entered into business world by selling imported fashion accessories and ornaments from China and Korea, which he bought from Sampeng, the largest wholesale market in Bangkok. Due to the boom period of fashion products at that time, he went to Guangzhou to meet the major manufacturer there, which enabled him to buy at lower prices and to gain a higher profit margin. However, in 2009 he decided to close down his business due to a massive influx of Chinese entrepreneurs, who offered more competitive prices. He envisioned the unsustainable nature of the trading business and endeavored to escape the competitive pricing by focusing on creating a unique product with distinctive designs and features. He then opened a shop at Platinum Mall and sold fashion cloth bag under the brand BoSoCute, which had attracted many teenagers and young-at-heart customers. Due to the pervasive demand of the same group of customers, he expanded the product line by producing leather bags to attract more buyers. Today, the company has grown rapidly and has three branches.

2) Founder's/Manager's Background

The interviewee, who was both the owner and managing director, has good knowledge of the domestic and international market due to his previous experience in the fashion industry. Even though his last business in fashion accessories was unsuccessful, it induced him to reposition his business strategy from cost leadership to product differentiation based on quality and innovation.

He has always dreamed of owning his own business since his college years. While studying, he also worked at a Thai restaurant and vegetable farm. Upon graduation from abroad and after obtaining a sizeable income, he returned to his homeland and became an entrepreneur in the fashion industry by signing up for the New Entrepreneurs Creation program offered by the Department of Industrial Promotion. Through this intensive training course, he received both theoretical know-how and practical training in such fields as strategic management, production, business planning, marketing, business law, and e-commerce, which provided him with hands-on experience and preparation for his business in the fashion industry.

3) Firm Characteristics

The main competitive advantage of the firm is the innovation of the product. For instance, his creative gadgets include leather wallets embedded with deodorizer using natural absorbents and a sensor for detecting counterfeit banknotes.

Another unrivaled asset of the firm is its skilled labor from northeastern provinces and the owner's endeavor to promote community enterprise. For instance, after three years of being employed at the company, the owner allows his workers to set up their own business which he envisions would provide long-term economic benefits in terms of job creation and empowerment of individuals and communities.

4) Awareness of International Opportunities

Currently, Thailand still has a very high import duty of about 30 percent for leather products as well as value-added tax at 7 percent. The interviewee viewed that the upcoming implementation of the ASEAN Economic Community (AEC) in 2015 will open a new window of opportunity for Thai entrepreneurs, who are well recognized for their creative skills, to expand their business abroad due to low-cost imported material for their goods. At the same time, there is huge export potential within ASEAN. The interviewee believes that the diversity of ASEAN people and their culture will provide him with the opportunity to come up with fusion works through the observation of other culture and lifestyles.

5) Information Sources

The beginning stage of the information gathering was carried out through the help of personal social networks established with SME supporting

government organizations, mainly the DITP's (Department of International Trade Promotion) AEC Business Support Center, which provided consultancy services and information to Thai businessmen that wanted to expand their business in the ASEAN market, and the AEC Club, which promoted business networking and exchange of market information among Thai and other ASEAN businessmen. The company also obtained additional information such as information on the current trends of leather products and industry worldwide by subscribing to newsletter and market research done by the Department of Industrial Promotion, as well as attending seminars and training to obtain consultation with international leather experts, mostly from Italy. Other means of information gathering were largely carried out through the firm's presence at both domestic and international trade fairs and through contacts via the Internet. Among the most renowned fairs were BIG+BIH (Bangkok International Gift Fair and Bangkok International House wares Fair) and the SME Innovation Showcase in Kuala Lumpur, Malaysia.

6) Motivations

The possibility of growth in other markets and increased profit opportunities from international expansion were highlighted as key stimuli for exporting. For example, the owner viewed that Indonesia was an interesting country for market expansion because of its growing middle class and strong economic growth.

Another reason for internationalization was its unique product and innovation capabilities. It is undeniable that fashion trends have changed tremendously over the past decade globally. Consumers are no longer exclusively attached to global brands. The interviewee mentioned that consumers today are willing to try new brands. He added that not only are they more quality and functionality savvy, but at the same time look for a unique product that enhances their character while also being creative, and all of his products, according to him, meet all of the aforementioned characteristics. The company's future strategy is to build brand loyalty with the youth consumer market.

Additional stimuli for internationalization are the favorable market conditions of the target market, particularly the tax structure. For instance, Malaysia has recently reduced the import duty on all categories of leather goods from

20-40 percent to just 10 percent, and has moreover done this outside any free-trade agreements.

7) Barriers

From his extensive experience in participating in seminars and training offered by SME supporting government agencies, the interviewee noticed that there were excessive duplications in both the content and presentation styles which offered only general business knowledge and lacked sound evaluation and follow-up strategies. He recounted joining a training program offered by the Department of Business Development which he considered as a prototype for other government agencies due to its concrete SME internationalization outcome, particularly business matching and expansion of business networks among Thai SMEs and their trading partners.

Due to its adverse effect of dampening foreign buyer confidence, the political unrest that began in November of 2013 reduced the number of orders which normally peak in the first quarter of the year. Furthermore, the rise in the minimum daily wage has caused many shortages of labor, as skilled workers are moving into larger industries. This has caused the firm to employ labor from neighboring countries, namely Cambodia and Myanmar, which has reduced foreign buyer confidence in the product.

8) Entry Mode and Market Selection

The company was established in 2010, exporting leather bags, mainly to Malaysia and Singapore, through the help of a distributor. In only four years of existence, it has expanded its market to more than 8 countries in both Asia and Europe, such as China, the UK, and Switzerland, to name a few. Recently, the company was being contacted by a Malaysian distributor for a joint venture agreement of a shop to be opened at Pavilion, one of the world-class shopping malls in Kuala Lumpur. However, due to a large amount of required investment in terms of personnel and financing, the project was put on hold.

Market selection has not only been systemically carried out through market research and other secondary information provided by government agencies, such as the Board of Investment and Department of Business Development, but through direct contact with buyers and distributors at trade fairs.

Until recently, it exported 70% of its production. However, the firm's target goal is to export 80% of its total production upon the launch of the AEC.

9) State of Competition in the Industry

Since its inception, the company has intended to target foreign markets by targeting 70% of its production mainly on exports, and 30% on the domestic market due to the few players there, especially in neighboring markets. The main reason for the quick market penetration in the Asian market has to do with the fact that Thai-branded products already have a distinctive image in the minds of Asian consumers as of good quality and creative design. However, there is fierce competition in other markets, especially the EU, due to the negative perception that Thailand imports many goods from China and re-exports them to other countries.

4.5.1.7 Case 7- Thai Citric Acid Co. Ltd. (Chemical Products)

1) Brief History of the Firm

In 1967, the founder(interviewee's father), who has mechanical skills started his own business by repairing and making mechanical parts. His reliability and honesty gained him a good reputation among his customers, enabling him to expand the business to construction and the installation of machines in the production line. Apart from the steel industry, he realized the importance of the basic chemical industry in order to maintain the sustainability and self-reliance of the nation. As a result, he decided to set up a group of companies dealing with manufacturing and marketing of sulfur-based chemicals, such as sulfur used in the rubber industry, sulfuric acid used in batteries, and aluminum sulfate used in the water treatment process. Later on, the company expanded its product line by establishing the current company, which manufactures and markets citric acid, which is a substance that can be found in natural fruit such as oranges and pineapples. At present, it is an essential constituent in food processing and food preservation and is widely used in various industries such as the food and beverage industry, medicines and cosmetics.

2) Founder's/Manager's Background

The interviewee is the managing director and the daughter of the founder. Her education in chemistry and previous work experience at both pharmaceutical and cosmetic companies has well prepared her to manage this business, which is the expansion of her family business.

3) Firm Characteristics

The company has lower costs compared to its competitors by cooperating with another company within the same group in developing the manufacturing process as well as the construction of machines and equipment adopted in the production line. This has enabled the company to possess its own technology without relying on foreign technology. The company also has gained acceptance regarding quality management and has received certification from the Thai Industrial Standard Institute, the Thai FDA, Kosher (conforms to the regulations of the Jewish diet), Halal GMP/HACCP (Good Manufacturing Practice/Hazard Analysis and Critical Control Points). In addition, the company maintains its high service level by ensuring that there is spare output capacity to meet the customer's demands.

Regarding the promotion of environmental sustainability, the company believes in the principle of efficient production processes while at the same time being in harmony with nature. The company has invested in the development of a waste treatment system in compliance with accepted international standards.

4) Awareness of International Opportunities

There are various crops that can be used as raw material for citric acid, which include canola, corn, sugar beet, and tapioca. However, all of these crops except tapioca have a high risk of being genetically modified because they are currently in commercial production. Due to the fact that the potential health risk of genetically-modified crops is still unknown, the company focuses on manufacturing citric acid which only uses tapioca as the main raw material in order to attract the growing numbers of health-conscious consumers around the world.

5) Information Sources

The interviewee's main source of information for international opportunities mostly came from visiting business delegations and customers. Other channels of information were obtained as a result of her membership in government agencies, namely, the Federation of Thai Industries and the Thai Chamber of Commerce, which entitled the company to be listed on the directory of the aforementioned organizations as well as to be invited to attend seminars and business-matching activities, which provide opportunity for the company to expand its business networks and to establish alliances.

6) Motivations

Due to its well-developed technology and manufacturing standards, the company has planned to expand to overseas markets further for growth, provided that there is excess production. Another reason is to promote the country's agricultural sector by stabilizing the demand for tapioca. Since tapioca is the source of raw material in citric acid manufacturing, it has more value than before and thus helps raise income for the farmers.

7) Barriers

The company has failed to compete with China due to excessive dumping practice and subsidies of the Chinese government for exports. Currently, the company has achieved a higher profit by selling domestically.

8) Entry Mode and Market Selection

The main entry mode is indirect exportation through distributors and agents. The primary export market is the USA due to the existence of anti-dumping measures on foreign imports that are priced below fair market value. The company also exports to China as there are some distributors that are looking for citric acid made from tapioca due to its GMO-free characteristics.

In terms of market selection, the company rarely relies on foreign partner economic indices or other statistical information provided by Thai SME-supporting government agencies, but through direct contact with visiting customers regarding the current trend and potential of the product.

9) State of Competition in the Industry

Little competition exists in the domestic market due to the fact that the company is able to develop its own technology without having to depend on expensive foreign technology. In the past, there were foreign companies from China and Japan. However, due to unbearable production costs and lack of proprietary technologies, they were eventually closed down. The company views that China is still the main competitor in the international market as long as partner countries lack anti-dumping measures.

4.5.1.8 Case 8- Anita Export Limited Partnership (Garment & Textiles)

1) Brief History of the Firm

In 1959, the founder established the Anita Thai Silk store on Suriwongse Road. In 1963 it was relocated to a new and larger premise on Silom

Road, Bangkok. This premise is presently still the head office for Anita Silk operations.

In the early days, Anita Thai Silk was a very popular silk shop among the first few shops in Bangkok (there were about 6 popular shops in Bangkok at the time) where tourists could have custom silk dresses made during their stay in Bangkok. From those early days of success, Anita Export L.P. was established by the founder jointly with her daughter in 1972. The business entity was established to focus on the export market and later in the 80's emphasized to a greater extent gift items (30%) and the home accessory (70%) business rather than the garment business. The company has grown to become an institution in the trade, exporting high-quality silk yarns, textiles, garments, and giftware to an international clientele.

2) Founder's/Managers' Background

The founder of the firm is a well-experienced businesswoman with very good knowledge of the domestic and world market. She established this firm to meet the growing demand of the foreign market. Her decision to establish Anita Export L.P. indicated her international outlook, intention, and behavior for entering the world market. The firm began with the primary idea of internationalizing the textile industry of Thailand.

The interviewee was the sales manager of the firm, a very well-educated young woman with a bachelor degree in social science and a master degree in international business. She is the third generation of this family-owned business and has very good perception of international activities. She believes that despite a very good position in the domestic market, they have to actively participate in the world market. Due to her characteristics and attitude, the firm has introduced its own design products under the Anita Silk brand at both domestic and international trade fairs.

3) Firm Characteristics

The firm was able to vertically integrated silk finished goods from yarn dyeing, winding, and weaving to production of garments and gifts. Hence the company was able to cater to ever-increasing demand by designers and buyers, especially from the perspective of design-product development and high quality standards. In addition, its group of designers constantly caters to changing demands

and lifestyles by introducing new collections on a semiannual basis. The sales manager stated that in a constantly-evolving business environment, a company that operates on a stand-alone basis will fail to be competitive. For instance, home decorative and gift items for the export market with the introduction of new materials in addition to silk for value-added purposes were introduced in collaboration with Thai craftsmen, manufacturers, and locally-talented designers as well as overseas designers. Therefore, the networking of a group of small specialty shops, manufacturers, craftsmen, and designers is essential in today's competitive environment. High quality, reasonable prices, and on-time delivery are the company's value proposition. Modern machinery, particularly electronic weaving machines, was introduced to cater to increasing demand for sophisticated design and shorter lead times. The company has also shown responsibility to social and environment care by investing in the development of a waste water treatment plant to comply with international environmental laws and regulations. In 2010, the company received the EU Eco label certificate for its silk products.

4) Awareness of International Opportunities

The interviewee strongly believes that for a company to survive in today's fierce global competition, the company has to develop its competitive edge in product design and to be able to launch products effectively in the market place in a timely manner. The function of the product and cost effectiveness relative to the customer's perceived value was also taken into consideration in the product design. Design-oriented goods, the company's new marketing strategy, have proven to be a success. After experiencing its new designs, the customers have trusted the company's brand in the design aspect and became more confident in its products. Apart from their distinctive product design, the firm is able to adapt the products to the taste and lifestyle of the target market. For example, Anita Young was introduced to the foreign market in 2008 to cater to fashionable younger groups.

5) Information Sources

The most important sources of information for this company about market opportunities have been trade fairs. They took part in several trade fairs: BIG+BIH (Bangkok International Gift Fair and Bangkok International House ware Fair), IFFS (International Furniture Fair Singapore), and Ambiente and Heimtextile,

the leading international trade fair for consumer goods in Frankfurt, Germany. The success of the exhibition not only improved their relationships with local customers, but has introduced Thai silk decorative and gift items to foreign customers, which opened a new market arena for the company's products.

6) Motivations

The main objective in expanding to the foreign market was to market the company's design concept, which ultimately led to building brand awareness among overseas customers. Another reason for internationalization was its unique products through innovation. Besides the consistent improvement in the design and production of silk fabrics for the home and fashion markets, the company is very keen on the mixing and matching of silk with other materials as well as the combination of color schemes and different textures of fabric. For example, due to the delicateness and fragility of the silk worm, tencel (a biodegradable material made from eucalyptus wood pulp cellulose) is being added during the weaving process for enhancing the durability of the product while maintaining the softness.

7) Barriers

There is a problem concerning the high price of cocoons, which is the major raw material of the company's products, because of the monopolization by some merchants, particularly Chul Mai Thai Co. Ltd., the country's one and only sericulture business.

The second factor which has had an effect on the internationalization of the company has been the political and economic issues around the world, including within Thailand. The rise and fall of the world economy has affected the exports of the company. The world economic boom obviously increased the purchasing power of foreign buyers. In contrast, a recession would automatically lower the purchasing power of world buyers and people would think twice before they bought any products. The interviewee commented that, "Thai silk is considered to be luxury product; therefore, global economic recession could affect the export of Thai silk accordingly. For example, we ceased to join Ambiente and Heimtextile in Germany after economic recession has swept EU in 2013."

The political situation in Thailand during the previous few months also has posed a threat to the Thai silk industry as can be seen by the fewer

numbers of tourists traveling to Thailand. Fewer tourists lead to fewer products being sold, including Thai silk, which tourists often buy as souvenirs.

8) Entry Mode and Market Selection

The main entry mode is indirect export through distributors and agents. Anita Handel GmbH was founded in Austria as a distributor for Anita Silk products for the EU market. However, it was closed down in 2010 due to the recession of the EU economy as well as high competition from Chinese goods. As a result, during the last 3-4 years, the company exports more to Asia, namely Japan, Korea, and Singapore. The USA continues to be largest distributors for the firm, mainly for beddings and curtains.

9) State of Competition in the Industry

The Thai silk industry is facing bigger challenges in the world competition as other silk-producing countries are constantly developing their silk at a cheaper price. For example, China has a cheap and large labor pool that allows it to be able to produce almost every product faster and cheaper than competing countries. Therefore, the company is facing great challenges from Chinese competitors in terms of prices. However, the company has managed to maintain its leadership position among world buyers in terms of labor skills compared to Chinese competitors. The development of artificial silk also has damaged the luxury image of Thai silk. As a result, the company constantly participates in international trade fairs to strengthen its high end position.

Prior to the 300-baht minimum daily wage policy, the company faced high competition in the domestic market. However, after the enactment of the policy, many local silk-producing companies were being closed down with a few remaining; namely, Jim Thompson Thai Silk Company and Pasaya, which are the major exporters of textile products for decoration and fashion.

4.5.1.9 Case 9- Union Inta Co., Ltd. (Metal Products)

1) Brief History of the Firm

The business is a family business, which was established 30 years ago by the father of the interviewee. It was a small business that produced tape products. In 1984, the founder established his own factory to support the growth of the firm. In 1995, the firm became aware of environment protection and energy

conservation by carrying our extensive research on heat insulation material for roofs. The firm was the first manufacturer of solar foil in the country. Due to the rapid global expansion of the food packaging industry in 2000, the firm saw promising business opportunities to introduce aluminum food containers under the brand “Star Products,” which was considered a novel product by the Thai consumer. The customers are mainly bakery shops, hotels, and other food sectors. Due to their high production quality and customer satisfaction, the firm has been ranked as one of the top producers of aluminum foil for the food and packaging industry of the country.

2) Founder’s/Manager’s Background

The interviewee, the general manager, is the daughter of the founder of the firm. She is a university graduate in chemical engineering and has been with the firm since 2009. Before that, she worked as business analyst at Siam Polystyrene, which is a producer of plastic pellets, for two years before pursuing her MBA in the USA and returning to help her family business.

3) Firm Characteristics

The main policy that leads the firm in all of its activities is “customer satisfaction.” In order to achieve this, the firm focuses on providing high-quality products, competitive prices, punctual delivery, good after-sales service, and product insurance. Furthermore, the above-mentioned certification has reflected the company’s insistence on the highest production standards and good manufacturing practice. With regard to human resource development, the staff at all levels, including the driver, is required to attend training courses in order to update its product knowledge.

4) Awareness of International Opportunities

From the entrepreneur’s perception, huge business opportunities exist in the international market due to daily consumption patterns of baked products in the target market. In addition, they have succeeded in meeting all of the standards; namely ISO 9001:2008 and GMP certification. However, at present priority is given to the domestic market: 80% domestic and 20% exports, because the prices in the domestic market are very attractive. However, despite price differences, exportation is still profitable for the firm. With respect to quality, they have managed to achieve international standards and are trying hard for more certification. Regarding prices,

they have managed to reduce the costs by employing a lean manufacturing system so that they can be more competitive. At present, their prices are competitive with Chinese products while their quality is much higher.

5) Information Sources

Most of their exports are through agents, who are the main source of information for the firm. After several years of cooperation, their cooperation is based on mutual trust. Their dealers send their orders on the basis of knowledge of market demand, and the firm produces tailor-made products according to the customer's design requests. In addition to agents, which have been the main source of information for this industry, the entrepreneur believes that her participation in the trade mission organized by the of Thailand Trade Representative in 2014 has provided her with market knowledge of the potential market: "A trade mission to Australia I attended in January 2014 was very beneficial to our company to understand the new market and culture and to begin to undertake the new opportunity. I would certainly suggest such trade missions to be continued as there are always new windows of opportunity to trade internationally."

6) Motivations

The main motivation for entering international market was her belief in, and knowledge of, the international market. She viewed that the international market has a bigger size compared to the domestic market. Another motivating factor was the development and growth of her business. This objective has been achieved by installing new molding machinery every year in order to ensure that there are diverse shapes to accommodate customers' demands.

7) Barriers

Like any other manufacturing industry, the firm is affected by increasing cost pressure from raw materials. The increase in the price of basic metals has forced them to increase their product prices, which has reduced their competitiveness. As a result, the firm is using a range of strategies, such as negotiating long-term pricing contracts and implementing advanced buy/sell processes.

The ongoing political unrest also has reduced the consumption rate, which has adversely dampened the domestic sales level since December of 2013

until now. Meanwhile, the hike in the daily minimum wage to 300 baht has not affected the firm's operation as the firm always pays more than this regulation due to the fact that it is located in an industrial estate which has intense competition for labor.

8) Entry Mode and Market Selection

Based on good market knowledge and experience, the firm has focused on middle-class requirements and has attempted to supply high-quality products at fair prices to this segment of the market. Up until now, most of the firm's exports have been targeted via agents to the neighboring countries, namely Malaysia, Indonesia, the Philippines, and Vietnam, because of lower transportation costs and subsequently greater profitability. They have also recently launched a marketing campaign to enter the very attractive Australian and Japanese market.

9) State of Competition in the Industry

They have 2 to 3 domestic competitors none of which is as qualified as the said firm and they are not active in the international market. The competition in the international market is very intensive, especially from China and local producers in the target market. However, they are a dominant brand in the market because of the quality, efficiency, and diversity of the products.

4.5.2 Summary of Individual Case Analysis

Table 4.2, 4.3, and 4.4 summarize the nine case firms according to three topics: firm basic information, interviewees' characteristics and background, and international activities.

Table 4.2 Basic Information on the Firms

	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Case 7	Case 8	Case 9
Year of establishment	2005	2001	1988	2000	2005	2010	1990	1959	1983
Type of ownership	Inherited	Founded	Employed	Employed	Founded	Founded	Inherited	Inherited	Inherited
Main products	Fruit juice	Processed fruit-snack products	Gems (blue sapphire)	Automatic livestock feeding equipment	Furniture (wooden lamps)	Leather bags	Citric acid	Silk fabric and garments	Aluminum food container
Number of employees	30-40	200	200	55	50	55	120	70-80	160
Fixed asset (million bht)	5 MB	10 MB	4 MB	2.5 MB	2 MB	1 MB	105 MB	70-80 MB	160 MB

Table 4.3 Interviewees' Background

	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Case 7	Case 8	Case 9
Age	52	53	36	47	48	34	44	42	35
Gender	Man	Man	Woman	man	Woman	Man	Woman	Woman	Woman
Position	Managing Director	Managing Director (founder)	Sales Manager	Managing Director	Managing Director	Managing Director (founder)	Managing Director	Sales Manager	General Manager
Level of education	university graduate in electrical engineering	bachelor in business administration, master in economics	bachelor in marketing, master in entrepreneurship	bachelor in animal science	bachelor in economics, master in finance	bachelor in computer science, master in international business	bachelor in chemistry, master in finance and marketing	bachelor in social science, master in international business	university graduate in chemical engineering
Prior work experience	Used to export fruits to EU	He worked in a large state firm	Used to work at the Federation of Thai Industries for 1.5 years	Used to work for MNCs, i.e. Saha Farm	Used to work at finance company and commercial bank	Used to work at commercial banks for 2 years	Used to work as quality controller at cosmetic and pharmaceutical company	Used to work at advertising agency for 8 yrs	Used to work as business analyst at plastic company
International exposure (study, live, work abroad)	No	No	No	No	Yes (studied)	Yes(studied)	Yes(studied)	Yes(studied)	Yes(studied)

Table 4.4 Firm International Activities

	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Case 7	Case 8	Case 9
Number of years before internationalization since startup	They do not export at present.	1	5	7	5	immediately	16	13	21
Mode of entry	Indirect exporting (via agents and distributors)	Direct and indirect exporting (direct to customers, and distributors)	Indirect exporting(via agents, distributors and market alliance)	Indirect exporting (supplier for MNCs)	Direct exporting (direct to customers)	Indirect exporting (via agents and distributors)	Indirect exporting (via agents and distributors)	Indirect exporting (via agents and distributors)	Indirect exporting (via agent)
Initial impetus to start foreign business activities	-following global trend	-regional economic integration	-high purchasing power of target market	-regional economic integration	-global demand for standardized products	-regional economic integration	-following global trend	high purchasing power of target market	-high consumption of target market
Export intensity	-	40%	10%	10%	70%	70%	5-25%	80%	20%
Motivators	-solve falling price of agricultural product	-growth -brand development -solve falling price of agricultural	-profit -growth	-growth -reduction of tariffs	-profit -unique product	-profit & growth -reduction of tariffs -unique product	-capacity utilization -solve falling price of agricultural products	-unique product -brand development	-growth -large market size

Table 4.4 (Continued)

	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Case 7	Case 8	Case 9
Barriers	-lack of support from gov't, i.e. low interest loans -home political unrest	products -diversification -Cash selling -home political unrest	-global economic recession -minimum wage policy has increase production cost	-lack of finance -high tariffs barriers	-home political unrest -fluctuating exchange rate	-brand development -lack of effective internationalization policies/ programs -minimum wage policy cause shortage of labor -home political unrest	-dumping of goods by foreign competitors	-global economic recession -monopoly of raw materials	monopoly of raw materials
International strategies	Initially ad-hoc & opportunistic. reactive to particular circumstances; subsequently more structured/ planned	Well-planned international strategies	Initially had export market plan; subsequently has to reposition international strategy due to external change	Initially ad-hoc & opportunistic. reactive to particular circumstances; subsequently still unstructured/ planned	Initially had export market plan; subsequently has to reposition international strategy due to external change	Initially ad-hoc & opportunistic. reactive to particular circumstances; subsequently more structured/ planned	Initially ad-hoc & opportunistic. reactive to particular circumstances; subsequently still unstructured/ planned	Initially ad-hoc & opportunistic. reactive to particular circumstances; subsequently still unstructured/ planned	Initially ad-hoc & opportunistic. reactive to particular circumstances; subsequently still unstructured/ planned

Table 4.4 (Continued)

	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6	Case 7	Case 8	Case 9
Methods of financing international expansion	bank loan	internally generated funds (retained profits), contributions, grants	internally generated funds (retained profits)	internally generated funds (retained profits)	family contributions	export initiative grants	family contributions	family contributions	internally generated funds (retained profits)

4.5.3 Comparative Analysis

The firms were analyzed according to the proposed research questions to see the similarities and differences with regard to the internationalization process. Following this, pattern matching was used to identify the common themes that transcended the case firms as follows:

4.5.3.1 Internationalization Awareness

With respect to “international market opportunities,” all of the entrepreneurs believed that opportunities existed for them in the international market. But they had different views regarding the way they become aware or identified these opportunities. Of particular importance was the changing global market conditions triggered through the increasing wave of economic integration, which has brought about freer trade and investment. For example, the majority of respondents viewed that the upcoming ASEAN Economic Community (AEC), in which ASEAN will become a single market and production base in 2015, will offer more new opportunities for Thai businesses to find cheap raw materials due to tariff reductions and elimination and to expand their business scale not only in ASEAN but also in other markets signing FTAs with ASEAN, including China, Korea, Japan, India, Australia, and New Zealand.

SMEs are also aware of international opportunities by following global trends. For example, A&P Orchard exemplifies how a small Thai beverage firm was able to grasp a business opportunity which came through the growing demand for safe and healthy products on the part of health-conscious consumers around the world by introducing organic mangosteen juice. On a similar basis, Thai Citrichas received great recognition from consumers around the world for its GM-free products due to the use of tapioca as the raw material for the manufacturing of citric acid.

Another issue is the idiosyncratic demand from a particular market sector. In particular, consumers in developed countries tend to demand products of higher quality, which in general have a more sophisticated design, are made of better materials, or are less likely to malfunction. As a result, the domestic producers in developing countries that have attempted to enter foreign markets have become aware of this opportunity by adapting their product design/style to meet the specific needs and preferences of their niche markets. For example, the owner of Wood Furn redesigns her product to suit Western lifestyle through earth tone colors.

4.5.3.2 Source of Information for International Business Opportunities

All of the entrepreneurs without exception believe that the international market is very important for their firms, but their knowledge of this market and their sources of information on internationalization vary.

The majority of key executives referred to network relationships as the most substantial source for obtaining information. The following comment is indicative of the responses:

After so long in the business, you know where to seek for information. Apart from the information given by the government, your business partners, people approach you directly. You have to establish your local and international contacts. When the chain is there, you'll find it much easier to penetrate into global market. (FruitSnack)

Notably from the findings, the information sources on international business opportunities can be divided into four categories: 1) institutions; 2) business players; 3) personal relations; and 4) other sources.

1) Institutions

The institutions include the ministries and other supporting government agencies or foreign bodies that are the main sources of information about foreign markets. The following quotes demonstrate the support that the agencies provide in assisting companies in their internationalization. The agencies mentioned in the quotes are highlighted.

Participation in the international trade fairs is an expensive means but we are really grateful to the Director General of the Office of SMEs Promotion, my close friend, who subsidized our participation in food exhibition abroad. (Fruit Snack)

We joined 'SMEs Representatives to Global Market Pilot Program' of the Department of International Trade Promotion (Ministry of Commerce) which help establish our company and provide grant to participate in the Innovative Showcase exhibition at Kuala Lumpur. Without this support, we cannot imagine how far we will be today. (InterLeather)

Apart from government institutions and semi-government institutions, non-government organizations are also providers of information on international opportunities. For example:

We registered with the Federation of Thai Industries and the Thai Chamber of Commerce, from there we were able to gain awareness and learn about potential international business opportunities through their invitation to attend seminars and business matching activities. (ThaiCitric)

I gained international awareness from my experience with foreign embassies, such as Iran, Vietnam and Indonesia. I associate through foreign ambassador's spouse. (WoodFurn)

2) Personal Relations

There was also evidence that networking was created through personal relations developed either at international exhibitions/trade fairs, seminars, or through travelling abroad. The majority of the firms indicated that trade fairs were a good way to obtain customers for their business because with them they can reach target consumers and an entirely different audience, which helps present their companies and products. At the same time, they can also gather information about their competitors' products and activities, as illustrated in this quotation:

Notwithstanding these are costly events, but we find that there are many gains from participation in international trade fairs. We think that it is a good and effective way of attracting buyers, expanding networking, and getting new ideas and information on what our competitors are doing. (ExpertGems).

What is more, they can travel to different trade shows in different regions in order to enhance their exposure, as one CEO of WoodFurn stated:

After I travel to many trade fairs and meet so many clients and partners, I have a lot of exposure which makes me see things differently and make me want to move further. I feel more confident of myself. As you make contacts, you're

more exposed to their styles, and you build up stronger relationships with partners.

There was also evidence that a subtle relationship with business clients is crucial in order to gain trust and a long-lasting networking relationship developed at international trade fairs. One way of doing this was through personal visit, as stated in the following:

This year we have been twice to furniture fair in Singapore. To build a trustful relationship, it is not enough to go once. We take it as our duty to go several times. (AnitaSilk)

Other personal relationships include networking with friends, relatives and previous employment, which provided strong grounds for obtaining relevant information, as the following quotation illustrates:

Our sources of contact are various. Mainly through our chairman, he has been involved with industrial sector for more than 40 years. He also has got some international contacts because he has been involved with basic chemical industries prior to establishment of the company. (ThaiCitric)

3) Business Players

The third category for sources of information involved networking with other “business players.” It was evident that the manufacturing SMEs in various industries mainly relied on other companies, customers/clients, agents/distributors, and other business associates for information about international opportunities. One interviewee stated, “It is our agent who inform us about the tastes and preferences of our target market.” (AnitaSilk)

4) Other Sources

The SMEs in this study realized the importance of utilizing Internet/websites and electronic publications, such as e-newsletters and market research, to gain contact and gather information on international opportunities. This

indicates that face-to-face networking with people was supplemented by technology-based interactions as well.

We promote the company on the Internet, we have our own website. Somehow it helps using the Internet, since it has become the source of information today. There are many companies in the world involved with agribusiness, so through Internet, we get to know them and we establish relationships. (AgriBusiness)

4.5.3.3 Pattern of Internationalization

In order to discern the pattern of internationalization, the researcher assessed the motivation, behavior, and pace of internationalization of the case firms and came up with two clusters of firms:

Born global” firms were established on the basis of the entrepreneurs’ intention to seize international market opportunities. They internationalized immediately after inception or within one year from establishment and adopted proactive and structured approaches to internationalization.

Traditional” firms were established on the basis of the entrepreneurs’ intention to seize domestic market opportunities. They took around two or more years to internationalize and adopted an ad hoc, reactive and opportunistic approach to internationalization.

FruitSnack and InterLeather exhibited characteristics of the born global firm due to an aggressive global vision or commenced selling to foreign markets since inception or within one year of establishment. FruitSnack in its first year exported more than 40% of the production to other Asian countries. Hence in the following years, the exports to Asia decreased, but still foreign sales accounted for 40% of total sales. InterLeather initiated exporting from inception and in its first year exported about 70% of the production, but the firm has continued to maintain this ratio up to the present time.

The internationalization behavior of the remaining firms was similar to that of the traditional firms and therefore they were classified as traditional

international firms. Their first steps were unplanned and reactive to events (A&P Orchard, AgriBusiness, ThaiCitric, AluminumFoil), consisting of gradual incremental stages of international growth (WoodFurn), sales through agents and distributors, and financing through internally-generated funds (the latter two account for the majority of the cases).

Thus, it was strongly evident that the majority of firms in this study followed a traditional internationalization pattern. However, two cases of traditional firm exhibited internationalization behavior that was similar to that of the born-again global firms in that they were well-established firms that had focused on the domestic market for a period of time, and then suddenly embraced rapid and dedicated internationalization as a result of some critical events within the firm (A&P Orchard and AnitaSilk).

A&P Orchard demonstrates the change in family business. Due to the inheritance of the business from his parents and coupled with his knowledge of international demand and the competitive advantage of the firm, the owner plans to construct a factory to increase production capacity.

AnitaSilk exemplifies the registration of a new company. For example, Anita Export L.P. was later established to focus on the export market. In fact, these entrepreneurs have changed their business mainly to supply products to international markets. Therefore, the results are consistent with the literature on the “born-again global” firm (Bell et al., 2001) in which the long-established “traditional” firms had suddenly internationalized due to a critical incident or through a combination of several incidents occurring around the same time.

4.5.3.4 Market Selection

According to the literature, psychic distance is important in order to explain how companies choose markets and which criteria they use for choosing them. Psychic distance reasoning asserts that companies begin to be internationalized with geographically- and culturally-close countries, and afterward expand to countries that are psychologically more distant (Johanson & Vahlne, 1977).

Referring to Table 4.5, looking at the companies’ first markets, the majority of them are from Europe, the USA, and Japan, which are geographically- and culturally-distant countries except in the case of AgriBusiness. It can be assumed that

there are two reasons to have customers from these markets. First, these countries have high purchasing power. Second, most of the customers come from these countries. Actually, the companies do not actively search for foreign clients. On the contrary, foreign firms find them, mostly through trade fairs. Therefore, it can be said that companies do not have a specific customer profile.

Considering the empirical findings, they suggest that the companies do not have any criteria such as similar markets, culture, business rules, or languages in terms of choosing the foreign market. If we put these data into the context of the Uppsala model, we get a picture of SMEs going into international markets without paying much attention to the barriers of psychic distance suggested by that model. One explanation of this could be that technological advancement, increasing globalization, increasing number of professionals with international experience in terms of conducting business, as well as traveling, studying, etc. and availability of information enable the firms to overcome the barriers posed by psychic distance quite easily in a short period of time. However, firms still consider market knowledge and cultural awareness to be important variables shaping their internationalization process. Firms recognize the fact that businesses are conducted in different ways in different parts of the world and having proper knowledge about the market and being aware of the cultural differences are essential in order to succeed. Empirical evidence shows that companies need product adaptation after they begin exporting as they have limited knowledge about customers in the beginning stage of their internationalization process.

Table 4.5 The Companies and Main Markets

Company	First international market	Main markets
Asia & Pacific Quality Trade	Japan	Taiwan
Kullanard Grand	USA, Australia, Middle East	Hong Kong, Taiwan, Japan, Singapore
*Expert Gems	USA	China
Agri Business	Cambodia, Myanmar,	ASEAN

Table 4.5 (Continued)

Company	First international market	Main markets
*At East Design	UK, Spain, France, Italy	Japan, Hong Kong, Singapore, Vietnam
KK Interbrand	Switzerland, Germany, UK	EU, Hong Kong, Malaysia, Indonesia
Thai Citric Acid	USA, Germany	China, Singapore
Anita Thai Silk	USA, UK, Australia, New Zealand	Japan, Korea, China, Singapore
Union Inta	USA, Japan	Australia

Note: *The company in which the first international market is no longer the main market due to external-foreign barriers.

4.5.3.5 Foreign Entry Modes

With respect to entry mode, export is the preferred entry mode for SMEs of all the case firms. Additionally, most of these firms have begun exporting recently so they are at a growth level. The majority of the case firms internationalize by indirect export through agents, wholesalers, and distributors. Direct exports to the customers exist only in the food and furniture industry, as explained by Fruit Snack: “Many customers do not like dealing with agents, as they know that they have to pay for it.” While CEO of WoodFurn claimed, “We always try to have direct contact, since agents are too expensive for our type of products.”

As mentioned in the literature these firms believe that exporting is the most popular, quickest, and easiest way for them to become international due to less commitment of organizational resources, elasticity of managerial actions, and fewer business risks. This fits perfectly with the Uppsala model, in which exporting is the first choice to gain internationalization before progressing to other forms of foreign market entry.

4.5.3.6 Source of Financing for Internationalization

As depicted in Table 4.4, the sources of finance for international operations include internally-generated funds (retained profits), family contributions,

grants, and bank finance. However, internally-generated funds such as retained earnings were the most dominant source of finance for international growth and activities. A&P Orchard used debt to finance its international expansion because of its inability to generate surplus earning from the domestic activities to build its own production plant. FruitSnack, ExpertGems, AgriBusiness, and AluminumFoil all had product lines that enjoyed substantial success in the domestic market, thus enabling them to accumulate profits to finance international operations. WoodFurn, ThaiCitric, and AnitaSilk have relied on funds from family members. InterLeather received export initiative grants from government SME supporting agencies.

4.5.3.7 Motivation

The entrepreneur's decision to expand the business activities into foreign markets is never influenced by one isolated motivation (internal or external) but often is the integration of various factors. The first factor relates to the reasons or motives for internationalizing. These motivational factors can be categorized into four groups: internal proactive, internal reactive, external proactive and external reactive motivations for internationalization. A summary of observed firms' motivational factors is presented in Table 4.6.

1) Internal Proactive Motivation

The most-indicated factors for internationalization are internal proactive and the most common motivation for this category is the desire for corporate growth. First, the augmented competition at the local level and then at an international level has made businesses consider the opportunity to enter international markets as a means of growth. Next, most of small firms aim to progress and play a strong role in the marketplace, as is demonstrated in the following quote: "In order to develop the company and products, we need to involve in international markets. Remaining in local markets inhibits firm from growth" (FruitSnack).

Unique design and brand development are the second group of triggering factors for internationalization. An entrepreneur from WoodFurn claims that their products are unrivaled by foreign competitors. "Most of our products are 100% hand made with authentic design which reflect oriental mood and values, so far unrivaled by competitors." On the other hand, firms make an effort to develop their brands on a global scale to achieve a competitive edge during the process of

internationalization. This motivation has been figured to achieve the benefit of prestige discerned by local customers and to develop high-quality products, all resulting in simplifying foreign market entries and the cost efficiency of marketing strategies, as mentioned by an entrepreneur from AnitaSilk.

2) Internal Reactive Motivation

Risk diversification is one of factors that encourage internationalization. The firm will “put all its egg in one basket” if it relies only on the local market. Penetrating to international markets might reduce such a risk. After the successful launch of a qualified product in the home market, the manager from FruitSnack expanded into the US and Australian market. The reason for such a decision was the enhance risk diversification as shown in the following quote: “If something goes wrong in this market, as in the case of deteriorating economic conditions or dramatic shifts in consumer habits, then our firm may jeopardize. When we lost one, we need to have one remain.”

3) External Proactive Motivation

FruitSnack was motivated by the immense opportunities abroad. The respondents claimed that there were a lot of opportunities abroad and indicated that they were “looking for opportunities in the external market.” Market opportunities operate in tandem with larger market sizes, as demonstrated by the respondent of AluminumFoil: “Outside markets are increasing compared to local.”

Globalization forces such as economic integration have enhanced opportunities for SMEs to internationalize due to benefits such as tax deduction policies and minimum or zero fees for foreign entrance for member countries, as demonstrated by a respondent from AgriBusiness: “We choose countries in the Free Trade Zone Area or ones that are under AFTA, because when we import machines from overseas, we don’t have to pay tax.”

Searching for resources such as cheaper raw materials prompted the internationalization of SMEs as confirmed by the same respondent.

Due to their small size and limited resources, most SMEs often face a shortage of working capital. As a result, cash selling is one of the reasons for internationalization, as claimed by respondent from FruitSnack:

The nature of our business is that we have to buy on cash and sell on credit for local distributors such as 7-eleven. Since our business rely on modern trade, is inevitable that we have to give them higher credit term which limit our cash needed for other operation such as purchasing for raw material and machinery. We therefore, we now focus more on foreign market due to their instant payment.

4) External Reactive Motivation

In some cases, the firm's profits and sales in the local market do not emerge as anticipated due to the small size of the local market. This yields a strong motivation for the manufacturer to embark on exporting: "Thailand is still small market for our aluminum foil products compared with foreign market; therefore we are exporting more to Australia due to its greater size and larger consumption," as stated by a manager from AluminumFoil.

The empirical findings from four of the firms (A&P Orchard, AgriBusiness, ThaiCitric, AluminumFoil) were consistent with the literature on the "traditional" firm, where the motivation for internationalization was a reaction to the falling price of agricultural products, excess production capacity, and small home market.

Table 4.6 The Motivation for Thai SMEs Internationalization

	Internal	External
Proactive	<ul style="list-style-type: none"> -Profit (WoodFurn, InterLeather) -Growth (FruitSnack, ExpertGems, AgriBusiness, WoodFurn, InterLeather, AluminumFoil) -Unique product(WoodFurn, InterLeather, AnitaSilk) -*Brand development (FruitSnack, InterLeather, AnitaSilk) 	<ul style="list-style-type: none"> -Foreign market size and opportunities (FruitSnack, AluminumFoil) -Tax benefit from economic integration (AgriBusiness, InterLeather) -*Raising the cash/ cash selling(FruitSnack) -*Searching for resources(AgriBusiness)

Table 4.6 (Continued)

	Internal	External
Reactive	-Risk diversification (FruitSnack, WoodFurn) -Excess capacity (ThaiCitric) -To solve falling price of agricultural products (A&P Orchard, FruitSnack, ThaiCitric)	-Small/saturated domestic market (AluminumFoil) -*Follow client, i.e. MNCs (AgriBusiness)

Note: *Not mentioned in the literature review but emerged from the findings in this study

4.5.3.8 Barriers

The barriers were analyzed using the Leonidou's (2004) classification. Therefore, as is presented in Table 4.7, the barriers are discussed separately according to four groups: internal-domestic, internal-foreign, external-domestic, and external-foreign barriers.

1) Internal-domestic Barriers

It can be observed from Table 4.7 that most of the organizational barriers associated with the firm resources (lack of managerial personnel, insufficient production, and financial capacity) have been identified by A&P Orchard. The managing director stated that "we only have three experienced personnel which look over everything in the firm such as accounting, sourcing of raw material, and R&D."

Firm production capacity was another internal constraint for the SMEs and was largely determined by financial constraints: "At the moment, I don't have enough capacity to produce large quantity. Currently, we rent a factory since we have no money to have our own," as explained by an entrepreneur from A&P Orchard.

Hence these barriers could also be related to the firm's international growth strategy. The entrepreneur does not want the firm's rapid growth; he prefers to grow gradually. Hence this entrepreneur behavior is not so surprising as he sells almost 95% of the products in the home market.

The second important internal domestic barrier is the shortage of raw material. The sales manager of ExpertGems stated, “We have to focus more on domestic market as there are shortage of raw material in Chantaburi during the last 15 years. Only 70 businesses remain compared to 700 earlier.”

2) Internal-foreign Barriers

Only one barrier was identified in this category, which was high transportation and insurance costs: “We used to focus on EU market, but due to high freight and insurance cost, we have to reposition our market by exporting more to Asia as we are unable to offer competitive price,” as mentioned by a managing director of WoodFurn.

3) External-domestic Barriers

The main barrier found in the firm’s external environment of the domestic market was the home political situation. The political unrest in Thailand in the fourth quarter of 2013 had furthered SMEs from making a recovery after being affected by the global economic recession in the same year: “We have lost income from international sales as foreign buyers are afraid to join the trade due to political violence of our country,” lamented an entrepreneur from case WoodFurn.

The minimum wage policy and the monopolization of raw material have affected the international competitiveness of Thai SMEs in the labor-intensive industries, which also include manufacturing: “We are suffering from the three hundred minimum wage regulation as workers shifted to sectors offering better pay and benefits such as the automobile/auto parts and electronics...as a result, we have to employ unskilled workers from Cambodia and Myanmar which reduce our foreign buyer confidence,” as stated by InterLeather. Further, an entrepreneur from AnitaSilk claimed that “this monopoly on cocoon has been for such a long time. Therefore, the government should initiate corrective actions through price regulation to enable Thai textile industry to offer more competitive prices in the world market.”

4) External-foreign Barriers

The main external-foreign barriers claimed by most firms was the impact from the global economic recession which reduced dramatically foreign sales due to the diminishing purchasing power of consumers: “Our business is directly connected with global economy as the majority of our business partners are from foreign countries. However, after global financial crisis, we have to focus more in the domestic market by retail selling,” recounted an entrepreneur from ExpertGems.

Another distinctive barrier inhibiting the international operation of SMEs is the excessive price dumping by foreign competitors, particularly China: “Eight years ago, we used to export most of our production. However, we fail to compete with China due to price dumping. This lead us to export only 5-25% of our production,” as explained by ThaiCitric.

Table 4.7 Barriers for Thai SME Internationalization

	Internal	External
Domestic	<ul style="list-style-type: none"> -Lack of managerial personnel/time (A&P Orchard) -Insufficient production capacity (A&P Orchard) -Shortage of finance (A&P Orchard, AgriBusiness) -*Lack of resources i.e. raw material (ExpertGems) 	<ul style="list-style-type: none"> -Lack of assistance/incentive/promotion from the government (A&P Orchard) -*Lack of effective internationalization policies and programs (ExpertGems, InterLeather) -*minimum wage policy (ExpertGems, InterLeather) -*monopolization of raw material (AnitaSilk, AluminumFoil) -*home political situation (A&P Orchard, FruitSnack, WoodFurn, InterLeather, AnitaSilk, AluminumFoil)
Foreign	<ul style="list-style-type: none"> -High transportation and insurance cost (WoodFurn) 	<ul style="list-style-type: none"> -Imposition of high tariff/non-tariff barriers (AgriBusiness) -Keen competition in foreign market i.e. *dumping of goods (ThaiCitric) -Unfavorable/fluctuating foreign exchange rate (WoodFurn) -*Global economic recession (ExpertGems, AnitaSilk)

Note: *Not mentioned in the literature review but emerged from the findings in this study

4.5.3.9 Factors Regarding the Firm's Internationalization

The findings indicate that the key drivers affecting the internationalization process of SMEs in this study included firm-specific and key personnel factors.

1) Firm-specific Factors

The firm-specific factors included the firm's resources, competency, demographics, and entrepreneurial orientation. The resource dimension was analyzed using Barney's (1991) theory, which is categorized as human capital resources, physical capital resources, and organizational capital resources. The production resources and financial resources will be discussed in the physical capital resources. The organization resource focuses on management autonomy.

(1) Firm Resources

The interviews revealed that six industries believed that the existence of skilled, reliable, and competent employees substantially affected the ability to internationalize, as one key executive acknowledged: "All these recognition, awards, and certificates can't be achieved without the employees. It is the team work" (AgriBusiness). The employees' efforts accomplish internationalization. Yet, competent human resources alone cannot realize internationalization; strong and adequate financial resources are also critical, as the following comment reveals: "If you want to go global, you must be strong financially. That is number one. Number two is staff, especially technical staff. They must be capable. They must be educated. They must be loyal and competent people, who can help you promote your product overseas and also help to deliver proper design and quality for overseas' customers" (A&P Orchard).

The involvement of the whole organization played a vital role in the internationalization process. This suggests that the success of international ventures involves the commitment of sufficient resources and support from the organization and family members, and requires entrepreneurs to integrate all of these resources, as the following statement illustrates:

We have to have supportive people, our husband, our children and our staff. In business, it is not a one-man show, but the whole system has to work together, the structure, the organization and everything. To be a woman entrepreneur, it is stressful, but, I believe, these are my strength. (ThaiCitric)

Concerning production resources, several items such as upgraded technology, accessibility to raw materials, the availability of R&D facilities, and the location of the production site, were seen as being crucial for internationalization. Seventy-seven percent of the respondents, particularly in the food & beverage, gems, furniture, leather, and garment industries, believed that these physical resources affected the development of the production capabilities required for internationalization, as one CEO of a chemical company claimed: “Our main strength is the production facility; we have our own factory that give us competitive edge,” (ThaiCitric), while another CEO of a textile company mentioned, “We have upgraded our machines to more advanced technology to cater to increasing demand for sophisticated design and shorter lead time. This way we can compete with the world players.”

Apart from the requisite production capabilities, management autonomy is also critical for the international growth of the firms. The analysis of the case firms revealed that it was important that the owner/founder delegate power or decision-making authority to its management team for them to be independent in implementing internationalization strategy and to bring about changes required for such purposes. Evidently, management autonomy extended a firm’s capabilities and was promoted in all of the industries. The importance of autonomy is shown in the following statement:

“We have a very open type of management. As you can observe from our office layout, we are small, very flat organization, everybody talks to everybody. They can free to ask all their bosses any concerns and free to forward ideas.” (WoodFurn)

(2) Firm Competencies

Firm competencies empower elements that enhance the capability to internationalize. Three elements of firm competencies were identified: products, value-adding, and international strategies. Competencies related to products were identified by 88% of the respondents, which included: “quality products;

customized products; different product designs; product varieties; innovative products; good/beneficial products; safe products; and unique products.”

The elements of value-adding were mentioned by more than 50% of the respondents and are highlighted below in Table 4.8. Value-adding strategies can be classified into groupings that are related to standards, services, and image.

Table 4.8 Value-added Elements Influencing SME Internationalization

Elements of Value-added		
International Standards	Services	Image
-Good manufacturing practice	-Good packaging service	-Brand development
-Meet international standards & requirements	-Prompt and exact delivery	-Firm reputation
-Receive international certifications	-After sales service	-Gain customers trust
	-Maintain good service	-International recognition
	-Meticulous designs	-Pioneer company
	-Offer social responsibility	
	-In-house demonstration	

Next, the respondents were asked about their strategy for internationalization. As depicted in Table 4.3, the majority of firms did not have planned international strategies when they first entered the international market. Rather, their international growth strategies were opportunistic, *ad hoc* and reactive to particular circumstances, such as excess production capacity or the business expansion of MNCs. This can be explained with the network theory. Firms or entrepreneurs seem to seek opportunities through their business relationships with others in the network while others are reactive to *ad hoc* circumstances such as unsolicited orders or growth in the domestic market. This pattern was particularly strong for the majority of industries for the reason explained below:

In the commodity industry, our approach changed every six months. That way, we are able to position ourselves. We have to adapt to changes. We cannot

adopt one strategy. When our movements or sales are limited, we have to change according to the needs and the environment. (AluminumFoil)

Others want to ensure minimal risks for their companies and preferred to “expand according to the firm strength and capability” (ThaiCitric). However, two firms did exhibit some characteristics of planned international strategies as illustrated in the following excerpts:

The goal of our company is to become Asia Brand by 2015. We want to bring our Thainess to the world and at the same time we aim to develop quality product which conforms to international standards. Even though our brand may not be familiar to foreign consumers, but we can wait as we believe that there is no short cut to brand development. (FruitSnack)

We are very sure and focused on what we want to do. When we went to China, we knew we want to established subsidiaries in Shanghai and Nanning. So we learned about the regulations and procedures. (ExpertGems)

As regards products sold internationally, most case firms used either their existing product range and/or adapted them to suit the needs specific to foreign markets. Only one firm (AnitaSilk) revised some of its product line on the advice of its Singaporean agent.

The internationalization strategies of two firms exhibited characteristics similar to those of born-again global firms in that they developed detailed growth plans subsequent to the critical event that led them to become globally oriented. These firms also adapted their existing products for the international markets.

In summary, the international strategies of the majority of case firms exhibited characteristics similar to those of traditional firms. Even though some developed or modified their product lines for overseas markets, their international expansion was a result of opportunistic discovery (chance) rather than a purposive plan.

(3) Firm Characteristics

a) Size of SMEs

Limited resources (especially capital resources) were identified as an important factor that distinguished the strategic behavior of small firms from that of larger firms. In the context of internationalization, the resource scarcity of SMEs may impact their pace to capture business opportunities and/or enter foreign markets. In other words, due to their small size, SMEs are perceived to have fewer resources and to take longer periods to permeate overseas markets. The findings of the effect of size of SMEs on internationalization seem to contradict those typically discussed in the literature (Mason & Pauluzzoo, 2008). They are consistent with the finding of the OECD (1997), which revealed a negative relationship between the firm's size and its activities. For instance, InterLeather internationalized immediately after establishment while FruitSnack, ExpertGems, and WoodFurn took between one and five years.

b) Age of SMEs

Next, the demographic element that will be discussed is the firm's age. There was a strong indication that the time between the firm's establishment and the first year of exporting was an important indicator of later export intensity (measured as the percentage of sales in international markets). According to the stage model, it was expected that old firms and firms that had exported for a long time would have a higher export intensity than younger firms and firms that had been exporting for a shorter period of time. Only one case (AnitaSilk) was consistent with the literature review. However, the empirical evidence shows that old firms trying to export several years after they are established seem to be "losers" in terms of export intensity and export sales (ExpertGems and AluminumFoil). Therefore, there is no agreed position on the impact of the age of the SME on its ability to internationalize.

c) Type of Ownership

The literature indicates that family businesses are less internationally active than non-family businesses (Donckels & Aerts, 1998). Some of the stated reasons are that family businesses are more oriented to their domestic markets and that their owner-managers are more risk averse and less educated than the managing directors of non-family businesses (Gallo & Sveen, 1991). However,

empirical findings show mixed results for both family and non-family businesses. For non-family businesses (ExpertGems, AgriBusiness, WoodFurn, InterLeather), the former two firms fail to follow earlier findings. Two firms (WoodFurn and InterLeather), however, did experience rapid international growth, which was made possible because of the internally-generated funds from their dominant market position. For family businesses (FruitSnack, ThaiCitric, AnitaSilk, and AluminumFoil) Anita Silk exhibited high intensity of international activity which is not in line with the review of the literature.

The findings above identified “what” and “how” firm factors act as key drivers of internationalization. The next concern is to examine “who” affects the process and “how” they do so.

2) Key-personnel Factors

The third group is the key characteristics of owners/managers. The analysis of the case firms found that the characteristics of the key personnel of SMEs had a substantial influence on promoting internationalization and that these include their age, educational background, work experience, international exposure, interpersonal skills, and entrepreneurial orientation. Furthermore, these characteristics were supplemented by having a virtuous personality and a positive attitude toward business dealings, which included honesty, ethical conduct, and high integrity in their business transactions.

With respect to age, education, and work experience, the majority of entrepreneurs were young, with the average age of 43 years, had obtained a bachelor’s degree from university, and had previous work experience before joining the company. The key managers had worked in private or public sectors and MNCs, apart from their own company. The level of expertise also varied, ranging through industrial or production-line, managerial-level or R&D experience. This variety helped nurture their experiences, thus better equipping them to deal with the challenges of internationalization. One CEO described his experiences as follows:

I started as an employee at an aviation company and then became an entrepreneur. I was keen about international business rules and procedure. So I know what to expect in global business. (A&P Orchard)

As emerged from empirical findings, another key personal factor which influenced the SME's decision to internationalize was its international exposure and this include following government-organized business trips (InterLeather), participating in international exhibitions (all case firms), and studying abroad (more than half).

Apart from the importance of knowledge and experience and international exposure, having a virtuous personality and positive attitude were seen to be necessary for the internationalization of SMEs. One manager expressed the desirable personality and attitudes as follows:

Preseverance, a good attitude, passion, and positive thinking are my characteristics. I'm very passionate about what I'm doing, I think positively and always keep trying. I never think that one decline is a setback to me. (FruitSnack)

The next key personnel factor which was seen as being critical for the international growth of the firm was the interpersonal skills or networking relationships with other stakeholders. This relationship, as indicated earlier, could assist the firms in accessing market knowledge, international contacts, and the resources and capabilities needed for international expansion, as one CEO pointed out:

I'm really grateful to apply for the membership of the Office of SMEs Promotion as this helps us to join business matching, seminars, and exhibitions abroad which is very beneficial for a new company like us to establish international network relationship and gain international recognition in just a short period of time. (InterLeather)

Moreover, these characteristics were supplemented by having high integrity in their business dealings.

The owner from WoodFurn proudly recounted one incidence in which an Iranian designer of Armani had ordered decorative lighting products and

unintentionally transferred excess funds to her business bank account. She said, “I was surprised to receive 400,000 baht and immediately returned the money. This resulted in a long-term business relationship which persists until today.”

Taken together, these characteristics enable the SME owners/managers to gain trust and respect, not only from their own employees, but also from business partners and local and foreign associates. This facilitates the process of internationalization.

Lastly, the last key personnel factors which influenced the propensity of SME internationalization was entrepreneurial orientation (EO), which included the extent of risk-taking, innovativeness, and proactiveness of the top manager.

Risk taking involves the willingness to make a large resource commitment to venture into unfamiliar situations. The analysis of the case firms that had an ongoing commitment to internationalization indicated that the degree of their internationalization was influenced by their access to financial resources, as well as their willingness to commit financial resources to internationalization-related activities. The owner and manager of all of the case firms exhibited reluctance to commit financial resources to internationalization-related activities through financial borrowings. Rather, they relied on internally-generated funds such as retained earnings from their performance in the domestic market to fund international growth and activities. InterLeather was the only exceptional case; the firm obtained an export subsidy from a government export-related agency which was their early source of finance for entering the foreign market: “The most valuable grant was the one from the Department of Business Development which enable me to attend the first international exhibition. The Innovation showcase Fair in Malaysia in 2011 help open the doors to international exposure. We were able to present our product and attract a distributor.”

Another entrepreneurial attribute was innovativeness. All nine industries, particularly the food and beverage industry, strongly supported new ideas and sought creativity to enhance their international positions, as the following quote demonstrates:

Innovative idea is our strength. Instead of selling fruit snack as others already did, we introduce fruit puff in a shape of rose which attract Taiwanese market as they buy from us and later sell in 7-eleven store in their country. (FruitSnack)

Proactiveness is demonstrated in how the firm takes initiatives to shape its capabilities in order to seize new business opportunities overseas. Examples of the initiatives taken included: seeking information on new or unexplored markets, introducing new products and product designs, establishing product brands, and enhancing production capability.

The findings revealed that only SMEs in the food and beverage industry were proactive, as the following statements demonstrate:

Our mangosteen juice is 100% organic production. It is chemical-free. We don't use preservatives or any colorings. We guarantee 100% pure and natural-based juice. (A&P Orchard)

In today's business, it is important that we find a right business partner, We have to find our strength and how we can gain synergy by collaborating with other. For example, we enter into business alliance with Uni-president who has well-equipped production facility to cater to the increasing demand for our wafer products which also save our production cost. (FruitSnack)

The majority of SMEs were not very proactive when internationalizing their firm, as the internationalization of most firms was implemented as a result of excess production capacity and unsolicited orders. As one respondent commented, "We do not search for customers. In fact, they come and approach us at fairs and present us the specification and design of products that they want." (WoodFurn)

3) Firm's Perception of Governmental Support Programs

Many of the SMEs owners/managers recognized and are interested in the available government support service. However, only three firms actually used the support service, namely InterLeather, FruitSnack and ThaiCitric, as

a result of their membership in government agencies. The main reason was that most of these agencies independently offered the service to SMEs without integration or coordination among one another: "I do not know which institution can do for my business" (A& P orchard). Second, there was lack of strong commitment and continuous support for internationalization: "The benefits that my business can get from government support service is not durable. Most of the incentives and campaigns are available only in the initial stage of the government administration" (Anita Silk). Third, even if the entrepreneur knows about the kinds of support available and is interested in obtaining it, he/she has to face lobbying, and bureaucratically and nontransparent procedures: "Our project fulfilled all conditions, but because of lack of collateral, we do not receive financial support. I think that this is mainly about bribery." In addition, most of the entrepreneurs viewed that they still had limited access to financial sources as the government gives priority to firms that have a high potential to succeed internationally. The last problem is related to the lack of trust. Entrepreneurs do not believe that national or regional institutions have real interest in helping with the firm's development: "I do not trust them (the national or regional institutions. Simply, I can not imagine that there is someone who knows the problem of mine better than I know." (AgriBusiness)

On the other hand, the existing government support services were not perceived by the entrepreneurs as useful for achieving the internationalization of their business: "I truly agree that SMEs still need government support in various areas, such as laws, tax and regulation information. But, the training course or seminars being offered are too general, and the knowledge provided is not tailored to the different needs of SMEs" (A&P Orchard). Furthermore, the perceived increase in access to the international market seemed to be the least useful for them and had the lowest influence on their intention to internationalize because they felt that their own personal network was more effective than the channel provided by the government. Some perceived that government support in terms of access to foreign markets only widened their view of the international market but that they had to continue to rely mainly on their connections and networks. Moreover, the interviewees also expressed concern that they still had to pay a lot of expenses by themselves to join the international "road show" with the government: "From my past experience,

government agency usually publicize more than reality, In fact, the firm has to pay much more than what agency has promised. Such representation is useless” (AluminumFoil).

4.5.4 The Nature of the Thai SME Internationalization Process

The internationalization strategy development of SMEs is a function of the objectives, internal factors, and external factors of the individual firms. The strategy may be formulated through a conscious process before the managers make specific decisions, or it may form gradually, even unintentionally, as the managers make their decisions one by one.

Contrary to what is noted in the literature, Thai SMEs do not have a fixed or predetermined plan for any product/service or any operation mode (location, partner, commitment, or ownership structure). Rather, they have spontaneous planning or make plans but only for the immediate future so that they can react quickly when the situation changes. They keep a constant watch on the market to find out what is in demand and then study internal resources and consult with partners in their network to find out whether they can supply a good or service. Furthermore, they are highly adaptable and are able to flexibly change their internationalization strategy or withdraw altogether their international activities and wait for other opportunities. For example, the management of ExpertGems had to decrease their export volume and focus more on the domestic market due to a shortage of raw material and the global economic recession.

In summary, it has been clearly demonstrated that the Thai SME internationalization process is not a systematic planning process. Rather, it reflects an experimental learning process on the part of management. However, this learning process does not result in progressive international expansion but in strategies for either expansion or contraction contingent on emerging situations.

CHAPTER 5

DISCUSSION, IMPLICATIONS, AND CONCLUSION

5.1 Introduction to the Chapter

This chapter provides the discussion, implications and conclusions of the thesis. The discussion is organized according to the objectives, and the findings of the thesis are put into the context of current academic knowledge. This chapter extends the review of the main theoretical insights on the internationalization behavior of SMEs and the key influential factors affecting the internationalization process.

The chapter begins with a discussion of the research findings in relation to the four research objectives. This is followed by the theoretical contributions and a discussion of the model of initiation of Thai SME internationalization as proposed by the researcher. It also presents the implications of the findings for policy and practice that may be of interest to academic researchers, policymakers, and practitioners. The limitations associated with the present study and recommendations for future research are also provided. The chapter concludes with a summary of the contributions that this study makes to the extant knowledge of SME internationalization.

5.2 Discussion on Research Findings and Contributions to Theory

The key findings for each of the four research objectives are summarized and explained within the context of current academic knowledge.

5.2.1 To Determine How Entrepreneurs Become Aware of and Gain Access to Information about International Market Opportunities

Globalization, together with the reduction in trade barriers and tariffs due to regional economic integration, has triggered awareness of international market opportunities for SMEs. The majority of SMEs in this study viewed that such

economic integration will not only offer them new opportunities to find cheaper raw materials and expand their customer base, but also opportunity to relocate their production base.

The other important triggering factor is “following the global trend.” In this study, the participating SMEs grasped international market opportunities through globalization trends such as the growing demand of health-conscious consumers around the world for organic products, the proliferation of niche customers due to changing consumer preferences, and requirements from overseas partners.

Awareness of international opportunities is also influenced by the domestic and foreign networks developed by SMEs founders and/or managers. When searching for international opportunities, it is the firm’s founders or the firm’s corporate executives that initiate links with others, which supports Johanson and Mattsson (1988) network approach, which indicates that “being connected with other actors allows SMEs to gain knowledge on foreign markets”, which matches the findings of other studies including Johanson and Mattsson (1988) and Liesch and Knight (1999).

There is a variety of means and directions for the creation of networks. The study found that networking with institutions (government or non-government institutions), other players (other firms, agents/distributors, suppliers), and personal relations (friends, families, and clients) are a major source of information for international business opportunities.

5.2.2 To Explore the Pattern (Pace) and Dimension (Entry Mode, Market Selection, and Source of Finance) of Internationalization of Thai Manufacturing SMEs

In order to discern the pattern of internationalization, the number of years after inception that the SMEs began their foreign business activities was examined. The results showed that a traditional internationalization pattern was strongly evident, in which the majority of SMEs were established on the basis of seizing domestic market opportunities before undertaking any international involvement. They usually took more than three years to internationalize and adopted *ad hoc*, reactive, and opportunistic approaches. Another interesting finding was that some of the SMEs exhibited patterns similar to those of the born-again global

firm, which supports Bell et al.'s findings (2001) in that they were well-established firms that had focused on the domestic market for a period of time, and they suddenly embraced rapid and dedicated internationalization as a result of some critical events within the firm, such as change in management.

When it comes to the choice of foreign target market, Thai SMEs did not follow psychic distance reasoning of the stage theory, which asserts that the companies will begin to be internationalized with geographically- and culturally-close countries before proceeding to distant markets (Johanson & Vahlne, 1977). In fact, the companies chose distant countries as their main markets. The reasons are that customers from geographically/culturally-close countries do not have purchasing power so the market is not promising. Furthermore, the choice of market is driven by demand and price factors. They were willing to enter any market where there was a perceived demand for their products and a good market price. It seems that markets were typically not selected as a result of thorough market analyses. Rather, they used intuition and relied on experience. They asserted that formal methods were only theoretically useful but were not practical.

With regards to foreign entry modes, the operating methods involved direct exporting and indirect exporting (through agents/distributors). This seems to support the notion that firms have an initial preference for low-commitment entry modes due to the lack of appropriate experience and knowledge about international markets, which fits perfectly with the Uppsala model idea of exporting as the first step to entering the international market (Johanson & Vahlne, 1990). The choice of exporting as the main entry mode may also be associated with the type of business ownership. According to the findings, the majority of case firms were of the family-owned type and exhibited a conservative approach to internationalization. They were less likely to internationalize and were only triggered to do so when their firms were in a strong domestic position, had available resources, production capability, and managerial ability. As a result, they tended to adopt a low-commitment or less-complicated mode of entry, which confirms the findings of De Vries (1993).

Lastly, concerning financing for international operation, internally-generated funds, which include retained earnings and family contribution, were the most popular sources of finance for international growth strategies. The performance of the SMEs

in the domestic market largely determined the funds available for international growth. The SME managers/owners tended to re-invest the retained profits in the business instead of debt finance. Moreover, family contributions also generated sufficient internal funds for these second- and third -generation SMEs managers to finance their international operations. This suggests that SMEs exhibited characteristics similar to those of traditional firms by adhering to a pecking order when raising additional finance, favoring internally-generated over long-term bank loans and overdrafts.

5.2.3 To Identify the Driving Forces that Foster and Hinder the Internationalization Process of Thai manufacturing SMEs

The driving forces for internationalization include the motives, barriers, and perception of government support services.

The most common motivations for the firms to internationalize their operations were that it presented a growth opportunity that was not available to them in the domestic market, and enhanced their competitiveness and risk diversification. Internationalization was also perceived to be one way to maximize profit and raise awareness of the firm's product/brand. The firm that developed a global orientation and exhibited dedication to international growth was motivated by the desire to exploit opportunities and to raise liquidity levels. In summary, the trigger and motivation for internationalization of the majority of the case firms were similar to those of traditional firms, where the trigger for internationalization was reaction to the falling price of agricultural products, small domestic market, excess production capacity, and following the client. Their main motivation for international activity was the need to grow their business in order to compete. Two firms exhibited characteristics similar to those of the born global firms, with a proactive and structured approach to internationalization, particularly grasping international business opportunities from regional economic integration.

Regarding the barriers to internationalization, the majority of case firms appeared to face the problems as mentioned in the review of the literature but to different degrees. As the literature on internationalization suggested, lack of international competent personnel is one of the significant barriers. This is an

important issue because it takes time to overcome this with training and experience. It was also found that financial barriers were a significant obstacle for companies, especially at the beginning stage of internationalization. The companies had problems when it came to investing in machinery and buying raw materials. Most Thai firms do not have access to the required financial resources to be sufficiently proficient to increase their production capacity. In addition, other source of barriers in Thailand and so many other developing countries is a lack of government incentives/assistance for internationalization such as low-interest loans, grants, or tax breaks.

Thai SMEs have also faced other barriers not mentioned in the literature due to their environment and individual circumstances. The present finding in the Thai context indicates that one of the significant barriers which inhibit internationalization is the past political instability. SMEs businesses have been severely impacted by a decrease in the numbers of foreign customers at trade fairs, resulting in declining orders from clients. Clients are shifting their orders to other countries, as Thai enterprises have not been able to ensure a fixed time for goods delivery due to escalating violence and protests in the country. As a result, SMEs in general are experiencing revenue contraction by at least 40%, and many of them have suffered a tightening of their cash flow due to delays in payments for products and services by trading partners.

Other barriers include the 300 baht minimum wage policy and monopolization of raw materials that have increased production costs and reduced the ability of SMEs to offer competitive prices in the world market. Excessive dumping by foreign competitors, particularly China, also hampers the firm's international activities.

5.2.4 To Determine the Key Factors that Influence the Decision, Strategy and Implementation of SME Internationalization

The empirical findings revealed that the characteristics of SME owners/managers, firm-specific factors, and their attitudes toward government support programs have been significantly influential on their intention to internationalize. This study uncovered some pertinent issues and components concerning these three factors.

5.2.4.1 Key Personnel Characteristics

The characteristics of the key personnel of SMEs are important factor in developing the organizational capabilities for internationalization. In this research, six attributes were analyzed, namely: educational background, work experience, managerial vision, international exposure, networking ability, and entrepreneurial orientation (EO). These attributes of key personnel are consistent with earlier studies on firm internationalization (Reid, 1981; Angelmar & Pras, 1984; Burt, 1997). Furthermore, these characteristics were supplemented by having a virtuous personality and positive attitude in business dealings, which include honesty, ethical conduct, and high integrity in their business transactions.

With respect to age and educational background, the majority of SMEs were young and had a minimum of a bachelor degree. However, the empirical findings on the key personnel factor of age and education were ambiguous in this study. For example, even though the entrepreneur of AluminumFoil was only in her mid-30s, the export intensity of her company was only 20%, which is inconsistent with the review of the literature. Other exceptional cases included entrepreneurs from the food and leather industry that were able to rapidly expand to the international market without a master degree or higher education. As a result, the findings on the Thai entrepreneur's age and education level were inconsistent with previous research.

In terms of work experience, the majority of SMEs had previous work experience in various fields before joining the company. This gave them immense exposure that shaped their managerial capabilities, perceptions, personalities, and attitudes towards internationalization. In addition, their industry-specific experience allowed them to become more acquainted with the international market, which is consistent with Stoian's findings (2007).

According to the managerial vision, which is another critical key personnel factor affecting the firm's decision to internationalize, it was found out that the case firms in general focused on seizing domestic market opportunities before gradually undertaking any international involvement. This can be matched with the traditional internationalization patterns. Even though two case firms, namely Expert Gems and Wood Furn, exhibited a born global approach due to the fact that they were established with an initial focus on the foreign market, they recently have had to

reposition their marketing strategy by focusing only on the domestic market due to the global economic recession and shortage of raw materials, and high transportation costs, respectively.

Next to the demographic internal factors is the factor of experience abroad of an entrepreneur. There was broad international exposure present in the majority of case firms in this research. The entrepreneurs had experienced being abroad by visiting current or prospective customers, attending foreign trade fairs, and following government-organized business trips. Moreover, more than half of the respondents have lived abroad for studying, which gave them a high level of English language proficiency, fostered their global mindset, and made them highly adaptive and innovative in their cognitive ability.

In terms of interpersonal skills or networking ability, the SMEs owners/managers have built relationships with other business players, and their internationalization activities were dependent upon foreign-established relationships with agents and distributors. SMEs could not expand their foreign activities without a business network. It could be argued that the networks may compensate for a possible lack of knowledge and experience on the part of the owner/manager.

Lastly, the entrepreneurial orientation of the owners and or management team emerged as an important influence on the level of commitment of financial resources towards internationalization as well as attitude toward risk taking. Due to the risk adverse nature of Thai SMEs owner/managers, internally-generated funds (retained profits) rather than loans from financial institutions were the preferred method of financing for international operations. This may be explained by cultural effects within Thai society based on Hofstede's study in terms of uncertainty avoidance.

5.2.4.2 Firm-specific Factors

Apart from the key personnel characteristics and traits, Thai SME internationalization is supported by firm-specific factors of resources and firm competencies. Market knowledge is viewed as a resource in the Uppsala model and the model suggested a direct relationship between market knowledge and market commitment. Regarding the findings, the case firms did not have much market knowledge at the beginning, but they have made important use of overseas partners

and agents to indirectly gain foreign market knowledge. The primary source of know-how still seems to be derived from their own experience and news, the media, and customers. These actions seem to correspond to a more behavioral approach.

In terms of physical resources, the analysis of the case firms indicated that SMEs with strong financial support, sufficient production capacity to meet both domestic and international demand, the ability to reliably produce high-quality products at internationally competitive costs, and the ability to develop an innovative product line and designs, or adapt the existing lines to meet international compliance are more likely to gain success internationally.

Moreover, information technology was also found to be important for the internationalization of the case firms. This is consistent with the findings of Davis and Harveston (2002). The development of a comprehensive company website was important for developing brand awareness and for attracting direct sales opportunities in overseas markets. It was also an effective way to provide timely customer service to the firms' international customers. Additionally, information technology was also an important tool for gathering information on issues such as potential customers, competitors, and product and pricing decisions for particular overseas markets.

Regarding managerial resources, the analysis of the case firms revealed that it was critical that managements be independent in implementing an internationalization strategy and to bring about changes required for such purposes. An autocratic domineering style of leadership and the unwillingness of the founders to give total control over to the management deprived them of the independence required to implement internationalization-related strategies. Previous research revealed that the autonomy of the management team was positively related to SME innovation, an important driver of internationalization (Knight & Cavusgil, 2004). Consistent with the previous research, the findings for the two case firms, namely WoodFurn and AnitaSilk, showed that the independence of management from the founder/owner fostered the firm's capability to develop unique and innovative products.

Overall, these factors enabled the SMEs to build firm competencies in terms of product viability, value-adding, competitive advantages, and international compliance. The resources and competencies empowered the SMEs to set plans and strategies for internationalization, and influenced their pace, market selection, and

foreign entry modes. The importance of firm competencies fits Barney's RBV, which focuses on intangible resources as a means to enhance the firm's competitive advantages when expanding abroad.

5.2.4.3 Perception Toward Government Support Service

Overall, the respondents perceived that the increase in government support services affected their intention to internationalize. However, few SMEs actually accessed or made full use of these services. This is generally related to their perception of government support services, which can be categorized into knowledge, access to financial support, and access to foreign markets.

Regarding knowledge, the entrepreneurs perceived that what they have received so far has been too general and often at the macro level. They need more in-depth and up-to-date market and consumer information as well as channels to access such knowledge. Also, the market opportunity analysis from reliable sources or consultants and information should emphasize the "how-to" of international expansion more than general information. Moreover the knowledge provided is not tailored to the different needs of SMEs; the participants should be grouped together based on their needs. This can be easily achieved by preliminary interviews and selection processes.

Regarding access to financial support, the entrepreneurs viewed that government officers overlook prospective entrepreneurs and support only those firms that have a strong network, which is consistent with Cavusgil's study (1980).

Regarding access to foreign markets, the entrepreneurs perceived that their success came from their own abilities and perseverance, which is consistent with Rojtheeravanich's findings (2007). However, it was felt that the government should continue to support them in various ways, such as continuous road shows and trade mission support to help identify new market opportunities and to facilitate negotiation with foreign governments in terms of taxes and regulations.

5.2.5 To Develop an Integrated Model Which Explains the Initiation of the Internationalization of Thai Manufacturing SMEs

In line with the debate that only one theory cannot explain the internationalization process of SMEs, this study has integrated various theories of

internationalization, which include the stage, network, international entrepreneurship, and resource-based views. Because this integrated approach has not been previously taken, this study adopted a qualitative approach to explore the “how and why” of SME internationalization in the Thai context.

Based on the previous literature review and research findings, a model of the initiation of the internationalization of Thai SMEs is presented in Figure 5.

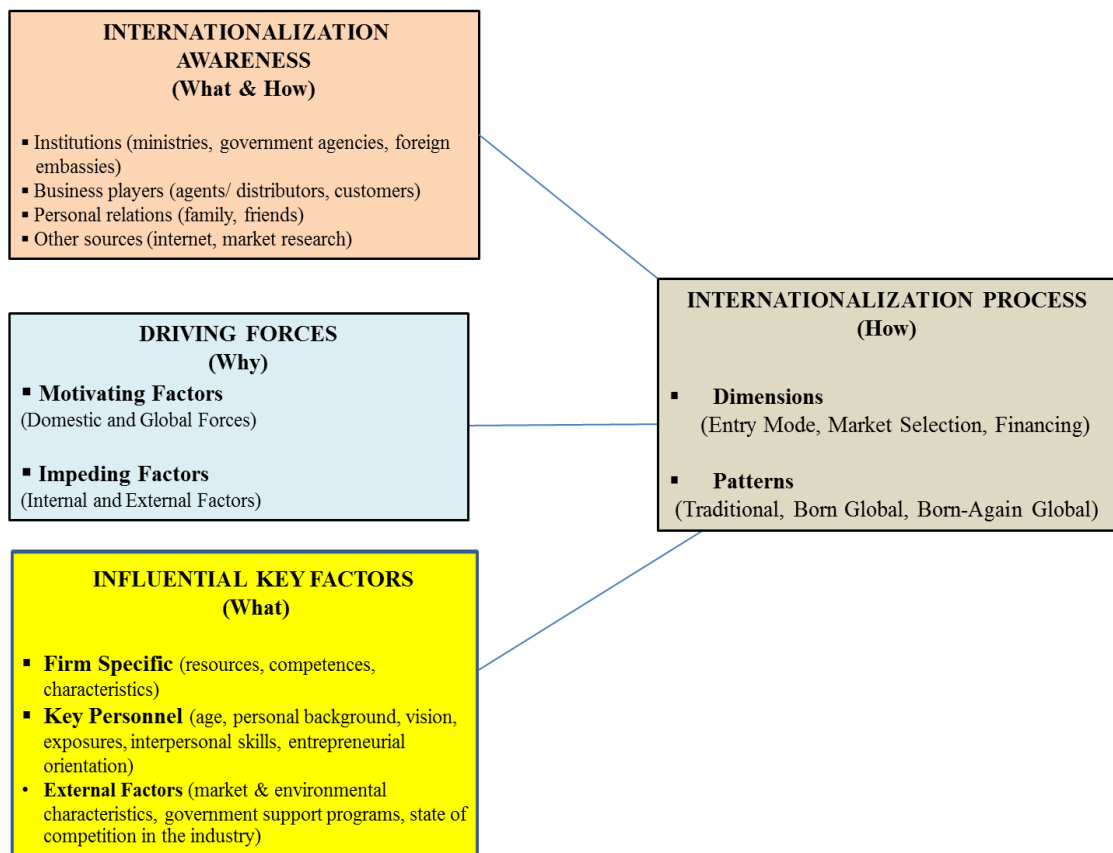


Figure 5.1 Proposal of Model for the Initiation of SME Internationalization in the Context of Thailand

The model explains the initiation of the firm’s internationalization as well the mode of entry and market selection as result of the firm’s planned strategy or as a spontaneous reaction to internal and external stimuli. In both cases this process is influenced by a set of interrelated factors which include awareness, driving forces, and the key factors that influence internationalization. This provides a new perspective in understanding the internationalization process of SMEs.

5.3 Implications for Researchers

This study has provided some very interesting insights into the internationalization process of SMEs in Thailand. From a theoretical perspective, it has been demonstrated that the combination of different theoretical perspectives (gradual-behavior or stage model, network, international entrepreneurship, and resource-based view) can be an effective approach to examining and understanding the internationalization process of SMEs, which conforms to Jones and Coviello (2005), where it was stated that the integration of theories is needed to describe the internationalization of SMEs. All of the mentioned internationalization theories are still relevant in the context of Thai SME internationalization.

It is evident from this study that some aspects of the stage model are applicable in explaining some of the behaviors expressed by the process of internationalization of SMEs. Market knowledge is considered to be important for all firms, and many other activities in the internationalization process are dependent on available market knowledge, such as the degree of resource commitment, speed of internationalization, number of markets entered, and so on. Thai SMEs tend to commit a low degree of resources and prefer to go on a “slow but sure” basis during the early stages of internationalization. The fact that there are SMEs in Thailand that go for rapid internationalization shows that some SMEs are well equipped in terms of knowledge, financing, and other resources needed in order to become an international company from the beginning. In addition, the occurrence of critical events within the firm such as a change in management can also lead to rapid internationalization, which support the born-again global internationalization pattern proposed by Bell et al. (2004).

As for the network theory, almost all of the firms tended to base their foreign endeavor on networking, for gathering market knowledge and information in particular, which is consistent with Hutchinson and Quintas’ (2008) and Hanna and Walsh’s (2008) findings. According to the respondents, they had a problem creating international business networks by themselves and for this reason the companies attended trade fairs. The main reasons for attending the fairs was to find potential customers and to maintain and strengthen the relationships with existing clients. They

can also gather information about their competitors' products and activities in that way. At the same time, they can sell products. The companies believe that they would not have reached the initial internationalization phase or their first operation abroad if they had not participated in trade fairs. Therefore, attending trade fairs was their first step toward internationalization.

Apart from networking, the empirical findings have shown that firms that have unique products, sound finances, skilled and experienced employees, R&D capability, a good reputation, and advances in ICT achieve a competitive advantage and are more able to successfully internationalize, thus providing support for the resource-based view (RBV).

This study also found that "to go international," the desire must be triggered by an SME entrepreneur, which supports Andersson's (2000) findings. In addition, the findings have shown that SME owners-top managers which have international exposure, global vision, and strategic networking with relevant government institutions can speed up their internationalization process, which confirm the international entrepreneurship (IE) perspective.

In summary, it is unlikely that one particular theory can fully explain the internationalization process of Thai SMEs. The theory developed from this study distinguishes itself from other internationalization process theories in that it acknowledges the concurrent influence of internationalization awareness, the internal and external factors, and the interrelationship among these factors rather than isolating each factor.

5.4 Recommendations on Internationalization for Firms

With regard to both the successful as well as the unsuccessful experiences of the case firms, this study offers valuable advice to other Thai SMEs that want to better project themselves in the improvement of their internationalization process. There are four approaches that Thai SMEs should prioritize.

5.4.1 Firms should Differentiate their Offers in Improving Product Quality and Designing New High-value Products

The differentiation strategy based on quality is a vital strategy for the exporters in Thailand to compete against mass production and the low-cost strategies of Chinese competitors. In order to implement successfully this strategy, the firms should upgrade their technology, design and production processes by purchasing advanced and modern equipment and machines, and through technology transfer and through cooperation with other firms. FruitSnack exemplified the introduction of new production technology. With the use of freeze-dry technology and partnership with big domestic firms such as Uni-President (Thailand), the company has been able to improve its product durability and increase production capacity, which meet the increasing demand from the Asian market. Next, it is very important to carefully launch new products or innovation. Innovation should be based on the customers' demand for products and the tastes of each market. InterLeather was an example of the successful introduction of a new product (leather bags) as a result of the strong demand from both domestic and foreign customers for new product lines apart from fashion cloth bags. Due to their authentic design and quality, the export of the leather bags has rapidly expanded to more than 8 countries in both Asia and Europe. AnitaSilk introduced Anita Young to the foreign market to cater to fashionable younger people. Furthermore, firms should communicate with foreign experts, and with customers and with suppliers, which are an essential source of information regarding the trends and demands of the market. Lastly, it is highly recommended that firms develop brands to compete against mass production and to differentiate the products not only by quality but also by image. AnitaSilk could be deemed a model for brand development. Despite strong competition from Chinese competitors, the company has striven to maintain its leadership position in the world market in terms of labor skills and intricate designs and textures. As a result, they have been able to improve their competitiveness in competitive markets.

5.4.2 Firms should Develop Global Executives

Globalization brings new challenges but also provides unprecedented opportunities to rejuvenate old businesses, grow new ones, or to relocate to new

production bases. Developing executives, managers, and professional staff to reach global standards is one of the crucial conditions for implementing differentiation and extending international market strategies. Such qualified human resources will help the firm develop new initiatives, improve productivity, and promptly respond to changes in domestic and foreign markets. Therefore, firms should focus on:

- 1) Creating and strengthening links with universities and research institutions to have qualified designers, engineers and technicians that can function in the advanced production process and use modern machinery and equipment. A&P Orchard is a good example of a company that has a strong university-business linkage. Its R&D team is led by a scientific team from the Mangosteen Research and Development Center (Thailand), which has been doing research on the beneficial effects of the mangosteen for over 31 years.

- 2) Cooperating with foreign companies to help the firm develop its human capital. Joint venture should be applied because it is the most common and efficient cooperation for domestic executives to gain global management expertise. The companies should send their managers and staff to foreign companies to learn and exchange experience in marketing, technology and other management expertise. As a result, the firms can enhance the internationalization competencies of their management staff.

- 3) Organizing or reinforcing professional training for the staff by providing on-the-job training or sending them to international standard training centers. AluminumFoil is the model for a firm that puts much emphasis into developing highly-qualified human capital through organizing on-the-job training for their staff at all levels.

5.4.3 Firms should Make Optimal Use of Public Support for Internationalization

In the next stage, it is important for owners/managers to become informed about international market opportunities by continuously gathering information and knowledge from a variety of sources, such as overseas Thai communities, foreign market visits, trade fairs, and government agencies. In fact, government

agencies/industry associations have proven to be the most effective tool for rapid internationalization of the firms studied in this research, namely InterLeather and FruitSnack, through their membership with government SME supporting agencies such as the Office of SMEs Promotion and Department of International Trade Promotion. Thus, SMEs need to better utilize the government agencies in order to be aware of international opportunities as well as to gain advantage from their incentives/programs for internationalization. SME entrepreneurs should participate in the training organized by them in order to access the information that SMEs need to operate internationally. Particularly important is information relating taxation, regulatory frameworks and requirements, and advisory and support services for SMEs and dispute resolution procedures. The programs provided also offer knowledge on how to prepare for world economic crises and any other emerging situations. As such, they will be able to prepare themselves and strengthen their competitive capacity, both domestically and internationally.

5.4.4 Firms should Adopt Internationalization Strategies (Business or Growth Plans)

Although fixed-term planning may not be adequate due to the fast pace of changes in the business environment, SME managers should still learn to make business plans in a professional manner and on a regular basis because there are several benefits in doing so. First, they can have a better understanding of their own business situation, both internally and externally, so that if a new situation arises, they can quickly adapt to the new changes. Second, they can be more aware of risks and prepare measures should anything happen. Third, by formalizing their business processes, they can gain more access to sources of funding, which in turn can enable the firms to quickly capture international opportunities should they arise. Two case firms did exhibit some characteristics of planned internationalization strategies. The founders were purposeful with regard to what foreign markets to target first and how to enter those markets. Subsequent to their first entrance into international markets, ExpertGems and WoodFurn decided to de-internationalize by focusing on domestic markets due to the global economic recession and rising transportation costs respectively. The implication for policy-makers is the fact that the strategic focus and

the corresponding support measures required will have to change as the firm evolves and grows. At times it may be more beneficial for a firm to withdraw from or reduce its international activities to focus on the domestic market. However, firms viewing internationalization as being associated with sunk costs may be reluctant to do this. Thus, policy-makers can play a role in emphasizing that de-internationalization does not necessarily mean that it cannot be recommended at a later date. Further, to counteract the emphasis placed on sunk costs, policy-makers may seek to emphasize the potential learning benefits from the internationalization experience, irrespective of whether the experience is perceived as a failure or success.

5.5 Recommendations on Internationalization for the Government

The industry and country environment have a major influence on the internationalization performance of Thai firms. In order to help firms implement successfully the differentiation strategies, develop global executives, and access and expand international markets, there are a number of areas in which the government and support organizations can play an active role.

5.5.1 Target Support for Different Groups of SMEs

Overall the message emerging from the study is that needs are not uniform and constant to all SMEs. To address them, governments and agencies need first to ascertain what kind of SME they are dealing with, what stage of international operations it is at, whether it has perceived any barriers and if so what kinds of barriers they regard as important. Firms new to international activity value information about markets and opportunities which provide a foothold for them in their international venture. For example, A&P Orchard required “how-to” guides (i.e. how to participate in international fairs/exhibitions or how to identify potential international partners) from public authorities to provide assistance and knowledge in addressing initial problems and challenges. On the other hand, more experienced international SMEs need a different kind of intervention, as their problems tend to be more specific to the business and the competitive environment. For instance, ThaiCitric required information about the anti-

dumping measures of their potential export markets. In other words, the government needs to “segment” the support they offer on the basis of the level of knowledge and experience of the SME seeking support for internationalization.

5.3.2 Reforming Education

In order to help prepare SMEs to access foreign markets, public authorities should recognize the importance of fostering an entrepreneurial culture and international mindset through modernization of the curriculum and training. In order to create a culture of internationalization, there needs to be a positive attitude towards international markets. Supporting agencies can play a key role in influencing attitudes and motivations by providing information and incentives. For instance, case studies should be made and publicized of local SMEs that have been successful in internationalizing. The findings revealed that the majority of case firms were highly motivated by the success of their predecessors and strived to be a candidate for the National SMEs Awards which was held annually by the Office of SMEs Promotion. In its seventh year, this activity is one of the governmental efforts to inspire entrepreneurs and promote their awareness of the development of business capability and international competitiveness.

Universities should assist firms in the acquisition of skilled labor by formalizing entrepreneurship as an important part of the curriculum and focusing on competency-based vocational training which meets the real needs and demands of the industries. In addition, more must be done to facilitate faculty collaboration, exchanges and research across borders. This assistance will provide firms with an educated and well-trained workforce, especially with engineers and scientists that can adopt and use the advanced and modern technologies and latest production processes. In the long term, firms should establish their own training center to have a stable and highly-qualified workforce as exemplified by ExpertGems, which pioneered its own vocational school in collaboration with the Ministry of Labor and Social Welfare and the Office of the Non-Formal and Informal Education to strengthen the knowledge and wisdom of the local inhabitants.

5.5.3 Facilitating SME Financing

Evidence from the findings (A&P Orchard and AgriBusiness) showed that financial support is often given to internationalized SMEs companies which have a successful track record due to their well-established networks and brands, while those non- or minimally-internationalized companies are deprived of access to finance. A major reason for those SMEs being overlooked by financial institutions is that they are perceived as high-risk customers generating relatively low profitability due to substantial transaction costs. Furthermore, SME skills are limited in preparing the financial information and business plans that financial institutions need to make lending decisions. Partnerships between banks and business development service providers have the potential for reducing these problems. As for Thailand, banks should collaborate with the Thai Credit Guarantee Corporation (TCG), a state-owned business development service provider, under the supervision of the Ministry of Finance, in order to enhance their confidence in credit expansion to SMEs. The TCG can play a pivotal role in improving SME credit worthiness as they have a comparative advantage in pre-screening potential SME clients, helping in providing clear business plans and in improving financial information generated by the SMEs, as well as providing risk assessment and monitoring services for the banks.

5.5.4 Encouraging the Provision of Targeted and Quality Business Support Services

The literature review revealed, in Sub-Section 1.4.4., that a variety of business support services are provided by various players, in both the public and private sectors, to encourage the internationalization of Thai SMEs. However, the quality of these programs is mixed, while the content of these programs often focuses on the same topic or support. In other words, the common situation is of numerous and often uncoordinated supporting institutions. The managers of A&P Orchard recounted having to approach several government agencies, namely the Office of SMEs Promotion, for information relating to current government supporting industries, the Department of Export Promotion for basic knowledge on exporting, and the Institute for SMEs Development (ISMED) for packaging development. Generally, there is a

lack of structured information on internationalization needs. There is a strong need for simplified information and local access points/help desks to raise awareness among SMEs and to help them in their international development. A practical solution would be for the government to establish a central body to monitor and facilitate policy and disseminate information. This facilitator and control unit can be formed or created by having representation from all the existing supporting agencies, or by assigning a new independent body to carry out the task. In addition, there should be evaluation for these programs to analyze the effectiveness of support and also to identify those areas where further support is required.

5.5.5 Increasing Awareness

Globalization is a reality and is driving internationalization. Although there are challenges in going global, the risks become greater if SMEs wait for globalization to reach the local market and then have to deal reactively with the consequences. The government should make entrepreneurs aware of the benefits of internationalization in the face of globalization and it should help firms meet the regulations and standards of specific foreign markets by organizing conferences, regional workshops and forums, to disseminate information about the international market requirements, laws, and regulation, as there is increasing need among SMEs for reliable information about these international markets.

Evidence from the findings indicated that firms greatly benefited from the road shows and trade missions organized by government agencies, as the owner of AluminumFoil admitted that the company managed to tap into fast-growing but far away markets such as Australia through trade missions organized by the Thailand Trade Representative. Therefore, the government should assist firms in penetrating and expanding into export markets by leading missions to explore trade and export opportunities in potential markets.

5.5.6 Integrating all Stakeholders

The entrepreneurial ecosystem generally includes multinational companies, local chambers of commerce, business representatives, and internationalization agencies. It also includes local government, universities, and other research

organizations, banks, and financial institutions. All key stakeholders must be involved in the development of the policies and programs for SME internationalization. This is conducive to developing effective support that is required by SMEs. Moreover, it is imperative that there should also be increased and regular co-ordination between these stakeholders to guarantee best use of available resources and to avoid repetition of programs.

In summary, effective support for SMEs must consider the variables that influence the process of internationalization: the level of knowledge and experience of entrepreneurs, available financial and human resources, awareness of support programs, and integration among stakeholders for delivering effective support programs. The constantly-changing and challenging global business environment make SMEs fragile and vulnerable to external shocks due to their size and limited financial, managerial, and information resources. Thus, SMEs are not by themselves sufficient for pursuing any international strategy without the appropriate development of institutions and support structures. They should be supported, guided, and nurtured by their governments for a certain time until they are able to develop their own capabilities and strengthen their competitiveness, allowing them to face and compete with foreign firms primarily from developed countries. It remains an open-ended question for the government to effectively and synergistically promote the international development of SMEs in the changing global economic scenario.

5.6 Suggestions for Future Research

This research presented a pre-paradigmatic body of knowledge that required inductive theory building as opposed to deductive theory testing. Furthermore, this research was largely exploratory and preliminary in nature. This provides opportunities for further research on areas related to the internationalization of manufacturing SMEs.

First, this research was limited to an investigation of only one industry and to only one unit of analysis, which was SME owners/managers from the central region (Bangkok and its five surrounding provinces). Future research should explore whether the approach to internationalization differs between industries (i.e.

services or trade), regions of a business's main operational premises, and unit of analysis (i.e. academics, policymakers, supporting government agencies, and research institutes).

Second, gaps remain in the literature as well as in the empirical evidence on the internationalization of SMEs. In terms of future research, it is necessary to conduct a follow-up descriptive research study to examine the relevance of the developed internationalization model (as presented in Figure 5) and to verify or refute it. The output of this further research could also provide useful benchmarks for government officials, SME owners/managers, and academia.

Third, this research employed a cross-sectional research design which only reflected one particular phase of internationalization. There is a need for longitudinal research which could chart the lifecycle of the SME internationalization processes and identify the critical factors required for successful internationalization. Moreover, this additional research can provide an evidence base which can guide policy with regard to resource allocation decisions and the targeting of groups for assistance.

5.7 Conclusions

Even though the firm's internationalization is of interest to many scholars, little effort has been allocated to understanding the factors affecting the internationalization process of SMEs. This study enriches the SME internationalization literature by contributing to a deeper understanding of the internationalization of SMEs in Thailand through the application of four major internationalization theories—the stage model, the network approach, international entrepreneurship, and the resource-based view—as a platform to explore the factors affecting the internationalization process of Thai SMEs.

The outcome is an integrated model for the initiation of SME internationalization in the context of Thailand. The model explains the initiation of the firm's internationalization as influenced by a set of factors which included sources of information, the internal and external forces that motivate and hinder

internationalization, and the influential key drivers, including firm-specific factors and key personnel characteristics.

This study also validated the findings related to internationalization which were examined in other context/settings such as western countries. The findings from this study challenge existing explanations by bringing a perspective that has been ignored previously. First, the internationalization of firms in developing countries is approached differently from that of firms from developed countries and therefore explanations of the phenomenon are different. Small firms from developing countries face far more challenges (such as limited financial access, lack of entrepreneurial culture and coherent institutional support) as they internationalize than firms from developed countries. Unfortunately, current theories seem to overlook this factor and tend to generalize internationalization based on the findings from developed countries. Secondly, although the findings reveal the already-acknowledged patterns of internationalization, these seem not to be determining factors of the scope or extent of a firm's internationalization process. Such fundamental factors as motivations, entrepreneurial culture, and government roles are more influential than has been previously acknowledged. Consequently these three factors serve as a foundation for a small firm's internationalization process.

Additionally, this study also has implications for the policies and practices of SMEs involved in internationalization. Policies to support internationalization should begin by considering the drivers of and barriers to SME internationalization. A long-term policy outlook should consider policies based on the main driver for internationalization— positive attitudes toward entrepreneurship and international activities—which calls for interventions in the educational system. More immediate support should be based on supporting SMEs in the areas of reported need: lack of managerial resources and skills for internationalization, lack of sufficient financial resources, and the availability of usable information.

Due to the rapid changes in the international business environment, SMEs should gear their efforts towards change in order to overcome the challenges and to increase their competitiveness in the global market. SMEs need to be more proactive in searching for international market opportunities, introducing new sales and distribution channels, and be willing to take risks to try out new and uncertain

products, services, and/or markets. Moreover, the escalating cost of conducting business recently requires SMEs to strengthen their management skills, financial capabilities and learning capacities, and to configure their infrastructure (physical, human, and organizational) to develop the production capabilities required for internationalization. These include having a sufficient production capacity to meet both domestic and international demand, continuous investment on R&D in ameliorating product quality and work processes, and the ability to develop innovative product lines and designs which conform to international requirements. In addition to managerial capacity and expertise, it is also important for the SMEs to develop requisite managerial processes, particularly in the areas of market research and business planning, which would enable SMEs to determine the market potential and to adapt to the unanticipated hurdles associated with internationalization. These are also critical for the identification and selection of appropriate international operation strategies (suitable foreign market and mode of entry) and for establishing targets to monitor actual versus planned performance for corrective action to be taken.

Last, in order for SMEs to grow internationally, it is critical that they develop their marketing capabilities and international business networks. The earlier-mentioned resource-based view stresses the importance of firm-specific assets or unique products that would lead to competitive capabilities which can be exploited abroad. Therefore, the specific strongholds of SMEs should be the production of differentiated, customized products, paired with prompt delivery and after-sales service rather than homogeneous, mass-produced products. Failure to do so puts SMEs at risk of remaining largely unknown on the international stage. In addition to customizing their products and providing superior customer service, it is critically important that SMEs develop their international business networks, which has been identified as one of the key drivers of SME internationalization. Developing a comprehensive website, and participating in international exhibitions/trade fairs are one of the key ways an SME can develop its international networks and extend its market reach. Since this can play an influential role, it is critically important that competent managers of the SMEs be willing and able to travel internationally to build such international business relationships.

Needless to say, the forces of globalization and the push towards trade liberalization are transforming the international trade landscape. Furthermore, in a business environment where competition at home and abroad is intensifying, a strategy to operate only in the domestic market would increasingly be difficult for Thai SMEs to maintain. This is especially the case for those firms facing cost disadvantages and a limited scope for growth. Similarly, Thai SMEs that possess certain advantages (product advantage and specific business experience) and brands would be depriving themselves of opportunity to realize their business potential if they did not internationalize. Internationalization provides a channel for Thai SMEs to increase competitiveness by helping them to capture new markets, secure raw materials, diversify risks, and to relocate production processes to lower-cost countries. In this connection, Thai SMEs with the capacity to internationalize should be encouraged to do so to enable them to take advantage of the benefit of globalization and to meet the new demands of the highly-competitive international marketplace.

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APPENDICES

APPENDIX A

SEMI-STRUCTURED INTERVIEW GUIDE

SEMI-STRUCTURED INTERVIEW GUIDE

The following questions were asked during the interview.

1. General information
<ul style="list-style-type: none">-What is your position and responsibility in the company? -What is your level of education? -What jobs did you have before your current employment? -Have you ever lived, studied or worked overseas for a single period longer than a year? -In what year was the company founded? -How many employees does your company have? -What is the value of the fixed assets of your company, excluding land? -What is (are) the main product(s) of the firm? -What is the type of ownership of your company? In other words, have you started, inherited, bought the business, or are you employed by the company? -Who makes the decisions in your company?
2.Awareness of the international opportunities
<ul style="list-style-type: none">-How do you become aware of international opportunities? -How do you acquire or gain access to information about international market opportunities?

3. Speed and scope of internationalization
<p>-How long did the company work in the home market before internationalizing?</p> <p>-Roughly what proportion of your total sales is devoted to international sales?</p> <p>-How many countries does your company have international activities with?</p>
4.Information about international activities of the company
<p>- How did your company begin its international activity? In other words, what entry mode was used to enter foreign markets?</p> <p>-What are the criteria in the selection of foreign target markets?</p> <p>-Who supports your company's international operations?</p> <p>-Do you have any planned internationalization strategy?</p>
5.The motives/reasons for internationalization
<p>-What is the basis or main reason that your company went international?</p> <p>-What are the barriers or challenges that your company has had to face in going international?</p>
6.Key drivers affecting the internationalization process
<p>-What do you consider to be the strengths of your company that caused it to go international?</p> <p>-What kind of owner or top management characteristics have eased the internationalization of your company?</p> <p>-What are the environmental or external factors that influenced the firm to go international?</p> <p>-What is your perception of the current role of the government and other related supporting agencies with regard to the internationalization of SMEs?</p> <p>-Do you use any governmental support programs for the internationalization of your company?</p>

APPENDIX B

INFORMED CONSENT FORM

RESEARCH PROJECT

Unraveling the Enigma of Internationalization: The Case of Thai Manufacturing SMEs

I am a Ph.D. candidate in the Graduate School of Public Administration, National Institute of Development Administration. As part of my doctoral studies I am investigating the internationalization of small and medium enterprises in Thailand under the supervision of Dr. JureeVichit-Vadakarn. The purpose of this study is to find out what affects the internationalization process of Thai SMEs.

You and your firm can help in this study by consenting to participate in a two hours interview. As an interview participant, you will be requested to express your views on the factors that triggered the internationalization of your firm. This will explore the entry mode and market selection, the firm's characteristics, the founder's characteristics, and the environmental factors influencing the internationalization of your firm. You can decide to withdraw from participation in this study at any time without giving any reason. All of the information given during the fieldwork will be kept confidential and no names or other information that might identify you will be used in any publication arising from this research, unless you give written permission for this to happen. A summary of the feedback on the study will be provided to you upon request.

If you and your firm are willing to participate in this study, could you please complete the details below? If you have any questions about this project, please contact me, ApichartThananan, at 081-512-6952 or my advisor, Dr. JureeVichit-Vadakarn at 02-727-3501. If you have any concerns about the way in which this research is being conducted, you may also contact NIDA's Ph.D. International Program at 02-374-4977.

-
- I have read the information above describing the nature and purpose of the research project and agree to take part.
 - I understand that I may withdraw from the research project at any stage and this will not affect my status with the project either now or in the future.
 - I understand that the data will be held confidentially, in a secure place, and that these data will be accessible to the researcher only.
 - I understand that I may be audio taped during the interview and that I reserve the right to terminate the recording at any point of time during the interview.
 - I understand that while the information gained during the study may be published, I will not be identified unless I give written permission for this to happen.
 - I understand that I may contact the Research Director if I require further information about the research.
 - I understand that I may be contacted for further questions regarding this study.

Name of Respondent: _____

Signature of Respondent: _____

Date: _____

APPENDIX C

REQUEST FOR PARTICIPATION



ที่ ศท 0526.02/

คณะรัฐประศาสนศาสตร์
สถาบันบัณฑิตพัฒนบริหารศาสตร์
คลองจั่น บางกะปิ กทม. 10240

พฤษภาคม 2557

เรื่อง ขอบความอนุเคราะห์ข้อมูลและการสัมภาษณ์เชิงลึก
เรียน กรรมการผู้จัดการ บริษัท _____ จำกัด

ด้วยนายอภิชาติ รัตนันท์ นักศึกษาหลักสูตรปรัชญาดุษฎีบัณฑิต (การบริหารการพัฒนา) หลักสูตรนานาชาติ คณะรัฐประศาสนศาสตร์ สถาบันบัณฑิตพัฒนบริหารศาสตร์ ได้รับอนุมัติให้ทำวิทยานิพนธ์เรื่อง “Unraveling the Enigma of Internationalization: The Case of Thai Manufacturing SMEs” โดยมี รศ.ดร. จุรี วิจิตรวาทการ เป็นอาจารย์ที่ปรึกษาวิทยานิพนธ์ ซึ่งมีวัตถุประสงค์เพื่อศึกษากระบวนการของ SMEs ในการเข้าสู่ตลาดต่างประเทศ ทั้งด้านการบริหารจัดการแรงงาน การลงทุนในต่างประเทศ การเปิดสาขา การหาตัวแทน/หุ้นส่วนในต่างประเทศ และปัจจัยที่มีผลกระทบต่อความสำเร็จ SMEs ระดับสากล

ด้วยเหตุนี้ นักศึกษาหรือผู้วิจัย มีความจำเป็นต้องขอความอนุเคราะห์ให้ช่วยจัดหาข้อมูลที่เกี่ยวข้อง และขอการสัมภาษณ์เชิงลึกกับหน่วยงานของท่านเพื่อประกอบการทำวิทยานิพนธ์ในเรื่องดังกล่าวให้เป็นผลสำเร็จ และเป็นแนวทางปฏิบัติให้ SMEs ไทยสามารถดำเนินธุรกิจให้มีความเป็นสากลต่อไป

คณะรัฐประศาสนศาสตร์ จึงเรียนมาเพื่อขอความอนุเคราะห์จากท่านในการจัดหาข้อมูลและให้สัมภาษณ์เชิงลึกโดยข้อมูลที่รวบรวมได้จะถูกเก็บไว้เป็นความลับและใช้เพื่อประโยชน์ในกาดำเนินงานวิจัยเท่านั้น ทั้งนี้ นักศึกษาจะเป็นผู้ติดต่อประสานงานกับท่านด้วยตนเอง หรือหากหน่วยงานของท่านประสงค์จะติดต่อนักศึกษาเพื่อขอทราบรายละเอียดเพิ่มเติม ขอความกรุณาติดต่อโดยตรงที่หมายเลขโทรศัพท์ 081-512-6952

คณะรัฐประศาสนศาสตร์ หวังเป็นอย่างยิ่งว่าคงได้รับความอนุเคราะห์จากท่านเป็นอย่างดี จึงขอขอบคุณล่วงหน้ามา ณ โอกาสนี้

ขอแสดงความนับถือ

(รองศาสตราจารย์ ดร.บุญอนันต์ พนัยทรัพย์)

รองคณบดีฝ่ายวิชาการคณะรัฐประศาสนศาสตร์

BIOGRAPHY

NAME

Apichart Thananan

ACADEMIC BACKGROUND

Bachelor's Degree in International Business
From American University of Rome, Italy in
1996 and a Master's Degree in Analysis, Design
and Management of Information Systems at
London School of Economics and Political
Science (LSE), United Kingdom in 1997

EXPERIENCES

2014-2015

Occupational Standards Specialist

Bureau of International Affairs

Thailand Professional Qualification Institute
(Public Organization)

2004-2013

Senior Operational Officer Level II

International Cooperation and Policy Support

Department Office of SMEs Promotion

1998-2003

Analyst, Human Resource

Department, Bank of Thailand

1996-1997

Received a scholarship from the

Bank of Thailand for

pursuing master degree at LSE