Factors Affecting the Competitiveness of Emerging MNEs: The Case of Firms in Thailand

Chie Iguchi

1. Introduction

Conventional international business theories explore various avenues to address how MNEs extend their business activities across borders. However, these theories have tended to assume that MNEs are based in developed countries; the OLI model (Dunning 1988; Dunning and Lundan, 2008), for example, explains FDI by MNEs as mainly from developed countries. Some have argued that MNEs need oligopolistic competitive advantages so that they can utilise their unique resources, including technology, know-how, and management practices, in host countries where local firms, i.e. firms in developing countries, are less competitive than MNEs. However, since the 1990s, some MNEs from developing countries (hereafter called emerging MNEs) have been launching FDI activities. Such FDI is assumed to be directed towards less-developed countries, but some data show that FDI flows go from and towards both developed and less-developed countries. This FDI activity by emerging MNEs cannot be adequately explained by conventional international business theories. For example, although conventional MNEs from developed countries implement asset-exploiting outward FDI strategies, emerging MNEs try to implement asset-augmenting as well as asset-exploiting strategies. Emerging MNEs with insufficient managerial resources to compete with rivals can be considered likely to implement asset-augmenting FDI. Traditionally, local firms in host developing countries—which may become emerging MNEs in time-learn and upgrade managerial resources, such as foreign technologies, creating brand images, access to
logistics, R&D capabilities, and access to capital, through interacting with MNE subsidiaries from developed countries that are operating in their countries. These acquired and upgraded resources may then be linked with original firm-specific advantages (FSA) such that the local firm will acquire international competitiveness and develop into an emerging MNE. Sometimes, however emerging MNEs will implement FDI to developed countries, aiming to access such managerial resources under their own initiatives. It may also be noted that the international business environment over the last few decades has changed dramatically, and environmental factors affecting emerging-MNE FDI have also altered from the era of conventional international business theories.

Outward FDI from Asian emerging MNEs has mostly derived from Singapore, Malaysia, and China, and has been predominantly led by state-owned enterprises. However, outward FDI from Thailand has been driven by the private sector. As Pananond (2009) noted, the development of Thai MNEs has significant implications for the emergence of MNEs from other developing countries, where state-owned enterprises are inactive and home-country-specific advantages (CSA) are not strong. Consequently, we chose Thailand for our case study in view of its implications for potential MNEs from developing countries regarding how emerging MNEs might develop FSAs from home and host-country CSAs.

This paper aims to identify potential factors affecting how Thai MNEs have in recent times forged competitive FSAs from evolving interactions between home-country CSAs and Thai MNEs' FSAs, and host-country CSAs and Thai MNEs' FSAs. To do so, we examine empirical evidence on the role of home-country CSAs in the internationalisation process and in the international strategies of Thai MNEs, and to what extent both home and host-country CSAs have been transformed into FSAs in the case of Thai MNEs. The next section will describe outward FDI by ASEAN counties including Thailand. This is followed by a survey of the main Thai MNE players across different industries. The subsequent section will present case studies of successful Thai MNEs, which help to illustrate the approaches of successful emerging MNEs when host-country CSAs lack strength. We then discuss factors that potentially affect emerging MNEs. Finally, we consider how the case of Thai MNEs' might be understood though the existing literature. We finish with concluding remarks and limitations.
2. Outward FDI by Selected Asian countries and Presence of Thai MNEs

Asian countries, including ASEAN members, have been well-known recipients of FDI from USA, Europe, and Japan. However, firms from some Asian countries have also acted as FDI investors, as Figure 1 shows. The total outward FDI from these countries amounted to US$300.000 million in 2013 and 2016 and over US$350.000 million in 2014. The main actors in this activity were China (including Hong Kong China), South Korea, Taiwan and Singapore.

**Figure 1. FDI outflows from selected Asian countries, 1990-2016 (Millions of dollars)**

Some ASEAN countries have become more active outward FDI investors, particularly Singapore, followed by Malaysia and Thailand. FDI from Thailand in particular increased by 270% between 2008 and 2009 to a figure of US$ 4,946.6 million, and in 2016 reached US$ 13,229.2 million (a 784% increase over 2015), exceeding Malaysia (Figure 2).
As clearly shown in Figure 3, Singapore is also a major ASEAN FDI investor in terms of outward stock. The stock of outward FDI from Thailand shows a trend similar to its FDI outflow, starting from the early 2000s and increasing from 2009 onwards, as seen in the data on outward FDI stock. Although Tailand’s investor presence has increased recently, however, in terms of outward FDI stock, it still trails Malaysia.
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Although we do not have specific figures for firms actively pursuing FDI outside their home countries, we estimate that among the active investors are the firms creating business groups in Thailand. A characteristic of emerging economies like Thailand is that firms organised into diversified business groups dominate the private sector (Ghemawat and Khanna 1998; Khanna and Rivkin 2001). For example, based on 1987 sales figures, 58 of the top 100 non-financial private firms in Thailand were members of business groups (Suehiro, 1991).

3. Selected Thai MNEs

The Forbes Global 2000 list of the world’s top companies in 2016, included 15 Thai companies (see Table 1).

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Industry</th>
<th>Founded</th>
<th>Sales</th>
<th>Profits</th>
<th>Assets</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>#337</td>
<td>PTT PCL</td>
<td>Oil &amp; Gas Operations</td>
<td>1978</td>
<td>$59.1B</td>
<td>$561M</td>
<td>$61.4B</td>
<td>$25.3B</td>
</tr>
<tr>
<td>#535</td>
<td>Siam Commercial Bank</td>
<td>Regional Banks</td>
<td>1907</td>
<td>$6.8B</td>
<td>$1.3B</td>
<td>$81.4B</td>
<td>$12.7B</td>
</tr>
<tr>
<td>#566</td>
<td>Kasikornbank</td>
<td>Regional Banks</td>
<td>1945</td>
<td>$7.6B</td>
<td>$1B</td>
<td>$75.1B</td>
<td>$11.1B</td>
</tr>
<tr>
<td>#622</td>
<td>Siam Cement</td>
<td>Specialized Chemicals</td>
<td>1913</td>
<td>$12.8B</td>
<td>$1.3B</td>
<td>$14.2B</td>
<td>$16.5B</td>
</tr>
<tr>
<td>#779</td>
<td>Bangkok Bank</td>
<td>Regional Banks</td>
<td>1944</td>
<td>$4.4B</td>
<td>$945M</td>
<td>$83.6B</td>
<td>$8.9B</td>
</tr>
<tr>
<td>#846</td>
<td>Krung Thai Bank</td>
<td>Regional Banks</td>
<td>1966</td>
<td>$4.9B</td>
<td>$803M</td>
<td>$81B</td>
<td>$6.9B</td>
</tr>
<tr>
<td>#1013</td>
<td>PTT Global Chemical</td>
<td>Diversified Chemicals</td>
<td>2011</td>
<td>$11.8B</td>
<td>$598M</td>
<td>$10.5B</td>
<td>$8.2B</td>
</tr>
<tr>
<td>#1068</td>
<td>CP All</td>
<td>Food Retail</td>
<td>1988</td>
<td>$11.4B</td>
<td>$399M</td>
<td>$9.1B</td>
<td>$11.8B</td>
</tr>
<tr>
<td>#1104</td>
<td>Advanced Info Service</td>
<td>Telecommunications services</td>
<td>1986</td>
<td>$4.5B</td>
<td>$1.1B</td>
<td>$5.1B</td>
<td>$13.1B</td>
</tr>
<tr>
<td>#1129</td>
<td>Thai Beverage</td>
<td>Beverages</td>
<td>2003</td>
<td>$5B</td>
<td>$773M</td>
<td>$5.1B</td>
<td>$13.6B</td>
</tr>
<tr>
<td>#1295</td>
<td>Charoen Pokphand Foods</td>
<td>Food Processing</td>
<td>1978</td>
<td>$12.3B</td>
<td>$323M</td>
<td>$13.7B</td>
<td>$5.6B</td>
</tr>
<tr>
<td>#1312</td>
<td>Airports of Thailand</td>
<td>Other Transportation</td>
<td>1903</td>
<td>$1.3B</td>
<td>$567M</td>
<td>$4.5B</td>
<td>$16.6B</td>
</tr>
<tr>
<td>#1765</td>
<td>Thai Oil</td>
<td>Oil &amp; Gas Operations</td>
<td>1961</td>
<td>$8.6B</td>
<td>$355M</td>
<td>$5.3B</td>
<td>$3.9B</td>
</tr>
<tr>
<td>#1954</td>
<td>TMB Bank</td>
<td>Regional Banks</td>
<td>1957</td>
<td>$1.4B</td>
<td>$280M</td>
<td>$23.8B</td>
<td>$2.9B</td>
</tr>
<tr>
<td>#1974</td>
<td>Thanachart Capital</td>
<td>Regional Banks</td>
<td>1959</td>
<td>$1.9B</td>
<td>$156M</td>
<td>$28.4B</td>
<td>$1.3B</td>
</tr>
</tbody>
</table>


In terms of industries of these 15, Thai MNEs in their respective sectors ranked 7th (CP All in food retail), 6th (Thai Beverage in beverages) and 28th (CP Foods in food process-
These strong companies are all members of diversified business groups. Therefore, our focus falls on these Thai multinational that are actively engaging with international business activities- CP All, Thai Beverages and Charoen Pokphand (CP) Foods. CP Foods is 45.2% owned by the conglomerate Charoen Pokphand Group, which has both listed and unlisted companies. CP All is 31.59% owned by CP Foods and 13.3% owned by the Charoen Pokphand Group (i.e. 44.89% owned directly and indirectly by the group). The Charoen Pokphand Group is controlled by 4 brothers of the Chearavanont family, who topped Forbes’ list of Thailand’s 50 richest families in 2016. Thai Beverages is 65.9% owned by Charoen Sirivadhanabakdi, who also owns and controls TCC Asset Limited and TCC Holding Company. Sirivadhanabakdi is ranked second in the Forbes ranking as shown in Table 2, which details the Forbes ranking of 2016 and by Forbes which encompasses the firms and their business groups used considered in this study. Since the Charoen Pokphand Group is considered as more diversified than the others both in horizontally and vertically, this paper will focus particularly on this business group and three of its constituent companies- CP Foods, CP ALL and True Corporation Public Company Limited.
### Table 2. Forbes Thai Richest Ranking 2016

<table>
<thead>
<tr>
<th>Rank</th>
<th>Name</th>
<th>Net Worth</th>
<th>Age</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>#1</td>
<td>Brothers Chearavanont</td>
<td>$18.5 B</td>
<td>—</td>
<td>food</td>
</tr>
<tr>
<td>#2</td>
<td>Charoen Sirivadhanabhakdi</td>
<td>$13.7 B</td>
<td>72</td>
<td>beverages</td>
</tr>
<tr>
<td>#3</td>
<td>Chirathivat family</td>
<td>$13 B</td>
<td>—</td>
<td>retail</td>
</tr>
<tr>
<td>#4</td>
<td>Chalerm Yoovidhya</td>
<td>$9.7 B</td>
<td>66</td>
<td>drinks</td>
</tr>
<tr>
<td>#5</td>
<td>Vanich Chaiyawan</td>
<td>$4 B</td>
<td>84</td>
<td>insurance, beverages</td>
</tr>
<tr>
<td>#6</td>
<td>Krit Ratanarak</td>
<td>$3.3 B</td>
<td>70</td>
<td>media, real estate</td>
</tr>
<tr>
<td>#7</td>
<td>Vichai Srivaddhanaprabha</td>
<td>$3.25 B</td>
<td>58</td>
<td>duty-free</td>
</tr>
<tr>
<td>#8</td>
<td>Prasert Prasarttong-Osoth</td>
<td>$3.2 B</td>
<td>83</td>
<td>hospitals</td>
</tr>
<tr>
<td>#9</td>
<td>Santi Bhirombhadik</td>
<td>$2.4 B</td>
<td>70</td>
<td>energy drinks</td>
</tr>
<tr>
<td>#10</td>
<td>Thaksin Shinawatra</td>
<td>$1.65 B</td>
<td>67</td>
<td>investments</td>
</tr>
<tr>
<td>#11</td>
<td>William Heinecke</td>
<td>$1.62 B</td>
<td>67</td>
<td>hotels</td>
</tr>
<tr>
<td>#12</td>
<td>Wichai Thongtang</td>
<td>$1.6 B</td>
<td>69</td>
<td>investments</td>
</tr>
<tr>
<td>#13</td>
<td>Keeree Kanjanapas</td>
<td>$1.45 B</td>
<td>66</td>
<td>transportation</td>
</tr>
<tr>
<td>#14</td>
<td>Thongma Vijitpongpun</td>
<td>$1.4 B</td>
<td>58</td>
<td>real estate</td>
</tr>
<tr>
<td>#15</td>
<td>Aloeke Lohia</td>
<td>$1.36 B</td>
<td>57</td>
<td>petrochemicals</td>
</tr>
<tr>
<td>#16</td>
<td>Chatri Sophonpanich</td>
<td>$1.35 B</td>
<td>82</td>
<td>banking</td>
</tr>
<tr>
<td>#17</td>
<td>Rit Thirakomen</td>
<td>$1.3 B</td>
<td>65</td>
<td>restaurants</td>
</tr>
<tr>
<td>#18</td>
<td>Prayudh Mahagitsiri</td>
<td>$1.15 B</td>
<td>70</td>
<td>coffee, shipping</td>
</tr>
<tr>
<td>#19</td>
<td>Harald Link</td>
<td>$1.1 B</td>
<td>61</td>
<td>diversified</td>
</tr>
<tr>
<td>#20</td>
<td>Isara Vongkusolkit</td>
<td>$1.09 B</td>
<td>68</td>
<td>sugar</td>
</tr>
</tbody>
</table>


The Charoen Pokphand Group Co. Ltd. was founded in 1921 and has many subsidiaries in which it is either directly or jointly invested. Its main industry classification, location of business activities, and business segments are summarised in Table 3.
Table 3. Basic information of the conglomerate Charoen Pokphand Group Co. Ltd.

<table>
<thead>
<tr>
<th>Headquarters</th>
<th>Bangkok, Thailand</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Industry Classification</td>
<td>Industrial Conglomerates</td>
</tr>
<tr>
<td>Total Revenue</td>
<td>US$ 1,187.0 million</td>
</tr>
<tr>
<td>Sales and trade offices</td>
<td>United States, Hong Kong, Singapore, Korea, Scandinavia, Italy, Dubai, U.K., Australia, Belgium, Spain, Germany, China, Japan, Greece, Malaysia</td>
</tr>
<tr>
<td>Operating bases</td>
<td>Cambodia, Laos, Myanmar, Vietnam, Indonesia, Philippines, India, Bangladesh, Pakistan, Turkey, Taiwan, Singapore, U.K, China, Russian Federation</td>
</tr>
<tr>
<td>Business segment</td>
<td>Charoen Pokphand Group Co. Ltd., through its subsidiaries, engages in the businesses of agro-industry and food, marketing and distribution, and telecommunications in Thailand and internationally. Its agro-industry and food business includes farming of poultry, swine, and shrimps. The company’s marketing and distribution business comprises network installation and services of fixed lines; subscription-based television and mobile phones; and fixed lines, 3G mobile phones, and Internet. It also offers seeds, fertilizers, and plant protection products, such as vegetable and corn seeds; pet foods for dogs, cats, fishes, fancy mice, rabbits, and horses; and automotive and industrial products. In addition, the company operates convenience stores. Further, the company engages in the businesses of finance and banking; crop integration, such as horticulture, cash crop, and rice integration; property development; pharmaceuticals; and TV media.</td>
</tr>
</tbody>
</table>

Source: Capital IQ profile

The Charoen Pokphand Group Co. Ltd has invested in 68 groups of firms around the world. Of all its direct investments, 89.6% of FDI goes to the Asia/Pacific region, including its home country of Thailand (Current subsidiaries and Operating units consist of 46 direct investment.). 9% goes to Latin America and Caribbean (Current subsidiaries/Operating units consist of 5 direct investment.) and 1.5% goes to United States and Canada.

Figure 4 shows to what extent the Charoen Pokphand Group has diversified horizontally and vertically regarding its industrial characteristics. The group diversified originally from agriculture and foods into retailing, which are of course related; but then in addition, it ventured into the real estate, automotive, communications, chemical, insurance and medical industries. The host countries chosen have been China, Hong Kong China, Taiwan, Indonesia, and Vietnam. One notable characteristic is the fact that the EN-CP fund is 50% in-
vested from the group and 50% from the Japan Development Bank. The Japanese trading company, Itochu Corporation, is also investing equally with the group in a 20% stake in China’s largest conglomerate CITIC, a joint investment company.

**Figure 4. Diversification of the Charoen Pokphand Group**

The Charoen Pokphand Group has grown as an assembly of MNEs which invest into business activities horizontally, as well as vertically into different industries and host countries. In Thailand, the group has been acting as franchisees of major western or Japanese MNEs in service related industries, as licensees of major MNEs in manufacturing industries and as joint-venture partners for major MNEs. It is notable that the group has strong relationship with major MNEs. For example, Meiji created joint-venture with the group in 1989, strategic alliances were created between the group and Itochu corporation. As of March 2016, the group has 4.7% share of Itochu corporation and it has 25% of CP Pokpand.

Of 68 firms with subsidiaries in several host countries, our three case firms were selected based on their total revenue in 2017, as examples of direct investment by the Charoen Pokphand Group Co. Ltd., namely: Charoen Pokphand Foods PCL (CP Foods), CP ALL PCL (CP All) and True Corporation PCL (True Corporation).
Charoen Pokphand Foods

CP Foods was founded in 1978. It is owned 48.04% by the CP Group and has a total revenue of US$14,832.5 million in 2017. It engages in agro-industrial and integrated food businesses in Asia, Europe, the United States, and operates internationally in two business segments, livestock and aquaculture. It manufactures and sells feed for livestock, including pigs, chicken, duck, shrimp, and fish, in powder or pellet form under different brand names. Products are distributed direct to large-scale farmers; and to small farmers through dealers. It also breeds and farms pigs, broiler and laying chickens, ducks, shrimps, and fish; sells live animals and related products, such as fattening pigs, broiler and laying chickens, ducks, and hens’ and duck eggs to distributors or local farmers; and processes, packs, freezes, and sells fattening pigs, broiler and laying chickens, and duck products to retailers, wholesalers, and food services under the CP brand. In addition, the company is involved in animal-feed raw material distribution; restaurants; trading; food products wholesale and retail; processed meat and ready-meals import and distribution; property leasing; animal feedmills; shrimp hatcheries; aquaculture hatcheries; sale of machinery and spare parts; and chicken-integration businesses. Further, it operates training centres; offering information technology, food research and development, and financial services. This is one of the most internationalised companies in the group whose segments were diversified in 2016 across Thailand (32.26%), Asia (57.18%), Europe (9.45%), America (0.83%) and other regions (0.28%). Its total revenue and gross profits at the time of writing have been steadily increasing since 2001.

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1 Brand names are CP, Hi-Gro, Hogtonal, Hyprovite, Anvipro, Star Feed, Novo, Safe Feed, Erawan, C.F., Hilac, Star Feed, Hi-Grade, Blanca, Stargate, Safe Fish, and Safe Fo according to host country.
**Figure 5. Financial data of Charoen Pokphand Foods Public Company Limited (US$mm)**

Source: Capital IQ company profile

**CP ALL**

CP ALL Public Company Limited\(^2\) was founded in 1988, and owned by 7.39% by the group, with a total revenue of US$14,305.4 million in 2017. It operates and franchises convenience stores under the 7-Eleven name to other retailers primarily in Thailand, providing bill payment, e-commerce, insurance brokerage, logistics, insurance, information system design and development, merchandise, marketing and consulting, training, and cash and carry services, as well as frozen foods and bakery products. It also distributes various commercial cards and tickets, and equipment for retailing and software development; and trades non-food products. In addition, the company offers education, research and development, microbiologic and scientific laboratory facility, commercial trading, and technical and supporting services. As of December 31, 2016, it operated 9,542 stores\(^3\). Its main geographical segment is in Thailand; it is less active elsewhere. As Figure 6 shows, its total revenue and gross profit has been increasing steadily.

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\(^2\) The company was formerly known as C.P. Seven Eleven Public Company Limited and changed its name to CP ALL Public Company Limited in 2007.

\(^3\) See the website of CP All PCL (https://www.cpall.co.th/Home.aspx, retrieved on 1 February 2017).
TRUE Corporation Public Company Limited

True Corporation Public Company Limited\(^5\) was incorporated in 1990 and is 28.11% owned by the group, and has a total revenue of US$4,042.6 million in 2017. It engages in the telecommunications and diversified communications industries and its Online segment installs and provides fixed-line services, such as public telephones and related value-added offers, data, multimedia, broadband, Internet, and other services. The company’s Wireless segment offers network-equipment rental and mobile services. Its Pay-TV segment provides pay-television services via cable and satellite platforms; and advertising sales and agency services, as well as rental and trading of related equipment and associated services. The company is also engaged in the entertainment business, including production of animations; leasing of mobile equipment, program production, artist management and related activities, reselling mobile-phone services, marketing management, providing distribution and call-centre services, IT services and training, trading and production of advertising media, soccer club and related management activities, production and distribution of motion pictures, and design, development, production, and sale of software products. In addition, it acts as a content provider, operates a news channel, and provides NON-POTS services\(^6\). Its main geo-

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\(^5\) The company was formerly known as TelecomAsia Corporation Public Company Limited and changed its name to True Corporation Public Company Limited in April 2004.

\(^6\) See the website of True Corporation PCL (http://true.listedcompany.com/, retrieved on 1 February 2017).
graphical segment is in Thailand; it is less active outside the country. As Figure 7 shows, its total revenue and gross profit has been increasing steadily, although its net income shows some negative phases across the time period.

![Financial data of True Corporation Public Company Limited (US$mm)](image)

This section has introduced examples of Thai MNEs based on their Forbes ranking, narrowing the focus down to business groups which run horizontally and vertically diversified business activities in both home and host-country contexts. From the available data and information, three companies in particular draw attention for their global competitiveness over rivals; in the case of CP Foods both at home and in host countries, and in the home country particularly for CP ALL and True Corporation PCL.

4. Factors affecting successful Emerging MNEs from Thailand

We have looked at examples of successful Thai firms. In this section, we investigate potential factors in how Thai firms have become MNEs and established their success, from three angles. 1) family business group, 2) country-specific advantages (CSAs) and firm-specific advantages (FSAs), and 3) linkages.

4.1 Family Business Groups and Chinese origins

Across ASEAN, family businesses dominate business activities, and Thailand is no exception. As part of the background of family business in ASEAN countries, such busi-
nresses tend to be protected by connections with the government and with prior colonial countries. Here, however, Thailand is an exception. Recently, family businesses have been assiduously adopting technologies or know-how from Western countries, and there is a long history of innovative family businesses in the country. Another issue which seems to have a bearing on this activity is the Chinese origin and Confucian cultural background of most family-business owners. Table 4 shows a summary of the strengths and challenges of operating within a Chinese-origin family business; (but note that this may not necessarily be applicable to Thailand.)

**Table 4 Characteristics of family businesses in China**

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td>● Stable ownership of group and business leadership</td>
<td>● Transfer of control and ownership</td>
</tr>
<tr>
<td>● Strong stakeholder loyalty: customers, employees and owners</td>
<td>● Inadequate reinvestment (dividend drain, lack of capital)</td>
</tr>
<tr>
<td>● Long-term, patient perspective: plans, investments and relationships</td>
<td>● Traditional product, technology and location loyalties</td>
</tr>
<tr>
<td>● Trust</td>
<td>● Lack of performance mentality</td>
</tr>
<tr>
<td>● Low debt</td>
<td>● Long leadership tenure</td>
</tr>
<tr>
<td>● Decisiveness and periodic boldness</td>
<td>● Control focus-inadequate capital, operations congestion and secrecy</td>
</tr>
<tr>
<td>● Pride, passion, sense of duty, persistence and resilience</td>
<td>● Disruptive family conflicts and exaggerated fear of conflict</td>
</tr>
<tr>
<td>● Mission of excellence, ethics and family control</td>
<td>● Difficulty attracting and retaining top non-family talent</td>
</tr>
</tbody>
</table>


Pananond’s styudy (2009) supports the pertinence of factors arising from Chinese family business, finding four types of network relationships that are key to the emergence of Thai companies as MNEs

1) Close ties with domestic and international financial institutions
2) Political relationships with both home- and host-country governments
3) Alliances with foreign technology partners
4) Relationships based on social ties.

MNEs from late-industrializing countries, especially those from Asia, show that network relationships and networking capabilities are significant advantages for Asian MNEs in
their domestic and international expansion (Pananond, 2009). Sociologist consider the Chinese family-business network a cultural trait across Asian societies. Proponents of this view argue that personal relationships form the basic mechanisms of business contacts in these societies. These networks can benefit Chinese or ethnic Chinese firms when they expand in the region because personal relationships promote trust and reduce transaction costs (see Limlingan 1986, Redding 1990, 1995, Kao 1993, East Asia Analytical Unit 1995). This argument can also relate to Porter’s ‘double diamond’ framework, discussed below.

4.2 Country-Specific and Firm-Specific Advantages

The FSA/CSA matrix (Rugman 1981) is widely used in international business literature to examine firms’ business expansion. It is also useful in analysing the international competitiveness of MNEs. FSAs refer to a set of firm-level factors that confer competitive advantage (Rugman 1981). They can be viewed as a firm’s unique capabilities, which may be built upon product or process technology, marketing, or distribution skills (Rugman 1981). Ultimately, FSAs are based on the firm’s internalisation of an asset, such as production knowledge and managerial or marketing capabilities over which the firm has proprietary control. CSAs refer to various factors only available in and unique to a specific country, and include natural-resource endowments, the labour-force quality and cost, and associated cultural factors (Rugman, 1981).

To assess to what extent MNEs leverage FSAs derived from CSAs, considering both home and host countries can help to understand the international competitiveness of MNEs from emerging countries. Conventional literature has focused on FSAs such as firm size (Levitt 1983), managerial capability (Bartlett and Ghoshal 1989; Kogut 1985; Porter 1986), R&D capability (Buckley and Casson 2010; Porter 1986), financial capability (Agarwal and Ramaswani 1992; Grosse 1992), and relationships and networks within and between companies (Johanson and Vehne 2010). Although this literature argues that such FSAs lead to superior performance by MNEs in global markets (Kirca et al, 2011), they are sometimes unavailable to emerging MNEs or local firms in emerging countries. As Rugman (1981) has already argued, we need to consider both FSAs and CSAs to analyse the international competitiveness of emerging MNEs. Managers of MNEs in reality take into account both CSAs and FSAs as they develop strategies to position their firms in a unique interna-
tional strategic space. International competitiveness occurs at the intersection between CSAs and FSAs (Rugman et. al. 2012); in other words, linkages may be found between CSAs and FSAs that can lead a company to international competitiveness. The need to consider CSAs in both home and host countries has also been advocated regarding the strategy and performance of MNEs and their subsidiaries (Dunning 1998; Grewal et al. 2009; Rugman 1981; Rugman and Verbeke 2001).

There is insufficient empirical evidence to support the application of Porter’s home country diamond to the international market (Rugman et cl. 2012). Some scholars focus only on host country market characteristics in terms of demand potential and similarity of legal and regulatory frameworks (e.g. Cavusgil et al. 1993; Cavusgil and Zou 1994), while others focus on home-country characteristics (e.g. Tellis et al. 2009). The logic of the double-diamond framework however is that a small economy’s diamond is examined along with the diamond of its largest trading partner (Rugman and D’Cruz, 1993). For emerging MNEs, subsidiaries acquire learning effects from operating in a host country. What an MNE learns from host countries, which is partially related to the host country’s CSAs, can be embedded in the MNE’s group, thus strengthening FSAs. As factors potentially affecting emerging MNEs, it is critical to assess how the FSAs of MNEs are affected by not only home-country CSAs, but also by host-country’s CSAs.

A deficiency of Porter’s Schema (1990) is that his diamond does not extend to FDI; moreover, the activities of MNE’s foreign subsidiaries have been reassessed by Dunning (1993, 1997) and Rugman and D’Cruz (1993). Rugman et. al (2012: 222) suggested that the double-diamond framework provides a foundation for investigating the international competitiveness of MNEs from small open economies such as Korea, New Zealand, Austria and Singapore and other non-triad countries, as their firms interact with traditional triad countries such as the USA and Japan.

4.3 Inter-organisational Linkages: National Innovation Systems (NIS)

National Innovation Systems (NIS) are defined by Freeman (1987: 1) as "the network of institutions in the public and private sectors whose activities and interactions initiate, import, and diffuse new technologies". Two major studies on NIS, Lundvall (1992) and Nelson (1993), take different approaches. Nelson (1993) emphasises empirical case studies
and narrowly focuses on nations’ R&D activities. By contrast, Lundvall (1992) is more theoretically oriented and seeks to develop an alternative to the neo-classical tradition in economics by placing interactive learning, user-producer interaction and innovation at the centre of analysis (Lundvall, 1992: 1). Edquist (1997b: 14) uses a more general definition emphasising both organisations and determinants, defined as “all-important economic, social, political, organisational, institutional and other factors that influence the development, diffusion and use of innovations”.

Important constituent elements of NIS include components, inter-relationships, functions and activities; the main components are considered to be organisations and institutions as illustrated in Figure 8. Organisations are entities within the system such as firms, universities or public agencies responsible for innovation and competition policies, and are formal structures that are consciously created and have an explicit purpose (Edquist and Johnson, 1997: 46–47). Institutions, adopting the definition of Edquist and Johnson, include patent laws as well as rules and norms influencing the relations between firms and universities. North (1990) differentiates institutions as “the rules of the game”, and organisations as “the players”, in the “game”, such as innovation systems. Functions and activities were left unaddressed in the original literature; hence, where as Liu and White (2001: 1093) focus on “activities” being related to “the creation, diffusion and exploitation of technological innovation within a system”, we stress activities and functions within NIS as important factors affecting vertical linkages.
The behaviour of organisations is influenced by institutions that provide either incentives for or obstacles to innovation-institutions being defined as "sets of common habits, norms, routines, established practices, rules, or laws that regulate the relations and interaction between individuals, groups, and organisations" (Edquist and Johnson, 1997: 46). The activities of the principal protagonists in systems of innovation are those which determine the main function of the system, and thus exert influence on the innovation processes. Activities which can be expected to exemplify this in most systems of innovation (Edquist, 2004: 190–191) include: 1) the provision of R&D, 2) the creation of new knowledge, 3) competence building, 4) networking through markets and other mechanisms, including interactive learning between different organisations involved in the innovation processes, and 5) the provision of consultancy services of relevance to the innovation process.

Despite globalisation as a result of FDI and international R&D by MNEs, national and local networks and information flows have modified, but continue to function. Niosi et al. (1993) suggest that four sets of flows or links are prominent in NIS: 1) financial flows, 2) legal and policy links, 3) technological, scientific and information flows, and 4) social flows. To a large degree, these form key elements in national, regional, or local systems of innovation, as well as in the process of economic growth (Dosi, Freeman and Fabiani, 1994; Dosi, Pavitt
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and Soete, 1990). The institutional environment produces various economic entities that influence technological learning in an NIS (Kim, 1997; Lundvall, 1992; Nelson, 1993), including: 1) R&D infrastructure and its role, 2) customers and suppliers in the international and domestic market, and 3) interactions among organisations. An analysis of a NIS must examine the effectiveness of these entities and their interactions along the trajectory of technological development. The literature on NIS emphasises the importance of diversified linkages among the various components of the institutional environment, as well as between organisations, in improving national innovative and competitive performance. For example, linkages can be found between subsidiaries of MNEs from developed countries and local Thai firms in Thailand as a host country or between Thai MNE’s subsidiaries and local firms or local organisations in a host developed country. The NIS is a complex combination of institutions that support learning processes and technological accumulation both in home and host countries.

5. Discussion

In the previous sections, we have looked at successful Thai MNEs and potential factors in their competitiveness. Among Thai MNEs, the Charoen Pokphand Group today has significant competitive advantages, such that it has entered joint ventures with 50% equal share with Japanese companies. This shows the CP Group’s distinctive development path, achieved by a unique integration of FSAs and CSAs from both home and host countries.

Analysis of Chinese-origin factors in the Charoen Pokphand Group

Initial outward FDI by the Charoen Pokphand Group was to the region in China where the family originated, and the group maintained connections and trust-based business activities there. Their horizontal diversification, which sometimes included risky business venture could be justified by a business-related application of China’s Confusion philosophy, valuing stable ownership and business leadership-strong stakeholder loyalty among customers, employees and owners, and a long-term and patient perspective regarding plans, investments and relationships.
Analysis of FSAs in the Charoen Pokphand Group

Vertical diversification can itself be an FSAs. From its initial offering of manufacturing and selling livestock feeds, including chicken and pork, the group extended itself into breeding and livestock, and further into sales of live animals and related products to distributors and local farmers, and still further again to processing, packing, freezing, and selling a range of livestock products to retailers, wholesalers, and food services. The group has also taken to selling its products through retailers. Hence, by using existing capabilities, the Charoen Pokphand Group has sought to expand its range of business activity into similar areas.

From the point of view of CSAs, the group has particularly integrated with host countries, namely China, Hong Kong China, and Taiwan for livestock feeds, and UK, USA, Turkey, Japan and others for developing new products for these host countries. Therefore, we can apply the double-diamond analysis to their situation of using the CSAs of home and host countries at different times. What the group has gained from host-country CSAs could constitute unique competitive advantages as a late comer firm and as an emerging MNE.

Regarding its Chinese links, the group has tried to maintain networks from the founder’s home region in China. Family members have sought to grasp Chinese culture and language through joining local schools in China, and doing business in China, Hong Kong China and Taiwan. The group has inter-organisational linkages with foreign firms, which have helped in introducing new technology such as broiler systems.

Analysis of CSAs in the Charoen Pokphand Group

Owing to Thailand’s historical background, western capital input has been limited compared to other ASEAN member countries, which have helped local Thai firms to do business in their home countries. The business activities of Charoen Pokphand Group are labour-intensive and Thailand’s lower labour costs have helped the group’s growth. Thailand has locational advantages in being closer to China and more recent addition to ASEAN membership. Through the process of internalisation and capacity-building in the group as a whole, the conglomerate has been building interactions with China, Hong Kong China, and Taiwan since the 1990s. (William and Tracy, 2011). Altogether the group seems to have
benefited from both home- and host-country CSAs.

6. Conclusion

This study has focused on potential factors affecting how Thai MNEs have obtained competitive advantages over rivals, particularly focusing on FSAs from evolving interactions between home CSAs and Thai-MNE FSAs and host CSAs and Thai-MNEs’ FSAs over the recent period. We were interested in how emerging MNEs have conducted outward FDI and who are the major players, particularly in Asian regions. Since Thailand has become an important outward FDI investor, we selected Thai MNEs involved in a major business group in order to investigate the phenomena of horizontal and vertical diversification. Using the case of the conglomerate, the Charoen Pokphand Group, we looked at three companies in details, namely CP foods, CP ALL and TRUE Corporations.

Our research suggests that under a similar situation of weak government capital, other developing countries might follow a similar model to these Thai MNEs, which have not relied on state capital. Cultural factors unique to Asian home countries have also affected these companies’ philosophy, indicating how company philosophy in tandem with host-country CSAs can influence firm competitiveness. To address this, an awareness of organisational linkages, as seen in NIS, is essential for understanding the unique development of Asian emerging MNEs.

A research limitation is that we have not tested any hypotheses; rather we have sought to identify potential factors behind the success of certain Thai MNEs. In addition, although we understand that theoretically creating NIS first in a home country and later in a host country may be helpful in acquiring competitiveness, particularly in areas of innovation, we were unable to obtain the necessary details of NIS actors in home and host countries, nor the process of interactions between different actors. This may be a follow-up avenue for research by conducting direct interviews with appropriate managers in the group.

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